

Saimaa University of Applied Sciences
Faculty of Business Administration, Lappeenranta
Degree Programme in International Business

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**Cooperation of Finnish and Russian companies:
the way to successful long-term business rela-
tionships**

Thesis 2019

Abstract

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Cooperation of Finnish and Russian companies: the way to successful long-term business relationships, 38 pages, 1 appendix

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The purpose of the study was to find out the obligatory conditions for long-term successful business relationships between Finland and Russia. Firstly, the culture and ways of doing business of both countries were reviewed. Secondly, the current business situation was stated, followed by explanation of such terms as cooperation, partnership and trust.

The information in the theoretical part was collected from books, newspapers, scientific articles and online articles. This part contains researches on culture of both countries, business culture, the overall presentation of the business relationships between Finland and Russia, as well as the meaning of cooperation and partnership, and the concept of trust. The empirical part includes a review of the interview process, information about respondents and an explanation of choice made for them, and a review of interview results.

Considering both theoretical and empirical parts, the study is followed by analysing and creating a guideline acting as a tool for further successful long-term relationships between Finland and Russia. The results of the study reflected the relevance of the topic of the study and need for such a step-by-step guideline.

Keywords: international cooperation, trust in business relationships, long-term relations, Finnish and Russian cooperation

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Appendix 1 Interview questions

1 Introduction

1.1 Background of the study

In a modern market with an ever-growing competition, achieving a sustainable positive result without involving the potential that enables cooperation between different firms and enterprises is practically impossible. Especially when considering the variety of forms of this kind of relationships such as interstate, social, or inter-firm partnership. Companies are forced to elaborate development strategies that allow them to develop, maintain their leading positions in the market. Moreover, they have to focus on how to fully satisfy the personalised and increasingly complex needs of consumers.

Many enterprises are ready for partnership with international companies in order to gain additional opportunities for achieving their strategic goals. The formation of an effective system of mutual relations is one of the main competitive advantages in the modern business community.

Here arises the question: what are those obligatory conditions for the formation of successful business relationships? In our modern changing world, the concept of trust is highly actualised, especially in terms of political sanctions. Making a huge impact on trade relationships between countries, it has greatly shattered business partnerships and undermined confidence between Russian and foreign EU partners, including Finland. (Wintour 2018)

1.2 Objectives and delimitations

The purpose of the thesis is to justify the obligatory conditions of long-term partnerships in business networks between Finland and Russia.

According to the purpose of the study, the following objectives were defined:

1. to study the essence of the business cooperation and determine the conditions for its development;
2. to analyse the conditions and the process of the formation of partnership relations;

3. to analyse the factors of modelling the successful relationship of partnership in business.

The theoretical value of this research is that the presented results can contribute to further research on the problems associated with building a business partnership. It might be a tool guide for companies operating in logistics, tourism, sales and customs areas.

The practical significance of the research is that the results obtained, lessons learned on this issue can be applied to create a more effective and long-term partnership.

1.3 Research questions

Having the presence of a huge number of works related to building a business partnership, it can be argued about the weakness and insufficiency of the previous research in that area.

Hence, the research question of the thesis is:

What are the obligatory conditions for successful long-term business relationships?

However, in order to successfully find the answer to the main question and to fully reveal the topic the following sub-questions are required:

- What are the features of doing business in Finland and in Russia?
- How to build a successful business partnership between Russian and Finnish companies?
- What role does the phenomenon of trust play in building business relationships?

The research sub-questions were selected according to the relevance of the topic and are aimed to get a deeper insight into the problems in building business relationships.

1.4 Theoretical Framework

The most important aspect that has to be studied in this thesis is trust phenomenon. The theory is based on the findings of Lane and Bachmann disclosing the meaning of the term trust and trust between companies. The book reveals the theories and understanding of what it means to trust your business partner.

Moreover, works of Lewicki and Bunker contributed to the area of maintaining trust which is a highly valued theory for creating a guideline to successful business relationships.

In some parts research requires some up-to-date information considering political situation and how it influences the international market. It gives an opportunity to have a look at how political reforms or crisis change and influence not the overall situation, but whether they undermine the trust between business partners from different countries.

Both Russian and English resources are considered in this particular study.

1.5 Research Approach

An important stage of independent work on the performance of a thesis is the collection, processing, systematisation and analysis of factual material. For this thesis the most effective theoretical research method is analysis. The analysis of data in social work consists of the integration of all the collected information and bringing it to a form convenient for the explanation.

Methods of analysing and collecting information can be conditionally divided into two large classes in accordance with the form in which this information is presented:

- Qualitative methods are focused on the analysis of information presented primarily in verbal form.
- Quantitative methods are of a mathematical nature and represent methods of processing digital information. (Qualitative research methods lectures 2016)

Qualitative analysis is a prerequisite for the application of quantitative methods. It is aimed at identifying the internal structure of data in order to refine those categories that are used to describe the studied realm of reality. (Qualitative research methods lectures 2016)

There are several types of empirical method research such as observation, experiment, measurement, conversation, questioning, interview, conversation. Interview is the best option for this thesis as it can give a detailed description of the real situation. Interview is the most appropriate way of collecting information as one can get a real story full of experiences. (Richard G. Trefry Library 2018)

2 Research on culture

Every research in relationships area starts with analysing the culture of countries. It is important to understand the nature of a person and how the character was built through the years.

