

**DOING BUSINESS IN RUSSIA:  
WHAT MNC CORPORATE PRACTICES SEEM TO WORK BEST?**

**Alexei Koveshnikov**  
Hanken School of Economics  
P. O. Box 479  
Arkadiankatu 22  
00101 Helsinki, Finland  
Tel: +358408655894  
Email: alexei.koveshnikov@hanken.fi

**DOING BUSINESS IN RUSSIA:  
WHAT MNC CORPORATE PRACTICES SEEM TO WORK BEST?**

**ABSTRACT**

Russian organizations have undergone significant changes since the 1990s. A new generation of Russian managers has come to the fore in Russia, who is eager to learn and is opened towards knowledge coming from the West. In turn, Western multinationals have also learned the hard way the fundamentals of successful business in Russia. However, these developments have not been examined in the academic literature. The study explores *what* ‘best practices’ and *how* do Western multinationals utilize when striving to succeed in today’s Russia. Based on two explorative case studies, it identifies six types of practices: management training, corporate culture management, intercultural and linguistic training, HRM practices, boundary spanning, and reliance on local competence. The analysis elucidates important changes that occurred in Western-Russian business relations and underscores important practical implications.

**Keywords:** Russia, ‘best practices’, MNC, internalization, boundary spanners

# **DOING BUSINESS IN RUSSIA: WHAT MNC CORPORATE PRACTICES SEEM TO WORK BEST?**

## **INTRODUCTION**

Following the break up of the Soviet Union many Western companies have attempted to capture ample business opportunities that opened up in Russia in the 1990s. However, as Western companies' experiences showed and continue to show succeeding in Russia was and is far from easy. Trying to find explanations for various challenges that Western companies face while operating in Russia and with Russians, the extant literature has embarked at providing lists of cultural, cognitive, and psychological characteristics of Russian managers that prevented them from appreciating Western knowledge and practices and subsequently from internalizing and applying it (see, for instance, Michailova, 2000; Michailova & Husted, 2003). Russian managers were portrayed as somewhat inferior to their Western counterparts for they lacked Western education, Western managerial knowledge, and working experience from non-Soviet organizations.

Some authors argue that during 1990s the process of transferring Western knowledge to Russian managers has been very complicated for Russian managers inhibited conflicting values which presented barriers to this process and limited their absorptive capacity to receive knowledge (Beamish, 1992; Bollinger, 1994; May et al., 2005; Michailova, 2001). At the same time, there are some indications in the literature suggesting that the situation in Russia has changed since then and Russian managers are more receptive now to new ideas and managerial knowledge (Alexashin and Blenkinsopp, 2005; May et al., 2005). One reason being the change in managerial attitudes that has occurred especially in Russian companies with Western participation. These companies often hire younger people who are more open to new ideas and adaptable to new working systems as opposed to the older generation of managers for whom traditional Russian managerial values still seem to exhibit greater importance.

Notwithstanding the fact of the new generation of managers entering the Russian companies, it was suggested in the literature that it can still be very beneficial for Western companies not to underestimate traditional values, as well as history and past experience, when dealing with Russians (May et al., 2005; Michailova, 2000). For instance, May et al. (2005) suggest that such aspects as the traditional Russian preference for a strong leader must be appreciated, and Westerners might have to institute top down control techniques that Russians not only respect but also expect. It has to be done through processes that at the same time foster communication and team building and reflect Westerners' appreciation of the local managers' past experiences and operating circumstances. In other words, these processes have to be built and implemented in ways that account for the inherent conflicts in local Russian and introduced Western values and accommodate them in some way.

However, despite the realization that the situation in Russia and the attitude of Russian managers have changed, we still know relatively little concerning *what* are the actual practices that Western companies adopt to deal with the new generation of managers on the rise in Russia. We also lack knowledge concerning the mechanisms through which, or *how*, these practices get internalized in Russian organizations successfully. Hence, if we accept that the situation in Russia has changed since the 1990s, as May et al. (2005) and others suggest, and that there is an increased awareness and apprehension among Western managers concerning the specifics of the Russian context, then it as well might prove useful to examine how these changes are reflected in actual practices and in their internalization when introduced by Western companies in Russia. In our view, up to now this area still remains relatively unexplored in the literature.

To partially address this gap, the paper explores various mechanisms and so called 'best practices' that Western MNCs, more specifically Finland-based MNCs, utilize when striving to succeed in today's Russia. Based on two explorative case studies it identifies specific types of practices that over several years have resulted in successful internalization in both case companies. In this paper the focus of the study is shifted in comparison with the existing research on Western

MNCs in Russia: instead of looking - as the previous literature has predominantly done - at barriers and problems that Western MNCs encountered in Russia (mostly during 1990s) and that affected MNCs' operations, the current paper focuses on what, i.e. what kinds of practices and in what way, actually work successfully in the Russian context. The specific research questions that the paper poses are the following ones: (a) What types of 'best practices' do Finland-based MNCs employ in Russia and what practices are the successful ones?; and (b) How and through what mechanisms these practices get internalized?

The paper is structured as follows. First, the existing literature on Western operations in Russia is examined. Second, two case companies and the research design are introduced. Third, the analysis is presented. Finally, a discussion of the findings, their implications for MNC management in Russia, and the potential avenues for future research is provided.

## **WESTERN MULTINATIONALS IN RUSSIA: THE PAST AND THE PRESENT**

The literature dealing with experiences of Western companies in Russia has been growing since the beginning of 1990s. Two main areas of research inquiry related to the operations of Western MNCs in Russia have been of particular interest: (a) the characteristics and the nature of the managerial style (e.g. culture, attitude, behavior, etc.) in Russia and its compatibility with the Western managerial style(s), and (b) the transfer of Western managerial and organizational knowledge and practices into the Russian context and the challenges pertinent to such transfers.

Within the former stream of research the authors explored the types of leadership styles (Fey, Adaeva & Vitkovskaia, 2001) and the factors that motivate managers (Fey, 2005) in Russian companies, the differences in managerial and ethical values between Russian and US managers (Elenkov, 1997, 1998; Robertson, Gilley & Street, 2003), the differences between Russian and Western perspectives on organizational change (Michailova, 2000), and the link between organizational culture and operational effectiveness in Russia (Fey & Denison 2003; Fey, Nordahl & Zätterström, 1999). A number of studies have suggested that the Russian environment is very

complex and that the Russian cultural milieu is significantly different from the Western one (Beamish, 1992; Bollinger, 1994; Michailova, 2001; Puffer, 1994; Puffer, McCarthy & Naumov, 1997). Meanwhile, others have focused on changes that took place in managerial practices and mental frameworks of Russian managers in the newly forming market-oriented setting. For instance, several studies have stressed the gradual change in managerial behavior in Russia towards Western ways of behavior (Alexashin & Blenkinsopp, 2005; Elenkov, 1997, 1998; Puffer & McCarthy, 1995).

The latter stream of literature has examined the fit and the effectiveness of the Western human resource practices in Russia (Fey, Engström & Björkman, 1999; May, Young & Ledgerwood, 1998; Michailova, 2002; Shekshnia, 1998), the impact of the Western human resource practices on performance in Russian companies (Fey & Björkman, 2001), the difficulties involved in knowledge exchanges and interactions between expatriates and local managers in Russia (Camiah & Hollinshead, 2003), the knowledge-sharing hostility in Russian organizations with Western participation due to Russians' high level of suspicion towards foreigners (Michailova and Husted, 2003), and the precarious nature of learning in general in the Russian-Western setting (Engelhard & Nägele, 2003).

A common theme in most of the papers within these streams is an attempt to explain the challenges that Western MNCs face in the Russian context when transferring knowledge and striving to succeed mainly by drawing on cultural characteristics of Russian managers and Russian organizations, majority of which were cultivated in and subsequently inherited from the Soviet period. For instance, when examining why the Western-originated practices of participation and empowerment do not work in Russian organizations, Michailova (2002) provides the following characteristics of Russian organizations as explanations: one-man authority, anti-individualism and dependence, tightly coupled hierarchies, lack of knowledge sharing, and double-bind situations. When investigating interactions between the Western expatriates and the Russian employees, Engelhard and Nägele (2003) suggest lack of trust and intercultural skills, corporate culture, social

distance, different role expectations, teamwork schemes and ideas of control as the barriers to learning.

