Conditions Supporting Trust Development in Relation to the Perceived Risks in Finnish-Russian Business Relationships

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Abstract

Despite the continuing increase in international business over the last few decades and general recognition that trust is a key attribute of successful cooperation, our understanding regarding trust development and risks in the context of intercultural business relationships remains limited. Thus, the primary aim of this research is to contribute to the understanding of how trust development can be supported in relation to potential risks perceived in different phases of relationships between the Russian subsidiaries of Finnish firms and their Russian partners operating in the Russian construction market.

This qualitative research took a structured approach in the exploration of complex research questions. The theoretically grounded concepts and the initial conceptual framework were employed to direct the inductive empirical investigation and theory building. The empirical part of the research consists of three studies: Pilot, Main and Supplementary. The Pilot study provided a preliminary understanding of the research questions. The primary focus of the Main study was on the conditions that support trust development in Finnish-Russian business relationships and the role these conditions play in relation to risks. The study also highlighted that a higher level of trust is needed in order to be able to accept relationship risks and raise the willingness to cooperate. A decisive role was ascribed to trust-constituting conditions, which are directly related to the growth of trust and are, to a great extent, in reverse relationship with risks. Further, the most critical conditions and risks in terms of their impact on the level of trust were demonstrated. Among the identified conditions, cultural adaptation was found to be particularly significant. This was explored in depth in the Supplementary study.

The research contributes to the scarce literature on trust development in an intercultural business relationship context. It sheds more light on the conditions that directly and indirectly support trust development and their role in relation to relationship risks by bringing forward an integrative perspective. This research also contributes to international management literature. In particular, it adds to the literature on uncertain institutional contexts, such as the Russian business environment, by introducing the conditions supporting trust and the risks perceived in the different phases of relationship development with Russian firms.

The research has also practical implications that benefit managers who are about to or are contemplating to bring their business into the Russian market. Specifically, the findings can be used as guidelines and practical tools for establishing and sustaining trust over time with Russian business partners. The scope of identified risks offers a valuable knowledge base for
Acknowledgements

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This chapter begins with a brief discussion on the research background by referring to existing literature and addressing gaps related to the research phenomenon. The sections that follow introduce the research empirical context, objectives and corresponding questions as well as the structure of the dissertation.

1.1 Research Background

In today’s highly competitive and very dynamic business world, a firm’s ability to build successful business relationships is a major factor in their survival. Researchers have identified a number of critical conditions for successful relationships, but “virtually all scholars have agreed that one especially immediate antecedent is trust” (Smith, Carroll & Ashford, 1995, p. 10). The fundamental role of trust and its formation in business relationships has been the focus of academic research across a variety of disciplines, such as marketing, sociology, social psychology, organisation studies and management (Bradach & Eccles, 1989; Das & Teng, 2004; Doney & Cannon, 1997; Dwyer, Schurr & Oh, 1987; Lewicki & Bunker, 1995; Morgan & Hunt, 1994; Rousseau, Sitkin, Burt & Camerer, 1998; Smyth, 2008; Ring & Van de Ven, 1994; Sako, 1998; Zaheer, McEvily & Perrone, 1998). Thus, the claim that the success of business relationships is very much dependent on trust is well supported theoretically and empirically. Trust is also credited with being important for the development of different cooperative relationships between firms (Ganesan, 1994; Gulati, 1995; Lane & Bachmann, 1996; Ring & Van de Ven, 1992). It is particularly vital in intercultural contexts, which imply greater uncertainty and risks (Dietz, Gillespie & Chao, 2010).

Despite the widely acknowledged crucial role of trust and increased interest among scholars, there is little academic research attempting to provide
empirical evidence on the factors affecting trust in business relationships (Moorman, Deshpandé & Zaltman, 1993). Moreover, research has not systematically distinguished trust from factors that influence trust viewing these factors as critical components or dimensions of trust itself (Moorman et al., 1993). However, in some empirical studies, scholars have looked upon and identified numerous factors that either directly or indirectly affect the development of trust (Anderson & Weitz, 1989; Butler, 1991; Currall & Judge, 1995; Dyer & Chu, 2000; Gabarro, 1978; Jennings, 1971; Mayer, Davis & Schoorman, 1995; Moorman et al., 1993). Notably, these studies are predominated by investigation of conditions that comprise personal characteristics and specific behaviours and thus promote interpersonal trust or trust directed to an individual. Research on conditions that engender the development of trust directed to a firm remains rather limited.

Even fewer studies that have explored conditions supporting trust in the context of intercultural business relationships. Nowadays, due to increasing globalisation, international business is growing rapidly, and people are increasingly engaging in business relationships across national borders. These relationships are essentially determined by people with different cultural backgrounds, and thus are culturally embedded as “people’s behaviour is defined by their culture” (Adler, 1991, p. 17).

However, the importance of trust’s cultural embeddedness in different national contexts is greatly acknowledged in the literature. Trust is seen to be a socially constituted phenomenon (Lane & Bachmann, 1996). It exists and develops between individuals whose behaviour and beliefs are predominantly defined by their societal norms and values, which are the essential core of a culture. Culture therefore may have the potential to explain along with an individual’s perception and expectation of trustworthy behaviour (cf. Doney, Cannon & Mullen, 1998; Zaheer & Zaheer, 2006) also the foundations for trust (Lane, 1997). Furthermore, given that trust is a very complex multi-dimensional concept, it is unlikely that the same conditions would constitute trust development across different cultures, or that these conditions would have the same weight (cf. Zaheer & Zaheer, 2006). Thus, across cultures the role and notion of trust, as well as the conditions supporting its development may vary.

Since trust appears to be contextually dependent, research that ignores the cultural embeddedness of trust may reach erroneous conclusions (Zaheer & Zaheer, 2006). Therefore, Seppänen, Blomqvist and Sundqvist (2007) call for more research to be carried out on the influence of culture on trust in
business relationships. More research is also needed to understand how people from different cultures go about establishing and sustaining trust in their own culture as well as across cultural boundaries (Dietz et al., 2010). Although cultural influences on trust development have been the focus of several scholars’ attention, trust development has generally been considered in terms of national culture (cf. Doney et al., 1998; Zaheer & Zaheer, 2006). Accordingly, more exploratory and inductive studies in character that take orientation particularly to surpass the perspective of national culture are necessary. Summing up, theoretical contributions on cultural differences related to trust still need more empirical research and data (Noorderhaven, 1999; Schoorman, Mayer & Davis, 2007). Specifically, the context of intercultural business relationships seemed to require a closer analysis, since the relevant theoretical discussions and existing models on the conditions of trust do not fully explain them across different cultures.

The contextual dependability of trust means also its institutional embeddedness in different national contexts. Thus, the development of trust in business relationships depends on shared expectations embedded in the institutional environment in which relationship partners are located (Zaheer & Zaheer, 2006). However, when partners come from different institutional contexts, they may have different expectations and motivations to invest in trust. For instance, for a partner from an uncertain or weak institutional context, where little institutionalised support for trust is present, personal relationships and interpersonal trust play a more prominent role. (Zaheer & Zaheer, 2006) Moreover, trust is often been considered as a substitute for underdeveloped market institutions (Peng & Heath, 1996) and as a necessity in a risky situation (Mayer et al., 1995) and uncertainty (Luhmann, 1979, 1988). Given the significant differences between national institutional contexts, there is still a lack of empirical studies that focus on those societies, where institutionalised support for trust is low. In relation to this research, some scholars pointed at a relative shortage of empirical studies that touch upon the issues of trust foundations in business relationships located Russia (Ayios, 2004; Radaev, 2005).

In a country like Russia, which now embraces liberal free-market principles, the formal institutions and market infrastructure elements still lag behind many of the developed countries (Ledeneva, 2009; Puffer, McCarthy & Boisot, 2010), and their development trends are difficult to predict. For foreign firms that operate in such a transitional market, it means relying extensively on trust in building business relationships with local partners. Reliance on trust is a matter of the culture, i.e. partners trust each
other more when they share cultural values (Rousseau et al., 1998). This may create a major tension, given that many managers in Russia are particularly opportunistic (Belaya & Hanf, 2011; Jumpponen, Ikävalko & Pihkala, 2008; Puffer & McCarthy, 2001) and still dependent on informal institutions, especially personal networks (Michailova & Worm, 2003; Puffer & McCarthy, 2011; Salmi, 1996). Another related aspect concerns business relationships in Russia that are described as having a high level of instability and low information disclosure readiness (Smirnova, Naudé, Henneberg, Mouzas & Kouchtch, 2011). At the same time, these business relationships are still predominantly dyadic (Kouchtch & Afanasiev, 2004), while foreign firms are more business network-relationship oriented (Jansson, Johanson & Ramström, 2007). Nevertheless, establishing business relationships based on trust with Russian partners is a very important, but challenging task, which inevitably involves risks.

In fact, risks are always inherent in business relationships, and according to the trust definitions (see Mayer et al., 1995; Rousseau et al., 1998), partners are voluntarily exposed to losing something valuable through interaction. This is certainly something that we can do nothing about, except facilitating and supporting trust development, because trust is also seen as a ‚mechanism’, which reduces relationship uncertainty and risks (see e.g. Bachmann, 2001; Das & Teng, 1998a; Luhmann, 1979, 1988; Shapiro, 1987; Smyth, 2008; Van de Ven & Ring, 2006; Zucker, 1986). However, insufficient understanding of the trust-risk relationship is one of several limitations in trust research (Mayer et al., 1995). While some scholars have devoted their work to the relationship between trust and risk (Das & Teng, 2004; Siegrist, 2000; Slovic, Flynn & Layman, 1991), only a limited amount of attention has been paid to explore empirically this relationship in the intercultural context.

Additionally, there are still major gaps in the body of empirical research exploring the kinds of risk that are inherent in business relationships and how the negative effects of these risks can be mitigated when partners are able to rely on trust (Van de Ven and Ring, 2006). For instance, the construction industry, which operates on a project basis, is imperilled by enormous risks and uncertainty due to the unique features of construction activities, such as relatively long-term nature of projects, complicated processes, a specific environment, financial intensity and dynamic organisational structures (Flanagan & Norman, 1993; Smith, 2003). Within the rather extensive research that has been undertaken on risks in construction projects, risks are categorised in many ways by risk types, the sources and/or origins, or project stages (Cooper & Chapman, 1987; Edwards
& Bowen, 1998; Klemetti, 2006). Given that a project consists of several stages and is limited to the period of a single one-off project from beginning to end, the arguments above point to the need for recognising the risks in a longer time period covering multiple projects and including the time between them, i.e. project-based business relationships. Additionally, risks in such relationships where partners represent different cultures have rarely been explored and merit particular attention.

In conclusion, despite the great contributions of the existing literature on trust in business relationships a few empirical and theoretical limitations were addressed in the foregoing discussion. Accordingly, this research attempted to bridge these gaps by focusing on the following issues. First, the identification of risks in project-based business relationships with Russian partners received close consideration in the empirical investigation of this research. Further, the research examined how trust development can be supported in Finnish-Russian business relationships by generating an understanding of conditions that support trust development and bringing an orientation that surpasses the national cultural context. Finally, this research aims to extend empirically the previous research on the relationship between trust and risk by exploring the role of trust supporting conditions play in relation to risks and generating an integrative perspective.

Practically, many managers have a greater need to know what activates and sustains trust than to understand the construct itself (Butler, 1991). The findings of this research can serve as a road map and tools to guide and assist foreign managers towards a more sustainable practice in the Russian market by introducing a comprehensive set of conditions that support trust development and a basis for risk assessment in their business relationships.

1.2 Empirical Context of the Research

In this research, the conditions that support trust development were explored in the context of intercultural business relationships between firms that represented Russian subsidiaries of Finnish firms and their Russian partners operating in the Russian construction market. The Finnish firms represented different sectors of the construction and construction related industries such as manufacturing of building materials, structures and machinery, structural and civil engineering design, construction and
construction machinery services. The fact that in the construction market firms conduct business on a project basis was taken into account while determining the empirical context of the research. Thus, in this research, intercultural business relationships were regarded as a voluntarily initiated cooperative agreement between two firms that represent different cultures and work together on a contract basis during the period, which is not limited to a single one-off project from beginning to end, but may comprise multiple projects including the time between them. These relationships are a result of bilateral interactions involving individuals on behalf of their firms. Additionally, due to that, the Finnish-Russian business relationships were geographically located in Russia; much of the emphasis is placed on Russian national culture, which was the research general context.

It is important to note that this research does not attempt to conduct a cross-cultural study of conditions that are necessary to establish and sustain trust in Finnish-Russian business relationships. A research key focus is the conditions that support trust development between Finnish and Russian partner firms in the Russian cultural context. The following discussion highlights the most salient reasons for choosing the research empirical context, which incorporates intercultural project-based business relationships and Russian national culture.

Finnish-Russian business relationships provide an interesting domain that brings two economically, politically, and socially different countries into this research. Thus, Finland can be portrayed as a highly stable Western society with a well-developed market economy and stable national institutions. The country has no major deviations from the societal development trends in other Western states. At the same time, neighbouring Russian society has undergone tremendous change. Russia has moved towards a market economy over the last couple of decades through a painful and complicated process with major tensions (Johanson, 2004). The radical political and economic reforms implemented over the last few decades in Russia have opened up many business opportunities for foreign firms. Nevertheless, compared to Western markets, the Russian business environment is still very complex with frequently changing legislation, excessive contractual bureaucracy, corruption and a lack of transparency (Karhunen & Kosonen, 2013). Therefore, the Russian market can by no means be considered an easy market for foreign firms, and thus it provides an interesting context for the research. In addition, Finnish-Russian business relationships represent a high-low institutional trust context (cf. Zaheer & Zaheer, 2006), where one partner comes from the society with a high level of institutionalised support
for trust, and the other from a society with a low level of institutionalised support for trust.

Regarding Finnish firms, Russia has been a very important trading market for them since the Soviet era. Particularly, Finnish construction firms have had long-lasting business connections (Laakso & Tamminen, 2014). In the Soviet period, the trade and economic cooperation between Finland and the Soviet Union was regulated by inter-governmental agreements and protocols. Since the fall of the USSR, Russia has embraced free-market principles that have led to a significant growth in Finnish-Russian cross-border economic activities. Statistics of the Finnish-Russian Chamber of Commerce (FRCC) show that Russia is nowadays one of Finland's largest trading partners in terms of trade turnover. Approximately 600 Finnish firms operate in Russia, having directly invested 10-12 billion euros and employing more than 50,000 local employees (FRCC, Press Releases, 23.5.2013). According to the FRCC, the Western sanctions against Russia that were implemented as a response to the ongoing conflict between Russia and the Ukraine have not radically changed the amount of Finnish firms operating in Russia.

Furthermore, despite the fact, that during the last few decades Russia's economy has had its difficulties, the Russian construction market still remains attractive for many large and medium-sized Finnish firms, and their business operations have been supported by trust in Finnish quality. Nevertheless, the unstable Russian business environment necessitate building trust-based relationships with local partners in order to complement their market knowledge and to increase flexibility. As for construction firms, which conduct business on a project basis, relationships with trusted and reliable partners can also bring a strong competitive advantage in bidding for future projects. Therefore, building business relationships based on trust with local partners has been an increasingly important strategy for Finnish construction firms operating in Russia especially during times of economic crisis. However, building such relationships has often turned out to be a very demanding and challenging task, even though many Finnish construction firms have had a long history of business activities in Russia and Finnish managers are relatively familiar with Russian culture (cf. Ollus & Torvalds, 2005). The long-term experience of operations in Russia also provides a strong indication that the decision makers in Finnish construction firms have substantial knowledge of the risks involved in business relationships with their Russian counterparts. For these
reasons, the current experience of the Finnish firms operating in the Russian construction market is of particular interest for this research.

Finally, the choice of the empirical context was also predetermined by the fact that, over the last 20 years, the researcher has had practical working experience in the field, which provided the opportunity to observe challenges and risks in the development of trust-based business relationships between Finnish firms and their Russian partners while operating in the Russian market.

1.3 Research Objectives and Questions

The research generally aims to contribute to the understanding of how trust development can be supported in relation to potential risks perceived within the context of intercultural business relationships. The primary focus lies on the conditions supporting trust development and their role in relation to potential risks in different phases of Finnish-Russian business relationships.

Thus, the research attempts to accomplish the following objectives, which address both theoretical and practical implications:

- to bring knowledge enabling to understand the potential risks and their sources in business relationships with Russian partner firms
- to shed more light on the conditions that support trust development in the context of Finnish-Russian business relationships
- to increase awareness of the role that conditions supporting trust development play in relation to potential risks within intercultural business relationships.

Accordingly, the following research questions were formulated (see Figure 1):

RQ 1  What are the potential risks perceived in different phases of business relationships with Russian partner firms?

RQ 2  How can trust development be supported in relationships between Finnish and Russian firms operating in the Russian market?

   (a)  What are the conditions that support trust development with Russian partners in different phases of business relationships?
The unanticipated issue of cultural adaptation emerged during the analysis of empirical data for RQ2. It proved to be very important and merits more empirical research in the context of its relation to the trust development within intercultural business relationships. Therefore, the additional question was posited for investigation:

(b) How does cultural adaptation contribute to trust development in business relationships with Russian partners?

Finally, in order to increase understanding of the role that conditions supporting trust development play in relation to risks in intercultural business relationships, the following question was stated:

RQ 3  What is the relation between conditions that support trust development and perceived risks in the development process of intercultural business relationships?

Figure 1 depicts the overview of research questions highlighting the context and connections between the questions.

Figure 1  Overview of the research questions and context

Recognising the relation between conditions supporting trust development and perceived relationship risks extends knowledge on how these factors jointly come to have an impact on the trust development and hence on the willingness to cooperate within a business relationship. To this end, an in-depth examination of conditions supporting trust development may be
crucial to the understanding of the role they play in relation to perceived risks in business relationships. Thus, on the conceptual level, the aim is to bring forward an integrative perspective on the conditions supporting trust development and risks in the intercultural business relationship context. For this purpose, the research integrates individual viewpoints of both Finnish and Russian managers, who represent Finnish firms and are directly involved in business relationships with Russian firms.

Drawing on the multi-levelled nature of trust in business relationships, the research examines gradually phase-by-phase the conditions that support one-way trust development of an individual (trustor) directed to:

1. an individual – the counterpart (trustee) from the partner firm and
2. a firm – the partner firm (trustee) as a whole.

### 1.4 Structure of the Dissertation

The structure of the dissertation comprises the following chapters. Chapter 1 (Introduction) offers a general description of the research problem and the relevance for academia and managerial practice. Furthermore, it presents the research context and states the research objectives, which are followed by the derived research questions.

Chapter 2 (Literature Review) provides a basis on which the empirical investigation is built. The chapter starts with the discussion on what is related to the process of business relationship development. This is complemented with the analysis of literature on the project-based business relationships in order to build a better understand of the research empirical context. The chapter continues with the conceptualisation of trust and risk in the context of business relationships. Next, theoretical assumptions and concepts relevant to the trust development process in the intercultural business relationship context are discussed with the purpose to introduce an initial conceptual framework and to guide the empirical investigation. Finally, it concludes with a review on existing literature related to the concept of cultural adaptation, which emerged from the empirical data.

Chapter 3 (Research Methodology and Methods) introduces philosophical assumptions for the choice of research methodology and justifies the research methods applied in the empirical investigation of all three studies.
Pilot, Main and Supplementary. This includes an overview of the qualitative research elaborating on the research design, data collection, and data analysis methods.

Chapter 4 (Results) discusses and presents empirical findings in accordance with the research questions. Firstly, according to the research question RQ 1 the chapter narrows the focus to the identified risks and their sources in the Finnish-Russian business relationships. Secondly, it covers the findings from three studies: Pilot, Main and Supplementary, integrating them in such way that enables a comprehensive understanding of the conditions supporting trust development process (RQ 2 and RQ 2(a)). Thirdly, this chapter is dedicated to the contribution of cultural adaptation to the trust development in the Finnish-Russian business relationships (RQ 2(b)). Finally, the chapter concludes with the discussion of the role conditions supporting trust development play in relation to risks in the intercultural business relationship context (RQ 3) relating empirical findings of three qualitative studies within the relationship development phases.

Chapter 5 (Discussion and Conclusions) finalises the dissertation. Firstly, contributions related to the building of an integrative perspective on the conditions supporting trust development and perceived risks are discussed according to the research questions. Theoretical and empirical findings on conditions supporting trust development in the Finnish-Russian business relationship context are synthesised into a conceptual matrix. Subsequently, the two conceptual frameworks and propositions regarding the identified conditions supporting trust development and their relations with risks in the intercultural business relationship context are introduced. Thereafter, the chapter presents the assessment of the research trustworthiness and outlines limitations of this research as well as some avenues for further research. Finally, it highlights the implications for managerial practice.
2 Literature Review

The literature review provides an overview on theories and current research efforts relevant to the research questions drawing attention to the definitions of main research concepts. While the research questions are evidently complex, a multidisciplinary perspective is adopted. Integrating divergent traditions of theoretical thought from different academic disciplines such as project management, marketing, project marketing, sociology, social psychology and management add value to this research.

Thus, the literature review has two main parts. The first part offers a theoretical basis for the building of a conceptual framework to understand the role that conditions supporting trust development play in relation to risks within the development process of intercultural business relationships. The second part discusses theoretical concepts targeting at building an initial conceptual framework of conditions that support trust development in the intercultural business relationship context. The conditions supporting trust development are differentiated into: specific or direct-effect conditions such as trust-constituting conditions and general or indirect-effect ones such as learning and adaptation processes. National culture is regarded as a contextual factor that influences conditions supporting trust development.

2.1 Trust and Risk in the Development Process of a Business Relationship

This section focuses on the research main concepts ‘trust’ and ‘risk’ within the context of project-based business relationships. Firstly, it discusses the literature related to the notion of the ‘business relationship’ and the existing development models, with the purpose of determining a structural and conceptual basis for the empirical research. Secondly, this section defines the project-based business relationship and accommodates the process of business relationship development to the specific features of organising
business on a project basis. Thirdly, the section considers the importance of trust for the development of business relationships and defines the concept of ‘trust’ and ‘subjective trust’ in the business relationship context. Then, it discusses the concept of ‘risk’ and offers a framework of relationship risk in business relationships. Finally, the section elaborates on the relation between ‘perceived risk’ and ‘subjective trust’ in the context of business relationships based on the framework proposed by Das and Teng (2004).

2.1.1 Business Relationship Development

The existing literature on cooperation between firms is very extensive and intensive. However, in general, inter-firm cooperation is seen as a useful means to obtain access to critical resources beyond the boundaries of the firms (Håkansson and Snehota, 1995; Parkhe, 1991; Powell, 1990; Ring and Van de Ven, 1992). Müller and Herstatt (1999) have roughly distinguished two categories of objectives for cooperation: market-driven and technology-driven. These objectives are, for instance, to access to new markets and technologies, to gain additional skills and know-how, to benefit from economies of scale and risk sharing. Thus, it is obvious that cooperation is vital for the firms to survive and develop their business in today’s global markets with their high degree of rivalry and technological complexity.

Defining Business Relationship

Anderson and Narus (1990, p. 45) defined inter-firm cooperation as, “similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time”. In this definition, cooperation between firms is seen as coordinated interactions within relationships. Active cooperative behaviour of partner firms’ members in achieving mutual benefits enhances their relationship development. Moreover, it has been found that the firms’ members often prefer to be engaged in cooperative behaviour in order to maintain a relationship which is considered as being mutually beneficial (e.g. Clopton, 1984; Day, Michaels & Perdue, 1988). Summing up, a higher level of cooperation between partner firms facilitates their interactions and may engender stronger long-term relationship.
In the field of business marketing studies, the concepts of interaction and business relationship were introduced by the Industrial (originally International) Marketing and Purchasing (IMP) Group and constituted the major research thrusts of this Group since its inception in 1976 (Turnbull, Ford & Cunningham, 1996). The IMP group developed the interaction model based on the most comprehensive study of business relationships in industrial markets (Håkansson, 1982; Håkansson & Snehota, 1995; Ford, Gadde, Håkansson & Snehota, 2003). This IMP model focuses on the buyer-seller dyadic interaction recognising both the firm and individual as actors in the exchange episodes, which can be a social, financial, product or informational exchange (Håkansson, 1982). The model reveals the sources and nature of relationship development and considers relationships as dynamic processes that are influenced by the relationship atmosphere and the environment in which the actors interact. However, though providing an illustration of business relationships and the encapsulated exchange processes, it does not show the process of relationship formation and further development phases.

Being concerned with how two firms behave towards each other, the IMP Group adopted the behavioural concept of a relationship and used the term ‘relationship’ to explain the firms’ interaction pattern and the mutual conditioning of behaviour over time (Ford et al., 2003). The authors regard relationships as social entities where the possible benefits very much depend on the involvement of two parties and on the degree to which they are prepared to actively react, adapt, learn and invest. Thus, considering relationships in behavioural terms, Håkansson and Snehota (1995, p. 26) explicated, that a “relationship is a result of an interaction process where connections have been developed between two parties that produce a mutual orientation and commitment”.

The IMP interaction model is not particularly the focus of this research. However, the research utilises the main elements of the model such as interaction and the business relationship, and employs a behavioural approach to relationships, which emphasises the role of trust. The model is utilised as a starting point for building an analysis of the development process behind business relationships and the key factors intrinsic to it.