The connection between culture and a person is mutual. Culture creates a man and a man creates culture. Moreover, culture creates personality and makes a man individual in his intelligence, spirituality, freedom and potential. The inspirations and actions of a person are regulated by cultural values. If a specific culture acts according to the values models, it defines the cultural stability of a society. (Flier 2015)

Furthermore, culture has an affect on person's spiritual world. It helps a man to socialise by mastering all the accumulated social experience in order to become a full member of a society. With the knowledge of traditions, customs, ceremonies of a culture, one could form a collective social experience and an accepted in society lifestyle. (Flier 2015)

What is more, culture performs the role of information function. It has an ability to keep and save traditions through the time. It acts as a social and intellectual memory of a society. Then, acting as a regulative function, it defines the behaviour and communication between people. With the help of social norms, rules and

laws of morality, it creates the necessary conditions for normal existing. (Flier 2015)

Value function is no less important in a culture as it regulates the foundation and basic principles of what is right or wrong, good or bad. The criteria for such differences and assessments are primarily moral and aesthetic values. (Flier 2015)

2.1 Finnish values as the basis of Finnish culture

Finnish character has been forged for centuries influenced by previous living, natural and social conditions such as harsh climate forests and marshes. Later all of this resulted in a strong, hardworking, and resilient personality. (Infopankki 2018)

Preserved all gained traits and skills by Finns found reflection in daily life nowadays. Living in a small country, Finns remain to keep a desire for stability and never miss any existing opportunities at the same time accepting reality as it is. As a result, they always strike to develop a consensus and approach to an issue with diplomacy and willingness to cooperate and never with a hostility. (Nenonen 2017)

Finns are honest people and always keep their promises, even those that might be recognised as frivolous. Of course, some minority cases happen, but most people are intended to trust each other and expect the same from their opponent. In the first meeting, Finns are usually closed and they need time to build trust relationships and speak openly to a person if they feel loyalty. Losing credibility in the eyes of the Finnish man leads to difficulties in further collaboration. (Nenonen 2017)

Finns are decisive and firmly defend their opinion. It is important to have time to think and gather information or, if needed, to re-examine the question. They have an approach “to solve a problem” instead of “to discuss a problem”. There is no need to make empty conversations while you can spend time finding the best solution to your case. (Commisceo Global Consultancy Ltd 2017)

Hardly ever there is a chance that Finn would not continue doing something even if there are some challenges to face. Usually, the case has to be finished and everything should be clear at the end. (Commisceo Global Consultancy Ltd 2017)

Equality in everything is an indispensable element of Finnish society. In accordance with the laws of Finland, men and women have the same rights. No matter if it concerns a family life or work activity, discrimination is considered as a crime. (Commisceo Global Consultancy Ltd 2017) Of course, there are some existing cases of gender discrimination, but those try to be minimised.

From early childhood, Finns are taught to keep everything in order and follow this principle through the whole life. The order should be maintained in everyday life, at work and even in your head. This makes the living process easier and allows to avoid mistakes. (Infopankki 2018)

2.2 Russian values as the basis of Russian culture

National values of Russian culture were laid far back in the past. Russia keeps a huge story in the background. A significant part of its history, Russian society has been forming in the context of military confrontation which forced to neglect the interests of individuals in order to preserve the society as a whole. Such a feature leads to the fact that the Russian people easily postpone their personal affairs in order to fully devote themselves to the common cause. (Fernandes 2015)

Russian people are led by emotions. They would rather make a thoughtless act instead of thorough behaviour aimed at the long-term result. Emotional personality makes a Russian to act spontaneously and impulsively which then can result in undesired situations.

Another basic Russian national value is justice with its clear understanding and implementation. The essence of the Russian understanding of justice lies in the social equality of the people constituting the Russian community. Russian people try to live on. That is why, internally, the Russians are striving for such an implementation of the concept of justice. (Expatica 2018)

According to the geographical fact one part of Russia is located in East and another one in West. Therefore, East and West have different characteristics and

Russia takes all of them. From the East side it accepts collectivism and puts family interests above their own, whereas self-independence and individualism are extracted from West. However, Russia is usually described as East-European country due to prevailing existing hierarchy in society and in culture in general. (Kirilina 2017)

3 Business Culture

Nowadays the term of business culture is being actively studied as to the high demand in its improvement. Business culture involves both “indoor” and “outdoor”, how a company acts inside and how it acts in accordance with other companies or partners.

Each company has to have its own business culture as it regulates the relationships between every member of it. The success of a company may depend even more on the strength of the organisational culture than on any other factor. Strong corporate values facilitate communication and decision-making, and simplify trust-based cooperation. (Lee, Yu 2004)

The most important factor of a strong organisational culture is its informal impact on younger employees. The indirect development of their personal and professional qualities through working rules and regulations help to improve the workflow and increases interest and creativity, which has significant values nowadays. (Lee, Yu 2004)

3.1 Building a partnership with Finnish companies

In many international rankings, Finland traditionally occupies the leading places. Finland demonstrates high level of education, prosperous business climate, and anti-corruption economy. Having such strengths as political stability, an open economy, a highly developed infrastructure, country also focuses on the cooperation between enterprises and universities. In many ways, this is due to the business qualities of the Finns, their attitude to work and life. (Warburton 2018)

Finnish business etiquette involves truthful and accurate information to customers and partners about the capabilities and potential of your company. Exaggeration and underlined advertising of their achievements are not accepted here. In general, business in Finland is concentrated on decency and commitment to business relations. (Infopankki 2018)

A business conversation usually flows slowly, without any unnecessary emotional actions such as raised voices, waving hands and manners to interrupt each other. It is not acceptable to load the partner with unnecessary information, but on the contrary, speak shortly and on the case. Even though the minimum information is needed, it still has to remain true and reliable. (Infopankki 2018)

Finns appreciate simplicity and clarity in the presentation of thoughts and pay a lot of attention to the elegance of the logic of a partner's words. Mostly if you speak openly, without hiding any information, this arises the chances for successful business partnership in the future.

When doing business with Finns, the partner company has to show its awareness about Finland and Finnish market as well. It is important to know some knowledge about the products e.g. Nokia, Fazer, Valio etc. It will show the opponent the genuine interest in cooperation. Thus, when both parts are interested, it means that chances for more successful collaboration increase. (Teräväinen, Junnonen, Ali-Löytty 2018)

3.2 Building a partnership with Russian companies

Compared to Finnish way of doing business, the Russian one has significant differences. If from the very first sight Finnish people trust you and have a positive attitude toward you, Russians expect a trick from the opponent.

The problem of mistrust might be the most significant in communication between Russian business partners. Being always afraid of risk leads to tension in the relationship which in any case is doomed to failure. As it usually happens, if one has a guess that everything may go wrong, it is more possible that it would happen so.