However, given the recent indications of changes occurring in Russian managers' perceptions towards Western knowledge (Alexashin and Blenkinsopp, 2005; May et al., 2005) and notwithstanding the important contribution of the extant literature, this paper examines what practices are successful and, more specifically, how and through what mechanisms these practices are internalized successfully by the new generation of managers in Russia. In our view, this area clearly constitutes a gap in the extant literature. By so doing, we hope to increase our understanding of the nature of those practices and of the mechanisms through which they are internalized in the current cultural, socio-political, and societal situation pertinent to the Russian context, which definitely should be addressed by Western MNCs trying to succeed there.

In fact, the extant literature has shown that various knowledge transfer processes taking place between Western and post-socialist (including Russian) companies are more complex and less linear than the one-way transfer and consensual learning often implied in the literature (Child, 2000; Child & Czegledy, 1996; Clark & Geppert, 2006). To support this point, Clark and Geppert (2006) have theoretically discussed several responses that so-called post-socialist companies in general - with Russian companies forming a significant part of them - might adopt when facing the possibility of cooperating with a Western partner in order to adapt to changing economic pressures. While some Russian companies might deliberately avoid cooperation with Western partners, others are more tolerant and opened in this respect. Some of these companies intend to maintain strategic and control independence while acquiring certain Western concepts and techniques mainly in areas of recruitment and training (Hollinshead & Michailova, 2001). Others, willing to sacrifice their autonomy, enter into closer cooperation with their Western counterparts aiming at acquiring knowledge, gaining access to supply networks, and learning new practices and ideas (Geppert & Merkens, 1999). There are several factors that can influence the general willingness of managers in Russian companies to establish a closer cooperation with their Western colleagues. For instance,

different knowledge transfer strategies, power dispositions, personal interests and expectations might lead to different levels of motivation among managers and subsequently to different outcomes in transfer and internalization of practices.

In this paper it is suggested that the optimal approach for the Western organization trying to maximize the internalization of its practices in Russia should comprise a very careful attitude towards local specifics and circumstances. It is likely then to create an environment in which Russian managers are more willing to cooperate and more motivated to strive for better results. It can be maintained by employing transfer mechanisms that place a greater emphasis on the legitimacy and expression of host country values, granting local managers a greater say in joint affairs, and respecting local identity and its expressions (see also May et al., 2005).

There are several “best practices” and transfer mechanisms by paying attention to which this approach can be realized as our case companies’ experience shows (see the empirical section of the paper). Theoretically, we define ‘best practices’ as ways of working that are “performed in a superior way in some part of the organization” and are “deemed superior to internal alternate practices and known alternatives outside the company” (Szulanski, 1996: 28). ‘Best practices’ are usually bundled up together to constitute a strategic approach, which the company selects to follow in its operations. ‘Best practices’ are frequently considered as valuable resources that firms seek to replicate and exploit across the organization for a number of purposes (Björkman & Lervik, 2007; Szulanski, 1996). First, knowledge embedded in organizational best practices is frequently seen as potential source of organizational learning and, ultimately, competitive advantage for firms (Jensen & Szulanski, 2004; Szulanski, 2000). Second, the introduction of standardized practices can be used to achieve internal consistency within the firm, increasing global integration (Björkman & Lervik, 2007). This consistency can, in turn, contribute to various objectives such as developing a common corporate culture (Lervik, 2005), enhancing equity and procedural justice within the MNC (Kim & Mauborgne, 1993), and managing the external legitimacy of the MNC as a whole (Kostova & Zaheer, 1999). Third, the process of transferring practices can lead to innovation in the sense of



creating new ‘best’ ways of operation. Thus, the theoretical concept of ‘best practice’ forms the basis for our empirical analysis, which is discussed next.

## METHODOLOGY AND RESEARCH DESIGN

This study applied a classical case study methodology (Yin, 2001) which is well suited at providing a rich contextual sense of the phenomenon under investigation. Such a methodology addresses well the aims of our study, e.g. to explore various practices and transfer mechanisms that lead to successful internalization of these practices when applied by Western MNCs in the Russian context. To do that, we conducted two rounds of personal interviews in both case companies with top and line managers at the level of the HQs in Finland and at the level of subsidiaries in Russia. Altogether 64 interviews were conducted between January 2006 and December 2007 (see Table 1). The interviews lasted between 45 to 100 minutes and were recorded and transcribed verbatim afterwards. During the interviews the following topics were discussed: what is and how the respondent perceives organizational competence of the firm internationally, how the respondent perceives the process of knowledge transfer between the HQs and the daughter company, how the respondent perceives the relations between the HQ and the daughter company, what role does language play in these relations and processes, and what are the cultural stereotypes and differences that exist between the members of the organization and what is their impact on everyday activities of the firm. The language used during interviews was English, Finnish or Russian. All interviews were recorded and then transcribed verbatim. Where necessary the transcripts were translated into the reporting language (English) afterwards. The interviews have provided rich analytical material containing experiences, opinions, and perceptions of managers which was then used in the analysis.

**Table 1: The list of interviewees**

| Company | In Finland       | In Russia | Top managers     | Line managers | First round      | Second round |
|---------|------------------|-----------|------------------|---------------|------------------|--------------|
| FABA    | 12               | 21        | 24               | 9             | 7                | 26           |
| NORT    | 15               | 16        | 14               | 17            | 12               | 19           |
|         | <i>Total: 64</i> |           | <i>Total: 64</i> |               | <i>Total: 64</i> |              |

Additionally, the author and his colleagues have participated in various managerial meetings on several occasions within both companies and took part in discussions concerning companies' operations in Russia and numerous challenges involved. These meetings have provided a good understanding of the process of knowledge transfer and challenges related to it in both companies. Finally, we had access to ample secondary sources of information, such as company presentations, internal reports, learning diaries, etc. These sources were used to deepen our knowledge of both companies and improve our understanding of relevant issues within and without both organizations.

The author has proceeded with the data analysis in the following way. First, during the interviews it was possible to identify several areas or practices that were continuously emphasized by both Finnish and Russian interviewees as fundamental for the overall success of both companies in Russia and, more importantly, for ensuring the establishment of smooth and productive relations between Russian subsidiaries and Finnish HQs in both cases. These included managerial training, corporate culture management, and HR practices. These were often and explicitly referred to by various respondents as being very crucial for success in Russia. Second, as the author delved deeper into the interview material and, more importantly, learned both companies better it was realized that three other areas or practices are of utmost importance for both companies' success in Russia. These included relying on local competence, engaging in boundary spanning activities, and promoting cultural and linguistic training. The ultimate number of practices that were identified has been verified with several other members of the project team. Third, having identified six practices the author then examined the data for quotes and examples in which these practices are discussed. Also, the author looked for quotes that provide the evidence concerning the perceptions of managers towards these practices and the ways in which these practices have been introduced and internalized in both companies in Russia and what are their outcomes. The preliminary results were fed back to the case companies' representatives by means of several project reports and iterated jointly in a series of seminars.

## CASE COMPANIES

### Case #1: NORT

NORT is more than a 100-year-old chemical process manufacturer of close to 5,000 employees, which focuses on markets in Europe and Asia. Despite its relatively small size, it is world-leading in its niche. The company has historically been relatively focused on Finland, and it's combined HQ and factory in a regional industrial town is a landmark of Finnish industrial history. NORT has nevertheless been able to hold its own place in the international marketplace in competition with giant international competitors, and has also been able to survive on its own on the stock market after being spun off by its conglomerate parent in the mid-1990s.