Another important view that needs to be taken to the fore is that relationships emerge, evolve, grow, and dissolve over time as a result of individual interactions between managers from the respective contracting parties (Ring & Van de Ven, 1994). Thus, according to scholars, individuals
participating in the interaction process determine essentially business relationships: by defining the degree of uncertainty associated with the exchange, by specifying the extent to which the parties can rely on interpersonal trust, and by defining the parties’ outcome expectations. These arguments stress the importance of individual in business relationships and the need for the emphasis on interpersonal interactions while defining business relationships.

Given that inter-firm cooperation is the focus of research attention for a variety of different academic disciplines, there is a diversity of terms and definitions applied designating this concept. In this research, the terms such as ‘inter-firm cooperation’, ‘business partnership’, ‘inter-organisational relationship’ and ‘inter-firm relationship’ refer to the industrial business-to-business relationships between cooperative partner firms and hereinafter the term ‘business relationship’ will be applied. While these terms do specifically indicate the level of relationships, the emphasis of this research lies particularly on relationships between the representatives of partner firms or the individual level of relationships. Accordingly, for the purpose of the research, a business relationship is regarded as a voluntarily initiated cooperative agreement between two firms that work together on a contract basis with the aim to achieve their strategic objectives through interpersonal interaction.

**Business Relationship Development Models**

Business relationships evolve gradually over time through certain stages from establishment to end (Ford, 1980; Dwyer, Schurr & Oh, 1987; Ring & Van de Ven, 1994). Nevertheless, due to a broad diversity in their nature as well as their context, relationships may not develop through all stages in a pre-determined way. Some relationships may fail after an initial contact, others may turn out to be useless, or they may not have a possibility to develop due to either the inability or unwillingness of the parties. In contrast, some relationships are long lasting and deal with parties’ varying aims and expectations at different times (Ford et al., 2003).

A number of scholars have introduced integrative models that contribute to the understanding of relationship formation and development (Anderson & Narus, 1991; Dwyer et al., 1987; Ford, 1980; Frazier, 1983; Parvatiyar & Sheth, 2000; Ring & Van de Ven, 1994). There are two types of relationship development models: the life cycle models viewing development typically
from the change perspective and the evolutionary models applying the processual perspective (Halinen, 1997). Thus, for instance, Ford (1980) has analysed the buyer-seller relationships in industrial markets, using the extensive database collected by the IMP Group. Following the tradition of the IMP Group, Ford paid particular attention to the nature and change of business relationships. He determined the process of establishing and developing relationships over time based on life cycle thinking and viewing it as an inevitable evolution where the relationship moves from one stage to another until decline (see Van de Ven, 1992). Ford’s model analyses relationship development utilising five stages and considering the change of variables such as experience, uncertainty, distance, commitment and adaptations over time, but not explaining how the change happens.

Instead, evolutionary models using the processual perspective tend to answer the question of how changes occur and provide explanations of the processes going on in relationships. These models are process explanatory (see Van de Ven, 1992). For instance, the model of Dwyer et al. (1987) takes a processual perspective. Having drawn on the work of social psychologists, Dwyer et al. (1987) provide a rich theoretical description and explanations of the relationship development process (see Figure 2).

![Diagram](image-url)

**Figure 2** Relationship development process
(Dwyer, Schurr & Oh, 1987, p. 21)
Dwyer et al. (1987) structure the process into five main phases as follows:

1. ‘Awareness’ phase: recognising a feasible relationship partner, no actual interaction
2. ‘Exploration’ phase: beginning to consider of benefits, burdens and obligations related to the possible relationship, interaction occurs
3. ‘Expansion’ phase: increase in benefits obtained by partners, satisfaction and interdependence
4. ‘Commitment’ phase: investing substantial resources into relationship maintenance, shared values, social capital formation, which includes trust
5. ‘Dissolution’ phase: evaluating of the dissatisfaction with the partner and concluding that the costs of partnership continuation outweigh benefits

Dwyer et al. (1987) conceive that each phase has different types and levels of interaction with implications for establishment of expectations, direct experiences, and interdependence. They conducted a micro-level analysis of the second and third phases of a relationship, and identified the processes occurring within these phases. For example, in the ‘Exploration’ phase, five sub-processes attraction, communication and bargaining, power and justice, norm development, expectations development determine the tendency for a future of trust or distrust. Similar sub-processes occur in the ‘Expansion’ phase as well, but with a greater depth. Characterising business relationships as being interdependent and long-term orientated, Dwyer et al.’s (1987) consider how the nature of such relationships changes and how parties regard one another during the development process.

Summing up, Dwyer et al.’s model views relationship development in relation to the processes occurring within relationships. Thus, being as probably the most comprehensive framework, which considers also the development of trust in business relationships, the model demonstrates relevance to this research. The model is used as a means of organising data with the purpose to provide a structural basis for building the conceptual framework for the research.

### 2.1.2 Project-Based Business Relationship

This research is focused on business relationships between firms representing different sectors related to the construction industry. Since performance activities have usually been organised as projects, this industry is a prime example of a project-based industry. Evidently, the relationships
between industry actors are intensely project-based while they are established for the project purpose.

When reviewing literature on project-based relationships in connection with the construction industry, it is constructive first to introduce briefly the meaning underlying the term *construction industry* and review industry characteristics in general. Thus, Morris (2006) refers to construction industries when considering the following industrial sectors: (1) building: housing, commercial, social infrastructure (such as hospitals and schools); (2) civil engineering: roads, bridges, harbours, rail, water; (3) process engineering: power, oil and gas, chemicals, paper and pulp. While the term *construction industry* implies the industry classifications such as introduced above, the term *construction* encompasses the erection, maintenance and repair of immobile structures, as well as the demolition of existing structures and land development (Eccles, 1981).

It is claimed that the construction industry is traditional, fragmented and dominated by small companies (Love, Irani & Edwards, 2004; Voordijk, de Haan & Joosten, 2000). It is heavily dependent on close and stable cooperative relationships between contractors and their subcontractors and between contractors and suppliers of building materials and machinery services. According to Williamson (1975) subcontracting in the construction industry is a response to uncertainty arising from complexity, given bounded rationality of the firm. Uncertainty and risks in construction are discussed in section 2.1.5 (Risk in the Business Relationship Context). In order to cope with the complexity and uncertainty of the construction technology and with the requirements for adaptability, a project management form of organisation is required (Thompson, 1967).

**Approaches to the Project-Based Relationships**

During last decades, while it is recognised that project management is an efficient tool to handle especially unique or complex activities, most industrial sectors have adapted projects as a dominating form of their business delivery. Therefore, the *project concept*, *project management* and *project marketing* have been the focus for researchers and practitioners.

In traditional project management approaches, the focus is on the standardised techniques and tools for application (Koskela, 2000; Turner, 1999). Project management approaches emphasise the project stakeholders
themselves without taking into account relationships between them, and might regard stakeholders as a group of people who do not interact or form relationships (Cova & Salle, 2006; Morris, 2006). Nevertheless, fundamentally different models of Body of Knowledge (BOK) have been developed. For example, the Project Management Institute (PMI) was the first to introduce an organisational model and tools. The PMI’s BOK is essentially focused on the generic processes required to accomplish a project on time, in budget, to scope. Whereas the APM’s (Association for Project Management) BOK reflects a wider view of the discipline, addressing both the context of project management and the technological, commercial, and general management issues, which is believed to be a key factor for accomplishing projects successfully. (Morris, 2001)

In project management literature (Morris & Hough, 1987; Pinto & Prescott, 1988), the project is usually defined as a unique assignment in the sense that it is different from another in type, size, price, suppliers and so on. Thus, in a broad sense, a project refers to “a temporary endeavour undertaken to create a unique product, service or result” (PMBOK, 2008, p. 5). Projects as time-limited sequences of events are usually divided into generic stages. PMBOK (2008) uses five process groups: (1) initiating, (2) planning, (3) executing, (4) controlling and (5) closing. Project management is viewed as “the application of knowledge, skills, tools, and techniques to project activities to meet project requirements” (PMBOK 2008, p. 6). A guiding principle in project management is that, resources are committed to strengthen relationships inside the ongoing project.

Conversely, project marketing follows a customer-focused approach, which accentuates building and maintaining long-term relationships with key clients and stakeholders throughout the project life cycle (Skaates & Tikkanen, 2003; Cova & Salle, 2005; Tikkanen, Kujala & Artto, 2007). The INPM’s (International Network for Project Marketing and System Selling) scholars claim that the project marketing approach is the broader term, which implicitly includes project management. As Cova and Salle (2005) pointed out, “the project marketing approach brings a wider perspective to project management regarding the focus of developing and maintaining relationships” (Cova & Salle, 2005, p. 357). However, researchers of both project management and project marketing have not sufficiently taken into account emerging trends, concepts and methods of each other’s approaches (Cova & Holstius, 1993; Cova, Ghauri & Salle, 2002).
Accordingly, the distinct definition of a project is proposed in project marketing literature. The project is defined as “a complex transaction covering a package of products, services and work, specifically designed to create capital assets that create benefits for a buyer over an extended period of time” (Cova, Ghauri & Salle, 2002, p. 3). As captured in this definition, projects always involve a buyer and a supplier (Skaates & Tikkanen, 2000), which is not a necessary feature in the project management approach. The definition also reflects the unlimited period of time for project marketing activities, which is critical for the project marketing approach. Whereas project management focuses on the ‘temporary endeavour’ - the inside project phase that starts after signing of the contract (Cova & Salle, 2005).

Over the last few decades, project marketing scholars have accentuated “the move from focusing on a specific project through a competitive bidding strategy, to multi-project with the same customer” (Cova & Salle, 2005, p. 355), regarding each individual project as an episode in a given relationship with the customer, like in the IMP (Industrial Marketing and Purchasing) Group’s interaction model (Skaates & Tikkanen, 2003). They have repeatedly emphasised that project marketing is a continuous process, and project-marketing activities are needed before, during and after the project (Hadjikhani, 1996; Skaates, Tikkanen & Lindblom, 2002).

At the level of the individual project, Holstius (1987) introduced the project marketing cycle from the project-selling firm’s perspective. This cycle consists of six phases (Cova & Holstius, 1993):

1. **Search** phase: scanning the environmental developments and identifying project opportunities
2. **Preparation** phase: focusing on getting information about a project, the buyer, and competitive situation; obtaining tender specifications; conducting a feasibility study and making evaluations
3. **Bidding** phase: setting up the bidding documents after having accepted the invitation to bid
4. **Negotiation** phase: starts from the making the offer for the project and continues till the signing the contract
5. **Implementation** phase: delivering the project and supervising the achievement of agreed objectives; maintaining buyer-seller cooperation
6. **Transition** phase: closing and evaluating the project; the building up of knowledge and experience for future proposals.
From the buyer’s point of view, the phases of the project marketing cycle consist of different processes. However, Cova and Holstius (1993) suggested focusing on the buyer-seller transaction and on the transaction cycle rather than the buyer’s or the seller’s perspective. Authors indicated, “the object of project marketing is the transaction, i.e. the area of interaction between buyer and seller” (Cova & Holstius, 1993, p. 111).

In the case of multiple projects, the project marketing cycle is self-renewing, where each phase leads to the next one and the last phase generates new ideas from the project experience and results in the subsequent project activities or the next search phase (Cova & Holstius, 1993). Buyer-seller interactions between the projects are related to the continuity issue. Hadjikhani (1996) introduced a ‘sleeping relationship’ phase, which may start after the project is completed without contract-related activities. Managing relationships during this phase is of critical importance, as relationships here are maintained by social and informational exchange throughout the phase and affect future cooperation (Cova, Ghauri & Salle, 2002; Hadjikhani, 1996).

Similar development can be observed in the project management approach. The emphasis on the management of single projects shifts to the management of the project portfolio (Artto, 2001). Artto (2001) suggested that the project life cycle must include marketing processes from both the very early pre-project phase and very late post-project phase, broadening the traditional project management view on the project processes. Thus, focusing on developing and maintaining relationships, project marketing brings a wider perspective to project management. As a result, a relationship approach to project management has been recently recognised as an emergent paradigm (Pryke & Smyth, 2006).

Summarising the above discussion, it can be deduced that much of the research work in project marketing has originated from the IMP Group’s marketing management perspective. Project marketing is primarily dedicated to external marketing issues focusing on the connection between project business relationships and the environmental context (Skaates & Tikkanen, 2003) and relatively little attention is paid to internal project-marketing-related processes. Project management therefore reminds project-marketing researchers that the ‘project’ is more than a single episode in the business relationship, and different episodes “need to be carefully managed inside the project phase in order to avoid the negative effects on the tone of the relationships” (Cova & Salle, 2005, p. 357). In contrast, the work
of project management researchers is devoted to the effective management of the internal processes of the project.

The focus of this research lies on the contractor-subcontractor relationships in the international construction business that correspond to long-term relationships starting from the initial phase of the first project to its end and including possible ‘sleeping relationship’ phases between projects. Accordingly, the project marketing approach appears to be the most appropriate for the conceptual analysis of long-term project-based relationship development.

**Development Process of Project-Based Relationships**

The aim of this section is to outline the development process of project-based business relationships and to demonstrate how different phases of the relationship development process are related to the phases of the project marketing in the case of multiple projects. It is worth recalling that Dwyer et al.’s (1987) model of business relationship development was selected for the research purpose (see section 2.1.1). Further, considering project-based aspect in business relationships the project marketing approach was adopted.

Thus, the scheme, presented in Figure 3, is constructed based upon conceptual analysis of Dwyer et al.’s (1987) relationship development phases and the project marketing cycle proposed by Holstius (1987). It reflects the development process of initial business relationships accommodated to the specific features of organising business on a project basis. Relationship development phases and phases of the project marketing cycle are aligned to demonstrate their correspondence.

In particular, Dwyer et al.’s (1987) ‘Awareness’ phase, covering the pre-exchange process, corresponds to the search stage without prior dyadic business. The next ‘Exploration’ phase originates from dyadic interactions and relates to the preparation stage of the project marketing cycle, which consists of front-end activities and provides project stakeholders with a common framework on the project concept. This phase initiates the relationship between project partners. The ‘Expansion’ phase of relationship development is linked to the bidding, negotiation and implementation stages where interaction is in growth until a peak of project activities is achieved in the implementation stage.
A key characteristic of the scheme relates to the ‘Commitment’ phase of relationship development that refers to the relational continuity between project partners after the transition stage or the completing of the first project. It means that the ‘Commitment’ phase may be reached at the level of multiple projects. However, this phase of relationship may start already during the project implementation stage and continue to the subsequent phases of repeat business as it is shown at the bottom of Figure 3.
Defining Project-Based Business Relationship

According to the scheme of project-based business relationship development (see Figure 3), it can be deduced that relationship is formed between the exchange partners as project passes through its stages. With regard to construction firms, the long-term contractor-subcontractor dyadic relationship is more about a series of project deals over the lifetime of the relationship. It means that a number of joint projects have been completed successfully, a level of satisfaction from the exchange has been achieved, and partners have been willing to continue their cooperation in future projects. However, this is not always the case. Therefore, business relationships between construction firms can be differentiated depending on relational continuity: single or one-off project relationships and multiple project relationships.

Thus, for the purpose of this research, the project-based business relationship is defined as a voluntarily initiated cooperative agreement between two firms that work together on a contract basis during the period of a single one-off project from beginning to end or the longer period of multiple projects including time between them.

As the construction industry is dominated by one-off projects, establishing and developing stable dyadic relationships between the contractor and its subcontractor creates competitive advantages for future project bidding and allows flexibility within contracts. Stability of relationships always implies the adoption of a long-term orientation (Dwyer et al., 1987), and is often accompanied by a higher level of satisfaction between relationship parties (Anderson & Narus, 1990). Therefore, in project-based relationships, there is a need to develop the management of projects in a way that recognises and addresses the relationships (Pryke & Smyth, 2006), promoting closer interpersonal and inter-firm relationships throughout and beyond the project life cycle.

Several studies of project marketing scholars have been focused upon discontinuity of business relationships at the level of multiple projects (e.g. Cova & Salle, 2000; Hadjikhani, 1996; Tikkanen, 1998). Considering individual projects as episodes in business relationships, like in the IMP interaction model, they claim that successful results of completed individual projects will have a positive effect on the long-term development of buyer-seller relationships. It means that partners will acquire a certain confidence about each other's abilities and, therefore, will value their relationships and
be willing to continue cooperation in future projects. When partners value their existing relationships and commit themselves to them, these relationships can be characterised by a high level of mutual trust (Morgan & Hunt, 1994). Hadjikhani (1996) examines the role of trust in buyer-seller relationships in the ‘sleeping relationship’ period after project completion. Interpreting the study results, Hadjikhani (1996) deduces that in those cases where the level of buyer’s trust was high, sellers were chosen to conduct new projects. Basically, trust being as one of the salient factors has an impact upon the interactions in business relationships. It stimulates favourable attitudes, communications, and behaviour between partners toward the ‘Commitment’ phase in the relationship development process. (Dwyer et al., 1987) Thus, the risk coming from discontinuity can be mitigated by predictable and trust based relationships.

2.1.3 Trust in the Business Relationship Context

Trust as a Key Attribute

Trust between cooperative partners has been broadly cited in the literature as a crucial factor for building and maintaining successful business relationships. Scholars from different disciplines have seen trust as a fundamental prerequisite for all sustainable relationships (Bachmann, 1999; Dwyer et al., 1987; Morgan & Hunt, 1994; Ring & Van de Ven, 1992; Sako, 1992; Sirdeshmukh, Singh & Sabol, 2002; Van de Ven & Ring, 2006) and of paramount importance for successful cross-border cooperation (Ayios, 2004; Child, 2001; Dietz et al., 2010; Sako, 1998; Welter, Alex & Kolb, 2012).

Trust is often seen as a mechanism of co-ordination and control in inter-organisational relationships (Lane, 1998), and the prevailing idea in the existing literature is that trust and formal control mechanisms are merely substitutes. It means that low trust requires formal control and high trust allows for a limited extent of formal control (e.g. Dekker, 2004; Inkpen & Currall, 1997). Formal control refers to impersonal, legal and institutionalised control mechanisms and processes. It focuses on “the establishment and utilization of formal rules, procedures, and policies to monitor and reward desirable performance” (Das & Teng, 2001a, p. 259). Contracts are a dominant form of formal control in business relationships. Accordingly, trust is negatively related to contract, thereby decreasing or eliminating the need for formal control or contracts (Woolthuis, Hillebrand
However, in inter-cultural business relationships particularly, the capacity to control exchanges may be limited and, trust becomes vital in lubricating cooperation and, according to (Das & Teng, 1998), may supplement contracts.

Although trust and control are claimed to be to some extent substitutes and complementary (e.g. Bachmann, Knights & Sydow, 2001; Woolthuis et al., 2005; Möllering, 2005), trust is also found as a precondition for contract (Ring & Van de Ven, 1994; Woolthuis et al., 2005). It is expected that a certain minimum level of trust is required before preparing the contract, while according to Poppo and Zender (2002) to anticipate all uncertainties and opportunities for opportunism is impossible in the written contract. In practice, there is no perfect contract that can reduce all relationship risks. Trust enables parties to achieve the openness needed for an effective contract (Nooteboom, 2005), and thus, may reduce uncertainty. Additionally, Nooteboom (2005) denoted that the contracting process can be costly and trust may also be needed to accept that cost.

Furthermore, trust is acknowledged as the “central mechanism to allow for an efficient solution of the problem of co-ordinating expectations and interaction between economic actors” (Bachmann, 2001, p.338). As a coordinating mechanism, trust supports cooperation within uncertain environments (Reed, 2001), where risks are present (e.g. Dyer & Chu, 2003; Ring & Van de Ven, 1994; Rousseau et al., 1998) and the making of rational predictions is difficult (e.g. Luhmann, 1979; Lane, 2001). In the absence of trust, a high level of uncertainty would pervade in business relationships, inducing managers to question continually the ‘motives’ and ‘competences’ of their partners (Das & Teng, 2001a; McEvily et al., 2003).

Business relationships characterised by trust engender cooperation, reduce conflicts, and increase the commitment (Morgan & Hunt, 1994). Trust creates benefits for all relationship parties, reduces complexity and opportunism, and produces positive attitudes (Luhmann, 1979; Barber, 1983; John, 1984). When trust is present, openness of communication (Smith & Barcley, 1997) and flexibility (Ring & Van de Ven, 1992) increases, due to the willingness of partners to share more knowledge (Dyer & Chu, 2003; Sako, 1998) and other resources (Pyke, 1992).

Importantly, the beneficial role of trust in business relationships has been detected by empirical research. Empirical findings of studies in the construction industry suggested that trust is also a key success factor in
project-based relationships (Doloi, 2009; Edkins & Smyth, 2006; Eriksson & Nilsson, 2008; Kadefors, 2004), being as foundational in forming and maintaining these relationships (Smyth, 2008). Table 1 introduces empirical studies and summarises relevant findings and contextual details.

**Table 1**  
Trust as a key attribute of successful business relationship development

<table>
<thead>
<tr>
<th>Authors</th>
<th>Key attributes of successful business relationship development</th>
<th>Contextual details</th>
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**Project-based relationships in construction**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Key attributes of successful business relationship development</th>
<th>Contextual details</th>
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37
While there is general agreement about the role trust plays in business relationships, there is as yet no common view on the very nature of trustor on the conditions of its development exists in the literature. This may have an explanation, which is related to the fact that during last decades the concept of trust has been a focal interest in many disciplines (Rousseau et al., 1998), and it has been conceptualised and operationalised in many different ways (McEvily et al., 2003).

**Trust in Business Relationships**

Primarily, in the literature, trust has been considered as an inter-personal concept (e.g. Blau, 1964; Erikson, 1968; Rotter, 1967). Later the importance of trust in business relationships has been reflected in a diverse body of literature; and scholars in management and relationship marketing have developed the concept of ‘inter-firm’ or ‘inter-organisational trust’ (e.g. Anderson & Narus, 1986; Gulati, 1995; Lorenz, 1988; Sako, 1994). Research has also demonstrated that inter-organisational and inter-personal trust are distinctive, because the focal object is different (Zaheer et al., 1998).

<table>
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<tr>
<td>Jones &amp; Kaluarachchi (2007)</td>
<td>1. Joint vision and shared goals alongside cost elements, 2. Developed mechanisms to support an innovative housing system, 3. Implemented training and <strong>trust building regimes</strong>, and 4. Set in place an independent monitoring system to report on performance and contribute to a continuous improvement process</td>
<td>In-depth case studies of individual housing projects and the relationship between the client group and their main contractor (33 separate development projects)</td>
</tr>
</tbody>
</table>
However, the concept of inter-organisational trust remains problematic due to inconsistency among scholars in viewing an organization both as a subject and as an object of trust (Janowicz & Noorderhaven, 2006). Apparently, it is possible to think that organisations trust each other because they are established and managed by individuals (Aulakh, Kotabe & Sahay, 1996). Furthermore, the exchanges between organisations are exchanges between individuals or small groups of individuals (Barney & Hansen, 1994; Nooteboom, Berger & Noorderhaven, 1997). Therefore, the significant role of individuals in trust between partner firms has been widely acknowledged (e.g. Lewis & Weigert, 1985; Ring & Van de Ven, 1994). Thus, since trust between partner organisations is developed by individuals, the distinctive concepts of interpersonal and inter-firm trust are interrelated. “This means that the more one trusts the supplier representative with whom one deals, the more one’s organization trusts the supplier organization” (Zaheer et al., 1998, p. 153).

Zaheer et al. (1998) explored distinctions between interpersonal and inter-organisational trust. The authors stated that inter-organisational trust can be seen as having two directions (see Figure 4): (1) the trust of the trustor in a particular trustee in the partner organisation, and (2) the trust of the trustor in the partner organisation as a whole. They define interpersonal trust as “the degree of a boundary-spanning agent’s trust in her counterpart in the partner organization” and inter-organisational trust as “the extent of trust placed in the partner organization by the members of a focal organization” (Zaheer et al., 1998, p. 142). Thus, interpersonal trust refers to the trust between individuals of partner firms, whereas inter-firm trust refers to the trust collectively held by members of one firm towards another.

**Figure 4** Inter-organisational and interpersonal trust model (Zaheer, McEvily & Perrone, 1998, p. 142)
The view of Zaheer et al. (1998) is adopted in this research. It regards an individual both as a subject and as an object of trust in the inter-firm context, while the same is not true of a firm. Further, it assumes that the subject of inter-firm trust (i.e. the trustor) is an individual, whereas the object of trust (i.e. trustee) is the firm as a whole and its individuals, who are organisational ‘boundary spanners’ involved in the cooperation process between firms at different levels (Perrone, Zaheer & McEvily, 2003).

Zaheer, Lofstrom and George (2002, p. 348) stated that “individuals at different organisational levels view their perspective worlds from different perspectives ... individuals at higher and lower hierarchical levels ... each see the world in qualitatively different ways”. These differences are particularly connected with the individuals’ perception of uncertainty level (Ireland, Hitt, Bettis & De Porras, 1987) which is closely related to trust (e.g. Mayer et al., 1995; Morris & Moberg, 1994). Considering different roles of organisational actors at different levels in the corporate hierarchy, Zaheer et al., (2002) argue that the nature of trust across those levels will also vary.

