Bachelor Thesis

An exploratory study of the internationalization process of Swedish multinationals to the Russian market
The role of informal institutions in the process of internationalization

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“Russia is a riddle wrapped in a mystery inside an enigma.”

- Winston Churchill
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Abstract
Due to the moderately small market of Sweden, firms expand and conducts business on an international level in order to find new opportunities and increase the profits. Many Swedish multinationals expand to the Russian market, due to its size regarding customer base and landmass. Thus, the aim of this study is to provide a greater understanding of how informal institutions in Russia are influencing Swedish multinationals’ establishment and development in the Russian market. Appropriate aspects of informal institutions have been acknowledged and identified with a further analysis in relation to internationalization, culture, and network. A qualitative research method was implemented in this study with the aim to obtain a greater understanding of informal institutions and the way it affects the Swedish firms in Russia. Furthermore, this study used abduction as a research approach, since the authors of this thesis switched between theory and empirical data to make adjustments during the process that enabled the authors to be flexible while gathering the data.

The literature review that is presented in this study has a link to internationalization, culture, network and lastly informal institutions. Through combining the presented literature review, the authors developed a conceptual framework that further was used when analyzing the empirical data, collected from multi-case studies of Swedish multinationals.

The analysis section discusses both similarities and dissimilarities between the theory and the empirical findings. These analyses are designed in relation to the conceptual framework. The final chapter of this thesis will contain conclusions that were derived from the material in the analysis chapter. Furthermore, the theoretical implications and a revised theoretical model will be presented. Additionally, the managerial implications will be presented along with limitations of the study and the study will be concluded with suggestions for further research. The main theoretical implications that have been developed during this thesis, contains reducing the research gap and continuing with a demonstration of how Russian informal institutions influence Swedish multinational’s establishment and development in the Russian market. The main practical implication of this study is to aid the business procedures of Swedish companies in the Russian market. Moreover, this study can be of practical use to Swedish firms that are in the process of or planning to internationalize to the Russian market.

Keywords
Russia, Swedish multinationals, Internationalization, Institutional distance, Informal institutions, Culture, Networks, Market commitment, Trust and Personal relationships
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Kalmar, 23 May 2018

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1 Introduction

This chapter will present an introduction and background to the topic that has been chosen by the authors. Thereafter, a problem discussion will be presented which will clarify the relevance of the study and the practical problems. The chapter will further describe the research question and purpose of this thesis. The chapter will be concluded with the outline of the study.

1.1 Background

In today's modern time, the world has become increasingly interconnected, and the physical distance between countries have been reduced to a level that poses little or no hindrance for expansion (Freidman, 2005). Due to this accessibility, companies have turned their focus from their domestic market to the global market. The primary reason for this is as varied as the number of companies pursuing them, but there is a critical point that keeps reappearing. Once a company realizes that the domestic market cannot fulfill its goals, the firms tend to assess the global market for a profit (Hollensen, 2017). The potential profit and access to resources further motivate today's globalization (Knight, 2000). The decision to globalize gains a higher commitment and the company initiates a foreign expansion. This decision, however, is often followed by another critical point, the uncertainty level of the chosen market needs to be reduced in order for the firm to be confident enough to internationalize (Freeman, 2002).

The internationalization is a time-consuming process, divided incrementally into three different steps (Hamilton and Webster, 2012). Firstly, firms tend to start with exporting to similar markets, secondly, the export is directed to less similar markets, and lastly firms will establish a subsidiary in different markets worldwide (Johanson and Vahlne, 1977). An essential factor in the internationalization process is the networks since an extensive and well-established network facilitates the process while expanding to markets that culturally and geographically differ from the domestic one (Johanson and Mattsson, 1988). The same article also highlights that pre-existing relationship may influence the entry mode and the strategy during expansion to a new potential market.

Internationalization is motivating businesses across markets worldwide, but an expansion process also faces barriers and challenges. In an internationalization process, a firm will encounter cultural differences that need to be considered and dealt with, in order for the venture to be successful. Culture is defined as the characteristics and knowledge of a particular group of people, which includes language, religion, social habits, beliefs, and values (Holden, 2002). According to Smith (1990), the challenge of dealing with cultural distance will consistently remain even though the world is globalizing. The cultural aspect is more crucial to consider in developing markets rather than developed. Therefore, Mooij (2014), stress that interaction, cooperation and a well-functioning business within a developing market will facilitate the process of obtaining knowledge of the culture within the chosen market.
The authors Johanson and Vahlne (2003), define markets as networks of relationships, in which the companies are linked to each other in a complex and relatively invisible pattern. This definition further stresses the essential part of insidership in relevant networks for the internationalization to be successful. In contrast to that, the liability of outsidership of such networks is also discussed as a high obstacle. The same authors argue that relationships may increase learning, trust, and commitment, which are seen as preconditions to internationalization. The author Ojala (2009:50), further strengthens the claim that networks dictate the internationalization direction, as "[...] firms are following their networks to foreign markets". These aspects of networks fall in line with the network model as companies create new relationships to support the pre-existing ones. The networks are bridges to markets and if the company wants to access a market, it needs to be reached via a network (Johanson and Mattsson, 1988). Jansson (2007), continues to explain that a network is bound by rules or routinized agreements of a formal and informal character.

Networks are not always constructed by solely businesses but the connection to an institution within a market can facilitate certain business processes. North (1991), described institutions as humanly devised constraints that regulate political, economic and social interaction, they can be identified as either formal or informal. Laws, property rights and constitutions are typical examples of formal institutions. While factors such as customs, traditions, and codes of conduct are characteristics as informal institutions. Lekovic (2011), argues that in order for an economic actor to be successful and improve its economic position within a market, it is also essential to understand the complex relationship and network ties between formal and informal institutions.

Informal institutions were present during the communist era in Russia, ordinary people tried to undermine and bypass formal institutions during the redistributive economy by utilizing informal exchange to gain restricted resources through their relations or personal networks. This informal exchange has been traced back to the pre-communist era and is based on commitment, sympathy, and trust (Ledeneva, 1998). The same author argues that the consistent use of the unfair system issued the cultural phenomenon known as blat. The phenomenon is best described by using the Russian terminology "[...] nel’zya, no mozhno" which translates into prohibited but possible (Ledeneva, 1998, 32).

After the collapse of the Soviet Union and the fall of the communist party, the country increased its ambitions to integrate into the global economy and reach a stabilized macroeconomic outlook (Cavusgil, Ghauri, and Akcal, 2013). Today Russia is a member of the BRIC economies (Brazil, Russia, India, and China), these markets are predicted to be leading actors in the future with a high potential for profitability, these particular economies are also characterized by higher degree of corruption. The Russian market with a population of more than 144 million inhabitants and world's largest landmass of around 17 100 000 km2 (worldpopulationreview.com, 2018), is one of the most important developing markets from the Soviet Union. After the liberalization, Russia has been an attractive market for multinationals in various industries due to the
country's natural resources, moderate-high income per capita and a sophisticated consumer base (Cavusgil et al., 2013). In a recently published article about the energy sector in Russia, it is argued that the shortcomings of the Soviet Union and the faulty political system were complemented by the informal institutions of the time (Ledeneva, 1998). The collapse of the communist state and the constructed formal institution led to a takeover of informal institutions and indiscriminate rule (Korppoo, 2018). The same author argues that today's informal institutions have remained intact due to the transition from Soviet. This resulted in the formation of two societal forces. Sistema, a governance based on informal networks of power and an administrative regime based on the parallel informal relations. The author presents these factions as the base for what is called a dual state system. Furthermore, the article (Gel'man, 2012), argues that the formal and informal institutions in Russia should be perceived as an embedded and symbiotic relationship. Due to this relationship, the informal practices that occur are formalized through legislation.

Jansson (2007), argues that leaving or moving away from an old and well-known society to a new and unknown society, as mentioned before is characterized by a high degree of uncertainty and ambiguity. The author further claims that this level of uncertainty and ambiguity can be reduced with the help of informal institutions. This would explain the staying power of such practices (ibid). The author Lekovic (2011), stresses that an increased level of knowledge regarding informal rules will simultaneously increase the understanding of the interactive relationship between formal and informal rules of conduct, which shape the codes of conduct of the market. Therefore, the decisions making process will be clearer in circumstances with a limited amount of resources. Lekovic (2011), continues to explain that the best result for business performance is obtained when the interactive relationship between formal and informal institutions are harmonized and complementary to each other.

1.2 Problem Discussion

Studies that have been made regarding the interlink between culture and networks imply that it is essential for a company's success rate in foreign markets (Mattson and Salmi, 2013). Since relationships interlink individuals into greater social networks the understanding of these interlinks can help facilitate the knowledge of the markets cultural aspects (Buckely and Ghauri, 1999). In the article by Michailova and Worm (2003), emerging markets are depicted as relying on networks, the same article further stresses the crucial task of engaging in these networks to reach the highest probability of success.

As mentioned in the background by the author Ledeneva (1998), informal exchanges are deeply rooted in the Russian society, the practice has transcendent turbulent eras and manifested itself as a cultural phenomenon in today's modern Russia. The terminology of blat appears and embeds itself into the personal networks. It is utilized to gain access to public resources and individuals to facilitate short or long-term issues. These relationships are similar to the network model built upon trust and commitment, with a
friendly undertone (Ledeneva, 1998; Johanson and Vahlne, 2003). Therefore, it is important to examine if the informal institutions are present during the stages of internationalization and if so, to what extent does it influence the strategy of the company?

The Russian economic system is undergoing extensive institutional changes (Jansson, 2007). The traditional perception of a network is changing and need to be understood in relation to institutions according to (Jansson, Johanson and Ramström, 2007). Laws, regulations and political governance systems are changing with the economic system. These changes resulted in the outcome of traditional institutions that used to be characterized as stable and predictable, have now become increasingly turbulent and unpredictable (Roth & Kostova, 2003). Institutions have reached a weak point where they have stopped to function properly and thus companies cannot depend on formal institutions to solve conflicts but must partake in informal exchanges (Jansson, Johanson and Ramström, 2007). The same authors state that there is a gap between existing and desired institutions in Russia. Due to the fact that governance systems are unable to support local businesses, the firms will perhaps have to depend on informal institutions as substitutes (Kostova & Roth, 2002).

According to the World Bank, the ease of doing business index in Russia is located at place 35 of 190 countries (Doingbusiness.org, 2018). However, it is discussed that some foreign investors face difficulties in managing the business culture within Russia, which can be a result of the country's political and economic restrictions but likewise the cultural misunderstanding (Kirsanov, 2013). Even with these challenges, there are over 400 Swedish companies operating and owning subsidiaries within the Russian market (Business-sweden.se, 2017). Russia is an important market for Sweden since it is ranked as the 16th largest export country for Sweden with an export of 1463 million SEK and 9th place regarding imports with 3772 million SEK (Scb.se, 2018). Foreign investors are facing issues regarding the dynamic forces within the Russian business environment. Therefore, it is important to further investigate the market in order for increasing the knowledge which in turn can facilitate the process of entering without any costly or time-consuming mistakes.

The mentioned facts in the practical problem segment should interest Swedish companies that either is planning or currently are in the process of entering the Russian market. The understanding of the interlinks between networks, culture and informal exchange could facilitate the process and increase the probability of a successful business endeavor.

Research regarding the phenomenon of informal institutions has been restricted to two main areas of study. The first is mainly focusing on the historical origin of the practice and defining the legitimacy of using it (Ledeneva, 1998; Lekovic, 2011). The second is mainly focused on the social context, the perspective of explaining the essentiality of networks and their function of fulfilling basic needs that are encountered in people's lives (Michailova and Worm 2003). Previous studies have left a gap in existing research
regarding the importance of informal institutions and its influence in the initial stage of a market entry. Informal institutions have been studied but due to the negative aspects and illegitimacy that follow the term, the empirical data is difficult to obtain or confirm as valid. Therefore, studies on the influence during an internationalization process are limited.

1.3 Problem definition

After the problem discussion, authors of this thesis determined that there is a need for further research concerning informal institutions influence on enterprises in their internationalization process. The aim of this thesis is that it could be of practical use for managers or companies that are considering establishing themselves in the Russian market and implementing a proactive entry strategy in doing so. In order to determine and comprehend the influence of informal institutions on Swedish multinationals while entering the Russian market, a main research question was developed.

Main Research Question

When the problem definition and problem discussion has been presented, these research question have been formulated:

How do Informal Institutions influence the establishment and development of Swedish multinationals in the Russian market?

1.4 Purpose

The purpose of this study is to obtain a deeper understanding of how informal institutions in Russia affects Swedish multinationals in their internationalization process. Informal institutions are a central and often a crucial part of the society in emerging economies. Due to this essentiality regarding the informal institutions, this thesis will clarify the influence of informal institutions in Russia. The thesis will also examine the cultural distance between Sweden and Russia in order to determine the effect of cultural differences on Swedish multinationals when conducting business through social networks in Russia.
1.5 Outline of study

Introduction
- This chapter will present the background concerning the topic. Further the problem discussion will be highlighted, continuing with research questions and purpose of the thesis. Lastly this chapter will present the limitations and outline of the thesis.

Literature review
- This chapter will provide the literature review that is related to the research area and is used in this thesis in order to analyse the empirical findings.

Methodology
- This section of the thesis will provide information about how the research is conducted, with argumentations for the chosen methods to be used.

Empirical findings
- The empirical finding will be presented in this chapter, which will give the readers an overview of what information that brings value for the coming analysis and conclusion.

Analysis
- This chapter provides the connection between the empirical findings and literature review, together with the authors analysis and opinions of the topic.

Conclusion
- The last chapter of the thesis will present answers on the research questions, based on the analysis. The authors will also provide suggestions for further research regarding this topic.
2 Literature review

This chapter will present the theories used for this thesis. The segments within this chapter are divided in the following topics: Internationalization, Culture and Informal institutions. The chosen theories will be used as a base for the empirical findings and analysis. The chapter will be concluded with a conceptual framework, this graphical presentation will display the interlinks between the chosen theories, the aim is to facilitate the understanding of how informal institutions influence the internationalization process.

2.1 Internationalization

According to Sandberg (2013), there are multiple internationalization patterns that are being utilized by firms when implementing their internationalization process. Furthermore, Freeman (2002), explains that internationalization occurs when a firm expands its research and development, production, selling and other business-related activities into international markets. The same author continues to compare the internationalization pattern of small and medium-sized enterprises (SMEs) and multinational corporations (MNCs). Larger firms tend to internationalize in a continuous manner. The firm undertakes a variation of international projects during different stages in the process simultaneously. The projects are being managed in incremental steps over a specific period of time. SMEs, on the other hand, tend to implement a relatively discrete internationalization process. This process considered an internationalization venture to have a high degree of distinctiveness and individuality, the firm will utilize the same principle of incremental steps but the main focus will be restricted to one project (Freeman, 2002). A model has been created by Johansson and Vahlne (1997), which is called the Uppsala internationalization model. It presents a more detailed representation of the incremental steps and the driving force to each one. Another traditional strategy that is common among SMEs when internationalizing is to use existing relationships to gain access to a network which might facilitate the internationalization process. The reasoning for the previously mentioned international ventures are according to Dunning (1993), to increase profit, but the same author argues that one factor is rarely the reason for any given action within a business. There are four main motives for internationalization (Dunning, 1993; Benito, 2015).