NORT started its expansion into Russia with an aborted joint venture with a foreign partner. Due to the opportunistic behaviour of the partner, the venture had to be terminated. When it folded, NORT decided to invest in a Greenfield factory outside St Petersburg. The factory and the local organization were built from scratch in a very short time. The Russian organization now has a headcount of some 300 persons, recruited in less than 2 years, and the transfer of manufacturing competences has been highly successful. The majority of Russian managers forming the management team in Russia have got international work experience or worked in large MNCs in Russia prior to joining NORT.

Some reasons for the Russian subsidiary success that were mentioned in our interviews are: quick decision-making, good relationships to authorities, professional transfer of production capabilities, and close cooperation between the Russian managing director and two Finnish production experts. The St Petersburg factory now generates a large percentage of NORT's business and it is constantly growing.

### Case # 2: FABA

FABA is a Finland-based, family-owned food producing multinational employing around 15,000 people. The expansion of FABA into the Russian market has started already in 1997 when it has

acquired one Russian company in St Petersburg. From the beginning the strategy of acquisitions was chosen to develop the company's operations in Russia. The successful integration of the first acquired company into the company's structure and the general success that the company was able to achieve in its prior international operations has convinced the decision-makers at the HQs in Finland that the company has been able to develop an acquisition capability 'in-house' that would allow embarking successfully on subsequent acquisitions in Russia.

However, the subsequent acquisitions of other Russian companies showed that FABA's ability to acquire and integrate companies was far from being unproblematic. For instance, when another acquisition in Russia, this time in Moscow, was implemented in 2005, FABA faced lots of problems in integrating the newly acquired entity. Initially, Finnish management tried to pursue the acquisition in Moscow on its own, but after the integration problems became apparent, FABA started to engage Russian managers from the St Petersburg organization, who brought in their expertise and experience. The initial non-involvement of managers from St Petersburg was recognized as a mistake. In 2008 the entire business of the company in Russia has been separated into a stand-alone division (but led by a Finnish expatriate) and the leading managers from both Russian companies in St Petersburg and Moscow have formed the management team for this new business entity. A significant portion of these managers have obtained working experience from large MNCs in Russia prior to joining FABA. The new management team has been allocated the responsibility to coordinate and monitor the entire Russian business of FABA. The Russian division of FABA is at the moment the most profitable and fastest growing unit in the company.

### **CORPORATE 'BEST PRACTICES' IN RUSSIA: WHAT AND HOW?**

In this section we identified particular areas in which both companies have employed specific - what we term - 'best practices', which turned out to be very adequate for and successful in the Russian context. These practices allowed both companies to improve their Russian operations over the years. We structured these 'best practices' into the following categories: management training,

corporate culture management, HRM practices, and cultural and linguistic training. However, our data also shows that the choice of mechanisms through which these practices were introduced and internalized in Russia constituted an important success factor. Hence, we have termed two types of mechanisms mentioned in our data as two additional ‘best practices’, namely boundary spanning, and reliance on local competence.

## ***CORPORATE ‘BEST PRACTICES’ IN RUSSIA: WHAT?***

### ***Management training and motivation***

The extant research has indicated that managers with experience and operational knowledge only in Soviet style organizations are unlikely to be effective when managing a market-oriented organization (Uhlenbruck et al., 2003; May et al., 2005). In the Soviet type organizations managers were not the actual planners and decision makers, rather they acted as implementers of plans decided for their organizations by GOSPLAN (State Planning Committee). Hence, they were not very well versed in strategizing, market analyses, and long-range planning skills and capabilities (Michailova, 2000).

From the outset of their Russian operations FABA and NORT have invested heavily in training their managers locally. Cooperation with universities was established to run MBA programs in Russian (for Russian speaking) and in English (for those who could manage in English) languages. It was realized in both companies that what local managers in Russian subsidiaries need most is expertise in various crucial managerial skills, especially in strategic planning and marketing. That’s how one Russian manager reflects on these initiatives from the HQs.

I think that in Russia we always could produce, but what is important is what to produce and how to sell it. And these are two main things that actually Finns brought here. And then there was also a third point - which came here really already with FABA - it is strategizing. (A Russian manager)

The most important specialists, i.e. top, middle and line managers, were trained personally and often at the premises of the HQs where they spent from several days up to several months

undergoing various types of trainings. It allowed to form functional circles and personal links among managers and helped to establish trust at inter-personal level. Such inter-personal links later proved to be very useful as managers in different subsidiaries were exchanging ideas, know how and knowledge among each other. Such exchange could have been impossible without having joint trainings in the first place.

[For instance] with Lithuanians I have very good relations (developed through the joint training participation). We call often and discuss business issues and everything is good. (A Russian manager)

Both companies have introduced the training programs aimed at developing capabilities and management skills of top managers in Russian subsidiaries. An example of such training introduced by FABA consisted of sessions run for several weeks covering topics related to strategic planning, HRM, and project implementation and management. All our interviewees in FABA agreed that the program was very useful and was run by foreign lecturers at a very high level. Additionally, such trainings were complimented and followed on by shorter sessions that were organized regularly for top managers. That's how these training sessions were described by one of the Finnish top managers who was behind the introduction of this program in Russian subsidiaries:

We have these management team meetings, where we always collect our managers from different countries and business units together for two days. It is also some kind of training. Then also we have close cooperation with [a consulting] Finnish company, so we are making these management assessments and we are now also starting it in St Petersburg before Christmas. And in Moscow we have made this kind of process during this year. Then we have these functional networks, for example I have my own HR network and communications people have their own network, and brand people and marketing people. So all responsible persons from Russian units they are participating in those meetings where we always have some training or education concerning some issues we are working with at that time. (A Finnish manager)

One Russian manager has described the managerial training provided by FABA in the following positive terms, though indicating that learning has to be provided on a continuous basis to keep Russian managers motivated and interested – an area where both companies still could improve in the future:

From time to time the company organizes a course called 'The FABA way'. There are three modules and they cover different subjects such as strategy and human resource management. It is very important definitely. But then the company seems to think that that's it, and now we should be prepared. I passed this course during my first year with the company. In terms of education it was a

very good course with very good trainers who came from different institutions in different countries, but education is something that has to be an ongoing process. (A Finnish manager)

To offer challenging jobs and career possibilities was seen in both companies as particularly important in the major cities in Russia, such as Moscow and St Petersburg, where well performing managers and employees in general have ample job opportunities and head hunters are increasingly active.

People have their own goals, maybe they cannot earn here the same that they could earn somewhere else, but they work in this company because they feel secure and they are treated well. If we hire someone we hire him for a long time and we show him the perspective of development. I think we still need more structure in this so that people could foresee what would happen to them in a year or two. So we need some career planning system, which is missing at the moment. It is important that people can feel that they can participate in some interesting and ambitious projects. We have to have constant development of our personnel in terms of language studies, trainings, participation in various interesting projects. (A Russian manager)

Hence, the management training initiatives brought very positive results in both companies. The possibility to upgrade one's existing knowledge and to acquire new skills was highly valued by Russian managers, many of whom showed a lot of interest and willingness to undergo such trainings. In today's Russia, various types of management trainings are often seen as the way to advance one's career and one's professional growth. Often, it serves as a strong motivational factor. However, as our interviews indicated the challenge for Western companies today is that in order to keep their best managers in Russia motivated, companies need to provide such trainings continuously. It incurs substantial costs: both direct, i.e. costs of the training itself, and indirect, i.e. costs suffered in case a highly trained manager leaves the company.

### ***Corporate culture management***

It was suggested in the literature that it is important in Russian organizations to communicate clearly 'a bigger picture', in terms of organizational goals, visions, directions, and means for achieving them, to the employees (Michailova, 2000). It provides a feeling of certainty and security among employees, increase their self-esteem and motivation. One way to do so is by establishing a

shared corporate culture throughout the entire organization. Creating and diffusing shared values and corporate culture can also help to minimize the impact of national differences on daily work.

Both case companies have attempted to engineer a shared corporate culture at the level of both HQ and Russian subsidiaries. It was perceived as a vital element in creating a productive organizational atmosphere throughout the entire organization. As such, it was an attempt to create a culture that could minimize national differences between different parts of an organization by stressing what was shared and common throughout it instead of emphasizing differences. Having shared values and a common culture was seen as a prerequisite for eliminating misunderstandings between people in various parts of the organization and as a base for negotiating over common organizational values, practices, and perceptions.