<table>
<thead>
<tr>
<th>Who trusts? (i.e. trustor)</th>
<th>Who is trusted? (i.e. trustee)</th>
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<tr>
<td>Individual</td>
<td>Individual</td>
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<tr>
<td>Top-level</td>
<td>Top-level individual</td>
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| Strategic–level trust     |                      |
| Operational-level individual | Operational-level individual |
|                          | ▼                      |
| Operational-level individual | Operational-level individual |
|                          | ▼                      |
| Firm                      |                         |

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<th>Operational–level trust</th>
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<tr>
<td>Operational-level individual</td>
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<td>Firm</td>
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**Figure 5** Inter-organisational trust at different levels of corporate hierarchy  
(Adapted from Janowicz & Noorderhaven, 2006, p. 267)

Janowicz and Noorderhaven (2006) also claim that trust at top management level or top-level individual differs qualitatively in its outcomes from trust at lower-level management and employees or operational-level individual. Scholars distinguish between two levels of trust in business
relationships: strategic and operational. Thus, ‘strategic-level trust’ can be defined as trust held by top-level boundary spanners, whereas ‘operational-level trust’ can be characterised as trust held by non-executive ‘boundary spanners’ both towards their counterparts from the partner firm and the partner firm as a whole. Figure 5 demonstrates this differentiation.

Figure 5 reflects also the research conceptualisation of trust in business relationships, which aggregates trust towards both: (1) a person or trust of an individual representing one firm in his counterpart in the partner firm and (2) a firm or trust of an individual in the partner firm as a whole.

The terms ‘inter-organisational trust’, ‘inter-firm trust’ and ‘trust in business relationships’ are used interchangeably in the literature and all denote trust in relationships between cooperative partner firms. Hereinafter, the term ‘trust in business relationships’ shall be applied for clarity in this dissertation.

2.1.4 The Concept of Trust and Approaches to It

The Concept of Trust

Trust is widely acknowledged as a highly complex and multi-dimensional phenomenon (Lewis & Weigert, 1985). “A phenomenon as complex as trust requires theory and research methodology that reflect trust’s many facets and levels” (Rousseau et al., 1998, p. 393).

Extensive empirical research has been devoted to trust in various fields of the social sciences such as psychology, management, marketing, political science, risk management, and project management (Anderson and Narus, 1990; Geyskens, Steencamp & Kumar, 1998; Kramer, 1999; Ostrom, 1998; Levi & Stoker, 2000; Rousseau et al., 1998; Siegrist, 2000; Slovic, 1993; Smyth, 2008). As a result, numerous definitions of trust have been introduced in the different contexts studied. Trust is one of those intangible concepts causing confusion because no universally accepted scholarly definition exists (Blomqvist, 1997; Kramer, 1999; Rousseau et al., 1998, Nooteboom, 2006). The fact on which trust researchers might agree on is that they disagree about concepts and definitions of trust (Möllering, 2005).
Despite the diversity of trust definitions proposed by scholars from different disciplines and focusing on the widely accepted ones offered by Mayer et al. (1995) and Rousseau et al. (1998), the following two major elements in trust definitions could be traced: ‘positive expectations’ and ‘willingness to accept vulnerability’. Thus, according to Rousseau et al. (1998, p. 395) who, having identified the shared understandings of trust across disciplines, introduced the following definition: “Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another”. Correspondingly, in general, trust is composed of two interrelated elements. The first trust element focuses on the aspect of positive expectation or belief about trustworthiness of a relationship partner despite uncertainty about the actions of that partner. Trust research in the business relationship context has predominantly emphasised expectations regarding a partner’s ‘competence’ and ‘goodwill’ (McEvily & Zaheer, 2006). The second trust element entails a willingness to accept vulnerability to the actions of a partner. Regarding the relationship between the two key elements of trust, Mayer et al. (1995) and Rousseau et al. (1998) suggested the view that willingness to accept vulnerability is grounded on positive expectations about the partner or an assessment of partner’s trustworthiness and thus, it is a consequence of positive expectations.

At this point, it is worth emphasising the distinction between the words ‘trust’ and ‘trustworthiness’ by referring to Barney and Hansen (1994, p. 176): “while trust is an attribute of a relationship between exchange partners, trustworthiness is an attribute of individual exchange partners”. Trustworthiness differs between agents. It is to a large extent personal, in the extent to which the person shares given ethical norms or behaviour. When the agent is a firm, its trustworthiness is associated with ethics and behavioural norms and routines, which are part of that firm’s culture. (Nootboom, 1996)

Furthermore, conceptualising trust some scholars refer to confidence. An example of this is Luhmann’s (1979, p. 4) definition, which conceptualises trust as “confidence in one’s expectations”. According to McAllister (1995, p. 25), trust is the extent to which “a person is confident in, and willing to act on the basis of, the words, actions, and decisions of another”. However, Das and Teng (2004) assert that having trust in someone does not imply 100% confidence in that individual for any task under any condition and in any case, nothing is 100% certain in the real world. Authors specify the key difference between trust and confidence: “whereas trust refers to
expectations about positive motives, confidence refers to certainty about cooperative behaviors” (Das & Teng, 1998b, p. 494). They propose a definition of confidence in business relationships characterising it as: “a firm's perceived level of certainty ...”, though with the emphasis on partner’s positive intentions, “... that its partner firm will pursue mutually compatible interests in the alliance, rather than act opportunistically” (Das & Teng, 1998b, p. 491). Thus, relationships between cooperative partners can be characterised by the level of expectations or beliefs in outcomes and the level of certainty or confidence.

In project management, a noteworthy framework for the understanding and analysing trust in business relationships has been proposed by Edkins and Smyth (2006). The framework distinguishes trust related concepts. Having adapted this framework Smyth (2008) introduced the components of trust dynamics that are depicted in Figure 4. In this figure, expectations concern the outcomes that emerge from a relationship between parties working together. Further, the author defines two types of beliefs that constitute expectations (Smyth 2008):

(1) faith in implicit performance capabilities of relationship partners in spite of lacking evidence;
(2) hope in visible capabilities of partners to perform with evidence derived from their achievements or opinions of experts.

Figure 6 Components of trust dynamics (Smyth, 2008, p. 147)

Another component, according to Smyth, is confidence in partners, which is defined as “a probability statement of successful outcomes derived from evidence of recent performance based upon direct and indirect experience”
This definition of confidence in business relationships is closely related to the definition provided by Das and Teng (1998b).

As demonstrated in Figure 6, trust is the mediator between expectations and confidence, which makes it possible for confidence to grow and expectations to reach a new level (Smyth, 2008). Correspondingly, trust is defined as “the willingness to be vulnerable, acts as a mediator, giving time and space in order to convert expectations into confidence, thus reducing perceived risk and uncertainty” (Smyth, 2008, p. 148). This definition of trust spans both the trust elements discussed above – expectations and willingness to be vulnerable – which are discussed earlier in this section. In the framework proposed by Smyth (2008), trust is considered in terms of confident expectations towards a relationship partner’s behaviour.

Regarding expectations of behaviour that one may trust, Nooteboom (2005) affirms that it is customary to distinguish two components in trust: ‘trust in competence’ (i.e. trust in ability to correspond to expectations of technical and cognitive competence) and ‘trust in intentions’ (i.e. willingness to perform in good faith and motives according to the best of competence). The author summarises, that “trust may concern a partner’s ability to perform according to agreement (competence trust), or his intentions to do so (goodwill trust)” (Nooteboom, 1996, p. 990).

Several other scholars consider both components of trust as of particular importance. Thus, according to Barber (1983, p. 9) trust in ‘competence’ refers to expectations regarding “technically competent role performance from those involved with us in social relationships and systems”. Sako (1992) defines trust in ‘competence’ as the expectation that the other party possesses both technical and managerial competence and is able to fulfil its promises. The author labels this ‘competence trust’. This form of trust is considered by Mayer et al. (1995) as ‘ability’, i.e. the technical area where one has certain skills and expertise to perform defined tasks.

Mayer et al. (1995) argue that trusting a partner depends also on the assessment of ‘integrity’ and ‘benevolence’. Benevolence and goodwill are intertwined in the literature. Referred to often as benevolence, “goodwill is the perception that a partner has positive intentions and motives” (McEvily and Zaheer, 2006, p. 288). Barber (1983, p. 9) explicates this form of trust as “expectation that partners in interaction will carry out their fiduciary obligations and responsibilities, that is, their duties in certain situations to place other’s interest before their own.” According to Sako (1992) ‘goodwill
trust’ is mutual expectations of a more open commitment towards each other and the willingness to take initiatives to do more than what is explicitly agreed.

Blomqvist has also proposed a two-component definition of trust in the context of business relationships (1997, p. 282): “an actor’s expectation of the other party’s competence and goodwill”. In this definition, ‘competence’ refers to technical and commercial capabilities, organisational and managerial skills and know-how, whereas ‘goodwill’ implies moral responsibility and positive intentions towards the partner with the absence of opportunism. Thus, in brief, the introduced definitions of trust components – ‘competence trust’ and ‘goodwill trust’ – refer to trustor’s positive expectations regarding trustee’s technical and managerial competence and willingness to put other’s interest before self-interest respectively. Nevertheless, trust is limited due to the dependence of trust on circumstances: one partner may trust another’s ‘competence’ or positive ‘intentions’ under certain conditions but not in others that go beyond competence or willingness to perform with positive intentions (Nooteboom, 2005).

In a similar vein, Das and Teng (2004) in their framework, which is further discussed in section 2.1.6, suggest that ‘subjective trust’ should be regarded in terms of the two distinct components that are ‘competence’ and ‘goodwill’. However, ‘competence’ and ‘goodwill’ contribute to trust in separate ways, while they represent two independent sources of ‘subjective trust’ (Das and Teng, 2004).

Regarding ‘subjective trust’, many theorists agree that trust is “a psychological state experienced by an individual ..., [and] is a perception about others in relation to oneself” (Das & Teng, 2004, p. 95). For instance, Sitkin and Roth (1993, p. 368) defined ‘subjective trust’ as “a belief, attitude, or explanation concerning the likelihood that the actions or outcomes of another individual, group or organization will be acceptable or will serve the actor’s interests”. This definition reflects well the view that ‘subjective trust’ is essentially a person’s own perception, which emphasises its distinction from ‘behavioural trust’. Furthermore, ‘subjective trust’ refers to the probability assessment that another person will perform as expected (Das & Teng, 2004; Gambetta, 1988).

Another important aspect, which has received much attention in the literature, concerns the distinction between ‘subjective’ and ‘behavioural
trust’. Many scholars have agreed in viewing ‘subjective trust’ separately from behavioural outcomes (Das & Teng, 2004; Doney et al., 1998; Gambetta, 1988). ‘Behavioural trust’ is about relying on, or voluntarily being vulnerable to, the actions of another party (Mayer et al., 1995). Thus, if trust is viewed as willingness to accept vulnerability, behavioural trust is accepting vulnerability. Referring to Das and Teng’s (2004) framework behavioural trust represents “the actions resulting from subjective trust” (p. 94). Being vulnerable implies a possible loss of something important. Thus, according to Mayer et al. (1995) behavioural trust can be considered as an attribute of risk taking behaviour.

![Diagram of Subjective Trust Components](image)

**Figure 7** Conceptual components of ‘subjective trust’  
(Adapting Das & Teng, 1996)

Summing up, this research is consistent with the view that ‘subjective trust’ encompasses the trustor’s positive expectations regarding the trustee’s ‘competence’ and ‘goodwill’. In line with this perspective, Figure 7 demonstrates the conceptual components of ‘subjective trust’.

**Approaches to Trust**

While numerous definitions of trust have been introduced by many social scientists, a universally accepted definition has remained elusive. As a result, the term trust is used in a variety of distinct ways, which are not always compatible. (Kramer, 1999) There are two different traditions or approaches of trust present in the literature (Huemer, von Krogh & Roos, 1998; Kramer, 1999; Lewicki, Tomlinson & Gillespie, 2006):
(1) the *behavioural or rational-choice tradition* of trust, which views trust as choice behaviour, or rational and calculative conception, founded on cognition; and

(2) the *psychological tradition* of trust, which conceptualises trust as a psychological state, or social and moral conception, founded on identification and affection as well as cognition.

These traditions provide different guidance in trust research as regards underlying dynamics and causal elements, and extensive knowledge has been accumulated within each tradition (Lewicki et al., 2006).

The behavioural tradition of trust is grounded in observable choices made by a trustor (Lewicki et al., 2006). Following the behavioural tradition, the nature of trust may be calculative and based on *good rational reasons*, which are not any particular reasons of the trustee’s intentions, but simply credible reasons (Huemer et al., 1998). Furthermore, as Lewicki and Bunker (1996, p. 120) pointed out in this tradition, “trust is an on-going, market oriented, economic calculation whose value is derived by determining the outcomes resulting from creating and sustaining the relationship relative to the costs of maintaining or severing it”. Practically in business relationships, a trustor makes a rational decision or choice whether to cooperate with a trustee or not. Thus, many scholars working within transaction cost economics (TCE), largely created by Williamson (1975, 1985), suggest that calculative behaviour, which incorporates the assumption of others’ opportunistic (self-interested) and not-to-be-trusted behaviour, allows making ‘superior deals’.

Trust based on calculation is likely to be relevant particularly to initial relationships, which can only proceed on the basis of institutionalised protection or the reputation of the cooperative partner (Child, 1998). However, in practice, information needed for calculation may be imperfect or incomplete, and its availability may be significantly limited. For instance, within uncertain business environments rational predictions are particularly difficult to make (e.g. Luhmann, 1979; Lane, 2001). Additionally, incorporating institutionalised protection or deterrence may not always be sufficient for trust to emerge in relationships.

In addition to, or instead of pure rationality, psychological approaches allow the possibility that trust may be an outcome from other factors (Lewicki et al., 2006), for instance, beliefs, expectations, and affect (e.g. Mayer et al., 1995). Thus, this stream of thinking also implies an affective component of trust, which contains an emotional bond between the cooperating partners.
in a relationship (Huemer et al., 1998). Furthermore, although the psychological approach may include behavioural measures, this approach emphasises the understanding of the internal psychological processes and dispositions that shape or alter rational choices (Lewicki et al., 2006).

Analysing the existing work on trust development, Lewicki et al. (2006) have broadened the traditional two theoretical approaches into four: one behavioural and three within the psychological approach as follows:

1. the behavioural or rational-choice approach,
2. the psychological approaches:
   a) unidimensional, which regards trust and distrust as bipolar opposites (e.g. Jones & George, 1998; Mayer et al., 1995; McAllister, 1995);
   b) two-dimensional, which views trust and distrust as two distinct dimensions that can alter independently (Lewicki, McAllister & Bies, 1998)
   c) transformational, which suggests that trust has different types that transform over time (Lewicki & Bunker, 1996; Shapiro, Sheppard & Cheraskin, 1992).

Summing up, it seems to be more fruitful to adopt in this research a multidisciplinary perspective that takes into account the social context of business relationships and focuses on the multi-layered process of their social shaping instead of taking an approach that solely relies on the premises of mainstream economic theory (Bachmann, 1998). Researchers representing the transformational approach attempt to understand the nature of trust as relationships develop beyond simple transactional exchanges, and whether deep trust in close relationships is different from transactional trust (Lewicki et al., 2006).

This research relies on the psychological approach with a focus on the transformational model (Lewicki et al., 2006) grouping different forms of trust and linking trust development stages to the phases of relationship development. The transformational model is further discussed in the part two of the literature review, which is dedicated to trust development.
The view on trust adopted in this research connotes willingness to accept vulnerability to a relationship partner's actions (Mayer et al., 1995; Rousseau et al., 1998). This implies that trust comprises an element of risk. Thereby, trusting a partner in a business relationship entails willingness to accept potential risks involved in interactions with that partner. The primary focus of this section lies on defining the concept of risk in business relationships.

**The Concept of Risk**

There is little agreement among scholars on the conceptualisation of risk (Slovic, 1987). A number of rather different meanings have been attributed to the word *risk*. As a result, no overall definition for risk has been introduced. Nevertheless, most definitions of risk seem to have in common the focus on some sort of a probability estimate for the occurrence of a negative event (Brun, 1994). This point is well exemplified in the following definition: “Risk is the potential for realization of unwanted, negative consequences of an event” (Rowe, 1988, p. 24). Furthermore, according to Adams (1995) risk concerns not only the probability but also the consequences of an undesirable occurrence.

In business practice, the term risk is generally considered by managers as a danger or a possibility of unwanted events not an opportunity for desired positive outcomes (March & Shapira, 1987; Das & Teng, 2001a). In the project context, Chapman & Ward (1997) suggested a broad definition of risk, describing it as “the implications of the existence of significant uncertainty about the level of project performance achievable” (Chapman & Ward, 1997, p. 7). This definition stands for the point of view that uncertainty is a major source of risk. In business relationships, the source of risk is predominantly the partner’s behaviour, which is uncertain and cannot be predicted, as motives or intentions are not fully known (Kramer, 1999). Thus, risk in relationships between cooperative partners refers to an exposure to potential loss or harm for a partner (Ariño, de la Torre & Ring, 2001). It is noteworthy, however, to emphasise the distinction between the two concepts – risk and uncertainty. Thus, uncertainty refers broadly to a condition of unsure outcomes, whereas risk is “a condition in which the consequences of a decision and the probabilities associated with the consequences are known entities” (Baird & Thomas, 1985, p. 231).
Two major categories of risk can be traced in the literature: ‘**objective risk**’ and ‘**subjective risk**’. These concepts are the product of two opposite approaches that have emerged among risk researchers. One approach aims to discuss risk objectively in terms of the factual dimension, such as a probability. Risk can be considered as objective when it exists independently of an individual’s knowledge and worries of the risk source (Ulleberg & Rundmo, 1996). Objective risk is “something inherent in given situations”, and is based on the consequences of alternatives and their probabilities (Das & Teng, 2001a, p. 254). Probability is a well-established mathematical tool, which is introduced to make risk assessments. As Cooper (1987, p. 396) defines: “Probability is a form of prediction or prior awareness which defends the system against the strange and the unknown; the system is therefore incapable of dealing with information that non-probabilistic and unpremeditated”. Risk quantification in terms of probability has been a focus of the ‘objective’ approach. However, this approach fails to explain the social or behavioural influences on risk.

Another approach suggests that risk can also be seen subjectively in terms of the socio-cultural dimension, which emphasises the difference in individuals’ risk perceptions. It is often presumed that humans are irrational about risk because it involves the perception and calculation of probabilities. The subjective approach is the focus of social scientists’ attention, who have rejected the idea of objective risk, arguing that risk is inherently subjective (Krimsky & Golding, 1992; Slovic, 1992). They define risk as a social construct, meaning different things to different people, which cannot be measured independently of peoples’ minds and cultures (Slovic & Gregory, 1999). As Slovic (1987) asserts, ‘perceived risk’ is a result of subjective probability estimation. However, an assessment of perceived risks necessitates both an estimation of the probability of outcomes and an evaluation of the magnitude of outcomes. These are not observable measures, but the result of an individual’s evaluative judgement that may be influenced by the individual’s own value system (Wharton, 1992), personality, way of life, social and demographic characteristics (Wildavsky & Dake, 1990), and, as in the case of this research, on an individual’s position in the managerial hierarchy, while making risk averse or risk taking decisions.

Perceived risk also depends on the individual’s ability to predict and estimate. According to Duncan (1972), the same environment might be perceived as certain by one group of people and uncertain by another.
Furthermore, he claims that it is the perception of a firm’s decision makers about how uncertain their environment is, what affects the firm, not so much the conditions in the environment. The essential element of the concept of perception is the understanding that individuals do not register the data gathering from the world around, but interpret such data (Jackson & Carter, 1992). “Perception is the active psychological process in which stimuli are selected and organized into meaningful patterns” (Huczynski & Buchanan, 1991, p. 37). Thus, if risk perception is the ‘psychological process’, only individuals can perform it. In business relationships, risk perception refers to those ambiguities, as perceived by relationship partners, about the future events that may have a negative impact on the performance of their relationship (Das and Teng, 1996). Risk perception is closely related to the individual’s propensity for risk. Sitkin and Weingart define risk propensity as an “individual’s current tendency to take or avoid risk” (1995, p. 1575). The term risk propensity is widely used to explain the risk-taking behaviour of individuals (Das & Teng, 2001b).

Based on the foregoing discussion, it can be stated that the current research is consistent with Das and Teng’s (2001a) view and uses the term ‘risk’ while referring to ‘subjective’ or ‘perceived risk’ rather than ‘objective risk’. Thus, for the purpose of this research, the ‘perceived risk’ in business relationships is defined as the probability of negative outcomes caused by disturbances inside the relationships.

‘Perceived Risk’ in Business Relationships

Because of global market developments and the complexity of business nowadays, growing uncertainty has been surrounding the individuals and firms in business relationships. As such, building cooperative relationships under the conditions of uncertainty, partners are involuntarily exposed to a wide range of risks. Moreover, the business relationship itself involves risks, which come from the unpredictable nature of the relationship between partners. Especially the earlier phases of the business relationships can be characterised by a high level of uncertainty and risks. A number of risks can be faced particularly in intercultural business relationships, in which uncertainty is mainly the result of cultural distance between cooperative partners.

According to Ring and Van de Ven (1992), business relationships involve a variety of risk forms such as commercial, technological, engineering,
behavioural and managerial. In construction related industries, which operate on a project basis, such risks are usually enormous, particularly in large-scale projects. The construction industry in general is imperilled by considerable risk and uncertainty due to the unique features of construction activities, such as long time periods, complicated processes, a specific working environment, financial intensity and dynamic organisational structures (Flanagan & Norman, 1993; Smith, 2003). Risks are threats to the success of a project, and Kangari (1995) found that the most significant risks in construction projects are those relating to the quality of work, defects, productivity, competence and safety. According to Chapman (2001) risks can be grouped into four subsets: environment, industry, client and project. Within rather extensive empirical research that has been undertaken on risks in construction projects, risks are categorised in many ways by risk types, the sources and/or origins, or by project phase (Cooper & Chapman, 1987; Edwards & Bowen, 1998; Klemetti, 2006). It is relevant to note, that this research attempts to identify risks within different phases of the project-based business relationship, which is not limited to a single one-off project from beginning to end.

Furthermore, Miller (1992, p. 311) suggested that all risks refer to the factors or risk sources “either external or internal to the firm that impact on the risk experienced by the firm”. Thus, risk sources can be considered as ‘external sources’ that are not subject to the firm’s control against ‘internal sources’ that are subject to the firm’s coordination and control. Accordingly, risks inherent in business relationships could also be divided into two categories: (1) those that come predominantly from conditions of business environment uncertainty (externally oriented risks) and may not be subject of partners’ control and (2) those that arise from relationship itself (internally oriented risks) and may be subject to coordination and control.

In relation to this view, Das and Teng (1996, 1998a, 2001a) differentiated and characterized two distinctive types of risk in terms of their sources. The first risk source concerns interactions between firms and refers to ‘relational risk’ or ‘behavioural risk’. In accordance with the definition of ‘internal risk’, behavioural risk is internally oriented and defined as the probability that a partner will not satisfy the norms of cooperation. Das and Teng (1998a, p.25) regard opportunistic behaviour as “a typical source of relational risk” or behavioural risk. Powell (1990) defined opportunistic behaviour as “the rational pursuit by economic actors of their own advantage, with every means at their disposal, including guile and deceit” (Powell, 1990, p. 297). Shirking,
distorting information, stealing the partner’s skills, clients and personnel are the examples of the opportunist behavior (Das & Teng, 1998a). However, Horng (1993) noted that in intercultural relationships, for example, cultural distance could sometimes be considered as the opportunistic behavior of business partners or behavioral risk. The discussion about cultural distance continues in section 2.2.7.

The second type of risk source refers to ‘performance risk’. It is externally oriented risk and implies the probability of failure in achievement of the intended strategies caused by a partner’s incompetence and market uncertainties. The possible kinds of performance risk are R&D risk, international risk, commercial and technological risks, and corporate risk (Das & Teng, 2001a).

Figure 8 Conceptual components of ‘perceived risk’ and ‘risk sources’ in business relationships (Adapting Das & Teng, 1996)

Figure 8 represents the framework of perceived relationship risk in business relationships that is built for this research. The focus lies on both risk types and their risk sources: internal risk sources, which arise from the behavior of business partners within a relationship, and external sources, which are largely tied to the partners’ competences and abilities, but not the external environment. While internal risk sources can be managed by different coordination and control mechanisms within the relationship, external risk sources lie out of control mechanisms. Both types of risk source may exist at two levels: the individual and the firm.
To sum up, in this research, the ‘perceived risk’ in business relationships comprises two types of risks: ‘behavioural risk’ and ‘performance risk’. The external ‘risk sources’, which are related to the business environment or market uncertainties, are left out of empirical consideration in this research. However, a certain connectedness exists between external ‘risk sources’ and both ‘behavioural’ and ‘performance risks’ within business relationships. It can be argued that external ‘risk sources’ such as conditions of business environment may have an effect on the partner’s behaviour. It means that, for instance, the ‘relational risk’ or risk of opportunistic behaviour may rise in the conditions of unstable business environment. Additionally, perception of ‘performance risk’ may be affected by the nature of interactions between partners. For instance, a partner with a lack in competences could try to simulate extensive goodwill behaviour in order to compensate and hide its poor competence. This is an example of opportunistic behaviour, too.

2.1.6 Relating ‘Perceived Risk’ and ‘Subjective Trust’

Although much research work has been done on the relationship between trust and risk, the nature and extent of this relationship remain insufficiently understood and vague – if not problematic (Das & Teng, 2004; Mayer et al., 1995). Nevertheless, regarding trust-risk relationship, there is agreement among scientists about the conditions that must be present for trust to emerge (Rousseau et al., 1998). One of these essential conditions is the existence of risk (Lewis & Weigert, 1985; Luhmann, 1988; Sydow, 1998), which in business relationships refers to a certain degree of vulnerability for the partners (Ariño et al., 2001). In addition, the uncertainty related to the trustee’s competence and behaviour in business relationships represents a source of ‘perceived risk’.