1, Market-seeking: Venture abroad to find new customers.
2, Efficiency-seeking: Venture abroad to lower the cost that is affiliated with economic activities and/or with the goal of rationalizing the existing operations in various locations
3, Resource-seeking: Venture abroad to access resources that are not available in the domestic market or that can be accessed at a lower cost in a foreign market.
4, Strategic asset-seeking: Venture abroad to gain access to strategic assets, tangible or intangible, which may be essential to the firm's long-term strategy but is not present in the domestic market (Dunning, 1993; Benito, 2015).
2.2 The Uppsala Internationalization Model

According to Johansson and Vahlne (1997), internalization is the result of a series of incremental decisions. The internationalization curve of a company is best described as a gradual increase of a firm's market commitment. The equation for an increased degree of internationalization is based on the successive acquisition of foreign market knowledge and as the uncertainty level decreases the market commitment increases. This specific knowledge is obtained by previous international experiences. The original model has been revised twice since the first publication (Johansson and Vahlne, 1990; 2009), the revision is mostly due to the dramatic changes the economic environment has seen in later years, the model, however, presumes that companies strive for long-term profit and a low-risk process. Johansson and Vahlne (1997), explain that the lack of knowledge is a crucial obstacle to overcome in order for the process of internationalization to move forward. The model is revised in later years from a risk management point of view by Figueira-de-Lemos, Johanson and Vahlne (2011). In the updated article, risk and uncertainty are presented as two separate concepts, rather as a combination concept. The risk is related to explicit knowledge, while uncertainty is based on implicit knowledge. Furthermore, the same article divides the concept of uncertainty into two factions, contingent uncertainty, and pure uncertainty. Pure uncertainty is unchangeable and cannot be eliminated. The concept is related to future unpredictability, as long as there is a future, the pure uncertainty will always be present in the internationalization process (Figueira de-Lemos et al., 2011). The contingent uncertainty is knowledge dependent and may be reduced. The Uppsala models’ uncertainty is related to knowledge and thereby the authors present it as continent uncertainty. As previously mentioned, the more knowledge and international experience a firm acquire, the greater the reduction of the uncertainty gap (Johansson and Vahlne, 1997). The authors finalize the definition of the two factions by presenting that continent uncertainty can be measured and perceived, while pure uncertainty can only be realized and is not prominent to any alteration (Figueira de-Lemos et al., 2011).

The other factor in the equation as aforementioned is market commitment. Johansson and Vahlne (1997), define market commitment as the number of resources allocated to a specific market area. The decision regarding increasing or restricting the expansion operations are based on the market knowledge and the firms' ability assess opportunities and problems from previous experiences, a high degree of familiarity drawn from past experience will facilitate the decision-making (Johansson and Vahlne, 1997). The primary source of experience is the firm's current operations, the firm continuously uses networks to obtain knowledge, either through existing consultanship (within the specific field) or from their HR-ambitions. Furthermore, the authors explain that firms match the perceived problems and opportunities with their current knowledge, and base their decision on the degree of that knowledge (Johansson and Vahlne, 1997).

Since the original model was created, the behavioral theory regarding firms have changed distinctly and the internationalization process is present at an earlier stage than it used to be in 1977 (Johansson and Vahlne, 2009). The business climate is regarded as
a web of relationships via networks rather than a neoclassical market with independent actors. The reason for a high degree of uncertainty is now not related to the physical distance but rather the exclusion of relevant networks (Johansson and Vahlne, 2009). Furthermore, the authors add trust-building and knowledge creation as factors that influence the internationalization. The same articles present networks as borderless, the focus has changed from entering neighboring markets to entering into relevant networks as a dominant force for internationalization. The knowledge is presumed to be held by the actors within networks and therefore the commitment perspective has instead been shifted to committing the firms' efforts into maintaining existing relationships and expanding into exclusive ones (Johansson and Vahlne, 2009).

2.3 Network model
Johanson and Mattsson (1988), explain that the assumption regarding the network approach is that an international firm cannot be analyzed as an isolated actor but has to be regarded in relation to other actors within the environment. This implies that firms are dependent on resources and knowledge controlled by other actors. Chetty and Holm (2000), furthermore define business networks as one or several relationships between firms, the dominant activity is the exchange of information and a variation of resources. The firms within these networks can be competitors, suppliers, distributors or customers. This assumption is further strengthened by Jansson (2007), as networks are built upon clusters of individuals in which the interlinks are being used to promote the exchange of goods, services, information, and socialization. According to Johanson and Mattsson (1988), firms could utilize their existing networks in their domestic market to connect to networks in foreign markets and thus internationalize. This approach is further explained by Krueger (2009), the author states that international firms tend to search for a local actor or representative in order to facilitate the process of conducting business, Johanson and Mattsson (1988), have through their research categorized firms in accordance with the network model: The early starter, the lonely international, the late starter and the international among others.

2.3.1 The Early Starter
The first category is related to firms that have a low degree of international relationships and the suppliers and competitors are in the same market position. The firm may have some weak links with foreign actors but remain positioned in the domestic market. Due to the similar situation of its current network participant, there is little or no information that may be obtained to initiate the process of internationalization as the uncertainty level is too high. In order for firms to initiate their internationalization, they tend to utilize foreign sales agents and reduce the uncertainty level by acquiring the agent's knowledge in the chosen market (Johanson and Mattsson, 1988).

2.3.2 The Lonely International
The second category is related to firms that have a high degree of internationalization but is focused on the domestic market. This particular firm has well established foreign networks but utilizes them mainly to dictate the economic environment among its
competitors. In addition, this firm possesses the knowledge and experience needed for internationalization, but the knowledge is mainly limited to the production field the firm specializes in (Johanson and Mattsson, 1988).

2.3.3 The Late Starter
The third category is related to firms that have no direct affiliation to a foreign market. However, the firm’s local suppliers, customers, and competitors display a high degree of internationalization. The surrounding actors all have necessary knowledge and the position is according to Johanson and Mattsson (1988) disadvantageous, the authors further argue that firms traditionally initiate their internalization through joint ventures as the link to the foreign market is already established with actors that already are in a symbiotic relationship with the firm in question.

2.3.4 The International among others
The fourth category is related to firms that have a high degree of internationalization and simultaneously operate within an international environment. The firms in this category have a vast and well-established global network. The vast network enables the firm to access resources that may be inaccessible to others. The knowledge is high among these firms and uncertainty is easily reducible (Johanson and Mattsson, 1988).

2.4 National culture
Culture, in relation to institutional theory is regarded as a collective collection of informal rules. The concept that institutions and cultures are interlinked, is strengthened by a number of authors (Hofstede, 2001; North, 2005; Scott, 1995). Therefore, it can be argued that cultural theory and institutional theory are important when discussing the influence of informal institutions in a business environment.

Hofstede (2001), is a renowned researcher within the field of national culture and its variations between countries. He has constructed a framework which presents distinct characteristics and display the mentality and behavior within different nations. The model is commonly presented as Hofstede’s five dimensions of national culture. According to Hofstede (2001), people within different societies perceive and interpret their world along the following dimensions, power distance, individualism, masculinity, uncertainty avoidance and long-term orientation. Due to research made by Michael Minkov (2007), the framework provided by Hofstede has expanded into six cultural dimensions. The last dimension introduced the concept of indulgence and restraint, which is a dimension related to basic human desires. The model and its insights provide vital guidance regarding the cultural aspect and can facilitate the strategic development during a firm’s internationalization process, or facilitate the decision-making in such a process.
1, **Power Distance (PDI)** - The first dimension deals with the fact that all individuals in a society are not equal, the index shows to which extent the inhabitants expect and accept the inequalities.

2, **Individualism versus Collectivism (INV)** - The second dimension revolves around the degree of interdependence a society holds among its members.

3, **Masculinity versus Femininity (MAS)** - This dimension relates to the perception of values considered to be either masculine or feminine within a society.

4, **Uncertainty Avoidance (UAI)** - This dimension is related to individual’s reliability in formal rules and fixed patterns in life, are people comfortable in times of uncertainty and ambiguity.

5, **Long-term Orientation (LTO)** - This dimension relates to how well the society maintains a link with the past while dealing with the challenges of the present and future.

6, **Indulgence versus restraint (IND)** - The last dimension relates to the degree a society allows gratification in the aspects of basic and natural human needs. These needs are prone to restraint and regulation through social norms.

**2.4.1 Russia versus Sweden**

To facilitate the understanding of Russia and the mentality of its people and market, it is necessary to apply the six dimensions and compare them to the Swedish results.

![Figure 1: Data collected from Hofstede Insights (2018)]
**Power Distance (PDI)**

Russia scored the high result of 93 on the power distance index. The power holders in this particular society are distant. This vast country is centralized and 2/3 of all the country’s foreign investments are focused into the Moscow area, this is also where 80% of the financial potential is allocated. This large gap between less and more powerful individuals leads to an essential importance of status. Behaviors are strongly related to status roles in all areas of business, such as visits, negotiations or cooperation. The top-down approach is integrated in the business climate. Sweden scores a low result of 31, which implies that power is decentralized and divided more equally within the society and the business climate. Managers in corporations tend to rely on the experience of their co-workers and authoritarian roles are generally disliked. Interactions with managers tend to have a high degree of informality (Hofstede Insights, 2018).

**Individualism versus Collectivism**

Russia's individualistic dimension score is low (39), in comparison to Sweden (71). This result implies that Russia is a rather collectivistic society. The relationship between humans is important in overcoming challenges in life, obtaining information or having successful negotiations. The relationships need to be trustworthy and authentic for any productivity to be ensured. Meanwhile, Sweden has a more individualistic orientation and regard independence as a prominent value (Hofstede Insights, 2018).

**Masculinity versus Femininity**

In terms of masculinity versus femininity Russia scored a result of 36, whilst Sweden had a lower score of 5. The Russian mentality regarding the masculinity is mainly connected to one’s achievements and status. At a workplace or when meeting a stranger, a Russian is not likely to overestimate his/her personal achievements, contributions or capacities. They talk modestly about themselves and high-status professions are expected to live a restraint life. The Swedish society is considered to be more focused on feminine aspects and values, such as involvement, quality and equality in the business climate (Hofstede Insights, 2018).

**Uncertainty Avoidance (UAI)**

Russia scored a high index of 95. The Russian people feel threatened by ambiguous situations. The country has established a complex bureaucracy as to match their fixation to rules and fixed patterns. This index implies that Russian behavior can appear to be formal and distant, but it is common in relationships to implement a more formal behavior as a sign of respect. Sweden scores 29 on this dimension and thus tends to have a more relaxed approach to ambiguous situations. These societies tend to see rules as important but there should not be more than necessary (Hofstede Insights, 2018).

**Long-term Orientation (LTO)**

Russia is a country with a pragmatic mindset, which in turn reflects the score of 81. This orientation mainly contributes to the thought that the truth largely depends on the situation, context and the time in which it is presented. A society with a pragmatic
mindset is often characterized by thriftiness and perseverance. Sweden scored 53 in this dimension, thus the preference is regarded as intermediate and unclear (Hofstede Insights, 2018).

**Indulgence versus Restraint (IND)**
The restrictive nature of Russian culture is easily visible through the low score of 20. Culture with restrictive mentalities tend to have a higher degree of cynicism and pessimism, furthermore, these particular societies do not tend to emphasize leisure time. The population in such societies tends to restrict their desires and regulate them according to social norms and values. Sweden scores a high result of 78, which defines Swedish culture as one of indulgence. Societies with an indulgent mentality tend to have a liberal perception of control of one's desires (Hofstede Insights, 2018).

The provided data in the previous segments have been used in order to facilitate the understanding of the main cultural differences between Russia and Sweden. The dimensions with the highest degree of variation are: power distance, uncertainty avoidance and indulgence versus restraint. In all the presented dimension there is an intermediate or high level of variation between the countries but these three dimensions are the dominant ones. Furthermore, Russia scores a high index on masculinity and long-term orientation, while individualism and indulgence has a low score. The summation of all dimension regard Russia as a hierarchical and collective society with a high uncertainty avoidance and strong focus on masculine values. Lastly the individuals within the Russian society present a pragmatic mentality which is fueled by thriftiness along with restraints of one’s basic human desires (Hofstede Insights, 2018).

### 2.5 Informal Institutions

When discussing institutions, terms such as codes, rules, routines, and procedures are often prominent. Institutions are often characterized as organizational in nature and they lay the regulatory foundation for the business climate. Secondly, institutions have the ability to facilitate or constrain business relations within a market. Thirdly, institutions are often characterized by the fact that procedures regarding change are often slow and gradual (North, 1990, 2005). In another article written by North (1991), institutions are described as humanly devised constraints that regulate political, economic and social interaction which can be identified as either formal or informal. Laws, property rights and constitutions are typical examples of formal institutions, while factors such as customs, traditions, and codes of conduct are characteristics of the informal institutions (ibid). In another article provided by North (1994), the interaction between organizations and institutions in a market is described as a game, where the institutions would be considered the rules of the game and organizations its players. Another definition of an informal institution is presented by Waylen (2014), he argues that the term can be explained as unwritten socially shared rules, the concept can be perceived as both complementary, competing and as a substitution to formal institutions. There are three main elements of institutions: cognitive, normative, and regulative elements (Scott, 1995). The elements influence the behavior of firms depending on
which of the element is dominant within an business environment (Jansson, Johanson and Ramström, 2007). It is argued that rules, norms and cultural-cognitive beliefs are vital factors within institutions, the mentioned factors define the three elements (regulative, normative and cultural-cognitive) that either construct or support the institutions in a market (Scott, 2008). In order to examine the institutional environment in a systematic approach, the authors Kostova and Roth (2002), stress that the three elements must be analyzed as they are present in any given country.

2.5.1 The cognitive element
The first element within institutions is related to how people think, why they think in a similar manner, the characteristics and what interactions that become an outcome of this particular way of thinking (Jansson, Johanson and Ramström, 2007). The cognitive element constructs the base identity system or the structures of the mind. It is common for the established patterns of thinking to be replicated over time. Individuals from a particular culture tend to act in a common manner, due to the mental program that has been established and replicated between them (Hofstede, 2001). It is argued that cultural models such as Hofstede’s five dimensions of national culture, can facilitate the understanding of these different mentalities (ibid).

2.5.2 The normative element
A critical function that institutions fulfill is to administrate and establish normative rules, that in turn state what actions are acceptable or not. The normative element is based on values and norms. Value is explained as roots to a certain behavior, an example is business values which is connected to honesty, self-discipline and personal achievement. Norms can be defined as to what extent a certain behavior is acceptable within the business environment, an example of a norm within a business environment is trust. This element supports activities and actors, it establishes guidelines for action and constraint. The normative element within institutions also influences how companies exchange resources and develop relations to each other (Jansson, Johanson and Ramström, 2007; Scott, 2008).