In FABA the old existing corporate culture that existed in the Russian subsidiary before it was acquired was replaced with the new one. To do that an extensive campaign was organized in the Russian subsidiary to implement the shared culture transfer and to ensure its successful internalization. Plentiful meeting with employees were arranged during which presentations were made and videos were shown to communicate the meanings of new values comprising the new culture. Personal interviews were conducted with every top manager where the new culture was discussed to ensure that it is well understood and internalized by managers and could later be communicated by him / her to his / her subordinates.

Events [related to the transfer of the shared corporate culture and values] were happening here [in Russia] on a large scale. First of course the booklet was published with all the values. Then, the movie was created with the Russian translations. Then there was a plan according to which there were discussions with all top management and then top management with the support of HR organized some events trying to explain these values. So the process was built quite well and for something like three months all these procedures were going on. (A Russian manager)

Russian employees proved to be very receptive towards various types of symbolic representations. Partially, such receptiveness stems from the Soviet times during which symbols like Communist Party, the October Revolution, etc. played an important part in forming psychological and ideological portraits of an employee. Similarly, the new values and symbols that were introduced by both companies were internalized quite well by Russian employees. Even more,



in case of NORT the shared corporate culture and its slogans were internalized to a better extent than on their home soil. Such slogans like ‘Nothing is impossible’ and ‘Good is the enemy of the Great’ turned out to have a high congruence and a good semantic fit with the current situation in Russia and the current state of mind of Russian managers. They were internalized and utilized in daily activities by Russian managers eagerly. In general, Russian managers and employees tended to exhibit high respect and appreciation for history and various symbolic expressions associated with it. It concurs with the literature suggesting that Russians tend to ‘romance the past’ (Kets de Vries, 2001: 591).

We need value management to be able to create common corporate culture and I believe that our company as an employer, as a company stands for a very strong value and identity. I believe that a lot of people take pride in working for us also in Russia... Russians are very traditional: they respect history, also the darker part of the history. And Finland was actually a part of the Russian empire, which is for us a value in itself in Russia. (A Finnish manager)

At the same time, it was highly appreciated that the new shared corporate culture does not resemble any particular Finnish, Russian, or some other third culture. Its novelty and uniqueness were indeed highly valued.

The most important thing, both in management and in communication in general, is not to stress the Russian culture or the Finnish culture too much but to stress the company culture. That allows us to smooth [cultural] differences and it facilitates trust building. (A Finnish manager)

The company has a very strong culture. It’s not a Finnish culture, it’s a corporate culture, which is really very strong, and it’s one of the great assets of the company and one of the key success factors. (A Russian manager)

For both companies the need to adapt to local specifics was still of utmost importance. By recognizing that both companies were able to increase the chances of the new shared corporate culture being well internalized in the Russian context. In turn, the strong and well internalized shared corporate culture served as a solid foundation on which the entire organization was build successfully afterwards. One interviewee put it as follows: *“They [Russians] built the whole organisation based on this practice [the shared corporate culture].”* (A Finnish top manager)

Hence, introducing and widely disseminating a shared corporate culture - which was detached from any national affiliations, either Finnish or Russian, and instead comprised a unique

set of values and practices - proved to be very instrumental in directing Russian employees in both companies towards common organizational goals. Importantly, it helped to minimize, if not completely but to a significant extent, the impact of national differences on daily work. It also illustrated the importance of a good semantic fit between values, cultures, and symbols being disseminated and the cultural, social, and psychological characteristics of the host environment, like in the case of NORT. A practical lesson from this might be the realization that it might often be useful to consider specifics of the host environment and try to adapt values or cultures being transferred in one way or another to get a better semantic fit. Of course, it would require deep knowledge of the host culture, language, and history.

### ***Cultural and language training***

A lack of language and cultural skills can form an important barrier to integration and knowledge sharing inside the MNC (Marschan-Piekkari, Welch and Welch, 1999). In turn, it was suggested that language skills are positively related to levels of communication (Barner-Rasmussen and Björkman, 2005) between MNC units. Language has further been argued to influence teamwork between locals and foreign employees in MNCs (Goodall and Roberts, 2003). Hence, language and cultural skills have been assigned very significant roles in interactions between different organizational actors within the MNC. At the same time, historically the level of language and cultural skills has not been very high among managers in post-Soviet Russia due to the cultural and linguistic closure of the Soviet Union for a substantial period of time.

In both companies increasing the cultural awareness and providing language training were seen as essential for attaining sustainable success in Russia. The ability to achieve mutual understanding and smooth out cultural differences was from the outset on the top of managerial agenda in both companies. Together with the corporate culture management activities in Russian subsidiaries top managers in both companies have realized the need for providing a common platform for the employees to communicate to each other and hence exchange knowledge and

improve trust. The lack of language skills was seen from the start as a weak area that needs to be improved at the level of both HQs and subsidiaries.

In Russia, there are a lot of persons at the managerial level who don't speak English at all. (A Finnish manager)

NORT is still today a Finnish company. If you come and spend a month with us, you will find that the meeting minutes are all in Finnish. We tried to change and found out that it is very difficult to implement because it is not only top management, it is also R&D, production and so on. And you have to go through the whole structure in order to get it to work. (A Finnish manager)

As such, the lack of language skills was recognized as one of the acutest problems to be dealt with in Russia. It was difficult for both companies to find employees - especially at the top management level - who were able to speak English fluently. Even more severe was the situation with finding Finnish managers who are able to speak Russian and Russian managers who are able to speak Finnish. It presented a real challenge as the common language was seen as the main prerequisite for successful interaction between employees and the subsequent development of the entire business in Russia.

So I think what is important really is that we go about this [the role of language] seriously, I mean either we work together or we don't. And if we want to work together, we have to learn the culture and understand how things are working in Russia, I think that's number one... Mr. X [the founder of FABBA] always said that do in Rome as the Romans do. And it was pretty wise, because if you realise that, you will also make much better business. That's one thing. But then again, it is obvious that it would be very good to speak fluent Russian. (A Finnish manager)

To address this challenge both companies have arranged extensive language and cultural training programs for its managers. In Russian subsidiaries managers were provided with the opportunity to study or to improve their level of English language, while plenty of Finnish managers at the level of HQs were encouraged to learn Russian.

The meaning of Russian units and their importance has been growing very much. But also it can be seen so that most of the people here they are trying to learn Russian language, so that we should also respect them as individuals and show them that they are important for us. (A Finnish manager)

Such initiatives were seen as a crucial step in eliminating various challenges between HQs and subsidiaries, like inherent ethnocentricity of HQs, increasing mutual trust and understanding

between Finnish and Russian managers, and facilitating knowledge and expertise exchange.

Besides, a mere fact that the other side was interested in learning the partner's culture has served as a catalyst for fostering amiable relations between parties for people tend to appreciate the general interest in their culture and language from others.

I think that it would be very beneficial to be able to speak Russian because it is much easier to get a closer contact with people, it is quite tricky when you are discussing with your people about your functional issues via interpreter, so that you must first discuss with this person who does not know anything about the content and that kind of stuff. And first tell that to this person who is then translating your ideas and issues to the audience, so it is not very easy, it takes time and it is also somehow embarrassing... I could show much more respect to my Russian colleagues if I could have the capability to speak Russian. (A Finnish manager)

Hence, though initially the average level of language and cultural skills was not very high from both Finnish and Russian sides, those initiatives to provide language and cultural trainings that were undertaken by companies' HQs proved to be conducive for improving the general inter-unit interaction among managers, facilitating more dialogue and subsequently more knowledge exchange, and increasing the level of trust. Surprisingly, as they were attending various events and seminars dedicated to Finnish culture and history, some managers in Russia even started to find more and more similarities among Russian and Finnish cultures and among Russians and Finns. Seeing someone as more similar than different to the self might increase the propensity to trust and understand.