At the same time, Russian people try to shorten the distance between business partners and can start openly talk about their hobbies, family, or achievements. This is aimed for building those trust relationships and make them more personal. Russians prefer to make negotiations with business partners less formal so both sides can feel comfortable. (Dobner 2017)

What is more, negotiations are accompanied by a complex hierarchy. In Russia, there is a big team of personnel and each of them is responsible for a separate area e.g. one who makes decisions about risks, and another is focused on implementation. From one side, it makes the decision-making process more thoughtful and detailed and gives a huge representation of whether to conclude an agreement or not. On the other side, compared to a European way of negotiation, when one person makes a final decision based on his own impressions, it makes the overall process more complex and time-consuming. (Dobner 2017)

Through the years, Russian business culture underwent many changes, however, it was able to preserve the main qualities that remain nowadays. Being initiative and not afraid of taking risks, being able to adapt to changes, teamwork skills - all of those are highly valued in business in Russia. (Trapeznikova 2010)

4 Overall view into cooperation of Finland and Russia

About two thousand companies with Russian participation operate in the Finnish market. Most of them are engaged in such areas as trade, tourism, and logistics areas.

4.1 Start of the trade

Bilateral economic relations are built on the basis of the intergovernmental agreement on trade and economic cooperation which is dated to 20 January 1992. Trade and economic cooperation between Russia and Finland are mutually beneficial. (Mikulenکو 2017)

At the end of 2017, the volume of Russian-Finnish trade increased compared to 2016 by 36.8% and amounted to 12.3 billion US dollars. At the same time, Russian exports grew by 32.2% to \$ 8.6 billion, and imports by 48.9% to \$ 3.7 billion.

Over the past years, Finnish companies have invested almost 14 billion euros to Russia. (Mikulenکو 2017)

Modern Russian-Finnish relations are built primarily on an economic basis. Even in the Soviet Union period, relations with Finland had a special status in the USSR foreign trade compared with other countries of Western Europe. For Finland, the Russian market was one of the main ones and allowed production with opportunities to develop in a number of industries. Trade with the Soviet Union reached a quarter of the total foreign trade of Finland. After the collapse of the USSR and the entry of Finland into the EU, Russian-Finnish economic relations reached new aspects. (Mikulenکو 2017)

4.2 Influence of sanctions

In 2014, Finland joined the economic and political sanctions in connection with the events in Crimea and in the east of Ukraine, imposed on Russia and a number of Russian and Ukrainian persons and organizations that were involved in the destabilisation of the situation in Ukraine. In August 2014 Russia introduced retaliatory sanctions. (Szczepański 2015)

On August 2015, a meeting between the presidents of Finland and Russia was held in Sochi, which outlined the negative trends in the Russian-Finnish bilateral agreements. According to Putin, as a result of the current EU sanctions, "the whole complex of Russian-Finnish trade and investment relations has been threatened."

Comparing January 2015 with January 2014, exports from Finland to Russia fell by 43%, and from Russia to Finland - by 36%. This could be seen in gas exports from Russia to Finland (Figure 1). (Szczepański 2015)

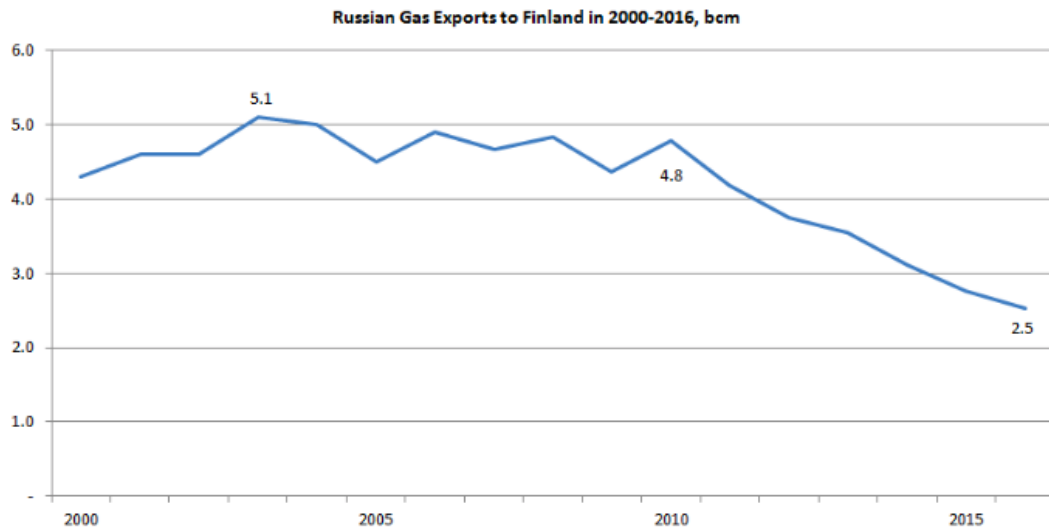


Figure 1 Russian Gas exports to Finland 2000-2016 (<https://eegas.com/photos.htm>)

The same situation was seen in food exports area from Finland to Russia. (Figure 2)