2.5.3 The regulative element
The normative aspect of institutions as aforementioned concerns actions that are judged as either correct or incorrect. The regulative element is related to rewards and punishments along with surveillance and enforcement procedures in accordance with the actions that occur within the business environment (Scott, 2008). The enforcement procedures can be either formal or informal, formal procedures concern wage reductions or increases, while informal procedures concerns shunning or shaming such activities. The regulative element within institutions deal with the capacity to establish rules and inspect the conformity other actors have in connection to them, rewards or punishments are utilized to influence the behavior of the firms within a business environment (Jansson, Johanson and Ramström, 2007).
In the context of international business, a company that is in the process of internationalizing to a foreign market will face a new institutional environment and local actors that conduct business in accordance with certain patterns related to cultural and economic development (Hens and Van den Waeyenberg, 2012; Jansson, 2007). The same authors argue that the aforementioned factors decide the distance between developed and less developed countries. Institutional distance is also based on differences in regards to product, capital, and labor markets; regulatory system; and processes for enforcing contracts (ibid). According to Sethi and Judge (2009), multinational firm’s perception of unfamiliarity to a country is dependent on the level of knowledge and amount of local contacts within the targeted market. Furthermore, it is argued that a considerable institutional distance decreases the degree of transferability of capabilities between countries, and forces a firm to put more effort into increasing the knowledge level of the new environment to develop new capabilities (Verbeke, 2009). In developed markets, firms depend on intermediaries, strong institutions allow firms to focus on their core activities (Khanna & Palepu, 1997). Weak institutions in less developed countries force firms to take on a large number of activities, such as market research and distribution (Hens and Van den Waeyenberg, 2012)

2.5.4.1 Formal Institutional distance
Formal institutional distance is grounded in the differences between legal institutions, laws, and regulatory systems of the domestic country and the targeted country for the expansion. Laws, and rules in a certain country can encourage specific business behaviors and strategies, while restricting others (Arslan and Larimo, 2011; North, 1990). The same authors state that formal institutions that are based on regulations and judicial rules can differ between countries due to the different origins of the country’s judicial systems. Furthermore, it is important to adopt certain business actions when a firm enters an unfamiliar or different legal environment, alterations in terms of contracts with employees, agents, and distributors need to be implemented (Arslan and Larimo, 2011). Thus it is argued by the authors that companies need to change their strategies during an expansion into a foreign market in order to avoid repercussions associated with deviance from legal rules (ibid).

2.5.4.2 Informal Institutional distance
Informal institutional distance is grounded in the differences in norms, values, and beliefs between the domestic and the targeted country for the expansion. The understanding of an informal institutional environment of a country is often invisible in nature, embedded in social structures, and requires cross-cultural interaction according to (North, 1990). The informal institutions may affect the economic outlook and strategy for companies within certain countries that have a higher degree of informal institutions (Arslan and Larimo, 2011). The same authors argue that established subsidiaries management can be affected by the institutional environment of the host country. Furthermore, the authors describe the following actions to be prone to informal influence; understanding local partners’ ambitions, transferring management routines
and knowledge between subsidiaries and the level of adaptation to the local business environment. When the informal institutional distance is high, it can be problematic to integrate organizational procedures into an acquired subsidiary in the market (ibid).

2.6 Conceptual framework

This conceptual framework aims to combine the chosen theories in the literature review and display how these factions affect the internationalization process of Swedish multinationals. The internationalization process is affected by two factors, the country's culture and the business culture. The institutional distance is affecting both these factors as a higher degree of institutional difference decreases the compatibility between countries institutions, thus increasing the gap between the countries from an institutional point of view. Swedish multinationals internationalization process is according to this conceptual framework affected by both country culture and business culture prior to and throughout the internationalization to the Russian market.

![Conceptual framework](image)

Figure 2: Conceptual framework
Source: Constructed by the authors based on the literature review
3 Methodology

This chapter will present how the methodology was used during the research of the thesis, furthermore the choices will be discussed and explained in terms of their suitability. The chapter starts with the selected research approach. Thereafter the research method and design will be presented and argued for. Further on the chosen method for analyzing the data will be discussed along with a graphical table of the operationalization. The chapter will be concluded with a discussion regarding the quality of the research and information regarding the reliability and validity will be presented along with the ethical considerations.

3.1 Abductive Approach

Inductive and deductive approaches are the two traditional research approaches and these present the relation between theory and empirical data. While using one of the mentioned approaches, new valuable information can be obtained (Hyde, 2000). Both approaches differ from each other and according to (Ghauri and Grønhaug, 2010), the inductive approach derives from empirical data while deductive approach derives from theory and logic.

According to Elo and Kyngäs (2008), the inductive approach originates from empirical data where new theories and frameworks have developed from. By using the induction approach, assumptions are made from empirical interpretations built on different cases where patterns have been noticed (Alvesson and Sköldberg, 2009). Hence, the procedure starts with interpretations which consequence in theoretical development, since the outcomes are incorporated back to already existing knowledge (Ghauri and Grønhaug, 2010). The assumptions from the inductive research approach suggest a general verity and could consequently be connected with doubt concerning the study’s legitimacy. An inductive approach is according to Elo and Kyngnäs (2008), recommended to use when there is a lack of information concerning a certain phenomenon.

The opposite of induction is the deductive approach, which is related to less risk since the assumptions from a deductive research arise from a logical and theoretical procedure grounded on already recognized theories (Alvesson and Sköldberg, 2009). This type of research is grounded in existing knowledge and frameworks, which then are themes to empirical studies (Ghauri and Grønhaug, 2010). The deductive research approach could be seen as a framework or hypothesis challenging procedures, where it is challenged in diverse circumstances than earlier research had tested it in. The assumptions that are drawn from a deductive research could either be accepted or discarded which will be dependent on whether the results relate to the frameworks or not. While using the deductive research approach, the operationalization of the theoretical framework is necessary, in order to express how the theory can be empirically examined (Merton, 1967).
A third research approach, in addition too deductive and inductive is the abductive approach. This approach is a combination of both deduction and induction (Gummesson, 2000). While creating a theory, the researcher simultaneously collects data and information which allows them to switch between the theory building and the empirical data. Switching between theory and empirical data is mainly completed in order to change and adjust the theories in accordance with the unexpected empirical interpretations (Dubois and Gadde, 2002). Patel and Davidson (2011) argue that, when using an abductive approach, it might arise a risk where the authors may design a theory which eliminates other possible interpretations. The same authors' further state that a topic for study is primarily determined by the authors' experience and knowledge from the past due to that they are prone to work within familiar shapes.

This thesis is conducted in an exploratory nature with the aim of obtaining a greater understanding of how informal institutions in Russia are affecting Swedish multinational’s establishment and development in the Russian market. The authors determined that the abductive approach is the appropriate one to use, in order to enhance a structured flow and ensure that the research question answered in a suitable manner. Furthermore, the authors of this thesis will be switching between theory and empirical data to make adjustments during the process which is possible to do when implementing an abductive approach. This enables the authors to be flexible while gathering the data. Saunders, Lewis, and Thornhill (2009) argue that, while investigating a subject as internationalization by using a different perspective that earlier not has been researched, abduction is the suitable approach to implement which allows the authors to use traditional theories and likewise make adjustments throughout the study. This is another reason behind the choice of using an abductive approach, since the internationalization of Swedish multinationals to Russia is a topic that has been widely researched but the influence of informal institutions during the internationalization process of Swedish multinationals and its establishment and development on the Russian market has not.

3.2 Qualitative research

Adding to the research approach it is essential to contemplate the applicable research method (Holme, Solvang and Nilsson, 1997). According to the same author’s the research method should be chosen depending on the research question and purpose of a study. The essential structure of research method is divided into two different types of research, qualitative and quantitative. The main difference between the two research methods is the analyzing unit’s. The quantitative research method is grounded on the measurement of numbers and is directed to larger scale analyses while qualitative is grounded on less formal indicators and applied to obtain a greater understanding of a certain phenomenon and is conducted on smaller scale analyses (Denscombe, 2014). This is completed through interpretations and interviews, the qualitative research method is appropriate when a study’s main research question includes questions about how and why (Dhawan, 2010).
Due to the main aim of this thesis, which is to obtain a greater understanding about informal institutions in Russia and its effect on Swedish company’s development within the market, the main research question begins with asking “how” (Holme and Solvang, 1997). The qualitative method has therefore been selected to be used in this thesis by the author’s. By using this research method, the authors predict that they will be able to deliver the necessary complexity that is demanded to be able to respond to the main research question. By using a quantitative method, the needed information and knowledge about a certain phenomenon is considered hard to obtain and could be missed out due to that the quantitative method is concentrating on larger scale analyses (Denscombe, 2014). According to Huberman and Miles (1968), a researcher is provided with the constructive connections and clarifications by using the qualitative method. Due to the mentioned benefits of using the qualitative method the authors consider it be the most applicable method for this thesis.

In addition to the argumentations for using a qualitative method, another benefit is the difference in flexibility between the two methods. Qualitative method is considered more flexible than quantitative which makes it possible for the authors to analyze new contexts of interest (Saunders et al., 2009). The qualitative method is many times related to the inductive research approach since the outcome often is related to theoretical contributions. However, the authors of this thesis will utilize the qualitative method as it is the appropriate method to use for the research. This study is to be led in an exploratory nature and a qualitative method is considered being appropriate to deliver the richness and details to be able to answer the research question.

3.3 Research Design

According to Merriam (2009), research design is the strategy of how data will be collected and how the thesis is to be conducted. The same author argues that the research design is of various kinds and forms and is depending on the aim of the thesis. Another author (Denscombe, 2014), described the different kinds of research designs, for example, survey, case study, action research, and experiment. Yin (2014), argues that, an appropriate research design for researchers that have research questions concerning “how/why”, is case study research, since the case study is selected when the aim is to create a greater knowledge about a certain phenomenon. Merriam (2009) also argues that, a qualitative case study is more appropriate if the authors of a study are focusing on the considerate observations and discovery rather than hypothesis. With the mentioned benefits of the case study research, the authors consider it is the appropriate one to use in order to obtain a greater understanding of informal institutions.

3.3.1 Case study design

According to Denscombe (2014), case study research is used in order to obtain deeper knowledge concerning a certain phenomenon, by studying it deeper and defining it more in depth. Before conducting a case study, the authors of the thesis need to determine which of the two cases to use, single-case or multi-case study design. A single-case study gathers and examines information from a single case, while a multi-
case study includes information and analyses of various different cases (Yin, 2014). Due to that this thesis consists of more than a single case, the appropriate case study for this thesis will be multi-case study design. According to Merriam (2009), information gathered and analyzed from more than a single case is more trustworthy than one case-study. A single-case study is appropriate when the research is unique to one case, which in this thesis would be limited. The aim of this study is to receive a deeper understanding of a phenomenon and its effect on Swedish companies rather than the cases. The cases will be provided as examples in order to define and clarify the phenomenon (Thomas, 2011).

3.3.2 Purposive sampling

Burgess (1991) argues that, it is important to start with deciding which components to study and analyze, which is recognized as the sample. According to Merriam (2009), the samples are divided into two categories, probability, and non-probability. Probability is grounded on that the studied cases are chosen randomly which in turn makes it possible for the authors to generalize the statistical results, with this argumentation the authors of this thesis consider this sample is not appropriate to use in this study (Merriam, 2009). However, the same author stresses that the non-probability sample is associated with a qualitative case study and therefore this sample is being considered as suitable since the purpose of this study is the obtain a greater understanding of informal institutions as a phenomenon. The same author also mentions the altered methods of sampling used, while using a non-probability sample. Purposive is one of the methods which is when authors of a study hand-pick the components for an interview that might be important for the study (Denscombe, 2014). This sampling method is commonly selected if the purpose of a study is to discover, understand and collect information (Merriam, 1994).

With a base on the previous section, the authors of this thesis consider purposive method being the suitable one, in order to discover the needed components and firms for interviews that are considered being important for the thesis. To be able to find the suitable respondents for the study, several criteria were established and implemented this is strengthened by Denscombe (2014). However, the developed criteria were grounded on the main research question and with the aim to facilitate for the authors when choosing between the suitable components for the thesis. This thesis is based on the following criteria:

**The companies must:**
1. be Swedish
2. be active in the Russian market
3. have conducted business within Russia for minimum 5 years

**The respondents must:**
1. have been living in Sweden for at least 10 years
2. have knowledge and experience of the Swedish culture and the way business is conducted in Sweden.
3. have knowledge regarding the internationalization process when expanding to Russia.
4. have experience of conducting business within Russia
5. have experience and knowledge about the Russian culture

3.4 Data Collection

According to Gummesson (2000), data is arising from conversations, discussions, and reports, in other words, data is available in the surrounding environment. Merriam (2009) argues that, data is concrete and measurable or intangible. Gummesson (2000) continues stating that the importance and value of the gathered data are not depending on if it arises from a written or oral form. The authors of a study are the ones deciding which data is relevant and important for the study and which data that is not. Merriam (2009), defines two ways of gathering data, primary and secondary data collection. Saunders et al. (2009) argue that, primary data collection is often used when providing information about a more specific research question. This thesis will base the majority of the empirical results on primary data collection. The authors of this theses have additionally used secondary data collection in order to create a complete theoretical framework and chapter of the methodology.

3.4.1 Primary Data

The primary data could be defined as being new information gathered by the authors from primary sources (Saunders et al., 2009). Primary data is gathered in a qualitative research which is completed by interviews and interpretations (Silverman, 2006; Merriam, 2009). When gathering data through an interview, the author’s focus is on collecting trustworthy and accurate information that brings value to the purpose of the study (Merriam, 2009). While completing interviews, the authors can observe feelings, behavior and see how the respondents experience their environment and the surroundings (Ghauri and Grønhaug, 2010). The most common ways of completing interviews are face-to-face, email and with today’s technology, interviews are also completed through social media as Skype or by telephone (Merriam, 2009).

The primary data regarding this thesis is collected both through Skype and telephone interviews since this type of data gathering is considered providing detailed and trustworthy information. Face-to-face interviews were not completed due to the geographical distance to the respondents. The authors of this thesis aim to acquire information and knowledge about how the interviewees experienced informal institutions and its effect on their firm within the Russian market.

3.4.2 Secondary data

Secondary data is related to information that not is gathered by the authors of this thesis, instead, by others for various purposes (Ghauri and Grønhaug, 2010) and has been used by the authors of this study. According to Merriam (2009), secondary data is specified as books, online Internet sources, and scientific articles. Secondary data has been used in the introduction chapter, literature review, and methodology chapters and has been collected from books, scientific articles and Internet websites that were associated with the purpose of this thesis. In order to present the companies that were interviewed
within this thesis, secondary data has been collected from the original webpages of the respondent’s companies.

3.4.3 Structure of interviews
Interviews are valuable when researchers are in need of collecting trustworthy information that is related to a study’s purpose (Saunders et al., 2009). This form of data collection is defined as, when the respondents of the interviews provide data to the researcher verbally (Yin, 2014). Interviews can be designed in three different ways, structured, semi-structured and unstructured (Merriam, 2009). The same author described a structured interview as questions that are prepared and set up in advance which then are followed in a certain order. This gives the researchers control and limits the interviewee's ways of responding to the questions. According to Saunders et al., (2009), the semi-structured interviews are seen as not standardized, which means that the prepared question does not follow a structure or a specific order. The questions used in a semi-structured interview are used as a tool in order to develop the communication between the interview taking and giving and find the answered that are associated to the research question (Yin, 2014). The unstructured interview is also described as not standardized by Saunders et al., (2009). When an interview is unstructured, there are no questions provided or prepared. The researcher focuses on developing a concentrated communication with the interviewee about the research topic (Merriam, 2009).