### ***HRM practices***

In Russia today it is not only crucial to develop, retain, and motivate valuable managerial resources, but also specialists, line managers, and shop floor employees. In large cities of Russia, like St Petersburg and Moscow, the turnover for different groups of employees can be very high. Hence, HRM practices should cover a wide spectrum of employees at different levels to ensure the sustainable development of the company.

There were certain HRM practices that have been successfully introduced by both companies in Russia at both managerial and employee levels. One of them was aimed at the shop

floor workers and was called *employee exchange program*. Within this program employees from Russian subsidiaries travel to the HQs and spend some time working there side by side with their Finnish colleagues. Among other things, this practice has had a strong impact on breaking cultural stereotypes that apparently had quite strong presence between employees in both companies. For example, Finns were surprised to learn that Russians work even harder than they do and that they are very social, to the extent that they know each and every employee at the ‘shop floor’. It produced very positive feedback from the Russian employees for they perceived this program as a nice opportunity to get some international exposure that some found to be very motivating.

One thing, which has been very successful and people have been very happy with it, is that on a yearly basis we have 10-20 people coming over to Finland, and some Finns going over to Russia, so they really work side by side and see what their colleagues are doing. That’s a very good way of doing things.... (A Finnish manager)

The HRM practices of *personal target discussions* and *employee surveys* have been introduced in Russian subsidiaries as well. The introduction of systems where superior and subordinates have to discuss issues related to individual performance together with more general work-related issues is often associated with challenges in such a hierarchical society as Russia (May et al., 2005; Michailova and Husted, 2003). However, despite certain cultural differences (for example, for Russian employees it was indeed difficult in the beginning to talk openly with their superiors and share their opinions and suggestions), over time both practices were internalized successfully. In particular, these two practices have been conducive to improvements in two-way communication between managers and their subordinates. Interestingly, Russian managers were among the most active proponents and disseminators of these practices in both case organizations.

This is (probably) one of the first Russian companies where the manager is asking feedback from his subordinates. Normally people are afraid of this, and they do not want even to ask for it. But here it’s obligatory, so you have to ask your employee at the end of the discussion, how can you describe our relationship with you, what are the things I have to pay attention to, maybe some things I have to change, also. I should say that it’s a tricky thing because in Russia people are not open at this very moment. It’s a cultural thing... But we are insisting that people were sincere, and we are trying to create that kind of atmosphere during our discussion that people would like to be sincere. You know, actually most of us used to work in a multinational company, so we all know this system and actually support this system a lot. (A Russian manager)

At the level of employees in one of the companies the *FABA Games* practice was introduced. It included social meetings between employees selected from every country and gathered in one place to do sport activities together. There has also been an idea, which came from outside Finland (probably from Russia as indicated by some Finnish interviewees) to introduce more extensive *informal networking meetings for managers*, where they could bring their families as well. All in all, by introducing these practices the HQs management was able to communicate to the Russian employees that the company cares about them and does not view them as a mere source of labor but rather as an important part of an international corporate family. Indeed, these practices were perceived very positively by Russian managers and employees.

The practice of *functional networks' meetings* was also introduced by both companies in Russia. The aim of these meetings is for managers from same functions to meet in order to discuss various operational issues related to their functional areas. As such, this practice helps to improve the flow of information and knowledge sharing between different functional areas. The lack of inter-functional knowledge sharing has been described previously as one of the weaknesses of post-Soviet organizations (Michailova and Husted, 2003). Furthermore, *network meetings at inter-functional level* started to take place where more strategic issues were discussed. These initiatives aimed at establishing strong social ties between managers in different countries and were seen as a way to improve trust in relationships between managers.

Hence, HRM practices that were introduced by both companies in Russia have contributed substantially to the development of trusting and knowledge-sharing relations between different levels and different functions in both Russian organizations. Also, it provided many Russian managers and employees with a chance to acquire an international experience through participation in various international meetings and exchanges. Such an exposure has fostered the breaking of certain cultural stereotypes that both parties had of each other initially and subsequently decreased the suspicion towards foreigners among Russian employees (Michailova and Husted, 2003). On the other hand, spending time together with their Russian colleagues during various social activities

may potentially be very beneficial for Finnish managers. Such social events often provide a very good setting for establishing informal relationships and getting to know each other better. Becoming part of the group might prove very useful in the future as Russians tend to value their group affiliations a lot (Kets de Vries, 2001).

## ***CORPORATE 'BEST PRACTICES' IN RUSSIA: HOW?***

### ***Boundary spanning***

Boundary spanning individuals can be defined as those who are perceived by other members of both their own ingroup and relevant outgroups to engage in significant transactions with outgroup members, facilitate intergroup transactions, and manage intergroup conflicts (Adams, 1976; Callister & Wall, 2001; Richter et al., 2006). These people proved to be very crucial in ensuring successful interactions between HQs and local subsidiaries in both cases. In both companies boundary spanners have been utilized to fulfill several functions and to act in several roles depending on circumstances. These roles and functions have included literal language translation and communication moderation, cultural conflict arbitration, and transfer of practices and corporate culture facilitation.

The role of boundary spanners has been slightly different in two companies but in both cases their role in ensuring the successful internalization of transferred practices was critical. In case of NORT, from the inception of company's operations in Russia two Russian persons were hired (Managing Director and HR Director) who have been assigned very influential roles in spreading and facilitating the internalization of the shared corporate culture within the Russian subsidiary. One of them has been working at NORT in Finland for a considerable period of time. He speaks perfect Finnish and knows and understands Finnish culture. He was chosen to act as the General Director of the Russian unit. In fact, his knowledge of the Finnish language and culture has been recognized as being very important for succeeding in facilitating relations between the Russian

subsidiary and the Finnish HQs. Note the role that he played as a sort of a 'connecting node' between the Finnish HQs and local Russian managers.

I think I wouldn't even have this position without [knowing] Finnish [language]. It was not a formal requirement, but I think that was a must at that point. Because even if you do a fantastic job, if you cannot convey this to [the] top management, in some kind of general meetings with the Finnish colleagues, then it means certain limitations.

In the beginning it was pretty much limited to me, maybe a couple of other people. But I tried very much that at least the whole management team would be this kind of contact nodes, because delegation of responsibilities and authority down in the organisation is important...And I think this is where during these two years we have made certain progress towards a kind of organisation which is much closer to the Nordic or Finnish type, with delegation of responsibility and flatter organisation... now also many functional meetings, like monthly meetings held [at the headquarters], our functional managers from here are invited there, and it has an effect that [meetings] switch from Finnish to English.

The other person has been hired as the HR manager. She has been very keen and persistent in her attempts to make sure that shared corporate culture and values were spread among newly recruited employees through employee recruitment, induction, and socialization processes. As the company was recruiting new employees, she was instrumental in ensuring that the corporate culture is well disseminated and internalized among employees.

We have this induction program for all new employees. Mr. X [the General Director] spends at least one hour describing the company saying, about the perspective, objectives, etc, etc. ... We have special things that we also give during the first induction. So we have that kind of poster, it is in Russia, but nevertheless, there are [our] slogans..., the main principles of the culture... and how we see them in the everyday work. (A Russian manager)

Both boundary spanners have been consciously hired to act as bridges between the Finnish HQs and the newly developing Russian subsidiary. Simultaneously, these two persons acted as 'buffers' or 'filters' for anything that was transferred to Russia from the HQs had to be 'filtered' by or through them first. Being native Russians these individuals were able to 'filter out' knowledge and practices that in one way or another were not applicable to or culturally insensitive in the Russian context thus avoiding failures that were bound to happen and actually happen as the experience of other MNCs in Russia shows. Importantly for NORT, it allowed saving lots of efforts and financial resources. Also, both were able to communicate the company goals to all employees throughout the organization.