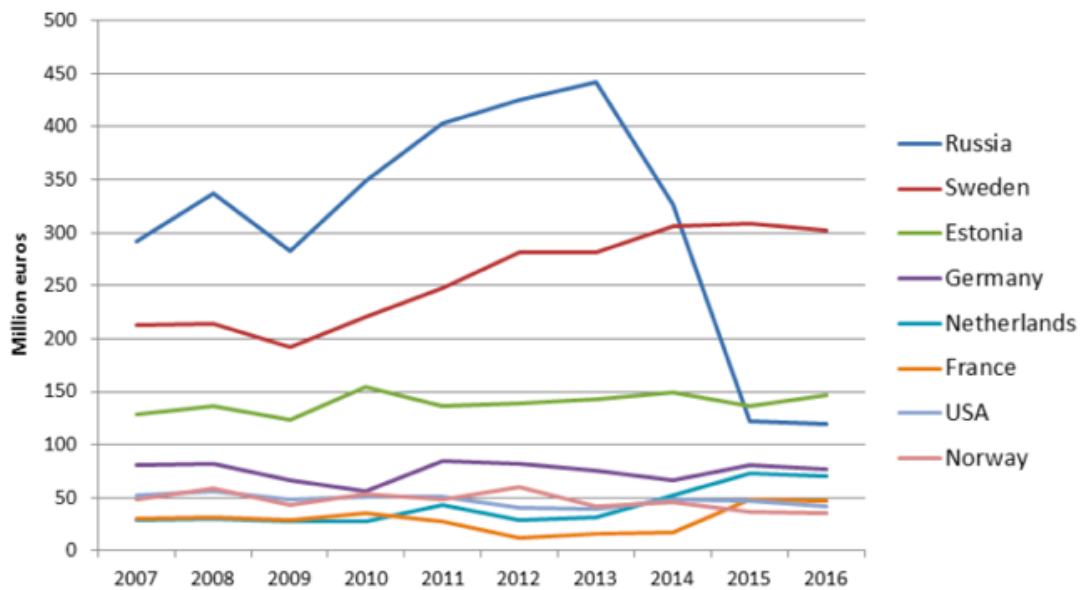


Figure 2 Finland's food exports 2007-2016 (<https://www.luke.fi/en/news/finnish-food-exports-russia-70-percent/>)

Despite of the sanctions and the crisis, Russia and Finland are in close cooperation because both countries are mutually beneficial for each other.

4.3 Development of relationships in terms of sanctions

In the trade and economic areas after the adoption by the European Union of restrictive measures against Russia, there has been detected a significant change. However, a recovery in bilateral trade can be noticed. Over the past two years it has grown by more than 63% and in 2018 it reached \$ 14.8 billion. Bilateral investment cooperation still continues its development. About 7 thousand companies and enterprises from Finland are directly or indirectly involved in trade with Russia, about 650 companies operate directly in Russia, have their own production or representation there. (Spektr 2019)

Russian enterprises are also successfully operating in Finland as part of large-scale industrial projects. Those includes energy, mining, pharmaceuticals, and IT technologies.

The main thing is that the business of both countries is set to restore and further expand business ties, to activate new areas of cooperation, primarily related to high technologies. Here is the timber and paper sector, and energy, especially focused on renewable and carbon-free sources, and closely related waste recycling. (Spektr 2019)

According to the Ambassador of Russia in Finland Kuznetsov, sanctions are a temporary matter, and sooner or later they will go down in history. The most important issue is to maintain a creative agenda. This is what Russia will definitely adhere to. (Spektr 2019)

5 The meaning of cooperation

This chapter reviews the history and definition of cooperation. The meaning of international cooperation, its functions and its role were studied.

5.1 History and definition

The generally accepted term of cooperation implies the unification and interaction of two or more individuals in order to accomplish a particular task. In order to

understand the idea of cooperation and what is the purpose of it, one should turn to history. (Yeo 1986)

The first cooperatives appeared at the turn of the 18-19th centuries in England, then in France, Belgium, Holland and other European countries, as well as in the USA. Cooperative theory first has appeared in the first half of the 19th century. This was associated with the emergence of the consumer, agricultural, credit and other cooperative associations in the capitalist countries of Western Europe. (Yeo 1986)

Only by the middle of the 19th century, Europe has a number of institutions and norms of international law necessary for the activities of international organisations. In 1895 in London the International Cooperative Alliance was created, which officially proclaimed the goals and principles of the international cooperative movement. (Yeo 1986)

In the meantime, the international cooperative movement for all these years has fully proved the viability and relevance of cooperative forms of management. Nowadays, the International Cooperative Alliance includes more than 250 member organizations from more than 100 countries, with more than 850 million cooperators in their ranks. In general, about 60% of the active population of Europe and America are members of various consumer cooperatives. This fully confirms the thesis that a market economy is impossible without consumer cooperation developed to national scales. (Yeo 1986)

5.2 International cooperation and its functions

International Production Cooperation is a joint activity of enterprises of different countries, which fully retain their economic independence in the development, production and marketing of certain goods and services. (Info entrepreneurs 2018)

International cooperation is a necessary condition for the establishment of highly specialized production and implementation of large-scale projects that are often not feasible by the efforts of one country. The growing level of development of

productive forces, the degree of their breakdown into industries, production, enterprises is the objective basis of international cooperation in production. (European Union 2014)

Modern international cooperation can be traced not only within the same industry but is also widely used between enterprises, firms belonging to different industries, different types of activity and methods used. (Info entrepreneurs 2018)

Those points are obligatory to follow in order to recognise international cooperation between companies:

- prior agreement by the parties in a contractual manner;
- coordination of production and business activities of partner enterprises from different countries in the process of product sales;
- presence as direct subjects of industrial cooperation of industrial enterprises (firms) from different countries;
- consolidation in a contractual manner as the main objects for the cooperation of finished products, components and relevant technology, etc.

5.3 Not every cooperation – partnership?

Whether talking about business relationships, the main question arises: In order to confirm or deny this statement, you first need to understand what a partnership is and how it differs from cooperation.

One cannot but agree that a business partnership is the interaction of two or more legal entities or individuals. The purpose of this interaction is to gain the joint benefit that is achieved by obtaining material goods and satisfaction. (Derlega and Grzelak 2013)

Partnership is seen as a specific contractual relationship between several entrepreneurs, allowing everyone to extract the necessary level of profit through the exchange of results of activities (purchase, delivery of products), presented in the form of goods or money. (Derlega and Grzelak 2013)

It should be noted that partnership implies the unification of individuals, not capital, and this partnership is based on a contract, not on a charter. Given this, the

human factor in the partnership is crucial. Therefore, it is possible to state that one of the key factors of a long-term partnership is mutual trust of partners. In addition, trusting is one of the main determinants of building and maintaining long-term business networks. (Derlega and Grzelak 2013)

Thus, it could be concluded that partnership is more than cooperation. It is not about acting together, but it is about having a strong connection, common goals and similar beliefs. A partnership cannot exist without mutual trust.