This thesis will use semi-structured interviews, due to that the authors aim to obtain knowledge about how a certain phenomenon is perceived and experienced by companies that are active in the Russian market. Semi-structured interviews allow the researchers to be flexible with the questions and ask follow-up questions which will result in a discussion which in turn is necessary in order to obtain the needed knowledge about the topic. When the interviews were booked, the respondents were given the opportunity to receive the interview questions that were prepared for the interviews in advance. Some of the respondents only wanted some brief information regarding the content of the interview questions, whilst others wanted all the question in advance. While providing the interview questions for the respondents in advance, they had the possibility to have an insight regarding the study and also the possibility to prepare answered to the questions that were to be asked during the actual interview. This would provide the authors with more detailed and relevant information regarding study. The company would also be able to provide the authors with a knowledgeable employee of the company that has the needed information about the Russian market in order to answer the questions. The interview questions (Appendix 1) were written in English but all of the interviews were conducted in Swedish, so the authors translated the interview questions from English to Swedish during the interviews. All of the interviews were completed through Skype and telephone due to the geographical distance.
3.5 Operationalization

According to Merriam and Tisdell (2016), the chosen method to use for data gathering is built on the theoretical orientation and aim of the research, since it influences the development of interview questions and the connecting the interviews to the literature review. By having a thorough literature review, the authors can determine what previous researchers have written in regards to the topic of interest which in turn gives a clearer understanding when creating and developing questions for their own interviews. Jacob and Furgerson (2012) argue that, when interview questions are structured and based on the literature review, the researchers can develop more detailed questions. According to Potter (1996), the empirical research needs to be operationalized in order to see the link between the literature review and the real world, with the aim of not leaving the theoretical framework abstract and to prove the interlinks between them. In order to show the connection between the theoretical concept and the real world, this thesis will provide an operationalization with the interview questions that are connected to the theoretical concepts.

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Interview questions</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Operations</td>
<td>A2-A3</td>
<td>To obtain information about the interviewee and their firm, the asked questions considered introduction about the respondent, following up with a brief introduction of the firm. Questions regarding the respondent’s visits to Russia were also asked in order to understand their experience of Russia.</td>
</tr>
<tr>
<td>Internationalization to Russia</td>
<td>B1-B8</td>
<td>In order to understand the company’s internationalization process to Russia, questions that were asked considered their expansion strategy. Questions about the effect of the network in the internationalization process, and to what extent they were prepared for expansion to Russia were also asked.</td>
</tr>
<tr>
<td>Russian Culture</td>
<td>C1-C5</td>
<td>The main reason behind those questions was to gain the interviewee’s perception of how Russian cultural factors influenced the establishment of Swedish companies in Russia. Questions about cultural differences between Russia and Sweden, and if the cultural factors are considered important for success within the Russian market were asked.</td>
</tr>
</tbody>
</table>
Since the network is linked to informal institutions, questions about networks and relationships within Russia were asked. Questions about established network before the internationalization process to Russia were also asked to obtain a deeper understanding of at what stage in the internationalization process to Russia, networks are essential and has an influence (if there were established networks in advance).

To be able to understand the influence of Russian Informal Institutions on Swedish multinationals establishment and development in Russia, questions were asked concerning the respondent’s perception of informal institutions, if the company has been affected by any, and how the company was dealing with this issue.

One of the questions asks was if they wanted to be anonymous and if consent is given to recording the interviews. The second question asked was, if the respondent has anything to add to the topic, regarding the expansion process to Russia that the authors might have missed.

### 3.6 Method of data analysis

Referring to Ghauri and Grønhaug (2010), data gathered by using a qualitative research method is associated with a great amount of data which facilitates further analysis of the findings. By using a qualitative research method, the researchers are allowed to obtain a deeper understanding and perception of the findings. The same author explains, by categorizing the gathered data into more narrowed sections as the main characteristic in the analyses, the authors of a study will be able to have a greater understanding of the data and a more successful use of it. Merriam and Tisdell (2016) describe that, a qualitative research method is used to create and obtain a deeper understanding and knowledge of a certain subject. Other researchers as Miles, Huberman, and Saldana (1994), provides three main elements when analyzing the collected qualitative findings, data reduction, data display and conclusion drawing. Data reduction is a procedure of choosing, simplifying, abstracting and transforming the gathered information from the qualitative research. It can automatically arise as a consequence of the process, in the early phases of this thesis. Data reduction is presented as a method, providing the important basis for the main conclusion drawing (Miles et al., 1994).
The empirical data gathering for this thesis has been completed through semi-structured interviews, where the transcripts cautiously have been studied and reviewed by the authors of this thesis, in order to find a pattern between the presented theory and the main research question. This, in turn, could facilitate to determine how informal institutions in Russia affects Swedish companies establish and development in Russia. The gathered data has been divided into different sections that match the theoretical framework made by the authors and further facilitates to answer the main research question. The empirical data was divided into internationalization, culture, network and informal institutions, which designed the base of the data reduction. By categorizing the empirical findings, the authors of this thesis were allowed to draw conclusions that are presented in the conclusion chapter.

3.7 Quality of Research

It is of importance that the gathered findings are valid and reliable. Validity is often displayed by accurateness and suitable choice of the findings to the topic (Denscombe 2014). Reliability is regarded the tools implemented while gathering the empirical data which must be consistent during the research progression, in order to ensure reliability (Kumar, 2014).

3.7.1 Validity

Denscombe (2014) argues that, validity is associated to the trustworthiness of the gathered data, if it is accurate and taking in consideration the chosen topic in a proper manner. It is argued that there are different ways of ensuring the validity of a research. Arthur, Coe, Hedges, and Waring (2012) argue that, by determining the degree of experience and knowledge an interviewee obtained about the topic would facilitate to improve the validity of the study. While the authors of this thesis were obtaining the appropriate interviewees for this study, they had several criteria that needed to be fulfilled by the interviewees. The requirements were that the interviewees had to be living in Sweden for the past ten years, have knowledge and experience of conducting business in Russia in comparison to Sweden, be familiar with both Swedish and Russian culture and have knowledge about the internationalization process to the Russian market. By having these criteria’s’, the authors were allowed to determine the degree of the respondent’s knowledge and experience which further strengthened the validity of the study. Moreover, validity is interconnected with the gathered information and whether it is in line with the purpose of the study. Therefore, the authors need to ensure that the right questions were asked during the interviews and that suitable methods have been used (Denscombe, 2014). The same author further argues that it is difficult to ensure the validity of a qualitative research due to that it concerns different expectations about the reality. Merriam (1994) argues that, the important segment of validity in a qualitative research is to make interpretations and understandings so that the data findings do not express itself. According to Denscombe (2014), there are different steps that can be implemented by the authors of a study with the aim to assure the reader about the decency of the findings and to make the validity transparent in the qualitative
research. Denscombe (2014), further stated that, by implementing these steps, the authors of a study demonstrate for the readers that the gathered data carefully been studied but cannot be guaranteed as valid. Validation of the interviewee is one of the steps that are described by Denscombe (2014). When the interviews are completed and transcript by the authors of a study, it is sent back to each interviewee in order to ensure that no misunderstanding has been made, this, in turn, strengthens the validity of the gathered data (Merriam and Tisdell, 2016). The respondent validation will be implemented in this thesis in order to have valid empirical findings and to confirm that the gathered data is understood in a right way. The authors of this thesis consider the respondent validation being essential, if the gathered data was understood in a wrong manner, which would decrease the reliability of the study.

Triangulation is an additional step defined by Denscombe (2014) that can be implemented in order to ensure the validity of a study. The same author defines triangulation by stating that a research is deeper and greater understood from different points of view. This study is conducted by two authors, where both were participating in the empirical data gathering and both authors have contributed in the process of writing the thesis in terms of interpretations and own perspectives. Merriam and Tisdell (2016), defines it as collaborative or team research, and this study is completed by a team of two authors, collaborating in order to obtain a greater understanding of how informal institutions in Russia are influencing Swedish multinational’s establishment and development in the Russian market. Therefore, it can be argued that a use of triangulation is present in the research.

3.7.2 Reliability
Merriam (1994), argues that, depending on to what degree the result of a study could be repeated, would determine the reliability of a research. If the outcome of a study would be the same if the research was conducted by another researcher using the same methods and theories (Denscombe, 2014). Merriam (1994), further defines reliability as a complex conception due to the unpredictable human behavior that always is changing. According to the same author, the purpose completing a higher amount of qualitative research is to obtain a deeper understanding and then further describe how humans experience the world and its environment. Denscombe (2014), clarifies it being difficult to foresee and determine if a qualitative research could be repeated and guarantee the reliability.

The authors of this thesis implement actions in order increase the reliability of the research. Through stating and motivating for each method and theory used within the thesis, the readers and other researchers obtain a deeper understanding of how the research is conducted which in turn allows them to determine the reliability of the study. In order to improve the reliability of this thesis, the authors have argued and motivated for each choice that has been made. While conducting the interviews, the authors followed a guidance that explained how the interviews were to be completed. According to Merriam (1994), this process increases the reliability of a study.
3.8 Method criticism

Kumar, (2014); Denscombe, (2014), describe that generalization is a disadvantage of using a qualitative research, because of the small number of interviews in comparison to a quantitative research which has a larger base of information. Moreover, a qualitative research method could be questioned due to that the gathered data can be seen as less typical in comparison to a quantitative method with a larger amount of information (Kumar, 2014). Yin (2014), described generalization in two different categories: analytical and statistical. The first one, analytical generalization, is appropriate while gathering data with a qualitative research method due to that the generalizations are then allowed to arise from a smaller amount of information. The second kind of generalization, statistical, is argued by Yin (2014) being the opposite to analytical generalization and appropriate when implementing a quantitative research method, where the generalizations can arise from a larger amount of gathered data. By using an analytical generalization, the authors of a study are allowed to obtain a greater and deeper understanding of a subject and is therefore chosen as appropriate for this thesis. The purpose of implementing either analytical or statistical generalization is to deliver a deeper understanding and further information about how informal institutions in Russia are affecting Swedish multinationals establishment and development in Russia.

All the interviews that are completed in this study have been conducted in Swedish which resulted in that the authors further had to translate them back to English while transcribing. This might have resulted in that some information has been lost or missed during the translation. In order to secure that no information has been lost during the translation, the authors have recorded each interview and further translated it together.

In addition, this study has studied the Russian culture as one united culture throughout Russia. Since the size of Russia is large and the country covers both parts of Europe and Asia, there might be cultural differences between the different regions of the country (Hofstede, 2010). This study suggests that the cultures within the different regions are moderate similar and therefore Russia has a national culture through whole Russia.

3.9 Ethical considerations

Ethical issues regarding the data gathering and the demonstration of the findings will occur in a qualitative study according to (Merriam and Tisdell, 2016). This indicates that the authors need to go in line with the laws, rules and ethical codes, and conduct the study in a transparent manner. Denscombe (2014) presents four main principles that a researcher should follow in order for the investigative work to be considered ethical.

The first principle states that participants’ interest should be protected. Denscombe (2014) described this principle by stating that the authors of a study have to ensure that an interviewee does not come to any harm in terms of personal, psychological or physical because of the study and treat them with respect. The interviewees that participated in this study were all offered to be anonymous since informal institutions can be characterized as either legitimate or illegitimate in nature. Therefore, the topic
can be perceived as sensitive. The information obtained during the empirical data gathering has been carefully handled in order to avoid affecting the interviewees in a harmful way.

The second principle states that the participation should be voluntary and based on informed consent. This principle concerns the voluntary choice that the interviewees have, to either participate in an interview or not. Moreover, the authors of a study should provide the interviewees with information about the research that they can use in order to determine if it is of interest to participate or not (Denscombe, 2014). All the interviewees of this thesis have been provided with information regarding the topic of the study, when the interviews were planned to be completed, how long time an interview will take, and the interview questions. With this provided information the interviewees were able to decide whether to partake or not.

The third principle states that the authors should work in an open and honest manner with respect to the survey. This principle regards, how transparent the research is, according to (Denscombe, 2014). For the research to be transparent, the interviewees should clearly obtain an understanding of the research’s topic, likewise, should the authors provide reasonable clarifications of the gathered data. Information concerning the purpose of the research was shared with the interviewees and the fact that the findings would be the base of the empirical chapter of the thesis. When the interviews were completed and the data was transcript, it was further sent to each respondent for them to ensure that no misunderstandings have been made, in order to ensure the study’s transparency.

The fourth and final principle states that the research should follow the national legislation. This principle concerns sensitive research subjects and pinpoints that the process of data gathering and analysis could result in acting against the law (Denscombe, 2014). As mentioned above, the topic of the study could be perceived as sensitive. Therefore, the authors have interviewed companies that are transparent and have a strict policy regarding informal exchanges or business actions that are illegal in nature, such as corruption. Further, the gathered information is conducted from voluntary interviews, articles, and websites. In order to secure that the property rights have been followed, all the used sources were referenced during the writing process of the study.
4 Empirical Findings

This empirical chapter will present the data, gathered from the interviews with the six companies: Grindex AB, Lindén AB, Logosol AB, Roxtec AB, Thermotech, and Company X. The empirical findings will be presented under four main titles: Internationalization, Culture, Network and Informal institutions. A brief introduction will be made regarding the company and the interviewee. The structure of the empirical findings will be used in the two upcoming chapters in order to keep a consistent structure and facilitate the analysis process of the data.

4.1 Grindex AB

The interview with Grindex AB was done with Igor Schaber, he is the regional manager for Eastern Europe and Italy. Schaber has been working for Grindex AB since 2008 and is the person that expanded the company in the Russian market. Schaber visits Russia several times a year.

The company is world-leading in electrical submersible pump technology for the mining and construction industry. The company is active in over 100 countries around the world (Grindex.com, 2018). Several thousand employees are working for the company worldwide and approximately 2000 in Sweden. Since Grindex is manufacturing the pumps themselves, they adapt to each market and customer individually.

4.1.1 Internationalization

Grindex AB has been conducting business in Russia since 2008. The reason for expanding to Russia was the increased capacity of manufacturing the pumps. The company could not manufacture the products in the same amount as today, and due to the increased capacity, they spontaneously decided to enter the Russian market. When asked about the general impression of the Russian market, the respondent stated that he had earlier experience of conducting business in Russia and due to this, he did not have any particular impressions. Grindex AB started their business in Russia through direct export and is still conducting business in the same manner. In the initial stage of internationalization to Russia, Schaber reached out to the end customers and established a relationship with them. Through the customers, he receives the distributors that the customers were satisfied with. Further, he worked with these distributors for a few months in order to see if they are following the agreements or not and to determine if he should continue with that distributor or find others. Schaber argued that the negative aspect of entering a market this way is the time and effort it takes to find the end customers and distributors. The positive aspect is that he creates a market that earlier did not exist and therefore deals with lower risks since he no longer is dependent on a particular company or customer. When asked if a network has been used in the initial stage of the internationalization to Russia, the respondent stated: “the company did not use any relationships to facilitate the internationalization process” (Schaber, 2018). Schaber further stated that it is not necessary since they have a systematic process that is
also implemented when expanding to other markets. Schaber further argued that networks are more critical when a company has few customers, therefore this is not relevant in their case as they have over 100 customers in Russia. Schaber believes that with the knowledge he has today there could have been some alteration to the initial strategy. Furthermore, he explained that he would have tried to find the right distributors faster which would have shortened the process from the first meeting with the customers to the end payment. He argued that they were well prepared regarding information and experience. Since Schaber is Russian, this facilitated the process of obtaining the needed information about the market. He further argued that due to his experience, information about a market is less important and the understanding of common patterns between companies and cases are more crucial.