In case of FABA the role of a boundary spanner has been assigned to a person who has been working for the company for many years and who has been involved in dealing with Russian businesses throughout her professional career. However, unlike in NORT, this person has not occupied a top managerial position and has not been an insider for Russian managers as she has been working from the HQ side. She was Finnish and her official position has been a personal assistant in Russia to company's top executives. Still, even though initially she has been delegated facilitating and assisting negotiations as her main responsibility, her role has become much more crucial and diverse due to her almost exclusive deep knowledge of the Russian language and culture (up to becoming the main interaction link between Russian and Finnish top managers) as the Russian business of FABA was developing. In fact, this person has become the main conduit for the Finnish-Russian managers' interactions and helped a lot in developing trust and personal networking between managers.

We have been lucky enough to have a key person here, Ms. Y, who has really been important. She has not only been an interpreter, she has been helping people in the Russian unit in many ways, and lately Mr. Z [the General Director of the Russian unit], when he was ill. So I mean she has really been much more important than people really realise. (A Finnish manager)

As opposed to boundary spanners from NORT, who occupied higher positions in the company, the boundary spanner at FABA has been located at a lower level. However, in no way she was less important in ensuring the successful interaction between the HQs and the Russian subsidiary and the internalization of transferred practices by Russian managers. Not being able to directly influence what practices and knowledge were transferred to Russia, she, nonetheless, continuously acted as an important facilitator and advisor in negotiations between Finnish and Russian managers concerning what would be appropriate and what not in the Russian context.

In general, the practice of boundary spanning seems to be a very critical for achieving success in Russia today. Even though the new generation of managers is coming to the fore in Russian companies, still 'what' to be transferred and 'how' needs to be negotiated and discussed in view of cultural, historical, and psychological characteristics of the Russian environment today. A mere competence is not enough. Only competent and bicultural / bilingual individuals can

accomplish this task successfully. These individuals are able to combine new Western and more traditional Russian values together to produce a new hybridized knowledge that will promote Western ideas and at the same time respect local experience and traditions (see also Clark & Geppert, 2006). As such, it comprises a very viable mechanism for any Western company to employ when operating in Russia.

### ***Reliance on local competence / no expatriation***

Both companies have deliberately avoided utilizing expatriates in their local operations in Russia. The only notable exceptions when expatriates were used concerned most crucial positions (e.g. the head of the Russian Group Division at FABA) and the initial knowledge transfer from the HQs to managers in Russia. There were several reasons for that. First was the respect for local managers and second was the more instrumental realization that in order to be successful in Russia the local insider knowledge of the market and its characteristics are of utmost importance. Hence, the reliance on local managers in Russia was seen as a viable way to proceed.

Anyway, business in Russia has to be done with hands of Russian managers... You have to live here and you have to feel it every minute. And the most important is that there still need to be one or several leaders who could move the whole thing forward. (A Russian manager)

There was an understanding at the HQs of both case companies that it would be difficult for company's expatriates to contribute significantly to operations in Russia. Besides realizing that relying on expatriates might send a signal to the local managers that they are not fully trusted or competent, the HQs management was able to comprehend the mere difficulty of finding reliable, competent, and, very importantly, fluent in Russian managers among the existing resources of the company. It was decided to rely on local managers and the following arguments, among others, were invoked by the HQs management:

We need to have people who can help getting the right information. The problem in Russia today that there is enormous amount of information available but there is still difficulty trying to sort out the relevant from the irrelevant. (A Finnish manager)

You can clearly see that there is a new generation in Russia today, who has the knowledge. (A Finnish manager)

I think we tried different ways [in acquisitions] and some learning is that you should really try to find the balance what is enough, but not too much, and really like step into the shoes of local people, and seeing... where we should just stay back and let people do what they do and ... I think that's something we learned... (A Finnish manager)

Similarly, it was claimed by our Russian respondents that a key NORT's success factor was the Russian subsidiary's all-Russian management team. In their view, it enabled the necessary adaptation to the local market and the local conditions and compensated for the parent company's limited experience of the Russian market:

The good management team definitely, that's what drives all these things here. (A Russian manager)

...the general manager and the management team, all of them are from Russia. And I strongly believe that this is also a successful factor. (A Russian manager)

If you'd like to be successful, you have to give this credit of trust to this Russian team, believing that they know the specific features of doing business in Russia. (A Russian manager)

Relying on Russian managers proved to be very successful leading to several specific outcomes. First, it allowed both companies to preserve and nurture the existing pool of knowledge and skills that resided in local managers within both companies. FABA has been able to keep the best managerial resources that existed in the company already on board; while NORT was able to attract best managers from Leningrad region and even from other more remote regions of Russia. Second, such reliance on local competence and local managers has contributed to the overall motivation of Russian managers. Being trusted and empowered was highly appreciated by Russian managers and served as an indication of the HQs cultural sensitivity.

The fact that both companies have not been too determined to transfer their own ways of doing things to Russian subsidiaries trying to modernize, democratize, optimize, or rationalize, but rather acted as advisory entities suggesting to Russian managers various practices and tools has found a lot of appreciation in local managers in Russia. Russian managers were very positive towards such a 'suggestive' approach from the Finnish side and towards the general willingness of Finnish managers from the HQs to allow time for Russian managers to comprehend and learn new things themselves instead of 'pushing' and imposing things on them. For instance, in few cases

when such an approach was not followed and some practices were imposed on Russian subsidiaries, they were merely resisted by Russian managers and have not led to desired results. On the other hand, when HQ practices were presented to Russian managers in a 'suggestive' way, in most of the cases Russian managers were positive towards them and tried to accommodate and internalize them. The Finnish HQs management in both companies seemed to have understood this sentiment in Russia as the following quote illustrates:

You cannot ever go to Russia so that we are going to teach you how to learn these things. You have to give them time to learn by themselves and you can give some recommendations and show some examples, but Russian people they do not like that somebody comes and says that now stop, you have done everything wrong and start doing like this... I think it takes time at least, it is not very easy. (A Finnish manager)

Hence, case companies' experiences show that reliance on local competence proved to be a very viable mechanism in Russia that helped to increase motivation among local managers, boosted their self-esteem and propensity to trust to their Finnish colleagues, and ensured the successful internalization of transferred practices by local managers. Instead of positioning itself as somewhat superior and more knowledgeable than the subsidiary, the Finnish HQs strived to establish a relationship of mutual collaboration aimed at achieving common organizational goals. Treating Russian managers as equals and behaving in a suggestive manner have been the underlying motives in both companies' attempts to succeed in Russia.

## **DISCUSSION**

Succeeding in Russia is not easy for Western companies and it requires sensitivity for and awareness of local specifics. Even despite the changes that have occurred in Russia since 1990s, still there are plenty of factors that make the Russian environment very different from the Western one. Good news is that there is indeed seems to appear a new generation of managers in Russia who are very keen to acquire new knowledge and are opened towards ideas coming from the West. However, it seems to be obvious that to succeed in today's Russia, one need to respect and consider seriously more traditional values and ways of working that still can be found in Russian

organizations. Hence, the choice of the right transfer mechanisms, which are able to diffuse new Western knowledge and at the same time take into account local specifics, becomes decisive for any Western company operating in Russia.

One important point that can be taken from this analysis is that it is not enough to focus solely on what kind of practices the company introduces in Russia, but what is more fundamental is how or through which mechanisms these practices are introduced and subsequently internalized. It is a crucial point in light of the previous studies that tended to treat Western-Russian relations often in terms of challenges and problems that Western expatriates experience while working in Russia (see, for instance, Camiah & Hollinshead, 2003; Engelhard & Nägele, 2003; Michailova, 2000; Michailova & Husted, 2003). Our analysis underscores the importance of examining this issue on a wider scale. Instead of focusing on expatriates' problems in daily work, one needs to look at the overall strategic approaches adopted by Western companies in Russia. It might be so that by examining what mechanisms for transferring practices are used, how the communication with the Russian side is organized, or how carefully the feedback is considered, one might be better able to identify the underlying reasons for whatever challenges are spoiling the entire relationship.