5.4 Successful partnership development

Obviously, the main task of partnership in business is to avoid disagreements and strive to develop certain policies and rules that will support the expansion of joint activities and investments. Therefore, the key to a successful partnership is to determine the initial stage of cooperation and further confirm in practice the expectations of both parties to participate in it. And of course, the foundation, without which partnerships cannot exist, is trust between the parties to the relationship. (ULI 2005)

In modern practice, the absence of trusting relationships between partners becomes a much greater problem than just the problem of personnel or any other problem of production. Organizations with a high degree of distrust are virtually non-competitive, and, conversely, those built on the basis of trust relationships have the best chance of achieving predictable business results in fast-changing and stressful conditions. In this regard, the development of trusting partnerships is one of the most important factors in the formation of long-term partnerships and tangible success in business. (Lewicki and Bunker 1996)

Thus, along with various factors affecting the long-term business partnerships, such as the existence of common goals, interests, is agreed on criteria of efficiency, mutual. Trust, manifested in certain relationships between partners, can be that factor in maintaining long-term partnerships. (Lewicki and Bunker 1996)

Of course, the presence of own goals for each participant and their balance within the partnership is a condition for building interaction, benefits, long-term prospects, a sense of reliability, open and effective contacts, accuracy in fulfilling

commitments, and a special place in this series of factors is given to trust. (Lewicki and Bunker 1996)

6 Trust as one of the characteristics for a successful partnership

6.1 The meaning of trust

What does it mean to trust someone? An answer to that question requires a deeper understanding of the fundamental components of trust. Trust is considered as a multi-component issue including something borrowed from society plus positive experience plus positive outer shell of an object.

In other words, you trust something or someone which or who you already know or either you have an imagination of it based on knowledge and experience gained before. The American scientist Fukuyama believes that by trust it is necessary to understand "the expectations that other partners will behave more or less predictably, honestly and attentively treat others in accordance with certain general standards." (Fukuyama 1995)

On the basis of a comparative analysis of the economic systems of different countries, the scientist showed that there is a connection between the development of the organization, economic growth, the welfare of the country and the presence of trust between members of society. (Fukuyama 1995)

Trust is a complex definition and it contains several components.

- Consistency

If a person shows consistency in his or her actions, it is followed by a high level of trust. This happens because consistency helps to avoid unexpected cases. Moreover, consistency helps keeping everything in a logical order.

- Clarity

Person is clear in his or her actions, (s)he talks openly and clearly without any intention of hiding some information.

- Compassion

Being able to treat with understanding and being able to sympathize with the problems of another person.

- Character

Having a strong character and own principles can show the image of a confident person who can be trusted.

- Contribution

It is not just about taking part in cooperation or partnership, but it is about ability to contribute to the common goals.

- Competency

Being able to show comprehensive knowledge in some special area. Being educated and competent makes opinion weighty.

- Connection

Relationships are all about connection. The more time spent on connection, the better further communication flows.

- Commitment

Commitment shows person's attitude to its work. This can be estimated in how much time is spent on work, how much effort is given on developing new skills and abilities, and how much one cares about his or her subordinates. (Radican 2013)

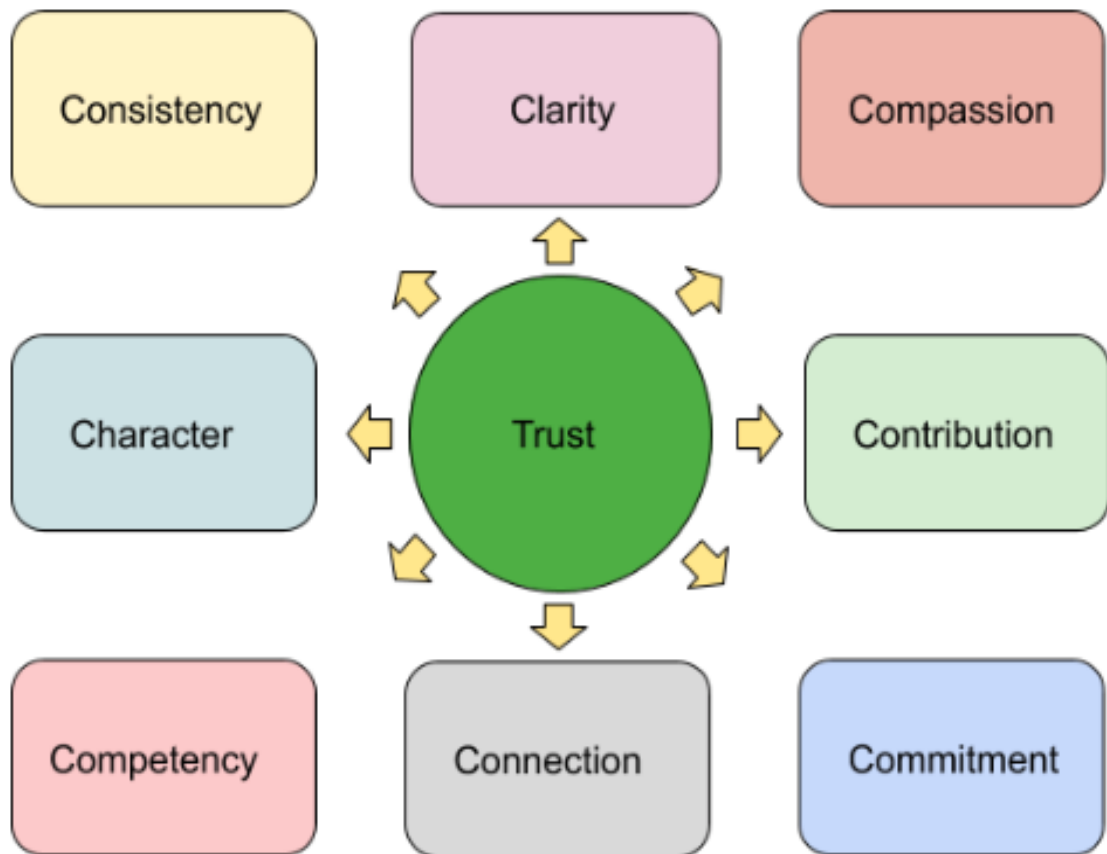


Figure 3 Trust components

6.2 Trust in terms of business relationships

According to the research of Das and Teng, trust is a multilevel phenomenon - it can exist at the level of interpersonal, organizational, inter-organisational and even international relations. In business relations, there are two levels of trust which are important: interpersonal and inter-organisational. First one implies the trust between individuals e.g. managers of two different international partner companies, which further leads to an increase in inter-organisational trust. (Das, Teng 2001)

The development of interpersonal trust between employees of partner companies is facilitated by frequent contacts between them, taking place both in working and non-working environments. (Das, Teng 2001)

Professor Kotlyarevskaya emphasizes the importance of trust in choosing a partner for doing business, and also speaks about different levels of trust in partner

companies depending on the duration of the partnership. The longer the partnership, the higher the trust between the partners. And accordingly, "companies that first choose a partner to face a high degree of uncertainty in assessing the credibility of him." (Kotlyarevskaya 2006)

To understand the conditions under which trust between partners arises and which partnership can be considered trustworthy, consider the factors contributing to the formation of trust in business cooperation.