4.1.2 Culture
Schaber stated that the consideration of cultural factors during the initial stage of the internationalization could be different depending on the size of the company. He further argued that smaller firms tend to be more dependent on cultural knowledge rather than large firms, as their strong brand reduce the gap of the perceived cultural distance. Schaber further explained that the cultural factor was not crucial in their internationalization process and thus was not present in their initial strategy. However, he described the Russian business culture by stating that there is no significant difference when discussing business culture between Sweden and Russia from a macro-level, “the differences are more clear at the individual level. Employees in Russia tend to change positions and jobs every two years” (Schaber, 2018). He further argued that there is a higher performance pressure on the employees in Russia than it is in Sweden. He also stated that there is a more significant difference between two Russian companies within the market rather than a Swedish company in comparison to a Russian company in many cases. Schaber argued that cultural understanding along with trust and commitment is crucial when the business deal is consisting of a significant amount of money. For the deal to be concluded there needs to be a high degree of trust and commitment. He also stated that there are formal tools and rules that are used while making agreements in order to secure each part. Due to that Russians tend to change jobs and positions often, it is difficult to establish trust when the person in question is frequently replaced. When asked about the impression of Swedish actors Schaber explained that they are perceived in a positive regard. Swedish actors are deemed to be trustworthy and Swedish products are considered to have a high quality.

4.1.3 Network
Schaber argued that having a network is not a crucial factor for success in Russia. He further stated that everything is achievable without any established networks. Further, he argued that network can be more critical if the business-deals were concerning more significant amounts of money. He also mentions that a network could play a crucial role if a Swedish firm only conducts business with a few Russian counterparts. In the case of Grindex, that has over 100 customers, a network was not a factor that influenced the company. When asked about the difference of building a relationship in Russia
comparison to Sweden, Schaber referred back to the fact that Russians often change positions and jobs which makes it difficult to build a sustainable relationship and that it is a daily issue that he is dealing with.

### 4.1.4 Informal Institutions

According to Schaber, their company was not affected by any informal institutions in the initial stage of internationalization to Russia. Since business is conducted in the same manner today, they are not directly influenced by any informal institutions. When asked how the company deals with informal tendencies within the market due to the fact that they were not affected at all, Schaber stated that they are following the formal rules and are fully transparent which makes it hard to be affected by the informal institutions in Russia. Another reason for them not being affected is that they are conducting business with large multinational Russian firms, which also utilize a transparent strategy and follow formal regulations. Schaber further described that formal rules and norms are tolerated in Russia until the point when they become too complex. It may also occur when the end results of conducting business in an informal way will have an outcome that results in higher profits. Lastly, the respondent commented on how favors and favors in return were regarded within the business climate. He stated that it is common for companies to aid each other but it also depends on the nature of the favor in terms of legality and purpose. He further stated that the exchange of favors is similar to the business environment in Sweden.

“It is more important to understand the behavioral patterns in the business culture between two companies rather than the macro level of a country’s culture.”

- Igor Schaber 2018-04-27

### 4.2 Lindén International AB

The interview with Lindén AB was done with Jens Sörensen, he has been CEO for the past eleven years. He recently became responsible for the market and export departments of the company as Lindén International AB was integrated with another firm. Sörensen visits Russia approximately two times a year.

Lindén AB was established in 1984 but the company has a history dating back to 1932. The company produces equipment and utilities for the kitchen. The company mainly produces products in stainless steel and wood, but with the newly integrated company, Lindén has also implemented plastic material into their product line. There are three factories in Sweden with approximately 70 employees. The company is actively exporting to over 25 countries (Lindenint.se, 2018)

#### 4.2.1 Internationalization

Lindén has been in Russia since 2005, the company was working on a project in 2004 with the Swedish trade council (Business Sweden) in the country. The reason for choosing the Russian market was that it was full of potential and opportunities for growth. Sörensen explained that his impression of the market was that it was
undeveloped and complex, he also believed that the Russian mentality differed significantly from the Swedish. Lindén was advised to establish a subsidiary in the market. Sörensen explained that they utilized a consultancy firm which helped them to do market research. The research later resulted in the establishment of a sales-subsidiary and a warehouse. Sörensen further stated that the company was active in the European market but was stretched thin in the eastern part, therefore they began exporting to Poland and then to Russia. Sörensen described the process of being incremental. The negative aspect in their particular case was that the average salary in Russia did not enable the targeted end-customer to search for and buy their high-end products actively. However, since the established subsidiary was located in St Petersburg which has a high number of restaurants in the proximity, it helped to resolve this issue. Today the company has also established a department for packing the products. When asked about the aid of networks during the internationalization process, he answered “the company used consultancy firms such as Business Sweden during the internationalization process” (Sörensen, 2018). They managed to hire a person within the firm that had helped them in previous projects, his name was Yuri Blokhin, and he is currently the company's local representative. Sörensen believes that with the knowledge he has today there could have been some alteration to the initial strategy, but he further explained that the end result regarding the establishment would be the same. According to Sörensen, Lindén was well-prepared in terms of experience, but the firm was lacking knowledge in terms of information about the market and its competitors. They depended on the knowledge that was provided by Business Sweden.

4.2.2 Culture

Sörensen explained that the market analysis which they received from the consultancy firm contained a segment regarding the business culture in Russia. The segment did not present the macro level of the culture but rather focused on the business etiquette. Sörensen stated, “I have not seen any significant difference regarding the culture in terms of business between Russia and Sweden” (Sörensen, 2018). He further explained that his business trips to both St Petersburg and Moscow have been successful and the business women/men he encountered were warm and welcoming in nature. When asked if the cultural factor is crucial for the success in Russia, Sörensen answered that he believes that a humble approach should be implemented. He further explained that arrogance is not well received by the Russians and by staying humble during business procedures the importance of the cultural factor diminishes. Sörensen explained that the cultural influence had not affected them to a large extent. However, they have adapted certain product specifications and labels, these adaptations concern the language and the Cyrillic alphabet. Furthermore, he used his local representative's language skills in order to overcome situations where the language was an obstacle. Sörensen stated that trust and commitment are essential in the Russian culture. He further explained that the feeling is mutual since trust is important when establishing relationships with Russian retailers. In order to maintain and build trust among their business contacts, Lindén often invites a number of persons from each firm to Sweden. He further stated that it is important to establish a relationship outside of the work environment and friendly
excursions are not uncommon. When asked about the impression of Swedish actors Sörensen explained that they are perceived in a positive regard. “Swedish actors are deemed to be trustworthy and Swedish products are considered to have a high quality” (Sörensen, 2018).

4.2.3 Network
Sörensen explained that networks are important for success but he does not have a personal network in Russia. Yuri has a well-established network in Russia and Lindén accesses it through him. The company had an established network before entering the market due to the contact with Business Sweden. The targeted person for any network was reached with the help of Yuri’s knowledge. Sörensen explained that he does not know if there is a difference in building business networks in Russia as Yuri is their spokesperson in such matters. The company has used their relationship to Business Sweden in order to solve an unexpected issue regarding a surprise visit from the tax inspection office. This visit was unfamiliar to both Yuri and Sörensen, therefore they reached out to Business Sweden for advice. Sörensen continues to explain that the visit did not result in any irregularities and that they passed the inspection. When asked about if the lack of networks resulted in a business failure, Sörensen explained that a large number of competitors import products unofficially and avoid certain fees due to informal actions. These actors can provide a lower cost and gain a competitive advantage in comparison to Lindén. Sörensen further explained that since the company has a strict policy regarding bribes they cannot compete with such prices as their strategy is dependent on maximal transparency.

4.2.4 Informal institutions
Sörensen explained that they did not encounter any informal tendencies in the initial stage of the internationalization, but this was more noticeable when starting the export as the customs often stopped various shipments. Sörensen further explained that, since the company does not deal with bribes, shipments could be delayed for a long time. There are no clear directives regarding the regulations for shipments that consist of different materials, and therefore certain documents were interpreted differently by the customs officers. Sörensen further stated that issues in the customs are still present today along with the banking sector. The company has established a knowledge database in order to prepare for future situations that are similar to the ones of the past. Sörensen explained that he has no clear impression regarding how strict the informal institutions are, he further stated that they could be avoided and have not influenced the company to a large extent. He has not seen any significant change in the informal environment since their initial entry. When asked about the tolerance regarding formal rules and norms, Sörensen stated that he does not have a clear image of it but he believes it is relatively corrupt, he further explained that informal actions are common and accepted within the business environment. Sörensen stated that their local representative uses his network when he cannot solve a problem by himself or when the available information is not enough for the matter to be solved. However, problems are
not solved with any informal actions that are illegitimate in nature. Favors are according to Sörensen not common in the industry, to his understanding.

"Information regarding the competitors within the market is hard to obtain and the information that is accessible is not always trustworthy."
- Jens Sörensen 2018-05-03

4.3 Logosol AB

The interview with Logosol AB was done with Igor Goldman, he is the sales manager for Eastern Europe. Goldman has been working for Logosol AB for 15 years and he is the person that expanded the company in the Russian market. Goldman used to visit Russia approximately eight times a year, during the past three years the number of visits has reduced to three times a year.

Logosol AB was established in early 1990. The company produces saws and equipment used for carpentry and woodwork. The company mainly produces small-scale saws and planing machines, the product line consists of a wide variety of machines in terms of scale and functionality. The company has approximately 45 employees. Logosol AB is actively exporting to over 65 countries (Logosol.se, 2018).

4.3.1 Internationalization

Logosol has been in Russia for 18 years. The reason for choosing the Russian market was that Logosol were contacted by Russian customers. This resulted in an order from the Russian actors and Logosol first step towards seeing Russia as a market with potential. Goldman further explained that the general impression of the market was that it was complex. The complexity regarded safe payments, the customs and the challenge of providing products specifications and instructions in the Russian language. Logosol has no physical location in Russia, Goldman further explained that they utilize a sporadic export to the country and that the endeavor was spontaneous rather than incremental. Goldman explained that after visiting several firms that were interested in their products, he decided to focus on one major business partner. Their business partner, in turn, distributes the products across Russia themselves. The positive aspect of this entry strategy would be the cost-effective benefits of not having to establish a subsidiary or warehouse. The negative aspect according to Goldman would be that an established location would facilitate larger shipments. Today business is conducted in the same manner. When asked about the aid of networks during the internationalization process, Goldman answered that “the company did not actively reach out to any customers but instead were contacted by Russian actors” (Goldman, 2018). Goldman believes that the same strategy would have been used, mainly due to the company’s size and the high cost related to a physical establishment in the country. According to Goldman, Logosol was not well prepared in terms of experience nor information. He further explained that the company was acting instinctively based on the received order from the customers.
4.3.2 Culture
Goldman does not believe that the cultural factor was present in the initial stage of the expansion. Goldman described the culture as being more spontaneous and emotional. He further described it as lacking in planning for the future but still able to improvise in uncertain situations in both business and national contexts. “Cultural understanding is not critical in today's business environment, knowledge regarding the language and political situation is more important” (Goldman, 2018). He stated that Logosol is more influenced by governmental regulations rather than cultural factors. Goldman believes that trust and commitment are essential in the Russian culture, if these factors are not present it will be hard to conduct any business. Goldman further stated that trust is central and valued among Russian actors. In order to maintain and build trust with their Russian partner, there need to be a continuing interaction and a qualitative service connected to the product. He further stated that availability in terms of questions regarding issues also facilitates this process. Goldman believes that Swedish actors and products from Sweden are considered to be trustworthy and of high quality, he further stresses that utilizing Sweden as a brand is something to be encouraged.

4.3.3 Network
Goldman stated that networks are a decisive factor for the success in the Russian market, in order to have a structured business and continued revenue the company needs to be part of a network in Russia. As aforementioned, a relationship was established before any business was conducted, but this relationship was not reached by actively searching for it. When asked if he encountered any difficulties in finding the right person for a network or a relationship, Goldman answered that since he is Russian and has knowledge regarding this issue it was simple to locate and reach out to that particular person. He further explained that whether the persons in question are of the same generation, could facilitate this process. He stated that younger generations might encounter obstacles due to the different mentality and behavior of the generations. Goldman stated that there is a difference in building business networks in Russia compared to Sweden due to the language factor. He further stated, “the English language is limited and rare in the business environment” (Goldman, 2018). The company has used the relationship with their partner in Russia to solve unexpected issues. Goldman further explained that since they have chosen a reliable and experienced partner, Logosol depends on their knowledge regarding unexpected issues. Lastly, Goldman stated that Logosol does not partake in any additional activities other than providing them with the products. When asked if the lack of networks resulted in a business failure, Goldman explained that Logosol had not been affected by this.

4.3.4 Informal institutions
Goldman explained that they did not encounter any informal tendencies in the initial stage of the internationalization, this was because Logosol had an established partnership with an experienced Russian business partner. The company had limited knowledge of the market and was further advised by Goldman to let Russians deal with matters on their side, and since the export was sporadic and no establishment had been
made physically they did not encounter such influences. Logosol is conducting business in the same manner today, and are therefore not affected by any informal institutions. Goldman further stated that issues in the customs are still present today along with judicial system. He further stated that it is common for the government to implement new regulations in the customs and this could result in implications. According to Goldman, the construction sector is a business environment that tends to be characterized by a high level of informal tendencies that are not legal. He further explained that such practices tend to happen in business sectors that have a low degree of complexity, as the people utilizing such practices need to have a deeper understanding of the business environment for them to work. Therefore, they tend to avoid sectors that are considered to be complex. Goldman explained that the level of strictness regarding the informal institutions has diminished in certain sectors, he further stated that they could be avoided and his network in Russia strengthen this claim. Goldman explained that there had been significant changes in the informal institutional environment since the early 1900s. He further explained that the environment has changed for the better and that the environment is less corrupt and safe for business. When asked about the tolerance regarding formal rules and norms, Goldman answered that he does not have a clear perception. He believes it is still relatively common to bend the rules and that issues can be solved by bribes if the person/company have the financial strength to pay them. Goldman believes that aiding each other is not uncommon but he argued that it is not different from any other market. Favors are according to Goldman common, but the frequency depends on the industry and the corruption level of that industry.

“The amount of resources a company holds is important. If the company has a limited amount of resources they need to be careful when distributing them in the Russian market”
- Igor Goldman 2018-05-09

4.4 Roxtec AB

The interview with Roxtec AB was done with Carlos Lazo, he is the global segment manager at the company. Lazo has been working for Roxtec AB for 20 years. Lazo visits Russia approximately six to seven times a year.

Roxtec AB was established in 1990, the company manufactures innovative cable and pipe sealing solutions, the products are focused on quality and environmental impact. Their products can be found in sectors such as; construction, electrical, marine and telecom. The company has 750 employees globally and approximately 250 employees in Sweden. Roxtec AB is actively exporting to approximately 70 countries and has 25 subsidiaries. (Roxtec.se, 2018).
4.4.1 Internationalization

Roxtec has been in Russia for 17 years. The reason for choosing the Russian market was that Roxtec found Russia interesting in terms of market size and profit potential. Lazo further explained that the general impression of the market was complex in terms of bureaucracy and corruption. Roxtec established a partnership with a distributor in order to gain access to the market, the distributor was converted into a subsidiary after a few years. Lazo further explained that they utilize this strategy when entering a new market. Lazo described the process of being incremental rather than spontaneous, due to the company’s previous experience and global market presence. The positive aspect of this entry strategy would be that the company can gain access to the network and knowledge of the distributor. If the distributor is well experienced, then this will facilitate obstacles such as local regulations and language barriers. Lastly, this entry strategy is associated with low risk in terms of financial investment. The negative aspect according to Lazo would be that the distributor holds ownership of the customers and the profit will be shared. Today the company has established a warehouse and local production, the subsidiary has its own Russian management. When asked about the aid of networks during the internationalization process, Lazo answered, “the distributor's network was used in order to gain quicker market access” (Lazo, 2018). Lazo believes that the same strategy would have been used today, mainly due to the fact that their initial strategy has been successful and Russia is today one of the company’s largest markets. According to Lazo, Roxtec was well prepared in terms of experience but not information. He further explained that the information was only available in Russian and this proved to be an obstacle. In order to reduce the informational gap, Roxtec reached out to other well-known firms within the market to obtain a clear image of its potential.