Moreover, some scholars emphasise that trust is needed only under the conditions of uncertainty and risk (Boon & Holmes, 1991; Deutsch, 1960). In other words, according to Luhmann (1978, 1988), trust presupposes a situation of risk. Mayer et al. (1995, p. 711) argue that, “The need for trust only arises in a risky situation”. Accordingly, a number of trust definitions include explicitly or implicitly the concept of risk (Das & Teng, 2004). Thus, as it was discussed in section 2.1.3, trust enables a trustor to be vulnerable to the trustee taking risks from relationships (Mayer et al., 1995; Rousseau et al., 1998). Moreover, according to Nooteboom (2006, p. 253), “Trust entails
acceptance of ‘relational risk’. This may be based on a rational evaluation of trustworthiness. ...and next to rational evaluation trust is also based on instinct, inclinations, feelings and emotions”. Thus, having trust in the trustee based on the evaluation of trustworthiness, the trustor becomes vulnerable to any potential actions of the trustee, but with the expectation of an absence of opportunistic behaviour on the part of the trustee.

Furthermore, trust is needed to accept uncertainty and risks, because trust increases predictability and the ability to build future plans (e.g. Lewis & Weigert, 1985; Luhmann, 1988), by implying confidence in the risk situation (Lewis & Weigert, 1985). As Sydow and Windeler (2003) denoted: “in the face of unknown conditions, unintended consequences, existing zones of uncertainty, and the prevailing dialectic of control, social interaction always requires some trust” (Sydow & Windeler, 2003, p. 79).

To explain the relationship between trust and risk, Das and Teng (2004) proposed a framework of risk and trust from the perspective of the trustor. The authors distinguish three categories of trust (see Figure 9): (1) ‘subjective trust’, (2) ‘trust antecedents’ and (3) ‘behavioural trust’. Among trust antecedents, they highlight one personality characteristic – the trustor’s trust propensity, which is most directly linked to ‘subjective trust’. Trust propensity is regarded as “one’s personal tendency to believe in others’ trustworthiness” (Das & Teng, 2004, p. 109). In the framework, trust propensity is the antecedent of ‘subjective trust’, and hence, is directly linked to ‘subjective trust’. Possessing the higher propensity, trustor is more likely to believe in the trustee’s ‘competence’ and ‘goodwill’ (Das & Teng, 2004).

Das and Teng (2004) argue that ‘subjective trust’, which is essentially a person's own perception, is essentially a ‘mirror-image’ of perceived risk. These scholars infer that both concepts have been demonstrated as being multidimensional, and make a parallel between two components of ‘subjective trust’ and two types of relationship risks discussed in previous sections 2.1.3 and 2.1.5. Thus, in the Das and Teng’s (2004) proposed framework, the overall mirror-image relationships are considered as follows (see Figure 9): ‘goodwill trust’ reflects the ‘behavioural risk’, and ‘competence trust’ reflects the ‘performance risk’. It means that ‘goodwill trust’ helps to decrease the concern about opportunistic behaviour, and thus lowers ‘behavioural risk’ (Das & Teng, 1998a). Nevertheless, ‘goodwill trust’ is not related to ‘performance risk’ and cannot lower its level, because factors that influence ‘performance risk’ are beyond the parties’ willingness and intentions (Das & Teng, 2004). As the authors pointed out, “goodwill trust is
not likely to be related to perceived performance risk”, it “...delineates only a firm’s intention to make things work” (Das & Teng, 2001a, p. 257). Accordingly, competence trust will reduce perceived ‘performance risk’, but not perceived ‘behavioural risk’ (Das & Teng, 2001a).

**Figure 9**  
A framework of relationship of ‘subjective trust’, ‘confidence’ and ‘perceived risk’  
(Adapted from Das & Teng, 2004, p. 97)

The nethermost part of Das and Teng’s framework is dedicated to the relationship between ‘behavioural trust’ and ‘risk taking’. Figure 9 shows the connection between behavioural trust and risk taking, indicating that “behavioural trust inevitably invites risk taking” (Das & Teng, 2004, p.104). Furthermore, the authors denoted that the causal relationship between ‘subjective trust’ and ‘behavioural trust’ is tantamount to the relationship between ‘perceived risk’ and ‘risk taking’. They explain this relationship as follows: “a perception of trust indicates a low level of risk, which then makes the subject more willing to undertake the risk and thus grant trust” (Das & Teng, 2004, p. 111).

Sharing the Das and Teng’s risk-based view of trust, this research utilises the framework introduced by the scholars but with a minor adaptation, which came from the Smyth’s (2008) vision on trust dynamics, introduced in Figure 4. Thus, it may be argued that the relationship between concepts of ‘subjective trust’ and ‘perceived risk’ is not mechanistic having a straight cause-effect connection or as Das and Teng (2004) call it – ‘mirror-image...
relationship'. Therefore, it is proposed that ‘confidence’ resides between the concepts and mediates their relationship as it is shown in the framework (see Figure 9).

According to Lewis and Weigert (1985), trust always implies confidence in a risky situation. The scholars characterised trust as the “undertaking of a risky course of action on the confident expectation that all persons involved in the action will act competently and dutifully” (Lewis & Weigert, 1985, p. 971). Thus, trust emerges when the trustor gains confidence in their expectations of trustee’s ‘competence’ and ‘goodwill’. On the other hand, trust also engenders confidence (McEvily et al., 2003), makes it possible for confidence to grow, and enables risk taking.

Furthermore, as it was discussed in section 2.1.3, many scholars refer to the confidence while defining trust concept. For instance, in business relationships, trust is defined as “one party’s confidence that the other party in the exchange relationship will not exploit its vulnerabilities” (Dyer & Chu, 2000, p. 260) and as the confidence that trustee will behave according to trustor’s expectations (Ring & Van de Ven, 1994). These trustor’s expectations of trustee’s ‘competence’ and ‘goodwill’ are in ‘mirror-image relationship’ with ‘performance’ and ‘behavioural risk’ respectively (Das & Teng, 2004).

According to the above-mentioned arguments on the role of confidence, it is possible to conceive that confidence relates more closely to risk than trust to risk. As such, between the ‘perceived risk’ and the decline in ‘subjective trust’ is a loss in confidence, due to confidence acting as a conceptual link between ‘subjective trust’ and ‘perceived risk’. While “a perception of low trust necessarily implies a perception of high risk, and vice versa” (Das & Teng, 2004, p. 99), the perception of high confidence entails the perception of low risk. Thus, Figure 9 depicts a framework of relationship between concepts of ‘subjective trust’, ‘confidence’ and ‘perceived risk’.

To sum up, trust makes possible for cooperative partners to interact in relationships when risk is present. Trust is a ‘mechanism’ by which ‘perceived risks’ associated with complexity of relationship can be reduced – risks that might otherwise constrain or impede the relationship. Cooperation between partners can proceed contractually without ‘goodwill trust’ existing in the initial relationship phases, but the development of ‘goodwill trust’ can mitigate against risk of opportunistic behaviour and can ensure a continuing relationship (Dodgson, 1996; Sako, 1992). Given the preceding discussion,
the perception of high ‘subjective trust’ may increase the ‘willingness to cooperate’ and continue the relationship, which implies risk-taking. Thus, the relationship between ‘perceived risk’ and ‘subjective trust’ and the level of confidence predetermines the partners’ willingness to cooperate and risk-taking behaviour. Furthermore, this research addresses both two-dimensional concepts of trust and risk following the line of Das and Teng (2004) and Sako (1992).

2.2 Supporting Trust Development in the Intercultural Business Relationship Context

The importance of trust in business relationships discussed in this section highlighted the necessity for understanding of how trust development can be supported, and particularly, in the intercultural business relationships. Therefore, this part of the literature review is dedicated to the defining of theoretical concepts and building an initial conceptual framework in order to guide the empirical investigation. The section begins with a review on trust development models and proceeds with the introduction of trust development stages and definition of trust-constituting conditions. It continues with discussion on the role of learning in trust development process. Thereafter, the section reveals the relevance of national culture to the trust development in intercultural business relationships employing Hofstede’s (1980, 1991) cultural dimensions. In relation to this, the influence that Russian national cultural values may have on trust and its development is considered. Finally, the section introduces the initial conceptual framework of trust development.

In addition, this section reviews the literature on the importance of cultural adaptation for trust development in the intercultural business relationship context. The very scarce literature was reviewed after the issue of cultural adaptation emerged from the empirical data of the Main study. The construction of a theoretical pre-understanding was needed in order to conduct the Supplementary study.
2.2.1 The Process of Trust Development

Much has been written about the significance of interpersonal relationships among key actors of the partner firms in the process of trust development between the firms (e.g. Gulati, 1995; Zaheer et al., 1998). According to Håkansson and Snehota (2000), trust develops over time through the social interaction between cooperative partners whereby they learn, step by step, to trust each other. Psychologist Blau (1964) has also pointed to the social aspect in the trust development process saying that partners can gradually build trust in each other through social exchange when they demonstrate an ability for keeping promises and commitment to their relationship.

Thus, first of all, “trust is an interpersonal phenomenon” (Gulati, 1995, p. 92). Only people can trust each other, not firms, due to the affective component of trust. Being established and developed through social interactions, interpersonal trust is central to trust development between partner firms. Van de Ven and Ring (2006) stated that development of interpersonal trust “requires careful and systematic attention to the concrete processes by which personal relationships emerge between transacting parties” (Ring and Van de Ven, 1994, p. 93). The practical actions that managers need to undertake in order to build trust are described as “mechanisms that individuals use to assure others of their capabilities, their interest in accommodating others’ needs and their willingness to fulfil promises made to others” (Long, Sitkin & Cardinal, 2003, p. 13). The principle of using some sort of mechanisms in trust building is objectively right, although it sounds too rational or cognitive by implication. To provide insight into how trust can be developed, a number of scholars have investigated the processes and the bases underlying the development of trust.

Models of Trust Development

It is useful to recall from section 2.1.3 that according to the psychological (transformational) approach adopted in this research trust is not a unidimensional concept, it has also different forms and that the nature of trust transforms over time (Lewicki et al., 2006). Table 2 illustrates the theoretical approach to trust development of the research.
Table 2  Theoretical approach to trust development
(Adapted from Lewicki, Tomlinson & Gillespie, 2006)

<table>
<thead>
<tr>
<th>Key question</th>
<th>Psychological approach: Transformational</th>
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<tbody>
<tr>
<td>How is trust defined and measured?</td>
<td>Defined in terms of the basis of trust (expected costs and benefits, knowledge of the other, degree of shared values and identity. Measured by scale items where trust is rated along different qualitative indicators of different stages.</td>
</tr>
<tr>
<td>At what level does trust begin?</td>
<td>Trust begins at a calculative-based stage. Trust initiated by reputation, structures that provide rewards for trustworthiness and deterents for defection.</td>
</tr>
<tr>
<td>What causes the level of trust to change over time?</td>
<td>Trust grows with a positive relationship history and increased knowledge and predictability of the other and further, when parties come to develop an emotional bond and shared values. Trust declines when positive expectations are disconfirmed.</td>
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Thus, trust development aggregates a number of distinctive forms of trust, which are interconnected with the phases of relationship evolution process. According to Child (1998) the development of cooperative relationships may be associated with the deepening of trust based on the evolution of its foundations. This therefore necessitates distinguishing the types of trust and their foundations.

Focusing on the development of trust within business relationships and on the relationship features that contribute to different bases of trust, Shapiro, Sheppard and Cheraskin (1992) proposed the first trust development model. They distinguished between three different trust bases that lead to different forms of trust as follows:

1. ‘deterrence-based trust’ (DBT) is based on assuring the behavioural consistency of people, i.e. individuals will do what they promised to do because they fear the consequences of not doing what they promised
2. ‘knowledge-based trust’ (KBT) means behavioural predictability – having sufficient knowledge about the other party that the other party’s behaviour is anticipatable
3. ‘identification-based trust’ (IBT) considers identification with the other party’s desires and intentions – effective understanding, appreciation and a complete empathy with the other party’s wants.
Adapting and modifying Shapiro et al.’s (1992) trust model, Lewicki and Bunker (1995, 1996) proposed three forms of trust, which operate in developing business relationships, and defined these trust bases:

1. ‘calculus-based trust’ (CBT) is based on a calculation of the outcomes resulting from building and sustaining the relationship relative to the costs of maintaining or severing it
2. ‘knowledge-based’ (KBT) trust derives from knowing the other sufficiently well so that the other’s behaviour is predictable
3. ‘identification-based trust’ (IBT) originates from identification with other’s desires and intentions; mutual understanding so that one can act for the other.

As the authors pointed out, “trust develops gradually as the parties move from one stage to another” (Lewicki & Bunker, 1996, p. 124). They linked trust development to the relationship development stages and proposed a model of ‘the stagewise evolution of trust’. The purpose was to provide more understanding on the facets of trust within interpersonal relationships and the processes by which trust relationships emerge and develop over time. Scholars present the model graphically and assert that trust develops through the three bases within relationship stages.

According to the proposed model, all trust relationships begin with ‘calculus-based trust’ (CBT). Lewicki and Bunker renamed ‘deterrence-based trust’ introduced by (Shapiro et al. 1992) to ‘calculus-based trust’, which is “grounded not only in the fear of punishment for violating the trust but also in the rewards to be derived from preserving it” (Lewicki & Bunker, 1996, p. 120). This means that actors evaluate the benefits and costs to be gained by staying in the relationships and the benefits and cost to be derived from, for example, cheating on or breaking the relationship. In this stage, partners are prepared to take some risk in entering into the relationship. Partners begin to develop a knowledge base about each other through repeated interactions, interdependence between relationship partners, and reputation and thus, strengthen CBT. This is a critical condition for a transition to cognitive trust. Learning about each other through repeated and varied interactions, partners become more understandable and predictable. Clearly, some sharing of cognition is necessary for the calculative basis of trust (Child, 1998). When partners come to know each other better, the movement from CBT to cognitive or ‘knowledge-based trust’ (KBT) may happen. However, if partners’ experience of a calculative trust relationship is negative, and trust is damaged, they will probably terminate their relationship. (Lewicki &
The scholars assert that KBT “is grounded in the other’s predictability – knowing the other sufficiently well so that the other’s behaviour is anticipatable” (Lewicki & Bunker, 1996, p. 121) Thus, KBT is built on the depth of acquired knowledge and on the mutual confidence that has developed.

A further transition from KBT to ‘identification-based trust’ (IBT) occurs in a small subset of relationships, as many of them do not grow beyond an enhanced KTB. The transition implies a shift from learning about the partner to strengthening common identities, values and norms. (Lewicki & Bunker, 1995, 1996) Identification-based trust “exists because the parties effectively understand and appreciate the other’s wants; this mutual understanding is developed to the point that each can effectively act for the other” (Lewicki & Bunker, 1996, p.122). According to the scholars, in this stage of IBT, partners typically become friends.

Another view on the bases of trust is proposed by Rousseau et al. (1998). Trust may have different types in different stages of relationships deriving from the calculus of gains and losses to emotional reactions based on attachments and identifications between individuals (Rousseau et al., 1998). Thus, the authors proposed a model of trust, which shows that trust in a particular situation or stage of relationship development can mix several bases together, and characterise them as follows:

1. ‘calculus-based trust’ (CBT) is based on rational-choice – characteristic of interactions based on economic exchange; derives from the existence of credible information with regard to the intentions or competence of another

2. ‘relational trust’ (RT) derives from repeated interactions between trustor and trustee and information available within the relationship itself over time

3. ‘institution-based trust’ or institutional trust (IR) makes easier the formation of both ‘calculus-based’ and ‘relational trust’ providing supports for the critical mass of trust at the organisational and societal level.

Rousseau et al. (1998, p. 399) dismissed Shapiro et al.’s (1992) deterrence-based trust (DBT) positing that it “may not be trust at all but may be closer to low levels of distrust”. The scholars distinguish between two major bases of trust: ‘calculus-based trust’ (CBT) and ‘relational trust’ (RT). While CBT is based on rational decision processes in economic transactions, RT is based
on repeated interactions that give rise to positive expectations about the trustee’s intentions and to the formation of attachments resulting from reciprocated interpersonal care and concern. ‘Relational trust’ involves a broad array of resource exchange and entails a greater level of faith in the intentions of the other party (Rousseau et al., 1998). As it is further stated, “there is a tendency for repeated interactions to create expanded resources, including shared information, status and concern” giving rise to psychological identity (Rousseau et al., 1998, p. 400). Authors also deduce that ‘relational trust’ embraces ‘identification-based trust’, introduced by Lewicki and Bunker (1996), arguing, “identity-based trust is relational trust at its broadest” (Rousseau et al., 1998, p. 400). The clear implication is that trust in relationships begins with CBT or with calculations about benefits to be derived from trust. CBT proportionally decreases and RT proportionally increases as relationships develop. (Lewicki et al., 2006)

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<td>Transformational models (Lewicki et al., 2006)</td>
<td>'Deterrence-based trust'</td>
<td>'Calculus-based trust'</td>
</tr>
<tr>
<td></td>
<td>'Knowledge-based trust'</td>
<td>'Knowledge-based trust'</td>
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<td>'Identification-based trust'</td>
<td>'Identification-based trust'</td>
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Thus, the models of trust development are discussed and compared. A summary of the comparison is introduced in Table 3. The comparison shows that Rousseau et al.’s (1998) trust development model embraces the ideas of the other models as shown in the table. The authors did not intend this model to be a fully developed model of trust development. They intended to build an organising framework to draw insights and to enrich the understanding of trust development across disciplines. (Lewicki et al., 2006)

Such multifaceted models of trust development, discussed in this section, emerged based on criticism of earlier research that regarded trust only as a result of rational, cognitive processes (Lewis & Weigert, 1985). This research has adopted the Rousseau et al.’s (1998) perspective, according to which trust development comprises two trust bases: ‘calculus-based trust’ and

Table 3  Comparison of trust development models
‘relational trust’ integrating behavioural or rational-choice and psychological approaches. Thus, these trust bases underpin the theoretical framework of trust development in this research. The relationship between these two trust bases and two major interrelated elements of trust (Mayer et al., 1995; Rousseau et al., 1998), discussed in section 2.1.4, is that ‘calculus-based trust’ has a strong connection with ‘positive expectations’, while ‘relational trust’ is associated with the ‘willingness to accept vulnerability’.

Additionally, the following parallel connection can also be drawn. ‘Willingness to accept vulnerability’ is a consequence of ‘positive expectations’; ‘relational trust’ is an outcome of ‘calculus-based trust’. The following reasoning elaborates these connections, based on the reviewed literature. The connections are demonstrated in Figure 10.

Figure 10 Conceptual interconnections among ‘subjective trust’ facets

‘Calculus-based trust’ is related to a rational assessment of trustee’s trustworthiness. As a result, the perceived trustworthiness of a trustee is mainly determined by a perception of their ‘competence’ and ‘goodwill’. This reflects cognitive process and rational-choice approach. As it was discussed in section 2.1.3, ‘subjective trust’ comprises trustor’s ‘positive expectations’ regarding trustee’s trustworthiness and refers to the trustor’s probability assessment that the trustee will perform as expected.

‘Relational trust’ develops through repeated interactions between a trustor and trustee, information generated within the relationship and the emotions they experience. This involves the affective process that is the emphasis of the psychological approach. Within the longer-term interactions, an increase in perception of trustee’s trustworthiness give rise to the formation of secure attachments based on interpersonal care and concern, which leads to a ‘willingness to accept vulnerability’.
The multifaceted state of trust includes also a behavioural facet, while rational thinking leads to an action, which is the manifestation of behavioural trust. In other words, confident expectations lead to a higher willingness to be vulnerable which leads to higher levels of actual behavioural trust (Gillespie and Mann, 2004). Nevertheless, behavioural trust is not the focus of this research.

Furthermore, despite the increasing importance of ‘institution-based trust’ – which is included in Rousseau et al.’s (1998) model – in business relationships, this base of trust is considered as insignificant or very week due to the following consideration. Institution-based trust refers to an individual's belief in the existence of the necessary institutional environment, including the structures, mechanisms and regulations that enable the individual to feel security about a situation and to act in anticipation of a successful future endeavour (McKnight, Cummings & Chervany, 1998; Shapiro, 1987; Zucker, 1986). Nevertheless, institutions are both sources and objects of trust (Sydow, 1998). In the case of the Russian context, Soviet society was a low-trust society because people did not trust their government (Fukuyama, 1995), and people have extrapolated their low level of trust in the Soviet state onto a new Russian state (Khodyakov, 2007).

In the organisational context, Russian managers are characterised as having an authoritarian style of management accompanied by limited empowerment (e.g. Fey & Shekshnia, 2011), a high concentration of authority in any decision-making (e.g. Elenkov, 1998; Kets de Vries, 2000, 2001), non-transparency in corporate governance. Due to these typical behavioral patterns of management that manifest low trust in their subordinates, Russian managers have rarely been trusted in response.

Obviously, institutions cannot be sufficient bases for trust, if they are not trusted themselves (Child & Möllering, 2003). Effective functioning of institutions, and especially of the state, increases the level of institutional trust (Parry, 1976); that is not the case in Russia. Russia is generally characterised as having an uncertain institutional environment, resulting largely from less developed and unreliable legal institutions (Ledeneva, 2009; Levin & Satarov, 2000). Therefore, it can be stated that in the Russian context, institution-based trust cannot play a significant role in the process of trust development, interaction-based or relational trust remains significant (Afanassieva, 2015).
Furthermore, the models introduced in Table 3 have focused on the bases that generate trust in business relationships. However, there are factors that can destroy the process of trust development. According to a widespread belief among scientists and practitioners, trust is fragile, and it is often easier to breach than it is to build. As Slovic (1993) stated, “It is typically created slowly, but it can be destroyed in an instant – by a single mishap or mistake” (Slovic 1993, p. 677). He separates two types of information: (1) related to negative (trust-destroying) factors, and (2) positive (trust-building) factors. Accordingly, ‘perceived risks’ inherent in business relationships could be considered as factors that negatively affect trust. Given that the types and level of ‘perceived risks’ differ, depending on the phase of relationship, it seems possible to argue that the level of trust also varies within the process of relationship development.

**Stages of Trust Development**

As discussed above, the forms and level of trust change over time during relationships based on the knowledge and experience from interactions (see Lewicki & Bunker, 1995, 1996; Rousseau et al., 1998). There is also a “possibility that trust in a particular situation can mix several forms together” (Rousseau et al., 1998, p. 401). Accordingly, ‘subjective trust’ in a business relationship may have different forms and their relative importance varies depending upon the phase of relationship development.

Thus, in Figure 11, Dwyer et al.’s (1987) phases of business relationship are taken as a framework for the review on the trust development process within business relationships (see also Figure 2 in section 2.1.1). The ‘Dissolution’ phase is considered as irrelevant for this research due to the absence of actual trust growth between relationship parties. Figure 11 also employs Rousseau et al.’s (1998) model of trust development.

In the ‘Awareness’ relationship phase, no actual interaction occurs with a potential relationship partner and gathering knowledge about the partner is only possible from external sources. Rational assessment of information regarding a partner's intentions and competence in this phase, according to Rousseau et al. (1998), provides a base for ‘calculus-based trust’. In general, Dwyer et al. (1987) characterise this phase as the recognition of a feasible relationship partner, while having no interaction with that partner. This implies ‘calculus-based trust’ of an individual from the trustor's firm towards the partner firm (trustee) as a whole – which is the only form of trust in this
relationship phase – may encourage interactions and generate conditions for
the initiation of ‘relational trust’. Having developed ‘calculus-based trust’,
partners move from the ‘Awareness’ to the ‘Exploration’ relationship phase,
where partners begin to build up knowledge about each other based on first
interactions. Thus, in this research, the development stage of ‘subjective
trust’ in the ‘Awareness’ relationship phase is named the trust **Initiation**
stage (see Figure 11).

![Figure 11](image-url)

**Figure 11**  ‘Subjective trust’ bases and development stages within the
process of business relationship development
(Adapting Dwyer et al., 1987 and Rousseau et al., 1998)

The following stage is named the **Activation** stage, where partners
continue knowledge building about each other. The ‘Activation’ stage of trust
development corresponds with the ‘Exploration’ relationship phase. In this
stage, where partners are prepared for risk-taking in entering into the
relationship, trust develops based largely on calculation (Lewicki & Bunker,
1996), which is the foundation for ‘calculus-based trust’ of an individual from
the trustor’s firm towards (1) another individual or his counterpart (trustee)
from the partner firm and (2) the partner firm (trustee) as a whole. With the
beginning of first interaction, fulfilled expectations towards the trustee on
both an individual and firm level support ‘calculus-based trust’, and achieved
mutual understanding may lead to the activation of ‘relational trust’. By
definition, ‘relational trust’ infers the obtaining of first-hand knowledge
based on personal experience during interaction. It involves the affective
process, which takes place on the individual level. For instance, positive impressions emerging from first contacts may support the growth of ‘relational trust’ and willingness to continue cooperation. ‘Relational trust’ is of particular importance in the case of the intercultural business relationship, where trust growth cannot be strengthened by ‘cultural similarity’ (Child & Möllering, 2003) between partners. Thus, during the ‘Exploration’ relationship phase, parties build such a knowledge base for both ‘relational trust’ and ‘calculus-based trust’ that gives some confidence for the shift to the Growth stage of ‘subjective trust’, which is in correspondence with the ‘Expansion’ phase.

The ‘Expansion’ relationship phase can be characterised by the extensive growth of ‘relational trust’ derived from partners’ mutual understanding that they act for each other with goodwill and positive intentions. In this phase, information necessary for the development of ‘relational trust’ becomes more available over repeated interactions and regular communication between individuals from the trustor’s and trustee’s firms. With the significant growth of ‘relational trust’, the decrease in ‘calculus-based trust’ may take place as the latter becomes less relevant. Thus, this stage of trust development is named the trust Growth stage. Rapidly growing ‘relational trust’ between partners may entail the transition into the ‘Commitment’ relationship phase.