So Shikhirev cites a number of factors that contribute to the establishment of trust in business relations:

1. *Decency*, which refers to the reputation of a person who is honest and faithful to his word;
2. *Competence*, by which is meant that a person has special knowledge and skills of interpersonal communication, which are necessary for the realization of the promises made;
3. *Consistency*, which means reliability, predictability and common sense in different situations;
4. *Loyalty*, which refers to a benevolent and supportive attitude towards someone and/or something;
5. *Openness*, which refers to the desire to share information and ideas with other people. (Shihirev 1998)

The presence of the above conditions allows to define a trusting partnership between companies.

Trust has a positive effect on business cooperation and personal relationships. When business partners trust each other and, of course, justify this trust, their affairs go quickly and efficiently, without unnecessary bureaucracy and legal battles.

No laws can replace the benefits of trust, because laws rely on violence, and trust on the honesty and integrity of people, as well as on their reasonableness. Indeed, in most cases it is beneficial to conduct business and build relationships on trust, and not on the laws. Laws can be circumvented, and can be applied in

different ways, laws force people to sue, which takes a lot of time and money, whereas trust allows to do everything quickly, efficiently and effectively. (Uslaner 2017)

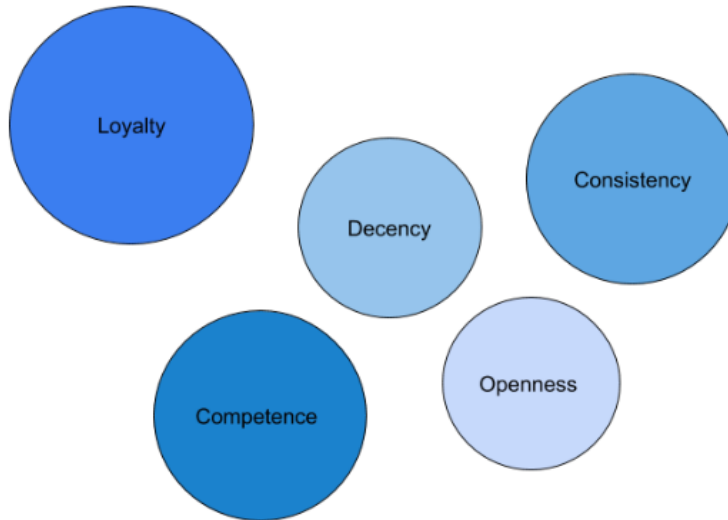


Figure 4 Components of trusted partnership

6.3 Lack of trust

Sometimes it happens that organisations suffer from a lack of trust to each other and it might be due to a variety of reasons. During the negotiation process, it may be clear that the potential partners do not possess the necessary resources. The other reason might be obstacles to cooperation such as differences in organisational cultures. (Lane, Bachmann 1998)

At the stage of building business relationships, partners' expectations play an important role. If a partner has an overly optimistic and ambitious expectations, as well as too tight deadlines for achieving goals, this could cause a decrease in trust. (Lane, Bachmann 1998)

Thus, trust in a partnership is a complex phenomenon. For real business practice, focusing on building relationships on the principles of equal partnership, trust is an important component that requires special efforts to create and maintain it. (Lane, Bachmann 1998)

At the same time, it is possible to identify the factors that determine partnerships without trust:

1. A special style of behaviour in which the partner is interested in the results and their own well-being more than in the results and well-being of others.
2. The presence of conflicting instructions, from which it is impossible to understand how to proceed.
3. Avoid responsibility for their own actions.
4. The formulation of irresponsible conclusions without checking the facts.
5. Excuses or accusations of others when something does not work. (Lane, Bachmann 1998)

7 Empirical part

The empirical part is highly important for this particular study, even though there were some researches made before. One can get theoretical information and, of course, some real cases as examples, but hardly ever a person involved in international cooperation would share his or her thoughts and feeling and talk openly about challenges that he or she had to face previously.

Before finding the way to successful international business relationships, first it has to be studied what kind of problems exist nowadays and whether they really depend on personal factors or they cannot be influenced.

7.1 Purpose of the interview and hypothesis made

In order to find out the essence of successful business relationships between Finland and Russia, and obligatory conditions for their formation, the author has conducted the interviews with the members of Etelä-Karjalan Venäjän kaupaklubi EKVK Ry. The purpose of the interview was to understand the role of trust when building relationships with Russian companies and to understand how trust is built.

Before conducting the interviews, the author kept in mind the following hypothesis:

- Finnish businessman and entrepreneurs believe that doing business with Russians is risky and are unlikely to start any business with them;
- Political situation and sanctions do affect the cooperation between Finland and Russia;
- Cultural differences make a barrier in cooperation.

Thus, to find out whether these hypotheses are right or wrong, the interviews were a tool to help.

7.2 The interviewees

The interviewees were chosen from Etelä-Karjalan Venäjän kauppaklubi (EKVK Ry). It is the NGO of companies and experts who are dealing with Russia including entrepreneurs and specialists from different areas. The club was formed in 1997 in South Karelia region in Finland. The main purpose of it was to share and exchange experiences between members. The club organises meetings, seminars and presentation about trade in Russia. This is aimed to help in avoiding barriers and to make cooperation with Russians easier. (EKVK 2019)

Even though interviewees have different backgrounds and areas of operating, they all are the members of the Etelä-Karjalan Venäjän kauppaklubi. Interviewees personally had previously cooperated and have now cooperation and partnerships with Russia and because of that, sharing their experience and point of view on building trusted relationships was important and necessary for this particular study.