4.4.2 Culture

Lazo stated that the cultural factor was present in the initial stage of the expansion. Lazo described the culture as having strong ties to Russia's history and traditions. He further explained that since the country is vast, it contains a large number of different people with different cultures, religions, and languages. Thus, making it hard to summarize the country within one particular culture. He further described that “cultural understanding is important in the business environment, in order to understand the invisible rules and business etiquette” (Lazo, 2018). He stated that Roxtec is not influenced by the cultural factor to a large extent since the company utilized their distributor's knowledge and thus, Russians handled the cultural interactions on behalf of Roxtec. Lazo believes that trust and commitment are essential to the Russian culture which is the base for any business transactions. In order to maintain and build trust with their Russian partner, there needs to be a continent interaction, the product deliveries need to be on time and in accordance with the promised specifications. Lazo believes that Swedish actors and products from Sweden are considered to be professional, high quality and have a good reputation within the market.
4.4.3 Network

Lazo stated that networks are an important factor for the success in the Russian market. As aforementioned, a relationship was established to a distributor before any business was conducted. When asked if he encountered any difficulties in finding the right person for a network or a relationship, Lazo answered that it is no significant difference in comparison to Sweden. He further explained that decision-makers can be found through customers, exhibitions, and websites. Lazo stated that there is no difference in building business networks in Russia compared to Sweden. The company used their relationship to agents within the customs office to solve an unexpected issue. The issue occurred in connection with the sanctions that were imposed and their products were stopped. Lazo further explained that the issue was resolved due to their consistent transparency and strict accordance with Russian regulations. The company’s trust and reputation as a professional Swedish actor helped to release their products faster. When asked if the lack of networks resulted in a business failure, Lazo believes that failure due to the lack of networks is an outcome that is not exclusive for the Russian market but all markets.

4.4.4 Informal Institution

Lazo explained that they did not encounter any informal tendencies in the initial stage of the internationalization, this was because of the established partnership with an experienced Russian distributor. The company had limited knowledge of such practices in the market and thus let the distributor deal with these matters. Roxtec has encountered informal tendencies from unserious actors within the market, that offered their help in finding shortcuts or increase the speed of a certain process in the regulation system. Lazo further stated that the company has strict policies regarding these tendencies and avoid any contact with such actors. Lazo explained that the level of strictness regarding the informal institutions is moderate, he further stated that they can be avoided and that Roxtec has successfully avoided them due to their focus on exclusively conducting business with legitimate and serious actors. “It is crucial to protect the company's reputation and utilize maximum transparency in the market, this will increase the respect among the customers and retailers which helps the market improve the business environment by decreasing the level of illegitimate exchanges” (Lazo, 2018). He stated that there have been significant changes in the informal institutional environment. He further explained that the environment is less characterized by such practices. New entrants were often targeted by unserious actors in terms of informal offerings, due to their presumed lack of knowledge and time in the market. These tendencies have decreased according to Lazo. When asked about the tolerance regarding formal rules and norms, Lazo answered that he does not have a clear perception of interpreting the tolerance in terms of formal and informal rules in Russia. Lazo believes that aiding customers in accordance with formal regulation and legal procedures facilitates to build trust and the process of establishing a long-term relationship. In turn, the company gains trust from the customers and potential future business opportunities.
“For a business endeavor to be successful in Russia, it is important to have; information of the market translated, the proper permits/certificates and a partnership with a local representative or company. To find the right partner can be a decisive factor for the success and may require a long time.”
- Carlos Lazo 2018-05-15

4.5 Thermotech Scandinavia AB

The interview with Thermotech AB was done with Anders Andersson, who is the founder and CEO of Thermotech AB. Before he founded the company, he was part of a community project that focused on the use of waterborne floor heating for local accommodations. After working on the project for a year Andersson decided to turn the project into a company and in 1996 he founded Thermotech AB.

Thermotech AB is selling and developing waterborne floor heating systems. Since the company produces the systems themselves, they are able to adapt specialized solutions for their customers. Today the company is active in the Swedish, Finnish and Russian market with a sporadic export to Kazakhstan. Currently, the company has approximately 80 employees. The contact to the company’s office in Russia and their customers are mainly being upheld through skype meetings and approximately two physical visits a year (Thermotech.eu, 2018).

4.5.1 Internationalization

The company has been active in the Russian market since 1997 and established a subsidiary in 1999. The reason for choosing Russia as a potential market was that he found it exciting and full of potential. Andersson attended a Swedish trade exhibition in St Petersburg in 1996. During the trade-exhibition, Thermotech AB found customers that were interested in their products and a relationship was established which led to the expansion into the market. The general impression of the Russian market was that it was undeveloped and lacked stability. The company did not incrementally expand to the Russian market. Thermotech went to Russia before they established themselves in Finland, which is a market that is both physically and culturally closer. Therefore, the entry strategy was more spontaneous than incremental according to Andersson.

Thermotech initially established a sales office and then converted it into a subsidiary. In 2000 Andersson hired a local representative that became branch-office manager, Vladimir Potapov. With Vladimir’s knowledge, they established a value chain, consisting of a sales office, warehouse, technical support and distribution channels. Andersson further explained that this was manageable in an early stage as the local costs and salaries were low at the time. Today the company is focusing on the existing departments and the development of their technical support. The positive aspect according to Andersson regarding their entry strategy was the price differences in comparison to Sweden. The company established themselves when pricing in terms of facilities, equipment and salaries were low. Andersson described that “it was crucial for the internationalization process to have an established relationship to a customer since this industry was undeveloped and there were no pre-existing networks within the
sector” (Andersson, 2018). Andersson believes that with the knowledge he has today there could have been some alteration to the initial strategy. Furthermore, he explained that it might have been a too early expansion in terms of knowledge and the corruption level during the time of entry. When asked about the accessibility and trustworthiness of the information regarding Russia, Andersson answered that the information was accessible but it did not prepare the company for the obstacles encountered in the customs, taxation, and bureaucracy sectors.

4.5.2 Culture
Andersson explained that the cultural factor was present during the initial stage of the internationalization. Andersson’s general perception of the Russian culture is that it revolves around relationships and masculine values and achievements and titles characterize the Russian mentality are renowned among the people. He finalizes the question by stating that when relationships have been established, the Russians are a caring and warmly people. He further stated that “the culture was not a critical factor for succeeding in the market, bureaucracy and corruption are bigger obstacles to overcome” (Andersson, 2018). Furthermore, he explained that it is to some extent socially acceptable to try to undermine the employer and argue that it is rooted in the society. Since the customers of the company are Russians and they are the ones handling the product, it is not prone to any cultural influence. Andersson further explained that they utilize local representatives such as Vladimir Potapov in order to reduce the culture and language gap. He has integrated Russian personnel into several departments in both Russia and Sweden, thus increasing foreign knowledge and cultural understanding. Trust and commitment is crucial in the Russian culture according to Andersson. He further explained that Russians value trust and it is mainly maintained through interaction, both in business and private context. It is not uncommon for business partners to enjoy a friendly excursion to a traditional Russian banya (bathhouse/sauna). When asked about the Russian perception of Sweden as a trustworthy actor, Andersson explained that Swedish firms hold a high degree of admiration among the people, he further explained that using Sweden as a brand should be encouraged.

4.5.3 Network
Andersson stated that networks are vital to the firm's success. They are essential when trying to obtain resources, knowledge and more customers. As mentioned in the internationalization segment, Thermotech already had an existing network to customers within the market. Andersson further explained that since the industry sector was undeveloped, they needed to construct their own network of customers and retailers. However, when reaching out to potential actors, the issue of not knowing whom to address is common when expanding to other networks in Russia according to Andersson. The company uses their local representative and are depending on his knowledge and contacts in order to reach the right person. Andersson stated that “there is no significant difference between building business networks in Russia than it is in Sweden, both require trust and maintenance” (Andersson, 2018). Thermotech has used their network to resolve unexpected issues in the past. Andersson explained that they
utilized Vladimir's contacts in order to deal with situations that the company was unfamiliar with. He further explained that today Thermotech is not as dependent on the network to resolve unexpected issues as they have built up a knowledge database and use their past experiences when dealing with present issues. When asked if the lack of a network resulted in business failure, Andersson answered that dealings with large state-owned projects are often discouraged by his local representatives. The required network for these particular deals often demands complex and expensive bribes. He did not have the right network, and since the company has a strict policy against bribes, he would not be able to compete with the prices.

4.5.4 Informal institutions
Thermotech encounter companies that are trying to affect them through informal tendencies and services in the early stages of the internationalization. Today the customs are still an obstacle for Thermotech, even though the company has maximal transparency and strict policies regarding bribes. Andersson explained, “the bureaucracy is complex and dynamic which enable circumstances for the use of informal exchanges” (Andersson, 2018). He explained that the bureaucracy is almost made to push companies towards more illegitimate actions. Fees may occur due to changes in the government's regulations. Problems regarding actions that are informal or illegitimate in nature are encountered by their customers and not by Thermotech as they are not directly dealing with the end customer. According to Andersson informal institutions are strict and still present, but there are certain steps to avoid them. The primary strategy is to use maximum transparency and use existing contacts to gain knowledge of the situation that has resulted in an issue. Andersson further explained that the business environment is becoming more transparent due to the increase of cashless transactions. Today companies use lawyers when dealing with circumstances that may be prone to informal tendencies, he further believes that there might still be bribes in circulation at these encounters. He also stated that there had been some changes regarding the transparency of the taxation system. Andersson stated that foreign companies are trying to follow the rules and norms but there are still tendencies towards avoiding them and this is still rooted within the society as the system is setting the circumstances for such practices. When asked to what extent it is acceptable to bend the rules within the Russian business environment, Andersson explained that it is still common and accepted. The use of favors is still active today, favors are common and companies feel obligated to return the favor as aid has been received in the past. The company depends on friendly exchanges as it might need them in the future, Andersson further explained that the favor does not have to be informal or illegitimate, he does not partake in favor he deems as unethical.

“It is crucial to visit the Russian market continuously, in order for the business endeavor to be successful.”
- Anders Andersson 2018-05-03
4.6 Company X

The interview with Company X was done with respondent A, the respondent was a project director for construction in Russia. Respondent A worked in Company X for approximately seven years. Respondent A was living in Russia during his employment with the company.

Company X is part of a large parent company/group. The company main focus is real estate and services related to the estates they own. The company rented out facilities to a large number of companies within the market.

4.6.1 Internationalization

Company X has been in Russia for 19 years. The reason for choosing the Russian market was according to respondent A that it was full of potential and that there were a large number of options regarding the real estate market. Respondent A further explained that the general impression of the market was that it was complex. The perception of complexity regarded regulations and governmental institutions. Respondent A stated that the company established a subsidiary with a large number of physical properties. The respondent further explained that the expansion had a long and strategic approach and thus the internationalization was incremental. Respondent A also adds that the market is used to access other countries such as India and China. The positive aspect of this entry strategy is that the company was able to exploit the opportunities regarding the wide selection of real estate that was accessible at the time of entry. The negative aspect according to respondent A was that, the company was not prepared in terms of technical and regulatory knowledge of the sector. Today business is conducted in the same manner. Respondent A believes the company is currently waiting to acquire any additional properties due to the turbulence of the market in recent years. When asked about the aid of networks during the internationalization process, the respondent answered that networks were present and used. Respondent A believes that the used strategy was successful in terms of the frequency of acquired property and profit. The respondent further explained that it helped the company gain a strong foothold in the market. However, respondent A believes that they should have added more resources during the construction phase and invested more time in regards to the quality check of the establishments. According to the respondent A, the company was well prepared in terms of experience as the company is widely established across Europe, the respondent does not believe that the information at the time was trustworthy. Respondent A further explained that the company used the knowledge of another firm in order to facilitate the process of obtaining constructional permits and drawings.
4.6.2 Culture

Respondent A believes that the cultural factor was considered to a moderate extent in the initial stage of the expansion. Respondent A described the culture and the mentality of the people to be retracted. However, the respondent further stated, “once a relationship has been established, people are more open and warm” (Respondent A, 2018). Cultural understanding is essential in today's business environment according to respondent A. However, the respondent further explained that it is manageable but hard to understand. The respondent further stated that the market and culture tend to be unpredictable. Respondent A stated that culture and the traditional way of conducting business in Russia have influenced them. These influences and adaptations mainly concern organizational efforts and understanding the processes of permissions and local agencies. Respondent A further stated that the company implemented the Swedish flat organizational approach and that it was well received by their Russian counterparts. Respondent A believes that trust and commitment are important in the Russian culture, the respondent further stated that it is more prominent among family-owned businesses and with persons of older generations. Maintaining and building trust with Russian partners is based on working together for an extended period of time and delivering the promised services or products on schedule, in accordance with the requested specifications. Respondent A believes that Swedish actors are considered to be trustworthy.

4.6.3 Networks

Respondent A stated that networks are important for the success in the Russian market, it can be used in order to receive advice in unfamiliar situations and general information of the market. Business Sweden, the Swedish embassy, and independent consultancy firms are examples of such a network. However, the respondent is not sure if there were any relationships established in advance. When asked if the company encountered any difficulties in finding the right person for a network or a relationship, respondent A answered that it is not a major difficulty. Respondent A stated that there is a difference in building business networks in Russia compared to Sweden. The respondent further explained that the dialogues tend to be more open in Russia than in Sweden since many actors are dealing with the same problems regarding the complex regulations. When asked about difficulties regarding relationships, respondent A stated that they had encountered obstacles. The respondent further explained that the business environment is continually shifting, people tend to change positions more frequently. This has proven to be a problem when dealing with a consultancy firm, as the company depends on the person's past and present knowledge. The company has not used networks to solve unexpected issues. When asked if the lack of networks resulted in a business failure, the respondent A explained that he has no clear perception.
4.6.4 Informal institutions

Respondent A does not know of any informal encounters in the initial stage of the internationalization. When asked if there are any informal institutions affecting the company today, respondent A stated that they have established strict policies regarding corruption and that they were prepared to deal with the consequences of not participating in these illegitimate offerings. Respondent A further explained that it is common for inspection agencies to recommend certain companies that can mend the errors that were found during their visit. These particular companies often have an informal relation to the agency and the money involved. 