In the ‘Commitment’ phase, the raise of ‘relational trust’ to maturity level requires a relatively long history of repeated interactions on the individual level and such reciprocal understanding between partners that enables them to establish closer interpersonal relationships. In a close personal relationship with high confidence in the relationship partner, calculation is no longer so essential and, hence, ‘calculus-based trust’ may not necessarily be present. Accordingly, in the ‘Commitment’ relationship phase, ‘subjective trust’ between partners derives largely from the bases of ‘relational trust’, which has reached the maturity level and the final stage of its development – named in this research the trust Maturity stage. Due to the maturity level of ‘subjective trust’ partners are highly committed to their relationship and desire its longevity.

To sum up, ‘calculus-based’ and ‘relational trust’ are the forms involved in the process of ‘subjective trust’ development in business relationships. While ‘calculus-based trust’ does not necessitate bilateral interactions in all relationship phases (see Figure 11), ‘relational trust’ would not occur without bilateral interactions that provide an opportunity to acquire the evidence of partner’s trustworthiness. The process of trust development and the process
of relationship development are co-evolutionary processes that are interdependent and interconnected. While they take place simultaneously, there is a correspondence between the development stages of trust and relationship phases. Figure 11 represents the overview of defined bases proposed by Rousseau et al. (1998) and development stages of ‘subjective trust’ in correspondence with Dwyer et al.’s (1987) relationship development phases. For the purpose of this research, trust development stages are named the Initiation, Activation, Growth and Maturity stages.

2.2.2 Trust-Constituting Conditions

A diverse body of empirical research reveals that inter-firm trust differs from interpersonal trust (Anderson & Narus, 1990; Doney & Cannon, 1997; Jeffries & Reed, 2000; McEvily & Zaheer, 2006), apparently because the conditions supporting inter-firm and interpersonal trust are distinctive. Furthermore, these conditions change in different relationship phases due to different events that take place while interacting. The definition of trust adopted in this research embraces a subjective state of an individual’s positive expectations (Das & Teng, 2001a; Mayer et al., 1995; Rousseau et al., 1998). Accordingly in this research, specific conditions that support trust development or trust-constituting conditions correspond to the trustor’s positive expectations regarding the trustworthiness of the trustee. Thus, in business relationships, development of ‘subjective trust’ relies on the trustor’s positive expectations about the trustee’s trustworthiness, where the trustee is an individual and a firm.

The literature on factors that affect trust formation and its development is rather extensive. Trust has been found to be established and sustained by a multidimensional set of conditions. Generally, the process of trust development is seen as affected by the different characteristics of the trustor, trustee and interactions between these two parties (e.g. Butler, 1991; Doney & Cannon, 1997; Gabarro, 1978; Jennings, 1971; Mayer et al., 1995; Shapiro et al., 1992). For instance, the integrative model of organisational trust proposed by Mayer et al. (1995) comprises the most important characteristics of both the trustor and trustee, which influence the formation of trust. These characteristics are ‘factors of perceived trustworthiness’ of the trustee and the ‘trustor’s propensity’ to trust. The authors conceive that the trustworthiness of a trustee is based on the trustor’s beliefs in the trustee’s (1) ability – knowledge, skills and competences enabling interaction, (2)
benevolence – the extent to which a trustor believes that a trustee is willing to interact with positive intentions, and (3) integrity – the trustor’s perception that the trustee acts in accordance with principles acceptable to the trustor.

Mayer et al.’s (1995) model explains trust formation in an organisational setting on the individual level. However, as Schoorman, Mayer and Davis (2007) pointed out, perceptions about an individual’s ability, benevolence, and integrity have an impact on the individual’s trustworthiness, and these perceptions affect the extent to which a firm will be trusted. Further, factors such as the trustor’s propensity, encompassed in the model, is mostly significant in the initial relationship phases when no interactions or some first contacts happened with the trustee. As the relationship develops and shifts to the relationship phases of repeated direct interactions, the trustor’s experience of cooperation with the trustee and the practical knowledge of the trustee’s trustworthiness becomes more significant.


Doney and Cannon (1997) in their empirical research of industrial buyer-supplier relationships, have showed that inter-firm trust differs from interpersonal trust. Having investigated the processes through which industrial buyers can develop trust in a supplier firm and its salesperson, the authors have revealed the trust-constituting conditions or as they call them “factors that invoke the trust-building process” (Doney & Cannon 1997, p. 38). The introduced factors represent characteristics of a supplier salesperson and a supplier firm. “Because of the personal and impersonal nature of these two targets of trust, the manner through which each foster trust is likely to differ” (Doney & Cannon, 1997, p. 37). The factors also include the characteristics of the relationship with a supplier salesperson and
supplier firm. Thus, Doney and Cannon (1997) separate factors that may activate the trustor’s trust development into two groups or types such as ‘characteristics of trustee’ and ‘characteristics of relationship with trustee’ at both firm and individual levels. The factors representing characteristics of the supplier firm are reputation and size; and its salesperson – expertise and power. Whereas the factors representing characteristics of the relationship with the supplier firm are willingness to customize, confidential information sharing, length of relationship; and the salesperson – likability, similarity, frequent business contact, frequent social contact, length of relationship. (Doney & Cannon, 1997)

Following Doney and Cannon (1997), the trustor has positive expectations about the ‘characteristics of trustee’ and ‘relationship with that trustee’, while the trustee is an individual and a firm. These expectations of trustworthiness are conditions that constitute trust in the trustee’s ‘competence’ and ‘goodwill’ or ‘competence trust’ and ‘goodwill trust’ respectively (see Figure 5 section 2.1.3). In short, the trustor’s expectations of trustee’s trustworthiness represent trust-constituting conditions. Thus, referring to definitions of ‘subjective trust’ components (i.e. ‘competence trust’ and ‘goodwill trust’) introduced in section 2.1.3, trustor has positive expectations of both:

1. ‘characteristics of trustee’ such as technical and managerial competence and ability to perform tasks and
2. ‘characteristics of relationship with that trustee’ such as commitment and willingness to put other’s interest before self-interest.

Drawing on the above discussion, Figure 12 outlines a conceptual framework of ‘subjective trust’ in business relationships. The framework differentiates the components of ‘subjective trust’ (i.e. ‘competence trust’ and ‘goodwill trust’) in terms of the ‘characteristics of the trustee’ and the ‘characteristics of relationship with trustee’, where the trustee is an individual and/or a firm.

To sum up, this research examines conditions that support trust development in all phases of business relationships introduced by Dwyer et al. (1987), except the ‘Dissolution’ phase, focusing on the trustor’s expectations towards the characteristics of trustee (i.e. individual and firm) and leaving outside of the research scope issues such as the characteristics of trustor. Therefore, the model of Mayer et al. (1995) is not applicable. Nevertheless, the concepts of the model such as factors of perceived
trustworthiness or characteristics of the trustee provide a theoretical basis for building the research conceptual framework of trust development within business relationships. Furthermore, the research purpose was not to validate the trust conditions proposed in the existing literature but to identify them inductively within the given context. Therefore, while building the conceptual framework (see Figures 12 and 15) for the empirical investigation Doney and Cannon’s (1997) typology of conditions was employed.

**Figure 12**  Conceptual framework of *trust-constituting conditions* in business relationships  
(Adapting Das & Teng, 2004 and Doney & Cannon, 1997)

In this research, *trust-constituting conditions*, which reflect Doney and Cannon’s (1997) ‘characteristics of trustee’ and ‘characteristics of relationship with trustee’, are differentiated according to two levels: individual and firm, while this research aims to examine the development of (1) trust in an individual from the trustee firm, and (2) trust in the trustee firm as a whole. It is also assumed that the nature and strength of trust-constituting conditions change over time. In other words, different conditions are significant for trust development in different phases of business relationship. This also means that ‘competence trust’ and ‘goodwill trust’ develops in divergent ways, which are dependent on the trustor’s expectations regarding the ‘characteristics of the trustee’ and ‘characteristics of the relationship with the trustee’ respectively at the different phases of relationship evolution.
2.2.3 Learning in Trust Development

Categories of Learning

There is extensive literature dealing with trust development, but the role of learning has received very limited attention (Inkpen & Currall, 2004). Inkpen & Currall (2004) underline that the concepts of learning and trust development have not been linked in a systematic fashion and, hence, gaps in understanding their relationship still exist. The scholars argue that learning about a partner facilitates relational understanding and can provide the basis for trust development or distrust.

Considering coevolution of these two concepts, Blois (1999, p. 206) explicate that “trust evolves through the process of a growth of knowledge and understanding of the people with whom we interact plus the actual experience of working with them”. Ultimately, as Bachmann (1998, p. 301) briefly expressed, “Trusting someone means having some information about the future behaviour of the potential trustee”. With regard to these statements, it is worthy to recall the view of this research discussed in section 2.1.1, which accentuates that trust in business relationships develops basically because interaction provides a possibility to obtain information and the evidence of a partner’s trustworthiness that results in better understanding the characteristics of that partner and the characteristics of the relationship with that partner. The prerequisite for this understanding is learning, as it is the process of knowledge creation.

According to Nooteboom (2002), trust can be a result of learning through repeated interactions between individuals. Thus, during interactions, relationship parties constantly learn about each other’s ‘competences’ and ‘intentions’, which are the components of trust. Therefore, the research view is in compliance with the argument that firms’ repeated interactions create an opportunity for learning about the partner that in turn can lead to the development of trust in that partner (Inkpen & Currall, 2004). This is in line with “studied trust” discussed by Sabel (1993, p. 130), who defined trust development as a process of learning by economic actors with competing and mutual interests. Accordingly, trust is “learned and reinforced, hence a product of ongoing interaction and discussion” (Powell, 1996b, p. 63).

Literature on organisational learning has distinguished two major categories of learning – ‘direct’ and ‘indirect’ learning – and discusses
their particular importance (Argyric & Schon, 1978; Huber, 1991; Miner, Bassoff & Moorman, 2001). Several studies examine direct learning that according to Schwab (2007) means learning from a firm's own experience. This is also consistent with Kolb's (1984, p. 38) definition of learning, which explicates, "learning is the process whereby knowledge is created through the transformation of experience". Some scholars draw attention to ‘indirect’ learning, defining it as learning from other’s experience (Ingram, 2002). Thus, in business relationships, Kolb’s (1984) ‘experiential learning’ or ‘direct learning’ implies learning through interactions, whereas initial or ‘indirect’ learning means gathering knowledge without interactions.

Given that the process of trust development and the process of relationship development are co-evolutionary processes (see section 2.2.1), it can be argued that the process of learning is explicitly embedded as part of this co-evolution. Additionally, it can be posited that learning has a temporal order over time, i.e. in different relationship phases, learning takes different forms alternately – either ‘direct’ or ‘indirect’ – or concurrently. Figure 13 depicts these arguments within Dwyer et al.’s (1987) relationships development framework.

**Figure 13** Categories of learning and types of knowledge within relationship development phases

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Thus, in the ‘Awareness’ relationship phase, acquiring of knowledge from different external sources before interactions involves ‘indirect’ learning. Following Dwyer et al. (1987), interactions begin in the ‘Exploration’ phase of relationship development. During this phase, relationship parties start to gather the experiential knowledge on each other’s trustworthiness or to acquire such information that satisfy the trustor’s expectations regarding the ‘characteristics of the trustee’ and ‘characteristics of the relationship with the trustee’ first through bilateral interactions. Learning resulted in fulfilled expectations increasing the trustor’s ‘subjective trust’ in his trustee (see Figure 13). Experience gained from interactions is a crucial foundation for ‘direct learning’. Furthermore, parties’ ‘direct learning’ gives rise to more profound understanding of each other and leads to better communication, thus fostering trust development. It means that initial trust of the ‘Awareness’ relationship phase would not be activated and further developed in the following relationship phases without ‘direct learning’ through interactions between parties. Summing up, during repeated interactions, learning is a continuous process that supports trust development through acquired knowledge and growth in confidence. Hence, learning helps to manage risks. By increasing the awareness of relationship risks, learning reduces perceived uncertainty.

Types of Knowledge within Business Relationships: Reputation and Experiential Knowledge

In the initial business relationship, trust has to be first achieved, and then maintained and rebuilt when changes occur. According to the trust definitions discussed in section 2.1.3 that conceptualising trust refers to confidence, it can be suggested that to achieve trust in the beginning of a relationship a certain level of confidence is necessary. According to Das and Teng (1998b), confidence refers to certainty about a cooperative partner’s characteristics and behaviour. This certainty can be derived from knowledge that satisfies trustor’s expectations. In other words, it means that expectations of the trustor must be fulfilled.

In the beginning of the initial relationship, the trustor may be able to acquire the necessary information on the trustee through third-party sources and observations (Mayer et al., 1995). Thus, for instance, in the ‘Awareness’ relationship phase (see Figure 13), the development of trust is based solely on the reputation of the relationship partner or as McKnight et al. (1998) call it ‘second-hand knowledge’; in the later phases it is based largely on their
own experience or experiential knowledge from interactions. In other words, at the beginning of initial relationships, knowledge that provides evidence of a partner’s trustworthiness, can be accumulated through ‘indirect’ learning firstly from the partner’s reputation reported by a trusted person and then from observations, i.e. through ‘direct learning’ during first interactions with the partner or from on-going experience. Thus, the development of trust can only take place through learning about the trustworthiness of the trustee, as learning is a prerequisite for understanding the ‘characteristics of the trustee’ and ‘characteristics of the relationship with the trustee’, which is discussed in section 2.2.2.

![Diagram of trust-constituting conditions, knowledge types and learning categories](image)

**Figure 14**  A conceptual framework of trust-constituting conditions, knowledge types and learning categories

Figure 14 represents the extension of the framework introduced in section 2.2.2 (see Figure 12) to interpret the relationships between the concepts of ‘subjective trust’, trust-constituting conditions, learning categories (‘indirect’ and ‘direct’ learning) and knowledge types (non-experiential knowledge or ‘reputation’ and experiential knowledge). The concepts of ‘reputation’ and experiential knowledge are discussed below.

**Reputation**

Trust is more likely to be extended to a potential partner firm when that firm has already gained a good reputation in the market place (Ring, 1997; Weigelt...
& Camerer, 1988), since trust is based on credible information regarding the ‘intentions’ or ‘competence’ of the partner (e.g. Barber, 1983). Particularly, when environmental uncertainty increases, cooperative partners have to rely extensively on trust (e.g. Peng & Heath, 1996), and they become even more concerned about their own and others’ reputations (Kollock, 1994). A favourable reputation requires considerable investments from an organisation and represents a valuable asset (Dasgupta, 1988).

Reputation is ‘second-hand knowledge’ (McKnight et al., 1998), which transfers very easily among firms in an industry through words and actions (Doney & Cannon 1997). A person resorts to trusted informants who have been involved with the potential partner and found this partner trustworthy, when “information from one’s own past dealings with that person” (Granovetter 1985, p. 490) is not available. Applying the definition of Doney and Cannon (1997), reputation is the extent to which organisations and people in the industry believe a partner is honest and taking care of its customers.

A firm’s reputation can also be interpreted as a reputation for reliability (Weigelt & Camerer 1988) and trustworthiness (Milgrom & Roberts, 1992; Ring & Van de Ven, 1992). Chiles and McMackin (1996) define a party’s reputation for trustworthiness as an asset that is based on its prior history of trustworthy behaviour. For instance, the participation of a firm in prior successful cooperation builds up its reputation as a good cooperation partner. Thus, third parties can make assumptions about the likely future behaviour of a firm by extrapolating a past record into the future (Parkhe, 1998).

Thus, the positive reputation of partners enhances trust between them even without direct interaction (see Figure 14). There is empirical evidence, which supports the positive relationship between reputation and trust. Thus, Ganesan (1994) has determined a link between a retailer’s favourable perception of a vendor’s reputation and increased credibility, which is a trust dimension. Positive reputation enhances the credibility of a firm. Further, Dollinger, Golden and Saxton (1997), in their empirical study, have shown that corporate reputation has an impact on relationship partner selection. Authors observed different dimensions of firm’s reputation such as product quality and innovation, management integrity and financial soundness. They find out that product and management reputation have an especially positive relation to the firm’s probability of being chosen for the co-operation while financial reputation is less important.
Summing up, reputation is a multi-dimensional concept. During the initial phases of a relationship, when parties’ prior history of working together is non-existent, reputation becomes an even more valuable factor and plays an essential role in the initiation of trust between the parties. Moreover, in the ‘Awareness’ relationship phase, reputation based on third-party experience is the only source of knowledge about the potential partner’s trustworthiness. However, information acquired needs to be critically evaluated in order to avoid the problem of misunderstanding.

Dimensions of reputation directly reflect trust-constituting conditions or trustor’s expectations of trustee’s trustworthiness. In other words, dimensions of reputation represent the sorts of knowledge required to fulfil trustor’s expectations. The nature and significance of these dimensions will be different for various relationship parties and the relationship itself. Usually both relationship parties seek to obtain reliable knowledge or reputation that satisfies their expectations.

**Experiential Knowledge**

Referring to the trust concept discussed in section 2.1.3, the confidence in a partner’s trustworthiness may arise from the knowledge of the partner’s ‘competence’ and ‘intentions’. This knowledge can only be obtained through repeated interaction between the relationship parties. Interaction creates familiarity and in turn enables parties to develop confidence in each other’s trustworthiness (Gulati, 1995; Dyer & Chu, 2000), as according to Luhmann (1979, p. 20), “trust is only possible within a familiar world”. Thus, it may be argued that trust development would not achieve its Maturity stage (see Figure 13) without bilateral interaction between relationship parties or interaction experience.

According to Ring and Van de Ven (1992), reputation for trustworthiness or ‘second-hand knowledge’ is not enough while interacting; reliance on trust is necessary. The authors claim that reliance on trust by organisations can be developed only when partner organisations have had successful interactions in the past, accomplishing the norms of equity, or, in other words, partners have had their own positive experience and obtained ‘first-hand knowledge’. Broadening their idea, Ring and Van de Ven assert further that,
In practice, most co-operative inter-organizational relationships amongst strangers emerge incrementally and begin with small, informal deals that initially require little reliance on trust because they involve little risk. As these transactions are repeated through time, and meet basic norms of equity and efficiency, the parties may feel increasingly secure in committing more of their available resources and expectations (1994, p. 10).

Thus, even if trust does not already exist in the beginning of relationship, it may emerge from formal and informal interaction processes (Ring, 1997). In compliance with the aforementioned statements, Anderson and Narus (1990) deduce that, “cooperation leads to trust which, in turn, leads to a greater willingness to cooperate in the future, which then generates greater trust, and so on” (Anderson & Narus, 1990, p. 54). Thus, the theoretical argument is that the interaction experience is the most important source of trust (Dwyer, Schurr & Oh, 1987, Anderson & Narus, 1990).

Scholars have reached the conclusion that trust develops incrementally as parties repeatedly interact (Gulati, 1995; Lewicki & Bunker, 1996). “The more frequently the parties have successfully transacted, the more likely they will bring higher levels of trust to subsequent transactions” (Ring & Van de Ven, 1992, p. 489). Accordingly, trust is a history-dependent process, which changes in the course of cumulative interactions between cooperative parties (Rousseau et al., 1998). In essence, trust is based on the experience from prior and on-going interactions or, in other words, interaction outcomes that are congruent with the parties’ expectations. These interaction outcomes are largely dependent on the competencies and intentions of the parties. Perceived satisfaction with the interaction outcomes increase the willingness of parties to cooperate.

2.2.4 Cultural Perspective on Trust Development

Defining National Culture and Intercultural Business Relationships

The concept of culture is extremely complex and is reflected in a vast body of publications. Culture covers all aspects of people’s life; therefore, it is not an easy task to define it precisely. A rather wide range of ideas and definitions has been put forward by many scientists from different disciplines. Summarising them, it may be possible to deduce that the fundamental aspect
of culture is not something people inherit, but it is something they learn within a social environment, such as a code of attitudes, norms and values (Browaeys & Price, 2011) through a shared experience of a group of people (Schein, 1999). Thus, it is the culture that determines how people perceive themselves within the world around them and interpret their experience.

Further, looking for a meaning of culture it is suggested that culture operates on three levels (Schein, 1990; Trompenaars & Hampden-Turner, 1997). The **first level** comprises *explicit* culture where reality can be observed in terms of symbols such as language, music, art, clothing and so on. The **second level** is about norms and values, which are not observable or tangible. Norms are related to behavioural rules of a society explaining attitudes at the first level, whereas values concern general preferences as to what is *right* or *wrong*, *good* or *bad*. The **third level** contains *implicit* assumptions, which are difficult to explore. (Trompenaars & Hampden-Turner, 1997) Accordingly, the characteristics of culture lie at these three levels and form a framework, which can be applied for understanding the culture of a particular group of people that share a common experience. In addition, in the context of intercultural business relationships, this framework provides a basis for an explanation of differences in management behaviour.

In cross-cultural management, Browaeys and Price (2011) identified four main contexts of culture: national, organisational, corporate, and professional. The relevance of national culture has been found to a great extent in the studies of international business relationships (Hennart & Zeng, 2002; Kim & Park, 2002; Kumar & Nti, 2004, Sirmon & Lane, 2004; Steensma, Marino, Weaver & Dickson, 2000). The authors have underscored that national culture has a direct impact on the behaviour of individuals within relationships. Relationships between firms are, basically, interactions between individuals who ultimately bring their cultures into relationships, and hence, are culturally embedded social constructs. Furthermore, firms themselves are likely to reflect explicitly the national characteristics of societies they operate in, since firms are established and managed by people from these societies. Therefore, the concept of ‘national culture’ has to be considered when studying intercultural business relationships.

Numerous definitions of national culture are introduced in the literature. Generally, the concept of *national culture* implies that the people of a nation have a distinctive and enduring pattern of behaviour and personality characteristics (Clark, 1990). According to Geletkanycz (1997, p. 617)
national culture “can be interpreted as a common frame of reference or logic by which members of a society view organizations, the environment, and their relations to one another. National culture is likely to yield important effects on the process by which the environment is known and responded to”. Hofstede (1980, p. 25) proposed probably the most frequently cited definition of national culture, which is interpreted as "the collective programming of the mind which distinguishes the members of one human group from another...the interactive aggregate of common characteristics that influences a group's response to its environment". By 'cultural mental programming', Hofstede (1980) means a national character of people shared in a society. Thus, the set of core values, beliefs, norms, assumptions, and behavioural patterns reflect the national character.

Intercultural business relationships may bring together partners from different sides of the world with culturally dissimilar backgrounds, norms, values and different levels of trust among their society members. Given the importance and benefits of trust in such relationships, it is necessary to understand the ways national culture affects the trust development process (Doney et al., 1998). According to the authors, partners’ cultural norms and values facilitate or inhibit the development of trust.

In this research, the *intercultural business relationship* between two partner firms is regarded as a result of bilateral interactions between individuals or groups of individuals on behalf of their firms that possess cultures of different societies. Given that construction firms conduct business on a project basis, the intercultural business relationship can be defined as a voluntarily initiated cooperative agreement between two firms that represent different cultures and work together on a contract basis during the period, which is not limited to a single one-off project from beginning to end, but may comprise longer period of multiple projects including time between them.

**The Role of National Culture in Trust Development: Cultural Dimensions**

Referring to Hofstede’s (1980) definition of culture Doney et al. (1998, p. 601) pointed out that “the processes trustors use to decide whether and whom to trust may be heavily dependent upon a society's culture”. Partners might be from such cultures that rely on different bases of personal and institutional trust (Friedberg, 2000; Pearce, 2001). Moreover, according to
Fukuyama (1995), trust is a cultural characteristic inherent to a particular society. Fukuyama (1995, p. 7) claims that “a nation’s well-being, as well as its ability to compete, is conditioned by a single, pervasive cultural characteristic: the level of trust inherent in a society”. The higher trust societies enjoy relatively high levels of ‘social capital’ and ‘spontaneous sociability’, whereas people from the lower trust societies try to avoid persons who are not part of their immediate families (Fukuyama, 1995).

Trust in business relationships develops through interpersonal interactions in different modes, as discussed in section 2.2.1. However, whether and how trust is established depends upon the societal norms and values that guide people’s behaviour and beliefs (Hofstede, 1980). Given that trust development is affected by a society’s culture, according to Child (1998), it is likely to be strengthened by cultural affinity between people. “People are more likely to trust those who share the same values, because this establishes a common cognitive frame and promotes a sense of common social identity which has a strong emotional element” (Child, 1998, p. 248). Rousseau et al. (1998) also argues that reliance on trust is a matter of the culture of shared worlds; persons who share cultural values are more likely to trust each other (Van de Ven & Ring, 2006). This statement is consistent with the finding made by Morgan and Hunt (1994). Authors elicited that shared values are related positively to both commitment and trust. They defined shared values as “the extent to which partners have beliefs in common about what behaviors, goals and policies are important or unimportant, appropriate or inappropriate and right or wrong” (Morgan & Hunt, 1994, p. 25).

Thus, it may be argued that trust is the fundamental bond in intercultural business relationships (Child, 2001); and it requires familiarity and mutual understanding (Nooteboom et al., 1997). Significant cultural differences between relationship partners may bring big challenges and have a negative impact on trust development between these partners right at the beginning of their interactions. This may subsequently impede their further relationship development. Geert Hofstede argues that in order to be able to act together, people must understand the differences between cultures.