7.3 The interview process

The interviewees were first reached by phone and by e-mail. After a small talk about the purpose of the study, the time and place were agreed. The interviews were conducted in person in a friendly manner and each of them lasted 25-30 minutes in general. On the overall, 3 interviews were organised.

The author had a semi-structured interview with a number of 16 open questions. The questions were varying depending on the background and experience of the respondent.

Each interview began with asking a respondent about his/her current position and daily duties. It was exciting because each of them works in different areas, but still all of them have something in common.

Then, the questionnaire continued by asking about business experience with Russia and what is the most important during cooperation with them. After that, the interview was followed by questions about trust and how important is trust to your business partner.

At the closing part, there was a discussion about the political situation and sanctions between both countries and how they affect the business relationships between Finland and Russia. The interview ended with a question about the level of relevance of the studied topic.

7.4 Analysing interview results

After reviewing the answers on interview questions, the author has pointed out that some of the thoughts of the respondents crossed and had a lot in common. This might be due to the experience they all had.

Each of the interviewees was involved in long-term cooperation with Russian business partners. All of them marked the importance of having strong background and reputation, showing that the partner company has a good image.

Considering personal characteristics of the manager or representative of a potential partner company, respondents valued loyalty and openness. There cannot be any hidden information or unexpected situations whether it is cooperation or partnership. Everything should be stated clearly and if there is a problem upcoming, it should be reported as soon as possible so the partner can think of alternative options. Usually those problems are connected with financial issues such as late payments, or a partner's company bankrupt. Thus, if a partner does not know the current situation, it might be hard to continue cooperation and most probably it would never be renewed again.

Furthermore, the respondents said that the first impression plays a significant role. However, this is more psychological question. It is well-known that most of the information in the course of communication is gotten through non-verbal communication. Only 7% is a part taken by verbal communication, while the rest of 93% is non-verbal.

First of all, non-verbal communication contains sound issues such as intonation, voice tone, loudness etc. Secondly, no less than 55% is taken by facial expressions, gestures, movement of our body etc. If a person lies, body language tells the truth. That is the way we exist and communicate both in everyday life and with business partners as well.

The respondents answered that in 80% of the cases he or she could feel whether a partner can be trusted or not. Sometimes, they rely on intuition, they observe how a partner behaves and then can make conclusions. Pointing out that the “first impression stays forever” should be accepted very seriously, because a person has only one chance to make it positive and remarkable. Of course, it would be a plus if a partner company has some references from already known companies.

All of the interviewees made a statement that trust is highly important in business relationships. They stated that despite of the fact that cooperation is about achieving the same result and investing for own benefit, it still requires some level of trust, compared to partnership, that is based on trust. Partnership is not just about participating, but also investing in the common cause. It is emotionally something bigger than just cooperation.

In any business relationship trust is built step-by-step. A partner is checked by time and by responsibility for their actions. Being able to accept responsibility is a highly valued item. It shows maturity and serious attitude.

However, those were the issues in which the opinions of the respondents were divided:

- Political situation and sanctions;
- Cooperating with Russians might be difficult due to different mentality and culture.

Considering the political situation and sanctions, the answers were different. One of the respondents stated that the political situation between Finland and Russia just technically influences the business relations. This includes cases when bank accounts of Russian entrepreneurs were forced to close. That makes continuing business cooperation more difficult as it is followed by challenges when making or accepting payments.

Another respondent mentioned that the political situation does not affect already existing cooperation because people are involved in that business for a long time and no one would refuse cooperating further even though the political views of people of both Finland and Russia are changing. This happens because people “live” in that area, they make profit and that would be unreasonable to destroy those trusted long-term relationships.

The last respondent has noted companies who have not yet entered Russian market. Those are affected a lot because they suppose that doing business with Russians is risky. In some cases, they think that currency changes and instability are not what they are aiming at. Finnish entrepreneurs, who get used to stability, confidentiality and clarity, are afraid to enter the Russian market or start cooperating with any of the Russian companies.

“Another mentality and differences in culture are not a barrier for Finnish companies to enter the market” – that was stated by one of the interviewees. This might be due to huge experience and a lot of common historical issues, for example in 1918-1940, one of the towns, closely located to South Karelia region Finnish-Russian border, called Vyborg was owned by Finland. That put a lot of impact on the culture of its citizens, architecture, way of living etc. Compared to other cities such as Saint-Petersburg or Moscow, Vyborg can be more related to Finnish culture, but at the same time it keeps Russian traditions and Finnish historical values together. This might be one of the reasons that cooperation with some company from Vyborg is easier than with any company from other parts of Russia.

The second respondent mentioned that cooperation might be risky not because of differences in culture, but overvalued expectations. Many Russian entrepreneurs expect their Finnish business partners keep everything in order, being loyal

and honest. Sometimes, it happens so that due to those expectations, Russian entrepreneurs lose their money because they rely on the “honest” word of their business partner.

There can be dominating characteristics of a person in a culture, but all people are different and the best way to insure yourself is the official documents such as agreements that are governed by laws. However, two of the respondents mentioned the well-known Russian statement which can be interpreted as “Trust but verify”.

The last respondent mentioned that there is an enormous gap between Finnish and Russian culture that makes Finnish entrepreneurs stay away from entering the Russian market. The interviewee supposes that Russian entrepreneurs know more about the Finnish way of doing business, but when it comes to Finnish, they know only areas closely located to the border. This might be because Russia is a huge country and it is hard to study every part of it.

7.5 Outcomes of the interview

Combining altogether the information gathered from the interview, some conclusions can be made:

- It is important to have a good background to remain as a trusted partner. First of all, a company should review its current situation on domestic market and if everything goes well, then it can think of entering international market and make international cooperation. Also gaining good reputation and image would be an advantage.
- Despite of the fact that Finland and Russia have different cultures, nowadays they still find the way to communicate and work together, Nowadays, as many entrepreneurs speak English, some of the Finns speak very well Russian, and Russians who speak good Finnish. That erases the language barrier and gives a chance to successful cooperation.
- First, before entering the market, it is good to study its specialities. A company has to explore the area, location and try to find potentially trustable partners for cooperation.