“In such cases, the company referred to their strict policies and procurement regulations and excluded the recommended companies” (Respondent A, 2018). This decision could lead to accusations related to fire safety and court hearings, hence, the company was prepared for them. Respondent A further stated that issues regarding the construction sector, purchasing organizations and cartel formation in terms of procurement deals are still present today. Respondent A explained that the level of strictness regarding the informal institutions is flexible in certain institutions. The police department has a higher level of flexibility while agencies for construction and road permits do not. Therefore, the process of avoiding them depends on the sector, the respondent still believes that bribes are common in the last mentioned institutions. The influence of informal institutions according to respondent A also depends on the size of the company and its financial abilities to withstand the consequences of not participating in any corruption and informal exchanges. When asked about the tolerance regarding formal rules and norms, the respondent answered that rules are followed but that it was more common to bend them in the 1900s. Respondent A believes it is still relatively common to bend the rules and that issues can be solved by bribes. However, the respondent stated that younger generations tend to avoid informal exchanges. Respondent A finalizes the question by claiming that there is still a parallel economy present in the society. The respondent believes that aiding each other is uncommon but he argued that it depends on the level of familiarity and strength of the relationship in question. Favors are according to respondent A not common, this is due to the dynamic market and that companies and their representatives tend to use the established contracts between them as a time frame, thus making interactions relatively short term.

“One should exercise caution when purchasing land in Russia. There is a large number of old owners to land areas that were taken by the state. It is common that people find the old contracts and claim ownership of the land and set a high price for the company to buy it back. This could result in court procedures or high expenses”

- Respondent A 2018-05-09
5 Analysis

This chapter will present the crucial empirical findings and connect them to the theoretical framework. In order to facilitate the understanding of the analysis it will be structured in accordance with the previous chapter. The analysis will be divided into the following segments: internationalization, culture, network and informal institutions. The analyzed material will be utilized to answer the research question in the final chapter.

5.1 Internationalization

5.1.1 Establishment

All the respondents choose to expand to Russia due to its size and business potential. However, all the companies except for Grindex perceived the market to be complex. The complexity mainly concerned language, governmental regulations, corruption, safe payments, and bureaucracy. This claim is strengthened by Johanson and Vahlne (1977), that describe difficulties when the access of information is prevented by cultural differences, language barriers, and political systems between the domestic and foreign market. When discussing whether the process of internationalization was incremental or spontaneous, Sörensen at Lindén, Respondent A at Company X and Lazo at Roxtec explained that they gained access to the market by an incremental approach, while, Andersson at Thermotech, Schaber at Grindex and Goldman at Logosol expanded more spontaneously to the Russian market. The use of an incremental approach can be argued to be implemented due to lack of market information and a complex environment (Johanson and Vahlne, 1977). The entry process was varied among the respondents. Sörensen at Lindén was advised by their local representative to establish a subsidiary, after receiving a market research report provided by a consultancy firm Lindén established a sales-subsidiary and a warehouse. Lazo at Roxtec had established a partnership with a distributor in order to gain access to the market, the distributor was converted into a subsidiary after a few years. Respondent A states that the company established a subsidiary with a large number of physical properties attached to it. Thermotech initially established a sales office and later converted it into a subsidiary. With the aid of a local representative, Thermotech established a value chain, consisting of a sales office, warehouse, technical support and distribution channels. Grindex and Logosol do not have any established subsidiaries but mainly conducts business through direct export to the country. Johanson and Vahlne (1977), argue that Swedish companies tend to expand their foreign business step by step rather than making large investments in one instance. The companies’ start with exporting to the foreign market through agents and further establishes a subsidiary, and may, later on, establish a production facility. This claim falls in line with the empirical findings of this thesis. It can be argued that a high level of uncertainty characterized the establishment stage of the internationalization due to the perceived complexity of the market. The authors Michailova and Worm (2003) state that cooperation is crucial for complex tasks under conditions of uncertainty. It can, therefore, be argued that, since the perceived complexity of the market has played a major role in deciding the commitment to the
market in form of investments, the utilization of local representatives have facilitated the internationalization process to Russia.

5.1.2 Information and Development

When the companies were conducting a market analysis of Russia, the respondents had varying perceptions regarding the accessibility and trustworthiness of the information about the market. When a business environment has a higher degree of uncertainty, the access to qualitative information and other resources is vital according to Michailova and Worm (2003). Andersson at Thermotech stated that the information was accessible but it did not prepare the company for the obstacles encountered in the customs, taxation, and bureaucracy sectors. Lindén was well-prepared in terms of experience but the firm was lacking in terms of information about the market and its competitors. They depended on the knowledge provided by Business Sweden. Schaber at Grindex argued that his Russian background facilitated the process of obtaining the needed information about the market. Goldman at Logosol further explains that the company was not well prepared in terms of experience nor information. He further stated that the company was acting instinctively based on the received order from the customers. Respondent A argued that the company was well prepared in terms of experience as the company is widely established across Europe, the respondent does not believe that the information at the time was trustworthy. Respondent A further explains that the company used the knowledge of another firm in order to access the information about regulatory permissions. Lazo stated that Roxtec was well prepared in terms of experience but not information. He further explains that the information was only available in Russian and this proved to be an obstacle. In order to reduce the informational gap, Roxtec reached out to other well-known firms within the market to obtain a clear image of its potential. It is argued that qualitative information is crucial when the degree of uncertainty is high, and the respondents argued that the information about Russia was accessible but the degree of its trustworthiness was low. This could have affected the firms in a negative way since the information is not trustworthy and would therefore not decrease the degree of uncertainty.

The majority of the companies have made further investments into the Russian market since their initial entry. However, Logosol and Grindex have not expanded their business operations. Lindén has additionally established a department for packing their products. Thermotech, on the other hand, has chosen to focus on their existing departments and the development of their technical support. Roxtec has acquired local facilities in the form of a warehouse and domestic production, the subsidiary also has its own Russian management. Company X is not currently expanding or acquiring any additional business facilities due to the current turbulence within the market. Johanson and Vahlne (1977), argues that market commitment is increased when a company gains knowledge that reduced the uncertainty level, this is further strengthened by the empirical findings of the development of Thermotech, Lindén, Roxtec and Company X. The authors of this thesis argue that the use of representatives or distributors facilitated the process of accessing information, knowledge, and contacts in order to reduce the uncertainty gap. This can be applied to the cases of Logosol and Grindex, as Logosol
has an established partnership with a Russian actor. However, Logosol and Grindex have sufficient knowledge in regards to their business operations with Russia due to internal personnel that have an ethnic connection to the country.

5.2 Culture

5.2.1 The presence of Culture

The cultural factor during the initial stage of the internationalization to the Russian market was present and considered to a moderate extent in all of the empirical cases, with an exception of Logosol and Grindex. Goldman at Logosol argued that since the company was acting on a request from customers, the cultural factor was not influential. Schaber at Grindex stated that the cultural factor depends on the industry and size of the company. Therefore, they did not consider the cultural factor. Company X and Roxtec argued that cultural understanding is important for the success in the Russian market. However, the respondents from Lindén, Grindex, Thermotech, and Logosol did not agree with this statement. Andersson at Thermotech claimed that understanding the bureaucracy and corruption is more crucial than culture. Sörensen at Lindén further argued that by staying humble during business procedures the importance of the cultural factor diminishes. Goldman at Logosol stated that knowledge regarding the language and political situation is more critical for the success within the market. Hofstede (2010) argues that culture is an essential aspect of international business. However, the empirical findings regarding this topic imply that the factor is not considered to a large extent. The reason for this result could be based on the fact that the majority of the companies utilized local representatives or partnerships. Another reason could be that other obstacles were perceived as more significant such as the political and regulatory system, therefore, the culture was less considered.

5.2.2 Impressions

The general perceptions of the Russian culture and mentality are varied among the respondents. Andersson at Thermotech stated that the Russian culture is centered around relationships and the Russian mentality is characterized by masculine values such as achievements and titles. This can be related to Hofstede’s masculinity dimension as the score was high in the case of Russia and the dimension is driven by competition and achievements. Furthermore, the same author stresses the importance of relationships within the culture (Hofstede, 2018). However, Schaber at Grindex stated that there is no significant difference in the business culture between Sweden and Russia from a macro-level. The differences are clearer at the individual level between two firms. Sörensen at Lindén perceived the mentality of the Russian people to be warm and welcoming in nature. Goldman at Logosol also argued that the Russian culture is more spontaneous and emotional in nature. He further describes it as lacking in planning for the future but still able to improvise in uncertain situations. This is strengthened by Hofstede (2018) in the uncertainty avoidance dimension. Russia has a high score, which indicates that the people tend to avoid situations that are ambiguous. Lazo at Roxtec argued that the Russian culture has strong ties to its history and traditions. Due to the country’s size, it holds different people with different
backgrounds and ethnic origin. This is in accordance with the power distance and long-term orientation dimensions of Hofstede’s model. These two dimensions concern the size of the country and the connection to its history and traditions. Respondent A at Company X described the culture and the mentality of the people to be retracted. However, once a relationship has been established, people are more friendly. This claim can be explained by the uncertainty avoidance dimension in Hofstede’s model, as formal and distant behavior is used as a sign of respect (Hofstede, 2018).

5.2.3 Influence
The influential degree of the cultural factor is similar in some instances but also absent in other to a moderate degree. Andersson at Thermotech stated that he utilized a local representative in order to reduce the culture and language gap. Sörensen at Lindén utilized a similar approach. Furthermore, he also used his local representative's language skills in order to overcome situations where the language was an obstacle. Roxtec was not influenced by any cultural factor to a large extent since the company had an established partnership with a Russian distributor. The counterpart handled the cultural interactions on behalf of Roxtec. Logosol and Grindex were not influenced due to the fact that both of the respondents have an ethnic connection to Russia. Both of them possess knowledge of the culture and language, which facilitated the process of reducing the gap. However, Logosol has an established partnership with a Russian actor in order to gain access to deeper knowledge regarding these matters. The strategy to utilize representatives and partners is crucial when conducting business in Russia, according to Jansson (2007). Firms conducting international business often face difficulties in business deals and therefore, seek for a local representative in the host market in order to facilitate and decrease the difficulties (Krueger, 2009). The authors of this thesis consider this approach to be suitable when entering a market such as Russia. It is clear that individuals with a high knowledge level have been used in order to reduce the cultural distance. However, Logosol and Grindex used a “domestic” representative/individual, in order to either actively find partnerships or utilize their competence during the expansion.

5.2.4 Trust
All the respondents agreed that trust and commitment are essential factors within the Russian culture and business environment. Goldman at Logosol and Lazo at Roxtec stated that if these factors were not present it would be hard to conduct any business. Andersson at Thermotech further argued that trust is crucial when establishing relationships. All respondents argued that it is essential to have a consistent interaction in order to build and maintain trust within the relationship. Hofstede (2018) argues that trust and commitments are crucial sub-factors to a relationship in Russia. This claim is further strengthened by Jansson, Johanson, and Ramström, (2007); Michailova and Worm, (2003), the authors state that the uncertainty is reduced and trust is built as result of satisfaction and positive effects from an interactive process of previous business experiences. Schaber at Grindex stressed that Russian personnel tends to change jobs and positions which makes it difficult to establish trust when the person in question is
frequently replaced. Respondent A at Company X strengthened this statement as the company also had encountered difficulties in regards to frequent personnel change in organizations. It can be argued that the dimension regarding masculinity (Hofstede, 2018) affects this particular problem as society is driven by competition and achievement. This would explain the strict performance requirements and personnel change in the Russian market. All the respondents agreed that Swedish actors are deemed to be trustworthy and that Swedish products are considered to have a high quality by the Russians.

5.3 Networks

5.3.1 The presence of networks

All of the respondents used their network in the initial stage of the internationalization process to Russia, except Schaber at Grindex since he was the one that expanded the company within the Russian market. He further stated that a network could play a crucial role if a firm only conducts business with a few customers, this was not the case for Grindex as they have a large number of customers. Sörensen at Lindén did not have a personal network in Russia other than the existing relation to Business Sweden. The company used their local representative’s contacts in order to gain knowledge and access to an extended network. Logosol had an established network before entering the market but this relationship was not reached by actively searching for it, the company was contacted by the customers. Lazo at Roxtec stated that a relationship was established to a distributor before any business was conducted. Each respondent except Schaber argued that the network is essential for success in Russia, they can facilitate the process of obtaining resources, knowledge, and customers. This statement is further strengthened by Chetty and Holm (2000); Johanson and Mattsson (1988), as one of the advantages of utilizing business network is the availability and access to resources the firm does not have. It is clear that networks are prominent within the Russian market. It can be argued that the company cases fall in line with the theoretical fact that the existing relationships can lead to new relations Chetty and Holm (2000). The authors of this thesis further argue that the majority of the cases are connected to the fourth network category, international among others due to their global market presence. This category is related to firms that are internationalized and has a well-established global network (Johanson and Mattsson, 1988).

5.3.2 Building networks

The respondents had different perceptions in terms of building business networks in Russia compared to Sweden. Respondent A at Company X and Schaber at Grindex stated that the process of building business networks in Russia compared to Sweden has a higher degree of complexity. The respondents further explained that the business environment is constantly shifting and people tend to change positions more frequently. This claim is further strengthened by Jansson, Johanson, and Ramström (2007); Michailova and Worm (2003), as they describe, that the business network in Russia tends to be characterized as dynamically changing. Goldman at Logosol also stated that there are differences in building business networks regarding language, where he stated
that the English language is limited and rare in the business environment. While Lazo at Roxtec and Andersson at Thermotech argued that they did not encounter any significant difference in building business networks. One could argue that the reason why Roxtec and Thermotech did not encounter any significant difference in building networks is due to their local representative that facilitated this process.

5.3.3 Use of networks

All the companies used their networks in order to solve unexpected issues within the business environment, with an exception of Company X and Grindex. Lazo at Roxtec used their relationship to agents within the customs office to solve an issue in regards to the sanctions that were imposed. Sörensen at Lindén utilized their connection to Business Sweden to gain knowledge about an unexpected visit from the tax inspection office. Thermotech has used their network to resolve issues in the past, where they utilized their local representative’s contacts in order to deal with situations that the company was unfamiliar with. Lastly, Goldman at Logosol stated that the company depends on their Russian partner’s knowledge to solve unexpected issues. Since the majority of the respondents answered that networks had been utilized in problematic situations, it can be argued that access to knowledge through a network is crucial. However, the same respondents that had used their networks, stated that they have built a knowledge database which facilitates the process of dealing with future issues that are similar to those of the past. This practice falls in line with the Uppsala model, as firms learn from their past experiences in order to reduce uncertainty and increase knowledge (Johanson and Vahlne, 1977). One could argue that networks have remained important when considering the historical aspects of their use, as was describe by Ledeneva (1998), during the transition from pre-Soviet era to today's modern time. Logosol, Grindex, Roxtec and Company X stated that they have not encountered any business failure due to the lack of networks. Lindén and Thermotech stated that actors tend to import products unofficially and avoid certain fees with the aid of informal networks. These actors can thus provide a lower cost and gain a competitive advantage. Both, Lindén and Thermotech has strict policies regarding bribes and therefore cannot compete with such prices as their strategy is dependent on maximal transparency. This corresponds to the articles provided by Jansson, Johanson, and Ramström (2007); Korppoo (2018), where it is argued that institutions can influence the performance of firms within a network. The networks can give firms a competitive advantage by reducing costs and are often arenas for production of value. It can be argued that the lack of network was not a result of a business failure but more that the companies could not engage in these particular networks, since they were informal and illegitimate in nature, due to fact that all respondents had strict policies regarding such practices.
5.4 Informal Institutions

5.4.1 The presence of informal institutions
The majority of the presented cases from the empirical findings stated that they had not been influenced by any informal institutions in the initial stage of the internationalization. However, Thermotech and Roxtec encountered actors within the market that offered them informal services and shortcuts within the regulatory system during their establishment on the Russian market. This encounter can be related to the institutional distance a firm faces when entering and establishing themselves in a foreign market. Hens and Van den Waeyenberg (2012), state that firms will face local actors that conduct business in accordance with certain patterns created by the institutional environment of that particular country. Today, all the companies have encountered some form of informal tendencies in different business sectors and situations, but the respondents argued that their companies are not influenced to a large extent. Informal tendencies often occur in the following sectors; customs, taxation, banking, construction and the judicial system. Purchasing organizations and cartel formation regarding procurement deals are arenas that are characterized by a high level of informal exchanges and unofficial import. Roth and Kostova (2002), argue that when an institution is presumed to be weak, firms are not able to depend on formal institutions to solve their problems, thus, must depend on informal institutions as a substitute in order to resolve their issues. Goldman at Logosol and Andersson at Thermotech argued that regulatory changes and complex bureaucracy encourage the use of informal exchanges. Sörensen at Lindén further strengthened that shipments could be affected by the complexity of the bureaucracy and that this, in turn, would result in demands of bribes, in order to release the seized goods. Lekovic (2011) argues that a higher degree of complexity in a regulatory system will result in an increased tendency to violate rules and laws, thus increasing the probability of corruption within the business environment. The researchers of this study could argue that this falls in line with the perceived complexity of the market by the cases (internationalization segment), along with the encountered obstacles within the regulatory system of Russia by the companies, this would confirm the theoretical link between complexity and corruption.