In this research, to understand how trust development can be influenced by partners’ cultural differences, Hofstede’s (1980) typology of national culture has to be considered. The typology originally included a four-dimensional scale of national culture: ‘power distance’, ‘individualism / collectivism’, ‘masculinity / femininity’ and ‘uncertainty avoidance’. Later these dimensions were supplemented by a fifth, which is ‘short-term versus
long-term orientation’ (Hofstede, 1991). These dimensions are criticised by many theorists and practitioners. Despite of the criticism, Hofstede conducted one of the most influential studies into cultural differences of nations, and his dimensions have been frequently applied in intercultural research with the purpose of providing a comparison between cultures (e.g. Geletkanycz, 1997; Rosenbloom & Larsen, 2003; Sornes, Stephens, Saetre and Browning, 2004; Delerue & Simon, 2009). Hofstede’s dimensions represent a rather comprehensive framework, which in relative terms accounts for the orientations adopted by the majority of a society’s members.

**High versus Low Power Distance**

The ‘Power distance’ dimension refers to the extent to which society members accept unequally distributed power. “Power and inequality, of course, are fundamental facts of any society and anybody with some international experience will be aware that all societies are unequal, but some are more unequal than others” (Hofstede & Hofstede, 2005, p. 137). Essentially, this dimension reflects how hierarchical a society is. In the ‘high power distance’ society superiors enjoy privileges their power and higher social status give them, whereas in the ‘low power distance’ society such social status differentials are not significant, and relationships between superiors and subordinates are more horizontal and, hence, more favourable for the trust development. Furthermore, Hofstede (1984) suggests that in ‘high power distance’ societies, there is a low tolerance for variability in behaviour and, accordingly, a high concern regarding predictability in relationships. In these societies, the predictability of a trustee’s behaviour is highly valued and fosters trust development (Doney et al., 1998).

According to Doney et al. (1998), opportunism may be less likely in low power cultures, where people are more inclined to share power and practise more participative decision-making. Additionally, people value relationships based on mutual dependence and group affiliation. Such norms and values provide evidence for a trustor that his/her trustee’s intentions are benevolent. (Doney et al., 1998) Conversely, more directive and less collaborative relationships are preferable in those societies characterized by a high power distance (Hayes & Prakasam, 1989). In such relationships, the likelihood of a trustee’s opportunistic behaviour may increase which is not favourable for trust development.
Doney et al. (1998) argue that in high power distance societies, where people expect inequalities in traits and abilities, the emphasis is on qualifications and a large perceived difference between experts and non-experts. Thus, the evidence supporting a trustee’s capabilities are very valuable, and provide a solid base for trust development. Furthermore, in such societies, the fact that faith in people and institutions is low does not promote trust formation. (Doney et al., 1998) People regard others as a threat and are less inclined to trust them (Kale & Barnes, 1992).

**Individualism versus Collectivism**

In relation to ‘individualism - collectivism’, this dimension refers to the extent to which individuals identify themselves within a society as autonomous members or members embedded in the group. As Hofstede (1991) denoted, “The vast majority of people in our world live in societies in which the interest of the group prevails over the interest of the individual. I will call these societies collectivist. ...A minority of people in our world live in societies in which the interests of the individual prevail over the interests of the group, societies which I will call individualist” (1991, p. 50). This dimension is essentially about the importance of relationships to a social grouping (Browaeys & Price, 2011). It means that in ‘collectivist’ societies personal relationships guarantee loyalty, predictability and trust and are more important than the tasks to be accomplished. Accordingly, trust development in business relationships may largely depend on personal networks. The same cannot be said about ‘individualist’ societies.

Hofstede (1984) underscores that people in collectivist societies will unlikely engage in opportunistic behaviour, because people seek collective interests and hold group values. Doney et al. (1998) denoted that collectivist norms provide a strong indication of a trustee’s benevolent motives in a relationship. Such is not the case in individualist societies, where people are expected to maximize the gains from any opportunity (Hofstede, 1984). It means that the trustor’s best interests are not likely to be of utmost importance to the trustee (Doney et al., 1998). Furthermore, according to the scholars, individualist societies can be characterised by the large degree of freedom and few restrictions in individual behaviour. Individualists accept unpredictable behaviour on the part of others (Doney et al., 1998). In contrast, people from collectivist societies expect predictability in behaviour and intentions in order to trust others.
In collectivist cultures, where people work together to accomplish group objectives, evidence of a trustee’s capability may not be particularly valuable. In other words, when the group as a whole can be counted on to get the work done, it is unlikely that trustors will rely on evidence of a trustee’s capability in the trust-building process. The reverse is true in individualist cultures, where norms suggest that evidence of a trustee’s capability is a reasonable basis for trust activation. (Doney et al., 1998)

**Masculinity versus Femininity**

The ‘Masculinity - Femininity’ dimension reflects characteristics of societies such as being competitive and assertive which refer to masculinity, and being caring, cooperative and less aggressive which refer to femininity. Feminine societies expect people and institutions to be nurturing and supportive. These ‘soft’ values embraced by feminine societies provide a strong indication that the partner’s motives and intentions are benevolent, and the partner will act in the trustor’s best interest (Doney et al., 1998), and, hence, will be trustworthy. Furthermore, Doney et al. (1998) argue that levels of cooperation are higher in cultures with greater femininity. As masculine culture is competitive, therefore, in such cultures business partners might be less inclined to cooperate. In the context of business relationships, it cannot be considered as a supportive factor for trust development.

Further, self-serving behaviour is unlikely in feminine cultures, because it is not consistent with the feminine value system (Doney et al., 1998; Hofstede, 1984). On the contrary, masculine cultures can be characterised by frequent instances of self-serving and opportunistic behaviour. Norms in masculine societies are also inconsistent with the notion of predictable behaviour. Masculine cultures are associated with independence and accept unpredictable behaviour on the part of others. Accordingly, in masculine societies, it would be difficult for a trustor to predict a trustee’s future behaviour. (Doney et al., 1998) The reverse is true about feminine cultures, which support behavioural conformity and facilitate a prediction process.

The norms and values of feminine societies provide a strong indication that a trustee’s motives are benevolent (Doney et al., 1998). Thus, the fact that a trustee’s behaviour is predictable and benevolent maintains trust activation and further development. Furthermore, people from feminine cultures may have a greater propensity to build relationships based on a higher degree of trust due to a desire to create harmony and goodwill within the relationship.
(Pressey & Salassie, 2003). They strive to maintain good interpersonal relationships based on trust, which is a key element in relationship quality.

**High versus Low Uncertainty Avoidance**

The ‘Uncertainty avoidance’ dimension indicates the extent to which individuals in a particular society feel threatened by risky and ambiguous situations and try to avoid them. High uncertainty avoiding societies prefer predictability in their lives, everything that protects them from uncertainty and provides security. “Uncertainty-avoiding cultures shun ambiguous situations. People in such cultures look for structure in their organizations, institutions, and relationships, which makes events clearly interpretable and predictable” (Hofstede, 2001, p. 148). The fear of taking responsibility or fear of failure is rooted deep in these societies. Familiar risks can be accepted but not the uncertainty or unknown risks.

Nevertheless, people cope with uncertainty in different ways. Thus, low uncertainty avoidance cultures do not fear the future and tolerate ambiguities and unknown risks (Hofstede, 1984; Kale & Barnes, 1992), accepting the fact that there is not an answer to every question. For instance, business relationships are dynamic, and partners’ behaviour is difficult to predict. Particularly, initial intercultural business relationships involve high risks and many questions. Thus, it can be assumed that people in low uncertainty avoidance societies are willing to enter into new business relationships (e.g. Kale & Barnes, 1992) and willing to accept vulnerability to the actions of unknown partners. That is a fundamental component for trust initiation.

On the contrary, for people from high uncertainty avoidance cultures, the prevailing view is that the behaviour of human beings is predictable (Kale & McIntyre, 1991). They place a relatively high value on stable and secure business relationships that can be predicted. For them, partners’ predictable behaviour is a condition that support trust development in business relationships. People desire to specify the range of acceptable behaviours and establish clear rules that make it easy for a trustor to predict a trustee's behaviour (Doney et al., 1998). Furthermore, it is likely that evidence of a trustee’s competence, ability, or expertise serves as a *trust-constituting condition*, because it helps to transform a trustor’s uncertainty into certainty (e.g. Hofstede, 1984; Doney et al., 1998) and to increase the predictability of a trustee's behaviour.
Short-term versus Long-term Orientation

The fifth dimension of national culture emerged from a survey initiated by Michael Bond (1988) attempting to measure value orientations from the Chinese perspective. This dimension is related to the principles of Confucian teaching and reflects the concept of time. Hofstede (1991) defined it as ‘short-term versus long-term orientation’. The society with the ‘short-term orientation’ represents a static culture focused on the past and present and associated with values such as ‘personal steadiness and stability’, ‘respect for traditions’, ‘protecting your ‘face’, ‘respect for tradition’, ‘reciprocation of greetings’, ‘favours and gifts’. The ‘long-term orientation’ refers to dynamic and future oriented cultures characterised by ‘persistence’, ‘thrift’, ‘having a sense of shame’, ‘ordering relationships by status’ and ‘observing this order’. (Hofstede, 1991) In the business relationship context, long-term orientation could be considered as favouring the development and maintenance of lifelong relationships instead of being loyal to partners according to the current needs of business and seeking short-term profits.

Furthermore, ‘long-term orientation’ corresponds to the expectation of stable relationships and cooperative interdependence between partners, i.e. when relationship outcomes benefit both parties in the long run. Having a long-term orientation, partners focus on achieving common goals and taking advantage of both current and future outcomes. The same cannot be said for the short-term orientation, which is concerned only with the options and outcomes of the current period. Thus, implications of long-term orientation favour cooperative behaviour, which strengthens trust development.

To finalise this section, in intercultural business relationships trust emerges and develops through social interactions between people or groups of people from different societies whose behaviour is defined predominantly by the norms and values inherent to their national cultures. In such relationships, the influence of national culture on trust development needs to be better understood. It has been found in several studies that societies differ in their overall level of trust and the way in which trust develops (Dyer & Chu, 2003; Fukuyama, 1995; Yamagishi, Cook & Watabe, 1998). Moreover, the nature of trust and the cultural support for trust can vary across different national contexts ( Zaheer & Zaheer, 2006), presumably because different cultural norms and values affect trust development differently (Doney et al., 1998). These scholars highlight the great relevance of national culture for the research on trust development in intercultural business relationships.
Besides Hofstede's dimensions, a number of alternative dimensions, which detect differences in the national character of individuals, was proposed by several other scholars such as Hall (1959), Kluckhohn and Strodtbeck (1961), Schein (1985), Adler (1991) and Trompenaars (1993). However, the emphasis on values and behavioural patterns in business management and the originality with a minimum number of dimensions makes Hofstede's framework applicable in this research. Thus, in the following section, Russian national culture will be explored with the purpose of understanding how it may influence trust and its development within business relationships with Russian partners, using dimensions elaborated by Hofstede (1980, 1991).

2.2.5 Trust in the Context of Russian Culture

A relatively large number of studies have explored Russian national culture within a business setting (Bollinger, 1994; Hisrich & Grachev, 1995; Naumov, 1996; Puffer, McCarthy & Naumov, 1997; Elenkov, 1998; Kets de Vries, 2000; Michailova, 2000; McCarthy & Puffer, 2003; Ledeneva, 2006; Danilova, 2007; Grachev, Rogovsky & Rakitski, 2008). Most quantitative studies conducted on Russian national culture applied Hofstede’s cultural dimensions.

Table 4  Cultural dimensions scores for Russia proposed by Hofstede and studies applied Hofstede’s dimensions (numbers in parentheses is deviation within confidence interval)

<table>
<thead>
<tr>
<th>Study author(s) and year</th>
<th>PD Power Distance Index</th>
<th>ID Individualism / Collectivism Index</th>
<th>UA Uncertainty Avoidance Index</th>
<th>MA Masculinity / Femininity Index</th>
<th>LT Long/ Short-Term Orientation Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hofstede 1993</td>
<td>95</td>
<td>50</td>
<td>90</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td>Hofstede 2001</td>
<td>93</td>
<td>39</td>
<td>95</td>
<td>36</td>
<td>-</td>
</tr>
<tr>
<td>Bollinger 1994</td>
<td>76</td>
<td>26</td>
<td>92</td>
<td>28</td>
<td>-</td>
</tr>
<tr>
<td>Naumov &amp; Puffer 2000</td>
<td>40 (17)</td>
<td>41 (20)</td>
<td>68 (15)</td>
<td>55 (18)</td>
<td>59 (17)</td>
</tr>
<tr>
<td>Danilova 2007</td>
<td>28 (6)</td>
<td>55 (7)</td>
<td>121 (6)</td>
<td>2 (10)</td>
<td>42 (4)</td>
</tr>
</tbody>
</table>
Table 4 shows the comparable findings of these studies in addition to Hofstede’s estimated scores offered for Russia. In this table, a certain degree of inconsistency in scores can be observed between the studies. Initially, Russia was not among the countries where Hofstede conducted his research. The cultural scores for Russia were calculated indirectly, using literary sources and expert estimates. Therefore, the scores introduced by Hofstede should be considered as suggestions and not as proven facts. Further empirical research and testing is needed.

Referring to the definitions of national culture (Geletkanycz, 1997; Hofstede, 1980) introduced in section 2.2.4, it could be elicited that individuals of the same culture will be alike in their preferences to see and react to a particular environment. Nevertheless, definitions do not posit that all individuals within a nation possess common norms and values, but imply that people of a nation embrace enough homogeneous characteristics enabling the formation of a national culture. Cultural homogeneity of nations is acknowledged as a major limitation of Hofstede’s research (e.g. McSweeney, 2002). It has been claimed that the research disregards significant variation of intra-country cultural heterogeneity while equating culture with country (e.g. Douglas & Craig, 1997).

Accordingly, caution should be applied when characterising Russian national culture. First of all, Russian culture is not homogeneous, as it comprises of Eastern European and Northern Asian cultures. “Through the centuries Russia absorbed the basic values of both the West and the East – reason and inspiration. It served as a bridge between Western and Eastern cultural traditions, with a certain psychological dependence on both” (Grachev et al., 2008, p. 806). More precisely, it pervades cultures of more than 140 nationalities and ethnic groups living together in the vast territory of the Russian Federation. Therefore, culturally based contradictions could be seen very often among the population despite common territory, historical roots, and one dominant national language.

Further, Hofstede is strongly inclined to view culture as static, saying, “Cultures, especially national cultures, are extremely stable over time” (2001, p. 34). According to this view, the cultural characteristics of the three levels discussed in section 2.2.4 are deep-rooted and territorially bound, and do not change suddenly; on the contrary they remain unchanged in the long term. As for Russian society, it has been in transition to a market economy since 1991 and is still undergoing radical changes in economic and social life. The decades of unstable political and economic environment could
have had a certain impact on national culture. Nevertheless, for simplicity in this research, the term **Russian national culture** is used when discussing the universal culture that unifies European and Asian people living in the Russian Federation and reflects the history of Russia and the former Soviet Union.

In the following, Hofstede’s five dimensions of national culture values are employed to discuss the traits of Russian national culture and the influence they may have on trust and its development within business relationships.

**High versus Low Power Distance**

Among 53 countries participating in Hofstede’s research, Russia scores very high on the ‘power distance’ dimension. Scoring 95, Russia belongs to the highest power distance societies in the world (Hofstede 1993). In comparison to the 61 countries participating in the GLOBE research conducted by House, Hanges, Javidan, Dorfman and Gupta (2004), Russia is also ranked very high on power distance. Additionally, several other studies posit that Russians appear to have a high power distance, which shows that Russians are accustomed to the powerful leadership style of their leaders with little delegation of power (e.g. Bollinger, 1994; Fernandez Carlson, Stepina & Nicholson, 1997; Elenkov, 1998). This has been rooted in Russian history. Over the centuries, Russian society was controlled and personal freedom suppressed by ruling authoritarian leaders of the Russian Orthodox Church, Czars, landowners and the Communist Party (Elenkov, 1998). The power and decision-making was highly centralised. As a result, people in lower-level positions felt dependent and helpless, wanting, even expecting, their leaders to take care of them (Kets de Vries, 2000). Nevertheless, paradoxically, these leaders have hardly been trusted or respected. Kets de Vries (2000) deduces that Russian people tend to be more willing to accept unequal distribution of power in institutions and organisations than people from other cultures are. The unequal distribution of power indicates the high power distance in the country (Hofstede, 1980). Hofstede (1980) found that power distance also represents societal or institutional trust, which according to Rousseau et al. (1998), could constrain or enhance interpersonal trust. Thus, power distance is related to the level of interpersonal trust. Accordingly, a society like Russia with a high power distance could be characterised, referring to Hofstede (1980), as a society with low interpersonal trust and a great need for controls on individual behaviour.
Further, societies that exhibit a high power distance can be characterized as more hierarchical and bureaucratic (Shane, 1994). Bureaucratic controls can negatively influence trust development within an organisation and in a relationship with partner organisations (Moorman, Deshpandé & Zaltman, 1993). According to Hofstede and Hofstede (2005), power distance can also be associated with autocratic behaviour. For many decades in many Russian firms, power was largely concentrated in the hands of their executives. The autocratic management style of Russian leaders has caused a negative impact on employees’ initiatives, self-confidence, creativity and innovativeness. As a result, Russian employees even expect an autocratic management style (Elenkov, 1998) and try to avoid responsibilities within highly layered and bureaucratic Russian firms. It means that to build business relationships with Russian firms, trust development and commitment with their key leaders could be particularly critical in the initial relationship phases. Developing trust with other persons from Russian firms may not lead to the desired decisions in cooperation.

Interestingly, Hofstede (1991) found a strong negative correlation between scores on the power distance index and the individualism – collectivism index. This suggests that the society with high power distance tends to be collectivistic. As for possible reasons, Hofstede (1991) claims, that there is a relationship between power distance and individualism and the economic development factor. Thus, already in the early stages of the transition process to a market economy in Russia, some Russian managers quickly adopted the behaviour needed for free-market operations (Puffer, 1994); and Hisrich and Grachev (1995) describe Russian entrepreneurs as self-confident, energetic, independent and competitive individuals. This description of Russian entrepreneurs is in compliance with findings of some recent studies showing that Russian managers score moderately on the Hofstede’s power distance dimension (e.g. Naumov & Puffer, 2000; Fey, Adeava & Vitkovskaia, 2001; Danilova, 2007). It implies that serious changes may have taken place in the behaviour of Russians and their values related to the power distance, which, according to Hofstede (1991), could be a result of the market development and economic growth in Russia over the last few decades.

**Individualism versus Collectivism**

Several studies, which have estimated the individualism score for Russia place Russia in the medium-range of the ‘individualism – collectivism’ dimension (e.g. Hofstede, 1993; Elenkov, 1998; Naumov & Puffer, 2000;
Danilova, 2007), while in some statistical studies Russia is classified as a collectivist country (e.g. Bollinger, 1994; Fernandez, Carlson, Stepina & Nicholson, 1997). In general, Russian society is stereotyped to be collectivist (Puffer, 1994; Shama, 1994). Höhmann and Malieva (2002) argue that Russian history could be characterized by a weak development of trustworthy formal institutions and by a relatively limited scope for individuality. The authors denote that this restricted individualisation can be seen in both communist ideology and the teachings of the Orthodox Church, where the autonomous individual plays a relatively minor role as a specific carrier and recipient of trust. Moreover, people with individualistic traits were usually criticised and regarded “to be socially undesirable and destructive for group harmony” (Puffer, 1994, p. 44). As a result, staying at the group level and following the rules of the group is deeply rooted in the mentality of Russian people (e.g. Elenkov, 1998; Fey et al., 2001).

In more collectivistic cultures, trust takes on greater importance in motivating cooperative behaviour (Hewett & Bearden, 2001). Thus, in such collectivist societies as Russia, informal social networks are increasingly important for business formation and performance (Batjargal, 2003; Kets de Vries & Florent-Treacy, 2003; Aidis & Adachi, 2007) based on very strong trust-based personal relationships. As Rose (2000) deduces, Russians know the people they trust and they trust the people they know. In Soviet times, people developed networked strategies as a way to obtain scarce resources within the Soviet system (Ledeneva, 2006). When the Soviet Union collapsed, the ties between most state organisations disappeared and before new ones were established, people turned to different networks in order to cope with financial instability and massive shortcomings. Today in Russia, in the face of the developing market economy with weak formal institutions, informal social and business networks based on relatives and friends still play a significant role (Ledeneva, 1998; Höhmann & Malieva, 2002). Personal relationships and networks are used as safeguards against uncertainties in the business environment. The Russian proverb: “It is more important to have 100 friends than 100 roubles”, which is still in the everyday use of Russian people, reflects this factor of social life in Russia.

Nevertheless, it is debatable whether Russians are group oriented or actually extreme individualists (Naumov & Puffer, 2000). Findings obtained by several researchers have indicated increasing individualism in Russia under the conditions of the ongoing transformation to a market economy and related changes in the society (e.g. Bollinger, 1994; Miller, Hesli & Reisinger, 1994; Veiga, Yanouzas & Buchholtz, 1995). In the study conducted by Puffer
and McCarthy (2001), it has been found that Russian entrepreneurs see themselves as being different from other Russians and being out of society’s mainstream, much like entrepreneurs elsewhere. The authors claim that Russian entrepreneurs have a strong sense of individualism in contrast to their fellow citizens. Increasing individualism could be explained by Hofstede and Hofstede’s (2005) argument concerning the existence of a relationship between the degree of a society’s individualism and national wealth. Thus, due to radical changes happening in the Russian market and society, the wealth of certain societal groups such as entrepreneurs has increased considerably. In practice, this means they have become more independent and less reliant on personal and extended family relationships, exhibiting higher interpersonal trust for ‘outsiders’.

**Masculinity versus Femininity**

Among the countries participating in Hofstede’s research, Russia has quite a feminine status, scoring 40. In a masculine society, the interest is usually in results and compensation according to performance. In this sense, the ‘performance orientation’ dimension in the GLOBE research seems to be closely related to Hofstede’s ‘masculinity – femininity’ dimension. The GLOBE research project has positioned Russia as having very low performance orientation (Grachev, Rogovsky & Rakitski, 2008). Russia scored relatively low on the masculinity dimension in the Bollinger’s (1994) research and very low in the research conducted by Danilova (2007). Danilova used Hofstede’s test with a large sample of the employees such as workers, technical professionals and managers at different levels at four Russian machine-building plants. This research has clearly pointed to the predominance of feminine culture.

By contrast, Danilova’s research has also indicated that a relatively high masculinity value could be shown by mid-level and top managers, who are goal-oriented and seeking to implement Western management standards sometimes in a rather tough way. The higher level of masculinity has been found in some other studies. Thus, in Fernandez’s et al. (1997) study conducted among 1,236 business professional and advanced students, Russia was classified as a masculine country. Using Hofstede’s methods, Naumov (1996) has carried out a study with 250 managers, professionals, faculty members and students from several business schools. He found rather a high score for the masculinity value. The other research, in contradiction to Hofstede’s findings, indicates that a younger generation of Russian
entrepreneurs exhibits the highest score for masculinity values (Puffer & McCarthy, 2001).

Although masculinity - femininity values may be different depending on the professions and statuses of the respondents (Hofstede 1994), to a certain extent, contradicting findings on this dimension may also indicate changes within the managerial values of Russian culture. It is interesting to note that while nowadays Russians are becoming more individualistic and competitive, they still value trustful relationships with friends, colleagues and family members that is inherent to the feminine society. Accordingly, a greater emphasis should be placed on the development of inter-personal trust while building business relationships with Russian partners.

**High versus Low Uncertainty Avoidance**

The score on ‘uncertainty avoidance’ for Russia is estimated as very high by Hofstede (1993). Practically, most statistical studies also show high scores in Russia’s uncertainty avoidance values (e.g. Bollinger, 1994; Fernandez et al., 1997; Elenkov, 1998; Naumov & Puffer, 2000; Danilova, 2007). Studies indicate that Russians strongly tend to avoid uncertainty and failure, both individually and nationally. This might be expected after the communist regime of the former USSR (Elenkov, 1998). Operating in the current unstable business environment and weak market institutions, Russian managers and entrepreneurs are forced to interact with people they trust through personal relationships or networks. Obtaining information from personal networks is perceived as preferable by Russian entrepreneurs, while formal or official sources of information, such as government or the press, are considered to be unreliable or inaccurate (Puffer & McCarthy, 2001), and as such not to be trusted.

Nevertheless, it might be too generalised picture for such big country as Russia where regional differences in the business environment could be extensively large. The picture is certainly changing over time. There are also several recent studies, which have found that the informal networks with personalised forms of trust do not always have a special significance in business development. Thus, Shastitko (2002) stated that as business matures, Russian entrepreneurs gradually develop broader networks with other economic actors grounded on successful reciprocal relationships. In addition, trust in newcomers seems to develop only through repeated business interactions (Radaev, 2005). However, according to Chepurenko
and Malieva (2005) trust-related strategies are very complicated and different in different sectors, localities and so on. The authors denote that while micro enterprises more often rely on personal relationships, bigger small and medium-size enterprises have more insight into the situation on the market. Based on the quantitative survey, Chepurenko and Malieva (2005) posit that in the surveyed regions Russian entrepreneurs are relatively open to new deals, although they prefer to make these deals with their existing partners. These existing partners are neither family members nor friends. This means that trust in business partners is based purely on economic activities, and not much on any kind of informal past familiarity with partners. Additionally, ethnicity and religion was insignificant in establishing these business relationships.