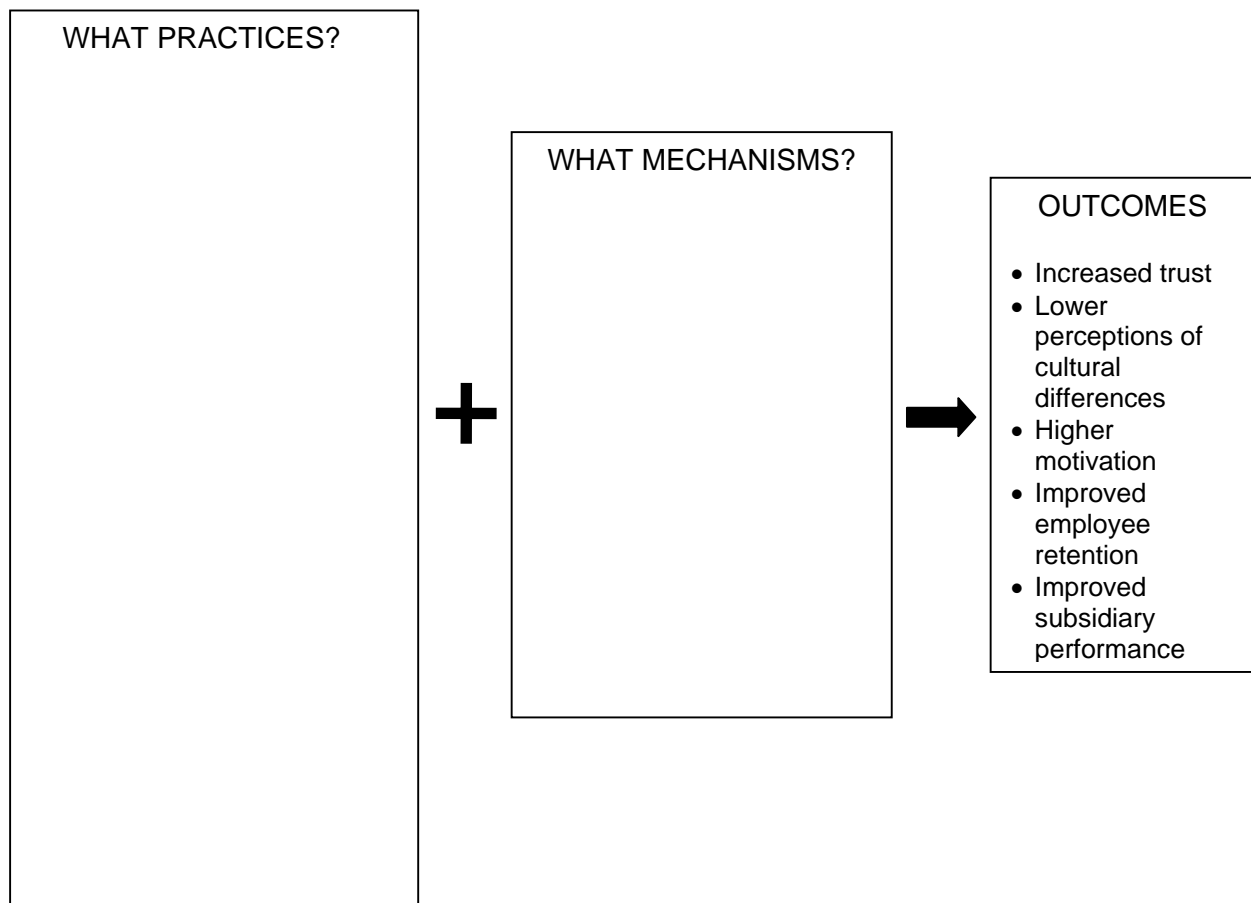
Our analysis also underlines the vital role that so-called boundary spanners are playing in ensuring that the relationship between the Western (in this case Finnish) HQs and the Russian subsidiary is functioning well. The role of these individuals has been somewhat neglected in the previous research in Western companies' operations in Russia, which is surprising considering the multiple linguistic and cultural challenges that companies experience there. These bilingual or bicultural individuals fulfill plenty of functions and roles, which are paramount for successful operations of Western companies in Russia, starting from mere language translation and up to cultural conflict arbitration and moderation. Our analysis shows that indeed the availability of competent boundary spanners might be one of the decisive success factors, like in both our case companies. Hence, there is an important implication for HR departments of Western MNCs to

identify among the existing employees or to hire such individuals prior to starting operations in Russia.

Also, our analysis highlights the importance for Western companies not to embark on aggressive or imposing strategies when transferring knowledge to Russian counterparts. Both our case companies have chosen a 'suggestive' approach in building relations with their Russian colleagues. They have been very attentive towards the feedback that they were getting from Russia concerning various initiatives that the HQs planned to undertake. Keeping in mind the fact that Russia has gone a long way since the 1990s in terms of both economic and managerial development, it was realized that the current sentiment in Russia often is such that many Russian managers think that they 'can do it without foreigners'. Thus, showing respect to local competence and treating local managers as equals often produces warm response from Russian managers, who are eager to become accepted as equal peers within the Western 'managerial community of practice' (Clark and Geppert, 2006). For instance, in few cases when the Finnish HQs have neglected the need to act in a suggestive way and instead tried to impose a certain practice 'the way it is done at the HQs' on the Russian subsidiary, the outcome was a failure. Russian managers simply resisted the practice in question and did not internalize it to any extent.

Hence, turning to our case companies it can be said that in both cases we witnessed several factors as being decisive for attaining success (see Figure 1 for the resulting framework). Both companies have showed the willingness to adapt to the local specifics and the ability to trust and motivate local employees. Importantly, both have chosen transfer mechanisms built around the reliance on local competence and resources and both have employed boundary spanning individuals to act as 'bridges' and 'communication nodes' between the Finnish HQs and the Russian subsidiary. Such mechanisms have led over time to very positive outcomes in both cases as indicated by our respondents. It allowed both companies to motivate and retain local competent resources and through that to decrease costs and uncertainty for the future, to improve the performance of subsidiaries in Russia (in fact, in both cases Russian subsidiaries were the fastest growing and the

most profitable units within our companies), and to increase inter-organizational trust and decrease the impact of cultural differences and stereotypes on daily work.



**Figure 1: Successful practices, internalization mechanisms, and outcomes**

We believe that our analysis adds to research on learning and knowledge transfer in Russia. Instead of highlighting the problems and challenges that Western companies have when operating in Russia, which has been the major concern of the previous literature in 1990s (e.g. Beamish, 1992; Bollinger, 1994; Elenkov, 1997, 1998; Engelhard & Nägele, 2003; Michailova, 2001; Michailova & Husted, 2003; Puffer, 1994; Puffer et al., 1997), and taking into consideration changes that have occurred in Russia since 1990s (May et al., 2005), our analysis has identified six areas by focusing on which both case companies have succeeded in Russia. These six practices - which we have defined as ‘best practices’ - represent the core of both companies’ operational and strategic approaches to their operations in Russia. Namely, our analysis suggests that by investing persistently in management training, corporate culture management, HRM practices, intercultural and linguistic training, and by focusing on boundary spanning and by relying on local competence,

Western companies have a good chance to succeed in their Russian operations. Given the challenges that are always there when a company goes abroad, especially to such an unpredictable environment, like the Russian market, one can speculate that these six areas that the paper identifies are among the most important ones to be addressed by companies striving to succeed in Russia in today's circumstances. It constitutes a practical message of the study for practitioners in Western companies.

Against the findings identified in our analysis, the future research should look into other areas and practices which might be crucial for Western companies to pay attention to when operating in Russia. In this respect longitudinal studies might be of use to illustrate how 'best practices' that Western companies focus on change and develop as companies' experience at the Russian market increases. Also, comparative studies between Western companies operating in Russia and in another emerging market might provide us with interesting insights into the peculiarity of the Russian context and the applicability of those six 'best practices' that were identified in this paper to other settings.