5.4.2 Dealing with informal institutions
All the respondents are using a similar strategy in order to avoid the effect of the informal institutions. All the companies have strict corruption-policies and conducts business with a maximal transparency. Another factor that decreases the influence of the informal institutions is the use of local representatives or partnerships with local actors. Logosol and Roxtec were not affected by any informal institutions in the initial stage of the internationalization process due to the established partnership that had experience of informal practices and how to deal with them. This falls in line with Jansson (2007); Michailova and Worm (2003), where it is stated that networks and personal contacts are crucial when conducting business in Russia that involves the customs offices, taxation, bank sector, and local administration. It could be argued by the authors of this thesis that the Russian informal institutions do not influence Swedish companies to a
significant extent due to their transparency, corruption-policies, and use of the local representatives.

5.4.3 Favors
Thermotech, Grindex, and Logosol, all agreed that favors are common within the business climate. Andersson at Thermotech explained that the use of favors is still active today and companies feel obligated to return the favor as aid has been received in the past. Firms depend on friendly exchanges as they might need them in the future, the favor does not have to be informal or illegitimate in nature. Favors are according to respondent A not common, due to the dynamic market and that companies and their representatives tend to use the established contracts between them as a time frame, thus making interactions relatively short term. This is further strengthened by Jansson, Johanson and Ramström (2007), as the authors describe Russian firms to have a short-term orientation. The firms tend to focus on the past and the present and business operations are done on a “day-by-day” basis. Favors within the Russian business environment are related to the historical terminology of blat, which was mentioned in the background chapter. Blat consisted of complex networks based on personal connection and the exchange of favors (Ledeneva, 1998; Michailova and Worm, 2003). The authors of this thesis would argue that the exchange of favors have diminished in business contexts, the practice is still present but not to the same extent due to changes within the market, such as the increase of transparency and the short-term orientation of the Russian firms. The empirical findings would argue the fact that favors are not common among international firms entering the market but more noticeable among the Russian actors and the interaction between them.

5.4.4 Strictness and development of informal institutions
All the respondents had different perceptions of how strict the informal institutions are in Russia. Andersson at Thermotech argued, the informal institutions to be strict and present, while, Goldman at Logosol argued that the strictness has diminished in certain sectors. The other respondents argued that informal institutions were moderate and Sörensen at Lindén did not have a clear perception regarding how strict the informal institutions were. The authors of this thesis would argue that the perception of the strictness of informal institutions is depending on the industry and level of commitment to the market. As aforementioned, the respondents argued for several ways of avoiding informal exchanges such as bribes. The main strategy according to the majority of the respondents is to be transparent, use the established network and relationships, and focus on exclusively conducting business with legitimate actors. This is argued by the researchers of this study to be a proper way of acting in order to reduce the influence of any informal tendencies. The majority of the respondents argued that this issue has decreased since their initial entry to the market, apart from Sörensen at Lindén, due to that he has not been involved in these issues and the local representative is handling these matters. The majority of the respondents argued that the business environment is becoming more transparent, safer for business, foreign actors in the market are transparent and follow the rules, and the level of corruption has decreased as the society is moving towards a cashless system (moderately). All the companies believed that it is
still common and accepted to bend rules in the Russian business environment. Schaber at Grindex stated that formal rules and norms are tolerated in Russia until the point when they become too complex. Goldman at Logosol and Respondent A at Company X believed that it is still relatively common to bend the rules and that issues can be solved by bribes. According to Jansson, Johanson, and Ramström (2007); Lekovic (2011), strong institutions within countries has a higher degree of transparency and in such environments, informal practices tend to be limited. One could argue that based on this source the business environment in Russia has changed for the better as the majority of the cases in the empirical chapter strengthened this claim.
6 Conclusion

The final chapter of this thesis will contain conclusions that were derived from the material in the analysis chapter. The conclusions will facilitate to provide an answer to the research question of this thesis. Furthermore, the theoretical implications and a revised theoretical model will be presented. Additionally, the practical implications will be presented along with limitations of the study. The chapter will be concluded with suggestions for further research.

6.1 Answering the research question

The theoretical framework and empirical findings revealed that Swedish multinationals are influenced by the Russian informal institutions to a low degree. Factors such as culture and networks are interconnected with the concept of institutional theory. The common denominator of these factors in the empirical cases has been a local representative or partner company within the market. The local representative or partner company has been used as a bridge between Swedish multinationals and the Russian market in order to reduce the cultural distance, institutional distance and level of uncertainty between the countries. These particular representatives has further been used to gain access to a network and the resources within them, along with their knowledge about the unwritten and socially shared rules known as informal institutions. A successful business endeavor largely depends on the capabilities of the representative that is being used for the internationalization process to Russia.

This thesis has analyzed the empirical data along with earlier research and the following findings were made;

• Language has proven to be an obstacle for Swedish MNCs during the internationalization to Russia.

• Expanding to the Russian market by utilizing an incremental approach along with the existing networks within the market has a high probability of success.

• Information in regards to the market is accessible but can be difficult to interpret due to the low level of transparency and the language barrier.

• The amount of informal tendencies depended on the type and complexity of a certain business sector.

• Relationships are central in the Russian culture and they are based on trust and commitment. Without any trust, establishing and maintaining a relationship will be difficult.
• Informal tendencies often occur in the following sectors; customs, taxation, banking, construction and the judicial system.

• High transparency, strict policies regarding corruption and the knowledge of local representatives/partners were used in order to avoid the influence of informal institutions.

• Due to the complexity and dynamic changes within the bureaucracy, this sector is prone to a high level of informal tendencies such as bribes.

• Networks are used to solve unexpected issues related to informal institutions.

• Favors are still used within the business environment but at a lower degree. The favor does not have to be illegitimate in nature.

• The business environment in Russia has become more transparent, safe for business and the level of corruption has decreased.

6.2 Revised conceptual framework
The revised conceptual framework is based on the literature review and further developed by the empirical findings and analysis. However, the theory concerning the country culture was not appropriate to a significant extend as primarily thought. The empirical finding showed that the limited knowledge of the English language within Russia being an obstacle. The analysis further showed that relationships are crucial for success within the market and they are based on trust. The Russian business culture still had tendencies towards informal exchanges and corruption in prominent business sectors. The use of network has connected all the factors within the model and reduced their influence due to the central actor within the framework, the local representative/partner company. The established relation to a knowledgeable company or person resulted in the reduction of the cultural and institutional distance, both in the formal and informal aspects of the perceived distance. The empirical findings discovered that favors were still present in the market. However, the process of using them was mainly restricted to Russian actors and did not influence Swedish MNCs to a large extent.
6.3 Theoretical implications

This thesis has investigated how informal institutions influence the establishment and development of Swedish multinationals in the Russian market. The internationalization aspect was perceived from two main points of view, the network approach and incremental approach. The theory and empirical findings confirmed that the presence of networks had been continent throughout of the internationalization process, even though it was incremental.

The cultural factor along with personal networks was interlinked to facilitate the understanding of informal institutions and the unwritten social rules the term contains. The institutional segment was consistently compared to formal institutions in order to distinguish the two concepts. However, the theory was constructed to present the three elements of what institutions are and how informal institutions can complement, compete or replace formal institutions. The institutional distance was derived from the formal and informal institutional theoretical concept that presented the general similarities and dissimilarities between two countries institutional environment.
The empirical finding presented that the companies in questions were influenced by informal institutions to a low degree but still had encountered informal tendencies in their business environment and through their local representatives or partner company. The uses of a knowledgeable representative are predominant in all the cases and thus imply that the low influence was reachable with the help of the acquired person or company that has knowledge concerning the Russian market. The empirical and theoretical chapter facilitates to identify the sectors and systems that have the highest probability for informal tendencies, which may harm the company in the long-term. Several factors were identified that were not part of the theoretical framework, a revised conceptual framework was constructed to better depict the process of internationalization and influence of informal institutions. This thesis will provide necessary theoretical implications that will contribute to reducing the research gap within the fields of internationalization to Russia and informal institutions within the Russian business climate.

6.4 Practical implications

This thesis may also provide practical implications to help Swedish firms construct a strategy for a successful entry into the Russian market with little or no influence from any informal institutions. The first and most prominent practical implication is based on the result that the MNCs had a low degree of influence from the informal institutions within their business environment in Russia. This was manageable by utilizing a well-experienced representative or partner company, this person or company could, in turn, facilitate interactive processes in terms of language, culture and the unwritten social codes that are the base of informal institutions.

The second practical implications present the vital role of pre-existing networks and relationships. In order for a business endeavor to be successful in the Russian market, a company needs to have access to knowledge and resources of a local network in Russia. There are however networks that are informal in nature and sometimes concerns illegitimate actions, these networks will be avoided with the help of a strict policy in terms of corruption and the knowledge of the representative in the market.

This thesis has also provided the reader with a timeline that falls in line with the presented companies market presence. This timeline will facilitate the understanding of how the institutional environment has changed within the country. This discovery further leads to the identification of some sectors within the business climate that are characterized by a high level of informal tendencies and corruption. This discovery along with the theoretical sources that strengthen the claim will help companies avoid certain sectors where the risk of encountering unserious actors is high. This thesis also has a large number of examples of circumstances that lead to an increase of knowledge by the companies, these concrete examples can help other firms construct their own knowledge database to face problems in the future that the respondents already have encountered in the past.
6.5 Limitations
During the process of conducting this thesis certain restrictions were encountered that may have influenced the quality of the research. A limitation that was identified in an early stage of the study was the degree of familiarity Swedish firms had concerning the concept of informal institutions. In order to overcome this restriction, the respondent was provided with the definition and a brief introduction with an attached example of its definition during the interview. This would facilitate the respondent’s understanding of their influence during the establishment and development in the Russian market. A second restriction that was identified was that the firms that participated in the study were active in different industries thus making the comparison less compatible to a moderate degree. Furthermore, the companies in the study had different levels of commitment to the Russian market, thus increasing the gap if incompatibility during the comparison.

6.6 Suggestions for future research
During the process of this research, the authors have identified a number of unexplored subjects. That may reduce the research gap of informal institutions and their influence during an internationalization process.

1. In order to broaden the perspective and provide an additional point of view, the authors would suggest the same study should be made but from a Russian point of view in order to gain understanding of both countries perception and influence.

2. When the theoretical data was gathered, the authors encountered a fact in Hofstede's six dimensions’ model that raised their interest. The power-distance stated that the main economic forces within the country are focused around Moscow and St Petersburg, the authors would suggest a research regarding the informal institutional differences between these regions.

3. Since the authors has made discoveries in terms of environmental change in the institutional climate, it would be of interest to conduct studies within an additional of five to seven years in order to keep the information up to date as the Russian market is characterized by turbulence and dynamic changes.
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Appendices
Appendix 1 Interview Guide

A. Background
1. Do you mind if we record this interview? Do you wish to be anonymous?

2. Brief introduction about yourself: (What is your position in the company? How long have you worked for this company? How often do you visit Russian for business purposes?)

3. Information about the company: (What does the company do? How many employees are there in the company in Sweden? In which countries is the company currently operating in?)

B. Internationalization:
1. How long has the company been active in the Russian market?
2. What were the reason(s) for choosing Russia as a potential market?
3. What was your general impression of doing business in the Russian market, before you entered it?

4. Please describe how you entered the Russian market?
   a. Did you take incremental steps towards the Russian market or was it more spontaneous?
   b. Which entry strategy did you choose for this market and why?
   c. In your view, what are the positive and negative aspects of this entry?
   d. How is business being conducted today? (Export, subsidiary, agent, FDI)

5. Have network relationships been used during the internationalization process? If Yes, please elaborate, if no please also elaborate why.
6. If you could go back in time, would you choose a different strategy?
7. Would you say that you were well prepared, in terms of information and/or experience?
8. Would you consider that information accessible and trustworthy, If Yes/No please explain on the matter.

C. Culture:
1. Was the cultural factor considered in the initial stage of the expansion and to what extent?
2. How would you describe the Russian culture?
3. Do you consider that cultural understanding is a critical factor in order to succeed in the Russian market? and if so, please elaborate.
4. How does culture influence the way of doing business in Russia?
a. Has the company implemented any cultural adaptations to the Russian market, please describe these adaptations?
5. Do you believe that trust and commitment is essential in Russian culture?
   a. How do Russians view trust, in your experience?
   b. How is trust built and maintained in your experience?
   c. What is the general impression of Swedish actors in terms of trustworthiness?

D. Networks:
1. Do networks play a big role in the success of the firm on the Russian market? If yes, how?
2. Was a relationship/network interlink established before any business actions were conducted?
3. Is it difficult to find the target person(s) for the relation? how did you manage to reach out to that person?
4. Is there a difference in building business/social networks in Russia in comparison to Sweden?
5. Have you found any difficulties in building and managing the relationships between you and Russian counterparts?
6. Have networks helped the company to solve unexpected issues in Russia?
7. Have lack of networks held you back from any kind of business involvement or led to business failure?

E. Informal institutions
Describe institutions briefly to the interviewee:
Institutions are either informal or formal. Laws property rights and constitutions are examples of what formal institutions can be. Informal institutions are regarded as traditions, norms that are constructed in a social environment. These can be viewed as both complementary, competing and as a substitute to formal institutions.

1. How were you affected by informal institutions in the initial stage of internationalization?

2. How are informal institutions affecting you when doing business in Russia today?
   a. How are you dealing with challenges regarding informal institutions?
   b. Which informal institution(s) are most prominent in the business environment and what is the company’s policies to handle them?
3. How strict do you regard the Russian informal institutions to be?
   a. How much can you affect them and avoid them if necessary?
4. Has the Russian informal institutional environment changed since you entered? If so, how? And has it become an obstacle?
5. How do you experience that formal rules and norms are tolerated in the Russian culture?
a. Is this something that affects you? If Yes, how? If no, what do you think is the reason behind it?

6. Have you encountered that it is acceptable within the business environment to bend the rules, in order to find ways around different problems that may arise due to formalities?

7. Do you experience that people tend to aid each other when dealing with various problems?
   a. How are favors, and favors in return regarded?

8. Is there anything else you would like to add to the topic, regarding the whole process of internationalizing to Russia?