In contradiction to Hofstede’s and other researchers’ findings, the GLOBE research has positioned Russia as having a very low score for uncertainty avoidance among all countries participating in the research (Grachev et al., 2008). The authors claim that in the current transitional economy, managers very quickly adapt to rapidly changing situations in the business environment. To a certain extent, this reveals risk-oriented behaviour among Russian managers (Grachev et al., 2008). Moreover, some studies show that Russian entrepreneurs possess risk-taking orientation and are highly tolerant of ambiguity arising from the need to operate in an unpredictable business environment; whereas the general population is more risk averse due to the tradition of criticism and punishment for mistakes during the communist period (e.g. Michailova, 2000; Puffer & McCarthy, 2001). According to Hofstede and Hofstede (2005), in order to reduce ambiguities, people from uncertainty avoiding cultures paradoxically are often ready to be involved in risky behaviour. Risk-taking behaviour presupposes a willingness to accept vulnerability that composes trust (Das & Teng, 2004; Mayer et al., 1995; Lewicki et al., 2006). Optimism may be another explanation for the risk-taking orientation of Russian entrepreneurs. According to Puffer and McCarthy (2001, p. 27), Russian entrepreneurs are more optimistic than entrepreneurs elsewhere are, “perhaps due to a Russian cultural tendency to have unrealistic expectations, sometimes to the extent of believing in miracles”.

**Short-term versus Long-Term Orientation**

Russia scores very low in Hofstede’s ‘long-term orientation’. It has been also observed in other studies that Russians are predominantly short-term
oriented. Thus, Danilova (2007) in her research obtained a moderately low score of this dimension. Hofstede’s long-term dimension could be considered as closely related to the ‘future orientation’ indicator of GLOBE research, which is defined as the degree to which members of a society engage in future-oriented behaviour, such as planning, investments in the future and delay of pleasure. The GLOBE research has also positioned Russia very low in the future orientation (Grachev et al., 2008). The authors interpret this result as a lack of vision in management and entrepreneurship due to the focus primarily being on the strategy of survival and short-term business development. Moreover, this strategy of Russian managers is often highly opportunistic (Salmi, 1996; Puffer & McCarthy, 2001; Jumpponen et al., 2008). The short-term orientation is not surprising as Russian society goes through radical changes in all aspects of social, political and economic life. Conditions of instability affect people’s feelings and worldviews forcing them to pursue own interests within the short-term horizon.

The roots of this short-term orientation can be found in the history of Russian culture and its influence on the behaviour of Russian people. Alexashin and Blenkinsopp (2005) portray Russian culture as vigorous with specific traits like endurance, resoluteness, caution and, above all, an emphasis on survival, which has arisen under conditions of isolation, a severe climate, unpredictable harvests and generally hostile environment. Further, one of the famous Russian historians of the 19th century, Kluchevski (1990), describes stereotypical Russian behaviour and names among others such characteristics as inconsistency in following through with plans and ambiguity with a tendency to dwell on the past rather than to focus on the future and to monitor results rather than set goals.

The low ranking of Russian managers in long-term orientation raises doubts about their investments in building long-term business relationships. Such short-term orientation does not necessarily imply efforts supporting trust development with business partners, which is vital for long-term relationships. However, certain changes in the long-term orientation of Russian managers have also been observed by some researchers. Thus, Veiga et al. (1995) reported that young Russian managers nowadays have started planning for longer periods of time whereas older managers have remained short-term focused. On the contrary, however, in the study conducted by Jumpponen et al. (2008) older Russian managers, who have experience operating during the era of centrally planned economy, tended to have a longer business-planning horizon than younger respondents did.
Summary

The reviewed literature offers a rather comprehensive picture on the Russian national culture and its characteristics that may affect trust development. However, there is a certain degree of inconsistency and even contradictions revealed in the reviewed studies. The major contributing reasons for this are as follows. First, there is an assumption that Russian national culture is homogenous and universal. People from the distinct geographical locations within the vast territory of the Russian Federation may have certain cultural differences due to their local history, economic development and natural environment. Therefore, it is incorrect to assume that all the population of the Russian Federation shares a similar culture and to draw conclusions without considering differences between various local cultures.

The other reason lies in the major changes within Russian society recently. The reviewed studies are mainly conducted during different stages of the transformation period to a new market-oriented economy. Some studies indicated that certain changes have taken place in the values of Russian national culture over the last decades. For instance, Russian managers tend to adopt the managerial values of other countries and nowadays are likely to be closer to Western managerial values (Alexashin & Blenkinsopp, 2005). Some research findings report moderate power distance (e.g. Naumov & Puffer, 2000; Fey et al., 2001; Danilova, 2007), the increasing individualism in Russia (Bollinger, 1994; Miller et al., 1994; Veiga et al., 1995, Puffer & McCarthy, 2001), relatively high masculinity values (Naumov, 1996; Fernandez et al., 1997; Puffer & McCarthy, 2001), very low uncertainty avoidance (e.g. Grachev et al., 2008), risk-taking orientation (Michailova, 2000; Puffer & McCarthy, 2001), and long-term orientation (Veiga et al., 1995; Jumpponen et al., 2008). Other studies show that especially the younger generation of Russian managers and entrepreneurs have made the transition to the market economy rather successfully, which is the evidence of change (Puffer, 1994). Puffer names Russian younger managers as ‘market oriented managers’.

Summarising the section, it is important to emphasise that the reviewed findings of academic research are not fully consistent with Hofstede’s argument that only the outer layers or visible part of cultures such as practices can change fast, while values are stable (Hofstede and Hofstede, 2005). The reviewed literature shows that culture is dynamic in its nature. Additionally, the data derived from the literature does not completely support Hofstede’s (1980) vision that culture is homogeneous within nation
states. Nevertheless, the systematic framework of Hofstede’s cultural dimensions was a valuable tool for reviewing and assessing academic literature on the Russian national culture and its impact on trust and its development. This review has demonstrated that the dimensions of Russian national culture are not always supportive to trust development in business relationships.

2.2.6 Initial Conceptual Framework of Conditions Supporting Trust Development

Figure 15 depicts the initial conceptual framework, which specifies a set of concepts derived from the literature review on the conditions and the context that may invoke and maintain trust development in intercultural business relationships. The purpose was to construct an initial framework that would guide the empirical investigation on conditions that support trust development in intercultural business relationships and enable theory building.

Dwyer et al.’s (1987) model of relationship development was employed as a central construct in building the initial conceptual framework of conditions that support trust development. It may be useful to recall that in section 2.2.1, the process of trust development in business relationships was discussed within Dwyer et al.’s (1987) four relationship development phases: ‘Awareness’, ‘Exploration’, ‘Expansion’ and ‘Commitment’. The ‘Dissolution’ relationship phase was regarded as irrelevant for this purpose, due to the absence of actual trust growth in this phase. Although the ‘Dissolution’ phase was considered as irrelevant, the initial conceptual framework (Figure 15) implies that relationship development is a non-linear process, i.e. dissolution or return to a previous phase can happen in any relationship phase. Dissolution could come due to trust erosion.

The major element, integrated into the initial framework, represents the conceptual framework of subjective trust in business relationships (see Figure 12), which was introduced in section 2.2.2, and extended based on theoretical reasoning.
Figure 15  Initial conceptual framework of conditions supporting trust development in intercultural business relationships

Thus, the initial conceptual framework represents one stage of the trust development process. The growth of trust starts in the *Initiation* stage and continues up to its maturity. Growth can only occur through knowledge acquisition or learning about the trustworthiness of the trustee, as learning is a prerequisite for understanding the 'characteristics of the trustee’ and ‘characteristics of the relationship with the trustee’, which is discussed in section 2.2.2. Having acquired such information that satisfies the trustor’s expectations regarding the ‘characteristics of the trustee’ and ‘characteristics of the relationship with the trustee’, the trustor’s ‘competence trust’ and
‘goodwill trust’ will be increased respectively and hence, ‘subjective trust’. Providing valuable inputs, learning is a continuous process embedded in trust development, which is highly interrelated with relationship development (see Figure 13). Referring to the discussion on two major categories of learning in section 2.2.3, the framework (Figure 15) implies that ‘indirect’ learning in the ‘Awareness’ relationship phase will continue more extensively and transforms into ‘direct’ learning with the beginning of interaction during the following relationship phases.

Finally, the contextual factor of national culture – the implication of which is theoretically identified as of particular importance in section 2.2.4 – is integrated into the framework. The cultural influence on subjective trust is shown by incorporating Hofstede’s cultural dimensions. Accordingly, it reflects that within intercultural business relationships dimensions of national culture are the contextual factors that may significantly affect conditions that support trust development.

2.2.7 The Role of Cultural Adaptation in Trust Development

In section 2.2.4, discussion about the role of national culture in the process of trust development explicated how cultural differences influence conditions supporting trust. That being the case, trust is harder to establish and develop in intercultural business relationships than in relationships between partners with similar cultural backgrounds. Ford et al. (1998, p. 30) defined the cultural distance in the intercultural business relationships as follows: “Cultural distance is the degree to which the norms and values of two companies differ because of their place of origin. When the two companies don’t know each other well, this distance will often show up in national stereotypes”.

In intercultural business relationships, “people from different ‘cultures’ are being asked to manage unfamiliar relationships with unfamiliar parties” (Dietz et al., 2010, p. 4). In such relationships, it is much more difficult to trace signs of trustworthiness from the behaviour of foreign partners. Furthermore, “Cultural and associated language differences tend to impede communication and easy understanding, and may therefore stand in the way of affect based trust” (Child, 2001, p. 246). On the contrary, as the literature suggests, cultural similarity can facilitate the development of trust (Sitkin & Roth, 1993; Child & Möllering, 2003).
Thus, reducing cultural differences or distance in intercultural business relationships is very important for trust development and can be conceivable through adaptation to the culture of the foreign business partners. In other words, adaptation is needed “to elicit approval from members of a foreign culture by attempting to become behaviorally more similar to members of that culture” (Francis, 1991, p. 406). The benefits of cultural adaptation for trust development can be found in day-to-day interactions as well as in long-term business relationships in terms of sustaining the ‘dialogue’ between partners. However, it is significant to note that the effects of cultural differences on trust development can be mitigated, and trust therefore can be reinforced, to the extent that a partner successfully adapts to the other’s foreign culture (Ferrin & Gillespie, 2010). Arguing in a similar vein, Pornpitakpan (2005, p. 83) emphasised the importance of proper cultural adaptation: “Cultural adaptation, if done properly, reduces cultural distance and increases perceived trustworthiness”. This view is also supported in the research by Thomas and Ravlin (1995) that provides insights into the mechanisms through which cultural adaptation may affect trust. The authors suggest that cultural adaptation will be effective if it emphasises similarity to the foreign partner and is perceived as being internally motivated.

Pornpitakpan (2005) elaborated further that in order to enhance perceived trustworthiness it is necessary to adapt behaviour, manners, and communication style to fit those of a partner who has a different cultural background. Effective cultural adaptation requires learning, true understanding, and profound practice (Pornpitakpan, 2005). As Smircich (1983) stated, in intercultural business relationships, it is of utmost importance to understand the “rules or scripts that guide action” (p. 350), and possibly modify behaviour accordingly (Dietz et al., 2010). Summing up the above arguments, cultural adaptation is viewed as an attempt to accommodate the perceived foreignness of the business partner from dissimilar culture by learning the culture, altering one’s own communication style and adjusting to that partner’s behavioural norms, manners, customs and practices (Ellingsworth, 1983; Francis, 1991; Pornpitakpan, 1999, 2005).

Thus, for the purposes of this research, cultural adaptation, in the context of business relationships, is defined as a process of learning and adjusting to culturally dissimilar business practices of a partner, resulting from individual norms, values and beliefs (Weck & Ivanova, 2013). Accordingly, to interact effectively in intercultural business relationships, partners should explicitly learn each other’s ‘native’ culture. They must possess cultural knowledge in order to adjust to the norms for appropriate
behaviour within their relationships. Cultural knowledge can be acquired, for instance, through cross-cultural training. Cross-cultural training facilitates cultural adjustment, and thus, is positively associated with cultural adjustment (Black & Mendenhall, 1990).

Referring to the discussion in section 2.2.3, cultural learning using cross-cultural training manifests ‘indirect’ learning or learning without interactions with foreign business partners. Cultural learning may also take place implicitly through experience of interaction within a business relationship. This is ‘direct’ learning. According to the proposed definition of cultural adaptation, when the aim is to adapt to a foreign partner’s behaviour, learning alone is insufficient without adjusting one’s behaviour. Cultural knowledge acquired through both learning processes provides a solid basis for cultural adjustment. Some scholars defined adjustment to a new culture in terms of the psychological comfort and familiarity an individual feels for the new culture (Black & Mendenhall, 1990).

In this research, cultural adjustment is considered as the purposeful altering of one’s behavioural norms and practices in order to accommodate differences to fit those of a foreign partner and attain comfort while interacting. According to Weck and Ivanova (2013), cultural adjustment also means accepting cultural differences and sensitively integrating one's cultural elements into a partner's culture, learnt theoretically and then from experience. Adjustment can be achieved partially or integrally, which has a direct impact on the degree of adaptation (Weck & Ivanova, 2013).

Empirical research of Francis (1991) revealed three levels of adaptation – ‘moderate’, ‘substantial’ and ‘no adaptation’ - within American-Japanese and American-Korean business negotiations. Francis’s findings demonstrated that only moderate adaptation had a positive effect on negotiations, while substantial adaptation was seen by partners as a threat to group distinctiveness. Applying these levels or degrees of adaptation and the extent of adjustment to the cultural differences, Weck and Ivanova (2013) suggested that ‘moderate adaptation’ implies a partial adjustment to the other’s business culture while essentially retaining one’s own culture. By contrast, ‘substantial adaptation’ involves an integral adjustment, which could be equivalent to imitating another culture. Additionally, the type of cultural adaptation is dependent on the type of learning. As the term implies, indirect adaptation is based on the knowledge acquired through ‘indirect’ learning, whereas direct adaptation rests on ‘direct’ learning.
Furthermore, Weck and Ivanova (2013) considered the types and degrees of cultural adaptation within Dwyer et al.’s (1987) framework of business relationship development. Figure 16 depicts the proposed types and levels of adaptation according to business relationship phases.

![Figure 16](image_url)

**Figure 16** Types and degrees of adaptation in different business relationship phases  
(Adapted from Weck & Ivanova, 2013, p. 213)

For instance, in the ‘Awareness’ relationship, where no interaction with a potential partner firm or ‘direct’ learning takes place, the development of initial trust in that partner is dependent on ‘second-hand knowledge’ or reputation, which is based on third-party experience. Therefore, reputation can also be an outcome of stereotypical assessment, which often involves negative connotations (Weck & Ivanova, 2013). McKnight et al. (1998) define ‘stereotyping’ as placing a person into a general category of persons. A national stereotyping entails generalisation of an individual from a certain society (Ailon-Souday & Kunda, 2003). Stereotypical knowledge or generalisation about another culture can be seriously biased, ignoring the substantial individual variations that exist within different cultures (Weck & Ivanova, 2013). Thus, adaptation on the basis of ‘second-hand knowledge’ can possibly lead to misinterpretation and misunderstanding and hence to a wrong decision. This is a risk. Therefore, in order to adapt appropriately to a partner’s behavioural pattern in a given situation, acquiring ‘first-hand knowledge’ on the partner’s cultural background through interactions or ‘direct’ learning is of utmost importance.
According to Dwyer’s et al. (1987) framework, interactions begin in the ‘Exploration’ phase of relationship development. While interacting in both ‘Exploration’ and ‘Expansion’ phases, relationship partners can implicitly acquire the relevant knowledge about each other’s cultural background. Partners will be able to understand each other better and adjust their behaviour, thus supporting their communication and fostering trust. Accordingly, during these phases, trust is in its *Growth* stage and cultural adaptation is needed in order to maintain this growth and raise it to maturity level in the ‘Commitment’ phase. Learning through interaction or ‘direct’ learning generates conditions for an appropriate and direct adaptation to the partner’s culture. (Weck & Ivanova, 2013)

### 2.3 Summary

The foregoing literature review (see Chapter 2) has provided a foundation for the consequent investigation by defining the key theoretically grounded concepts and generating initial conceptual frameworks. Thus, first, the framework of project-based business relationship development (see Figure 3) is constructed in order to guide data collection and analysis in all empirical studies. Second, the frameworks of the conceptual components of ‘perceived risk’ (Figure 8) and ‘subjective trust’ (Figure 12) are introduced based on the theoretical knowledge available in the literature. These key frameworks are necessary to facilitate the analysis of empirical data for RQ 1 and RQ 2 (a) and the building of an integrative conceptual framework of the relation between conditions supporting trust development and perceived risks in intercultural business relationships (RQ 3). Third, the initial conceptual framework of conditions supporting trust development in the intercultural business relationship context (see Figure 15) is constructed with the purpose of directing the qualitative interviewing related to the main research question RQ 2 (a). Additionally, the pre-defined theoretical themes and the initial conceptual framework are needed to assist the analysis of the extensive empirical data and to serve inductive theory building. Further discussion on the connection between the results of the literature review and the methodology applied in this research continues in the following chapter.
The purpose of this chapter is to describe and justify the methodology and methods chosen for the empirical research. To this end, the chapter is structured as follows. An overview of the research philosophical assumptions is followed by a brief discussion on the choice of research methodology approach. Thereafter, the overview of research design is introduced. The chapter ends with explanations of the employed data collection and analysis methods.

### 3.1 Philosophical Assumptions

Important for the choice of methodology is the researcher’s basic “beliefs and feelings about the world and how it should be understood and studied” (Denzin & Lincoln, 2000, p. 19). These assumptions about the world and the nature of knowledge represent the researcher’s epistemological and ontological positions, which may be termed a paradigm (Denzin & Lincoln, 2000). Guba & Lincoln (1994, p. 105) define paradigm as the “basic belief system or world view that guides the investigation”. Different paradigms embrace diverse ontological, epistemological, and methodological assumptions (Guba & Lincoln, 1994). As such, it is of crucial importance to specify the researcher’s philosophical foundations for the choice of methodology, i.e. “what paradigm informs and guides his or her [the researcher’s] approach” (Guba & Lincoln, 1994, p. 116).

Several scientists have distinguished a variety of different paradigms at the most general level (Burrell & Morgan, 1979; Denzin & Lincoln, 2000). Likewise, Guba and Lincoln (1994) introduced four main research paradigms: ‘positivism’, ‘postpositivism’, ‘critical theory’ and ‘constructivism’. ‘Positivism’ and ‘constructivism’ can be viewed as two
extreme paradigms. The positivist paradigm is widely called the scientific paradigm, which looks for an explanation of particular phenomena by developing general laws or principles (King & Horrocks, 2010). It is situated in the objectivist epistemology, where objects in the world have meaning that exists independently from any context (Guba & Lincoln, 1994; King & Horrocks, 2010). Unlike positivism, the constructivist paradigm accepts a relativistic ontology (which assumes multiple realities), subjectivist epistemology (both knower and respondent create understanding), and a naturalistic set of methodological procedures (Denzin & Lincoln, 2000). Relativist ontology denies the assumption that “society is a pre-existent ‘real’ entity with objects and structures but rather is the product of people engaging with one another” (King & Horrocks, 2010, p. 9). The understanding and experiences of the individual are relative to specific cultural and social frames of reference that the individual possesses and are open to a range of interpretations (King & Horrocks, 2010).

In this research, the philosophical stance and values of the researcher resulted in the assumptions that are consistent with the interpretivist and social constructivist paradigms. These paradigms both “insist on rejecting the very idea of any foundational, mind-independent, and permanently fixed reality that could be grasped or even sensibly thought of without the mediation of human structuring” (Shusterman, 1991, p. 103). Interpretivism is generally characterised by the notion verstehen or ‘interpretive understanding’ suggested by Max Weber (1864 – 1920), who argued that human sciences should be concerned with understanding human action (Schwandt, 2000). In order to understand a particular human action, “the inquirer must grasp the meaning that constitutes that action” (Schwandt, 2000, p. 191). Schwandt claims that it is possible to understand the subjective meaning of action through grasping the actor’s beliefs, desires, and so on in an objective manner being external to the interpretive process. For this purpose, interpretive studies usually employ qualitative methods (Prasad & Prasad, 2002).

The epistemological position of this research has roots in social constructivism, which “means that human beings do not find or discover knowledge so much as we construct or make it” (Schwandt, 2000, p. 197). Social constructivism describes reality created through interactive and discursive processes, particularly how individuals or groups of individuals come to know what they know (Berger & Luckmann, 1966). The paradigm implies that social reality is constructed through language and thus contrasts dramatically with positivism, where the true knowledge of reality is
accessible through observation. It views knowledge as produced through verbal exchange and as historically and culturally located. (King & Horrocks, 2010) In this relation, Burr (1995, p.152) vividly stated: “No human being can step outside of their humanity and view the world from no position at all, which is what the idea of objectivity suggests, and this is just as true for scientists as for everyone else”. Thus, standing in the position of social constructivism, this research is a ‘co-production’ of knowledge between the researcher and the researched (Burr, 1995).

To recapitulate, this research is conducted following the interpretivist and social constructivist traditions aiming at understanding respondents’ perceptions and subjective experiences, as well as considering the contextual factors. However, it must be noted that employing the initial conceptual framework and using scales in a few interview questions can be described to some extent as constituting a form of ‘qualitative positivism’ (Prasad & Prasad, 2002, p. 6). Nevertheless, the role of the initial framework and defined theoretical concepts was limited to structuring the inquiry and to organising empirical data. Application of scales in a small number of questions served as an additional data source providing more depth to the research findings (see second part of interview protocol in Appendix 3). Despite these deviations from the traditional conventions, this research represents an attempt to utilise the researcher’s philosophical stance, knowledge and skills in conducting an interpretivist and social constructivist study.

### 3.2 Methodological Approach

This research has an exploratory character with the aim to observe, interpret and describe the research phenomenon in context. This aim was a primary guideline in the choice of research methodology. Thus, adopting the stance of the social constructivist paradigm, it may be argued that the **qualitative approach** is most applicable in the course of this research, which “seek[s] answers to questions that stress how social experience is created and given meaning” (Denzin & Lincoln, 2000, p. 8).

Qualitative research allows discovering meaningful events for the respondents and interpreting their meanings. In particular, this research explored complex processes and provided more in-depth knowledge on how
individuals perceive and make sense of things that are happening in the
course of trust development within intercultural business relationships.
Qualitative data enabled the researcher to capture the central themes and
describe the phenomenon more thoroughly.

It is often believed among qualitative researchers that, “because qualitative
research is necessarily inductive and “grounded”, any substantial prior
structuring of the methods leads to a lack of flexibility to respond to emergent
insights, and can create methodological “tunnel vision” in making sense of
your data” (Maxwell, 2005, p. 80). Accordingly, it could mean that the
conceptual frameworks of the research that originated prior to data
collection are incompatible with qualitative research; and the prior
structuring is inherent in quantitative research and used by positivists.

Nevertheless, there is a contrasting view, which suggests that the
‘structured approach’ can ensure the comparability of data across
interviewees, times, settings and researchers (Maxwell, 2005). Miles &
Huberman cautioned, “Highly inductive, loosely designed studies make good
sense when experienced researchers have plenty of time and are exploring
exotic cultures, understudied phenomena, or very complex social
phenomena. But if you’re new to qualitative studies and are looking at a
better understood phenomenon within a familiar culture or subculture, a
loose, inductive design is a waste of time.” (1994, p. 17) These arguments
were the most important motive for utilising the ‘structured approach’ in
studying complex research questions. Moreover, the presence and potential
of theories and concepts related to the research phenomenon could not be
ignored. Thus, the prior defined theoretical concepts and the initial
conceptual frameworks, originated from the existing theoretical literature,
were employed to direct the empirical investigation and to serve theory
building. Furthermore, the ‘structured approach’ was particularly useful for
ensuring comparability of research results across data sources, reducing the
amount of data collected and simplifying the analytical work (Miles &
Huberman, 1994).

To conclude, the overall logic of the research is inductive, given that the aim
was to build theory departing from the observation of a phenomenon
specified theoretically in advance. However, the defined theoretical concepts
and the initial framework added a deductive element into this inductive
research. That is because the theoretical concepts and the initial conceptual
framework were to some extent involved in structuring the empirical
enquiry, and the inductively gathered data were organised into a hierarchy
proposed by the framework themes. Nevertheless, the inductively conducted analysis allowed the examination and further development of the initial conceptual framework of trust development in intercultural business relationships and introducing propositions that can be investigated in future research.

3.3 Research Design

This research was divided into three main phases, which are introduced in Figure 17. *Phase one* consists of the theoretical literature review. The empirical research part was divided into two phases, namely *phase two* and *phase three*. *Phase two* represents the first stage of empirical research comprising a Pilot study with the focus on research questions RQ 1 and RQ 2(a). Finally, *phase three* embodies a second stage of empirical research covering both Main and Supplementary studies dedicated to all three research questions RQ 1, RQ 2 (a, b) and RQ 3.

![Figure 17: Overview of research design](image-url)
PHASE ONE – Literature review

The purpose of the literature review (Chapter 2) was to provide an overview of the theories and current research efforts relevant to the research questions and adopting a multidisciplinary perspective. This review has generated a foundation, which underpins the consequent investigation. The initial conceptual frameworks, which outline the relationships between the theoretically grounded concepts, were constructed with the aim of guiding empirical data collection and analysis towards inductive theory building.

PHASE TWO – Pilot study: Relationship risks and conditions supporting trust development

In order to facilitate the data collection in the Main study, the creation of an initial understanding of the research phenomenon was needed. The aim was to identify the ‘perceived risks’ and conditions that support trust development in the relationships between Finnish and Russian firms operating in the Russian construction market. To this end, a Pilot study was conducted that focused on the following research questions:

RQ 1  What are the potential risks perceived in different phases of business relationships with Russian partner firms?