- Sometimes there are misunderstandings in cooperation between Finland and Russia. It happens because countries have different points of view on how to do business and that is totally acceptable. The main issue is patience and ability to explain your choice, and to discuss everything that seems to be doubtful. Sometimes misunderstanding can cause a feeling of mistrust. Negotiation – is a business word.
- Before entering the market, it is good to find a specialist who knows the area really well. This might ease the situation and decrease potential losses.

8 Guideline to successful cooperation

The chapter reflects the summary of the analysis of the theoretical and practical parts of the thesis. Considering the results of the interviews, a guideline of how to build successful long-term relationships between Finland and Russia was created.

8.1 Obligatory conditions for long-term successful relationships between Finland and Russia

- Carrying out obligations and assigned duties

Being able to work towards common goals and as a result to obtain productive results can be called partnership. In case of non-fulfilment of their competence, the partners are not able to meet the expectations of each other, which further limits the maintaining of a trusted relationship.

- Honesty and openness towards the partner

The correspondence of the behaviour of a business partner in relation to another partner or any specific situation, and logical order in the actions is about honesty and openness. Mostly, partners trust those who keep the principle of doing what was promised and act according to that principle. Discrepancy between words and actions, shows that the partner does not meet the criteria or is not able to fulfil his or her obligations. Thus, the partner should act honestly and talk openly

if there is something he or she is willing to discuss. Hiding any information or cheating is the way to destroy a trust in business relationships.

- Mutual care of each other

Partners should care about each other and take into consideration not only personal interests. If a partner cares about another, this establishes trust and makes partnership potentially more successful.

- Getting to know each other better

During the study process, one interesting issue was detected. Usually when it comes to business relationships between Finland and Russia, Russian entrepreneurs know more about the Finnish market, than Finnish know about the Russian. When there is a lack of knowledge about the market and about your business partner in general, that causes a gap between two potential partner companies. To avoid this gap, one should study and explore the area in which the potential partner company operates, get to know the culture and way of doing business better.

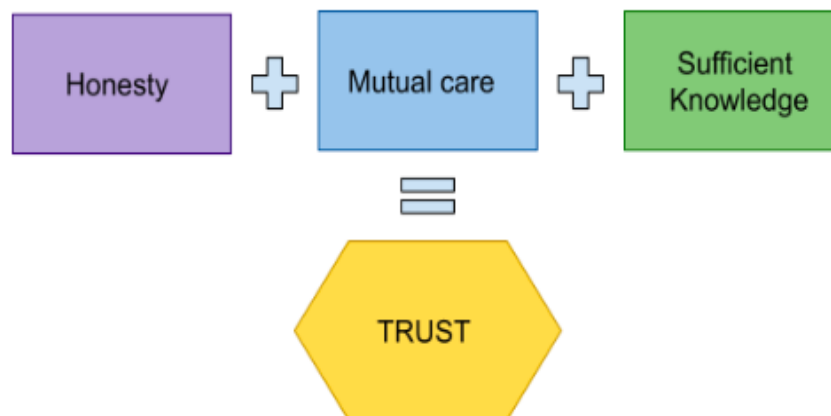


Figure 5 Conditions for trust relationships

9 Conclusion

In this chapter, the findings and results of the study are summarised, outlining highlights as well as making suggestions for further research.

9.1 Summary

The purpose of the study was to define the obligatory conditions for successful trusted long-term relationships between Finland and Russia, as well as to understand the role of trust in such cooperation. By analysing the gained information during the thesis process, the author could respond to the settled research question and objectives. Studying cultural specifications of Finland and Russia, the business culture of both countries, the meaning of cooperation and phenomenon of trust helped to understand the formation of business relationships between these countries. The empirical part of the study was essential for confirming the theory and representing the current situation. Moreover, it defined the existing challenges based on which the guideline for successful cooperation was created in order to help companies avoid mistakes and make cooperation easier for both parties.

Due to the author's regret, only 3 interviews were organised. During the interview, the hypotheses made were approved. Cultural differences, political situation and instability in the Russian market negatively affect the cooperation between Finland and Russia. However, it is possible to be reduced by sufficient knowledge of a business partner.

To sum up, international business relationships between Finland and Russia will be developing as they have an interest in each other. Actually and potentially these countries, due to their close location, have mutual benefits. The challenges have all chances to be overcome. However, Finland and Russia should take into consideration the political situation, but, if possible, at the same time maintain the existing cooperation and continue developing.

9.2 Suggestions for further research

Further market research is needed for revealing potential challenges and opportunities that Finland and Russia open for each other. Further, the reasons of mistrust between the countries should be explored.

Even though the international Finnish-Russian cooperation is partly affected by sanctions, it still has a chance to create new business directors and strengthen

their relationships. However, it depends on the concernment of both parties which is also required to be studied.

Moreover, it would be interesting to know how cooperation with Russian companies is formed in other parts of Finland apart from the studied South Karelia region. The author supposes that the sanctions issue might not affect that much farther regions of Finland due to further location from the border. South Karelia region is usually the first one to be highly affected by the changing political situation nowadays.

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Appendices

Appendix 1 Interview questions

1. What is position?
2. What are your main daily duties?
3. What kind of cooperation did you have with Russia? How long?
4. What is the most important in international business relationships and especially with Russians?
5. What kind of challenges did you have with Russians?
6. How about trust? How would you describe trust in business relationships?
7. How important/necessary is it to trust your business partner?
8. What can destroy your trust in a business partner?
9. How can lack of trust influence your cooperation?
10. Is confidentiality important?
11. Do you rely on personal characteristics of the manager/representative of another company?
12. How long time do you need to spend in order to build trust relationships with your business partner?
13. What kind of a goal do you think you would achieve when you build trust relationships with your business partner?
14. Have you ever faced difficulties in cooperation with Russians?
15. How about political situation and sanctions?
16. Would you consider the results of my work helpful?