There are several limitations that this study suffers from. First, it focuses on operations of Finnish MNCs in Russia, which is a very specific and idiosyncratic setting due to the fact that these two countries are close both geographically and historically (for Finland has been under the rule of the Russian Empire for about 100 years). Hence, the generalizability of this study is rather limited and additional research is needed to examine the applicability of these results to relations between Western and post-socialist companies more generally. Second, both companies examined in this study are located in the Western part of Russia and in two biggest Russian cities, such as St Petersburg and Moscow. The future research might engage in examining 'best practices' and their outcomes in other parts of Russia and in smaller cities. It can be expected that the willingness to learn from foreigners in other parts of Russia might be lower and the general attitude towards foreign business partners might be less opened.



## REFERENCES

- Adams, S. J. (1976). The structure and dynamics of behavior in organizational boundary roles. In Dunnette, Marvin D. (Ed.) *Handbook of Industrial and Organizational Psychology*. Chicago: Rand McNally College Publishing Company, pp. 1175-1199
- Alexashin, Y. & Blenkinsopp, J. (2005). Changes in Russian managerial values: a test of the convergence hypothesis? *International Journal of Human Resource Management*, 16(3): 427-444
- Barner-Rasmussen W. & Björkman I. (2005). Surmounting interunit barriers: Factors associated with interunit communication intensity in the multinational corporation. *International Studies in Management and Organisation*, 35 (1): 28-46
- Beamish, P. W. (1992). Russki adventures. *European Management Journal*, 10(4): 465-476
- Björkman, I. & Lervik, J.-E. (2007). Transferring HRM practices within multinational corporations. *Human Resource Management Journal*, 17(4): 320-335
- Bollinger, D. (1994). The four cornerstones and three pillars in the house of Russia. *Journal of Management Development*, 2: 49-54
- Callister, R. R. & Wall J.A. (2001). Conflict across organizational boundaries: Managed care organizations versus health care providers. *Journal of Applied Psychology*, 86, 754-763
- Camiah, N. & Hollinshead, G. (2003). Assessing the potential for effective cross-cultural working between “new” Russian managers and Western expatriates. *Journal of World Business*, 38: 245-261
- Child, J. (2000). Theorizing about organizations cross-nationally. In J. Cheng & R. Peterson (eds.) *Advances in International Comparative Management*. JAI Press, Stamford, vol. 13: 27-75
- Child, J. & Czegledy, J. P. (1996). Managerial learning in the transformation of Eastern Europe: some key issues. *Organization Studies*, 17(2): 167-179
- Clark, E. & Geppert, M. (2006). Socio-political processes in international management in post-socialist contexts: knowledge, learning and transnational institution building. *Journal of International Management*, 12: 340-357
- Elenkov, D. S. (1997). Differences and similarities in managerial values between US and Russian managers. *International Studies of Management and Organization*, 28: 85-106
- Elenkov, D. S. (1998). Can American management concepts work in Russia: a cross-cultural comparative study. *California Management Review*, 40: 133-156
- Engelhard, J. & Nägele, J. (2003). Organizational learning in subsidiaries of multinational companies in Russia. *Journal of World Business*, 38: 262-277
- Fey, C. F. (2005). Opening the black box of motivation: a cross-cultural comparison of Sweden and Russia. *International Business Review*, 14(3): 345-367
- Fey, C. F., Adaeva, M. & Vitkovskaia, A. (2001). Developing a model of leadership styles: what works best in Russia? *International Business Review*, 10(6): 615-643
- Fey, C. F. & Björkman, I. (2001). The effect of human resource management practices on MNC subsidiary performance in Russia. *Journal of International Business Studies*, 32: 59-75
- Fey, C. F. & Denison, D. R. (2003). Organizational culture and effectiveness: can American theory be applied in Russia? *Organization Science*, 14: 686-706
- Fey, C. F., Nordahl, C. & Zätterström, H. (1999) Organizational culture in Russia: the secret to success. *Business Horizons* / November-December
- Fey, C. F., Engström, P. & Björkman, I. (1999). Doing business in Russia: effective human resource management practices for foreign firms in Russia. *Organizational Dynamics* / Autumn
- Geppert, M. & Merkens, H. (1999). Learning from one’s own experience: continuation and organizational change in two East German firms. *Human Resource Development International*, 2(1): 25-40
- Goodall, K. & Roberts, J. (2003). Only connect: teamwork in the multinational. *Journal of World Business*, 38 (2): 150-164

- Hollinshead, G. & Michailova, S. (2001). Blockbusters or bridge-builders? The role of Western trainers in developing new entrepreneurship in Eastern Europe. *Management Learning*, 32(4): 419-436
- Jensen, R. & Szulanski, G. (2004). Stickiness and the adaptation of organizational practices in cross-border knowledge transfers. *Journal of International Business Studies*, 35(6): 508-523
- Kets de Vries, M. F. R. (2001). The anarchist within: clinical reflections on Russian character and leadership style. *Human Relations*, 54 (5): 585-627
- Kim, W. C. & Mauborgne, R. (1993). Procedural justice, attitudes, and subsidiary top management compliance with multinationals' corporate strategy decisions. *Academy of Management Journal*, 36: 502-526
- Kostova, T. & Zaheer, S. (1999). Organizational legitimacy under conditions of complexity: the case of the multinational enterprise. *Academy of Management Review*, 24:1, 64-81
- Lervik, J.E.B. (2005). *Managing matters - transfer of organizational practices in MNC subsidiaries*. Unpublished doctoral dissertation, Norwegian School of Management BI, Oslo
- Marschan-Piekkari, R., Welch, D. E. & Welch, L. S. (1999). In the shadow: The impact of language on structure, power and communication in the multinational. *International Business Review*, 8 (4): 421-440
- May, R., Young, C. & Ledgerwood, D. (1998). Lessons from Russian human resource management experience. *European Management Journal*, 16(4): 447-459
- May, R. C., Puffer, S. M. & McCarthy, D. J. (2005). Transferring management knowledge to Russia: A culturally based approach. *Academy of Management Executives*, 19(2): 24-35
- Michailova, S. (2000). Contrasts in culture: Russian and Western perspectives on organizational change. *Academy of Management Executives*, 14(4): 99-112
- Michailova, S. (2001). Contrasts in culture: Russian and Western perspectives on organizational change. *The Academy of Management Executive*, 14(4): 99-112
- Michailova, S. (2002). When common sense becomes uncommon: Participation and empowerment in Russian companies with Western participation. *Journal of World Business*, 37(3): 180-187
- Michailova, S. & Husted, K. (2003). Knowledge-sharing hostility in Russian firms. *California Management Review*, 45(3): 59-77
- Puffer, S. M. (1994). Understanding the bear: a portrait of Russian business leaders. *Academy of Management Executive*, 8: 41-54
- Puffer, S. M. & McCarthy, D. J. (1995). Finding the common ground in Russian and American business ethics. *California Management Review*, 37(2): 29-46
- Puffer, S. M., McCarthy, D. J. & Naumov, A. I. (1997). Russian managers' beliefs about work: Beyond the stereotypes. *Journal of World Business*, 32(3): 258-276
- Richter, A. W., West, M. A., van Dick, R. & Dawson, J. F. (2006). Boundary spanners' identification, intergroup contact, and effective intergroup relations. *Academy of Management Journal*, 49(6): 1252-1269
- Robertson, C. J., Gilley, K. M. & Street, M. D. (2003). The relationship between ethics and firm practices in Russia and the United States. *Journal of World Business*, 38(4): 375-384
- Shekshnia, S. (1998). Western multinationals' human resource practices in Russia. *European Management Journal*, 16: 460-465
- Szulanski, G. (1996). Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic Management Journal*, 17: 27-43
- Szulanski, G. (2000). The process of knowledge transfer: A diachronic analysis of stickiness. *Organizational Behavior and Human Decision Process*, 82: 9-27
- Uhlenbruck, K., Meyer, K. E. & Hitt, M. A. (2003). Organizational transformation in transition economies: Resource-based and organizational learning perspectives. *Journal of Management Studies*, 40(2): 257-282
- Yin, R.K. (2001). *Case study research. Design and methods*. Thousand Oaks, CA: Sage