RQ 2  (a) What are the conditions that support trust development with Russian partners in different phases of business relationships?

The scope of perceived relationship risks and conditions supporting trust development was revealed from the empirical data with the purpose of utilising it as a framework for interviewees’ estimations in the Main study of research phase three (see Figure 17). Additionally, interview questions were refined and the appropriate interview guide was drawn up for the Main study.
PHASE THREE – Main and Supplementary studies: Conditions supporting trust development and relation between the conditions and ‘perceived risks’

This phase comprises the Main and Supplementary studies. The Main study was conducted with the aim of examining the conditions that support trust development process in the relationships between Finnish and Russian firms, explore their distinctive features in the Russian cultural context and determine the relationship between conditions supporting trust development and risks. The study was dedicated to the following research questions:

RQ 1  What are the potential risks perceived in different phases of business relationships with Russian partner firms?

RQ 2  How can trust development be supported in relationships between Finnish and Russian firms operating on the Russian market?

(a) What are the conditions that support trust development with Russian partners in different phases of business relationships?

RQ 3  What is the relation between conditions that support trust development and perceived risks in the development process of intercultural business relationships?

The Main study started from the ‘Exploration’ of the conditions that support trust development process. The initial conceptual framework (Figure 15), originated from the literature, was empirically validated and developed further. This was followed by obtaining the respondents’ assessments of ‘perceived risks’ and conditions supporting trust development identified in the Pilot study. Lastly, examination of the relationship between the concepts of ‘perceived risks’ and conditions supporting trust had an explanatory character. It was accompanied by developing the integrative conceptual framework and introducing related propositions.

The following additional question was constructed regarding cultural adaptation emerged inductively from the analysis of the interview data related to the conditions that support trust development:
RQ 2 (b) *How does cultural adaptation contribute to trust development in business relationships with Russian partners?*

This question motivated the conducting of the Supplementary study. This study extended the exploration of the conditions supporting trust development process by examining the contribution of cultural adaptation to trust development and categorising cultural adaptation within each relationship phase. Going deeper, it sought to uncover and understand the relations or mechanisms lying behind the role of cultural adaptation in trust development. Finally, a developed conceptual framework was introduced, which interprets and shows connections between findings of three interview studies.

### 3.4 Research Methods

Research methods comprise the various means by which empirical data can be collected and analysed (Hussey & Hussey, 1997). The qualitative research typically refers to methodological approaches that rely on non-quantitative or non-statistical methods of data collection and analysis (Prasad & Prasad, 2002). In this research, a rationale for using qualitative research methods was expected under interpretivist and social constructivist assumptions. The methods were chosen in relation with the qualitative structured methodological approach in order to investigate different facets of the research phenomenon employing the defined theoretical concepts and the initial conceptual framework.

The face-to-face semi-structured interviewing was conducted as the only practical method of obtaining sufficiently detailed first-hand data and ensuring co-creation of knowledge between the researcher and interviewees. The interview-based strategy was applied in the course of all three studies as it is illustrated in Figure 18.

Interviewing is the most powerful method for accessing and understanding beliefs, values and behaviour of individuals (Rubin & Rubin, 2005), producing scientific and professional knowledge (Kvale & Brinkman, 2009), and “is the most commonly use method of data collection in qualitative research” (King & Horrocks, 2010, p. 1). The method has the following
evident advantages, which were a primary motive underlying this choice. First, flexibility and completeness are the major advantages of this method (e.g. Bailey, 1994; King & Horrocks, 2010). The varied professional, educational and personal background of the research respondents requires flexibility in interviewing and precludes the use of highly standardised data collection protocols. Second, semi-structured face-to-face interviewing suits the exploration of respondents’ perceptions, feelings and beliefs regarding issues that are both complex and sensitive (Greeff, 2002). Such interviewing is also useful when understanding of the past and sometimes unobservable episodes are in question, and formal records of events are not available (De Vaus, 2001). Additionally, semi-structured face-to-face interviews enable utilising a more complex interview guide (Bailey, 1994) and probing during interviews, which according to King and Horrocks (2010) adds more depth to the data through elaboration and clarification.

<table>
<thead>
<tr>
<th>RESEARCH QUESTIONS</th>
<th>STUDY/ DATA COLLECTION</th>
<th>ANALYSIS</th>
</tr>
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<tbody>
<tr>
<td>RQ 1 Business relationship risks</td>
<td>PILOT STUDY elite interviewing; 8 semi-structured in-depth interviews</td>
<td>Thematic Analysis</td>
</tr>
<tr>
<td>RQ 2 Trust development process</td>
<td>MAIN STUDY 35 semi-structured in-depth interviews within 7 firms</td>
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<tr>
<td>RQ 3 Relation between trust and risks</td>
<td>SUPPLEMENTARY STUDY 8 semi-structured in-depth interviews within 5 firms</td>
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**Figure 18** Overview of research methods

Bailey (1994) outlined some disadvantages such as implementation costs of interviewing, less assurance of anonymity, and the interview bias that can be introduced by the interviewer’s errors in understanding the respondent’s answer or in recording it. These problems were overcome by using digital recordings and verbatim transcription of the interviews, and by ensuring the research participants that the information provided will be used strictly for the research purposes and kept anonymous actively, thereby protecting their identity.
The methods of data collection such as participant observation, and an analysis of documentary material were not employed due to the specific nature of the research questions. Since trust, existing in interactions between partner firms is performed by individuals and refers to an individual’s psychological state, the development of trust or risks in business relationships cannot be easily observed or measured. It is also because trust in particular is something intangible, invisible and sensitive. Furthermore, a time limitation is another significant obstacle in gathering proper evidence through observation due to the nature of the research questions. Thus, observing the trust development process in Finnish-Russian business relationships seemed to be problematic given the time available for that and due to the firms’ locations, where the interviews were conducted.

Additionally, the researcher considers that collection of documentary material about interviewees’ firms such as annual reports and internal documents would not add anything of value to the body of interview data except maybe providing background information on the Finnish firms involved in the research. The collection of documents of the Russian partners from interviewees was not possible as they were not made available to the researcher during interviews. It was agreed with the respondents to assure the anonymity of their Russian partners. Priority was given to the semi-structured face-to-face interviews and the proper collection of data that was based on the interviewees’ retrospective and generalised experience. In addition to the in-depth interview format, the careful selection of informants allowed for greater depth and multiple perspectives of primary data to be achieved. In-depth interviews are introduced as the primary method of data collection in section 3.4.1, which is followed by an introduction of the thematic analysis.

### 3.4.1 Data Collection: In-depth Interviews

In total 51 qualitative in-depth interviews were conducted in this research. Among them 8 interviews were carried out in the Pilot study, 35 interviews – in the Main study and 8 interviews – in the Supplementary study (see Figure 18). A key characteristic of these in-depth interviews was a semi-structured format with open-ended questions aiming for understanding and interpretation. Interview guides directed the interviews in all three studies. Questions were written in both Finnish and Russian languages for
interviewing in the language most comfortable to interviewees. Thus, interviews with Finns were held in the Finnish language and interviews with Russians in the Russian language. The interview guides translated into the English language are introduced in Appendices 1, 2, 3 and 4. Before the interviews began, an oral and written briefing was provided, which contained the definitions of the development phases in a business relationship. Interview guides were sent to respondents in advance.

The researcher conducted all interviews personally face-to-face and recorded them digitally with the permission of the respondents. All recordings were transcribed verbatim into text in Finnish and Russian and thereafter translated into English. Recordings and full transcriptions of the interviews enabled the collection of direct quotes, which provided richness to the descriptions of research findings. The names of respondents and firms they represented are suppressed for confidentiality reasons. Each respondent was interviewed once with the purpose of acquiring individual perceptions on the research phenomenon and not to build cases on the organisational level. Interviews aimed at capturing data that would enable the researcher to understand the research questions from the individual perspectives of both Finnish and Russian managers, who represent Finnish firms and are directly involved in business relationships with Russian partner firms.

**Pilot Study**

The aim of the Pilot study (phase two) was to establish the initial understanding of the ‘perceived risks’ and necessary conditions under which trust development takes place in practice. The Pilot study is applicable for this purpose, especially when the research phenomenon in the particular context is under-researched and the research process is considered as predominantly complex. It allowed pre-testing and refining the interview questions, and the early evidence suggested how to proceed to the subsequent data collection. Importantly, the interviews of the Pilot study indicated that the open-ended questions of the research were particularly time-consuming because discussions were conducted about each relationship development phase separately. Thus, the Pilot study provided a substantial background for more focused interviewing in the main investigation and minimised possibilities of a failure in the data collection. The initial framework of trust development had a marginal role in this study allowing flexibility for the researcher during interviews to generate an initial
understanding of the research phenomenon and design the next stage of the investigation.

Regarding the aim of the Pilot study, ‘elite interviewing’ was chosen as the most appropriate method of data collection. Marshall & Rossman (1989) defined ‘elite interviewing’ as a special treatment that focuses on the influential, prominent and well-informed people or ‘elites’ in an organisation or community, who are selected on the basis of their experience relevant to the research area. Thus, the selection of interviewees for the Pilot study was based on the general assumption of them being highly qualified informants. It focused, therefore, on the specific groups representing Finnish and Russian senior managers from Finnish and Russian firms operating in the construction field. The following main criteria were adopted: high level of knowledge of Russian business culture, solid expertise (between 10 and 30 years) in the Russian construction business and long-term personal experience in cooperating with Russian business partners.

The total number of selected ‘elites’ was eight (see Appendix 5). This interviewee group consisted of four Finnish and four Russian ‘elites’. Among them one was female, who represented Russian ‘elites’. Three Russian male ‘elites’ were interviewed in Saint Petersburg. Interviews with Finnish and Russian female ‘elites’ took place in Helsinki. All interviews were carried out during the spring of year 2008. They lasted from one and a half to two and a half hours. Most interviews were conducted outside interviewees’ working premises, but in places comfortable for them and conducive to focus the discussion on the research topic in confidentiality.

Despite the fact that obtaining access to the ‘elite’ may cause certain challenges for a researcher (Welch, Marschan-Piekkari, Penttinen & Tahvanainen, 2002), in case of this research, the ‘elites’ prior personal acquaintance with the researcher eased access. Moreover, this fostered a relaxed atmosphere for the discussions that consequently benefited data collection. This ‘elite interviewing’ with the selected managers was conducted to reach an overall understanding concerning the research subjects. Retrospective questions were asked on risks and their sources inherent in different phases of business relationships as well as the conditions supporting trust development. To this end, the interview guide of the Pilot study consisted of two major parts: the first part was dedicated to identifying relationship risks; and the second - conditions that support trust development. Semi-structured interviews with open-ended questions
allowed respondents to speak in a very open manner (Silverman, 2000) not strictly following the interview guide, which is introduced in the Appendix 2.

To summarise, in-depth interviews of the Pilot study enabled the researcher to probe for deeper meaning and understanding of themes that emerged, to refine the initial conceptual framework, and finally, to test initial interview questions. As a result, the detailed interview guide with closed and open-ended questions was designed for the Main study (see Appendix 3). The reason for this combination of two types of questions was the extensive and time-consuming pilot interviews. This combination reduced interviewing time making it possible to investigate in more depth the questions of the Main study and to add a few questions on themes that arose from the data analysis in the Pilot study.

**Main Study**

The target of the Main study (phase three) was to obtain a thorough picture of what is actually happening in the course of conditions that support trust development in relationships between Finnish and Russian firms. This was addressed through careful pre-structuring of qualitative interviewing. In both Main and Supplementary studies, utilising the structured qualitative approach allowed moderate guiding interviews towards inductive theory building based on the deep understanding of empirical data.

Thus, on completion of the Pilot study, the selection of Finnish firms for the Main study was carried out with the aim of attaining results that can be generalised theoretically and provide a practical guidance for the larger population of foreign firms operating in the Russian construction market. Thus, a key aspect that defines the selected group of firms is that they represent Finnish subsidiaries operating in the Russian construction market. Diversity was sought with respect to their specialisation, size and period of entering the Russian market. Thus, seven Finnish firms were selected (see Appendix 6) that represented construction related industries and operated in the very competitive construction market areas of the largest Russian cities, Moscow and Saint Petersburg. These market areas are still the most attractive destinations for Finnish firms, and therefore, are a specific focus of the research.

The consequential aspect that controls the selected group of interviewees representing the selected firms was their involvement in interactions with
Russian partner firms. Whereas the diversity was considered in the degree of this involvement, it nevertheless remained closely related to their positions in the management hierarchy. In total, 35 semi-structured interviews were conducted with senior business and functional managers representing both Finnish and Russian nationalities. Thus, the interviewee group consisted of eight Finns and twenty-seven Russians. Finnish respondents had top management positions. Having a relatively long-term experience (between 10 and 20 years) of doing business in the Russian construction market provided them with a good knowledge of Russian business culture. Apart from top management positions, twenty-one Russian respondents had technical and functional management positions as well. Their experience in Finnish-Russian business relationships was between 3 and 15 years. Among the respondents were ten females in total representing Russian managers. The profile of interviewees was summarised in Appendix 6.

The interview guide developed during the Pilot study was pre-tested with interviewees from one subsidiary of a Finnish firm, and it proved appropriate for the study with a few minor modifications. The interview guide consisted of two main parts (see Appendix 3). The first part focused on the process of trust development with Russian business partners and its distinctive features. It consisted of open-ended questions, which provided interviewees with great freedom to talk on the research topic. Respondents talked retrospectively according to the framework of relationship development phases, which were briefly introduced to them by the researcher before the interviews.

In order to achieve effective time management of interviews, the scope of relationship risks and conditions supporting trust development identified in the Pilot study was included in the second part of the interview guide for the interviewee assessments. This part was structured to collect predominantly quantified data on perceived relationship risks and conditions supporting trust development in business relationships with Russian partner firms identified in the Pilot study. Respondents were asked to estimate the probability of occurrence of each identified ‘risk source’ and ‘risk outcome’ and their negative effect on trust to partner firms. The 5-point Likert scale ranging from 1 (very unlikely) to 5 (most likely) was applied in the investigation of respondents’ perceptions. The same scale was applied in asking interviewees to evaluate the influence of each identified condition on the trust level in relationships with Russian partner firms (see Appendix 15). Thus, this part of the interview guide enabled the collection of very specific
and factual information. The collected data were mainly quantifiable and, due to a relatively large number of respondents, analysed applying the quantitative method. Though collecting of quantified data was not the purpose of the main study, it provided richer details and deeper insight, thus helping to build the overall picture of respondents’ personal perceptions about the occurrence of identified risks in each relationship development phase and their impact on the trust level (see Appendixes 10, 11, 12, 13, 14 and 16). Thereupon, Miles and Huberman (1994) denoted that “we have to face the fact that numbers and words are both needed if we are to understand the world” (p. 40). Additionally, according to Denzin and Lincoln (2000), qualitative research does not privilege any single methodological practice over another and uses multiple methods such as narrative, content, discourse, even statistics, tables, graphs, and numbers to secure in-depth understanding of the phenomenon in question.

The second part of interview guide was well structured and consisted of a rather complex set of interview questions (see Appendix 3). Some respondents wanted to be sure that they had interpreted questions correctly. Face-to-face interviewing made it possible for the researcher to repeat a question or to formulate the same question differently for different respondents (Bailey, 1994). Thus, especially in this phase of the investigation, face-to-face interviewing proved to be the proper method to prevent misunderstandings and confusion.

Interviews with managers were carried out over the course of nine months during the year 2009 at the premises of their firms located in Moscow and Saint Petersburg. Interviewing from three to seven informants in every selected firm took from one to two days. A one-visit interview with each respondent lasted for one and a half to two hours.

Interviews of the Main study were designed and conducted as part of the research project entitled “Stroi-Network: Business Networks in Russia” (STROI), coordinated by HAMK University of Applied Sciences. This project funded by the Finnish Funding Agency for Innovation (Tekes) facilitated to a great extent empirical data collection for the present research.

**Supplementary Study**

Having analysed the data collected from 8 interviews of the Pilot study and 35 interviews of the Main study, an unanticipated and unique theme emerged
in the context of the present research topic. This uniqueness is that this theme, which concerns the importance of cultural adaptation, is less addressed in the literature of trust development in intercultural business relationships. The research scarcity in this area and the researcher's great interest motivated to explore the contribution of cultural adaptation to trust development in the intercultural business relationships. Accordingly, a supplementary question was added into the research and necessitated carrying out additional interviews.

As an alternative to the interviews of the Main study that were held in the subsidiaries of Finnish firms operating in Russia, the researcher decided to explore this question in the firms located in Finland in order to triangulate the data sources. An interview guide was designed with the open-ended and closed questions to be able to capture the aspects that seemed to be important to the theme and that spontaneously emerged in the course of the interview. Topics covered in the interview guide included the manager's adaptation to the business culture of their Russian partners during each phase of the business relationship and its contribution to trust development.

Five firms located in Finland were selected for the study (see Appendix 7). The main criteria behind the selection were first, business relationships with Russian partner firms, and second, diversity in the relationship development phases in which the Finnish firms were positioned. Respondents were selected based on their involvement in the development of relationships and their actual experience in interactions with Russian partners. The representativeness of different management levels was the key aspect of diversity. Thus, the group of eight senior and functional managers was selected. Five males and one female with top management positions represented respondents of Finnish nationality. Finnish respondents had very different levels of personal experience in business relationships with Russian partners. While one had no personal experience with these particular relationships, the experience of others varied between 10 and 30 years. Two respondents were females with Russian nationality. Information on interviewees and the firms is presented in Appendix 7.

Due to the sensitive nature of research questions, in-depth interviewing was considered relevant to this study as well. Face-to-face interviews were carried out at the Finnish firms’ premises May – June 2011. Interviews lasted from one to one and a half hours.
The opportunity to carry out the Supplementary study was offered by another project of HAMK University of Applied Sciences entitled “ROCKET”, which was funded by the European Regional Development Fund (ERDF) through the Regional Council of Päijät-Häme. The empirical data were analysed and the findings published in an article with a co-author (see Weck & Ivanova, 2013).

3.4.2 Data Analysis

The interpretive approach adopted in this research is best considered as a thematic analysis, which searches for emerging themes important to describe a phenomenon (see King & Horrocks, 2010). Among the many alternative approaches to thematic analysis, a matrix approach is suggested for studies with a very strong initial conceptual focus – for instance, larger qualitative studies where key evaluation criteria are set in advance (King & Horrocks, 2010). As the aim of data analysis was to incorporate both the data-driven inductive approach and previous theoretical knowledge, which is the deductive initial knowledge of themes, the matrix approach is regarded as the most appropriate for the present structured research. Additionally, the matrix approach was chosen as it fits well with a relatively large number of in-depth interviews.

This approach of thematic analysis was employed in analysing the empirical data of all three studies. While this research aims to contribute to understanding the trust development process in business relationships, the primary unit of analysis was an individual interviewee or manager. The matrix approach was introduced by Miles and Huberman (1994), who generally define the process of qualitative data analysis “as consisting of three concurrent flows of activity: data reduction, data display, and conclusion drawing/verification” (Miles & Huberman 1994, p. 10). Figure 19 depicts these components of data analysis.

A central facet of the ‘matrix approach’ is that it accentuates the visual ‘data display’, which usually means tabulating units of analysis against research themes identified in advance. These initial ‘themes’ or ‘thematic areas’ are related to key theoretical concepts of the research and shape a matrix. (King & Horrocks, 2010) Accordingly, this analysis has begun with identification of the thematic areas based on the main theoretical concepts of the research and construction of an initial level-one matrix.
Following Miles and Huberman’s (1994) strategy adopted in this research analysis (see Figure 19), the process of ‘data reduction’ was carried out with the aim to identify material going into the cells of matrix constructed based on the pre-defined theoretical themes or thematic areas. The text of each transcript was read through several times in order to obtain a holistic understanding of the data. Gaining a more thorough sense of the data, the whole text was divided into discrete units of meaning consisting of interview extracts. Then, the choice was made which data units most strongly address the defined thematic areas and should be put into the matrix or set aside completely for the research purpose. The chosen units were condensed and marked with a ‘descriptive code’ generated inductively. Line numbers were used to indicate where particular units are found in the transcript. A fragment of ‘level-one matrix’ of interview data analysis in the Pilot study is shown as an example in Appendix 8.

Once the level-one matrices were completed for each respondent, ‘interpretive codes’ or key themes were identified within each thematic area across all interview transcripts. These key themes were summarised on a ‘level-two matrix’, which made reflection upon the transcript data and discovery of patterns of themes across the whole data set easier. A fragment of level-two matrix in the data analysis of the Pilot study is demonstrated in Appendix 9.

The comparison of codes was conducted to find differences and similarities in order to sort the codes into categories that became the blocks for theory
building. Lastly, the reflection on the underlying meaning of the categories and uncovering relationships among categories and pre-existing theoretical concepts resulted in new theory formulation. In this way, an integrated framework of the trust development process was built.
4 RESULTS: TOWARDS AN INTEGRATIVE PERSPECTIVE

The purpose of this chapter is to bring forward an integrative perspective on the conditions supporting trust development and the role they play in relation to risks within the intercultural business relationship context using qualitative evidence from the experience of Finnish subsidiaries operating in the Russian construction market. Sections of this chapter are organised in such a way as to present the findings in accordance with the research questions. The first section aims to build an understanding of the potential risks and their sources involved in business relationships with Russian partner firms based on the findings of the Pilot study. The second section integrates and discusses the findings related to the conditions supporting trust development in the Finnish-Russian business relationships across the Pilot, Main and Supplementary studies. The third section introduces the findings of the Supplementary study that brings knowledge enabling the understanding of the contribution of cultural adaptation to trust development. The final section elaborates on a relation between conditions supporting trust development and risks relating findings from three studies within the relationship development phases. This chapter is written referring to Weck and Ivanova’s (2013) article, which also utilised the same interview data of the Supplementary study.

4.1 Relationship Risks in Finnish-Russian Business Relationships

The aim of this section is to establish a thorough understanding of the relationship risks and their sources involved in different phases of project-based relationships with Russian partner firms operating in the Russian construction market. The section presents and discusses findings that emerged from the Pilot study with the ‘elites’ group of eight Finnish and
Russian senior managers and consultants. These findings were utilised in the main empirical study and are discussed further in section 4.4.

### 4.1.1 Identified Relationship Risks

<table>
<thead>
<tr>
<th>Relationship development phases</th>
<th>Performance risk</th>
<th>Behavioural risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness</td>
<td>Unreliable information about partner</td>
<td>Absence of common understanding</td>
</tr>
<tr>
<td>Exploration</td>
<td>Lack of alternative partners</td>
<td>Cultural / behavioural distance</td>
</tr>
<tr>
<td></td>
<td>Insufficient knowledge about partner</td>
<td></td>
</tr>
<tr>
<td>Expansion</td>
<td>Partner's inability to be flexible</td>
<td>Undefined interaction rules</td>
</tr>
<tr>
<td></td>
<td>Partner's limited resources</td>
<td>Senior managers’ low commitment</td>
</tr>
<tr>
<td></td>
<td>Partner's financial instability</td>
<td>Inadequate information exchange</td>
</tr>
<tr>
<td></td>
<td>Partner's unskilled human resources</td>
<td>Breach of contract terms</td>
</tr>
<tr>
<td></td>
<td>Low product / performance quality</td>
<td>Partner’s disloyalty</td>
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<tr>
<td></td>
<td>Incompatible infrastructure / facilities</td>
<td>Partner’s deceitful behaviour</td>
</tr>
<tr>
<td>Commitment</td>
<td>Losing competitiveness</td>
<td>Dependence on relationship</td>
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<tr>
<td></td>
<td></td>
<td>Getting accustomed to partner</td>
</tr>
<tr>
<td>Dissolution</td>
<td>Losing customer / market / reputation</td>
<td>Negative judgments / rumours</td>
</tr>
<tr>
<td></td>
<td>Waste of time and financial losses</td>
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</tbody>
</table>

**Figure 20** Identified ‘risk sources’ (in grey) and ‘risk outcomes’ (in yellow) within the relationship development phases
Additionally, a distinction between ‘risk sources’ and ‘risk outcomes’ was made, since it involves risk identification (Rowe, 1988). Thus, among identified relationship risks, nineteen ‘risk sources’ and six ‘risk outcomes’ were distinguished. Figure 20 exhibits these findings in the order of relationship development phases and risk types. The differentiation was visualised by using colours as follows: ‘risk sources’ are in grey and ‘risk outcomes’ are in yellow.

The identified risks and their connectedness are discussed below according to the phases of Dwyer’s et al. (1987) relationship development model, introduced in section 2.1.1, and the risk types proposed by Das and Teng (2001a), considered in section 2.1.5.

‘Awareness’ Phase

In general, respondents did not perceive risks in the ‘Awareness’ phase of business relationship development, as this phase does not involve any interaction with a potential partner. Additionally, acquiring ‘second-hand knowledge’ in the ‘Awareness’ phase was not perceived as costly. Nevertheless, some comments were made concerning the risk of unreliable information about partner in the ‘Awareness’ phase. In this regard, a Finnish ‘elite’ stated as follows:

_in this ['Awareness'] phase, there is a risk that the information that we get is unreliable. We don't have deep enough knowledge neither about the partner's products nor about its market channels._ (‘Elite’ A, Finn)

‘Exploration’ Phase

The ‘Exploration’ phase of relationship development is the phase where the first interaction with a potential partner firm takes place. During this phase, partners seek to acquire through interaction more specific ‘first-hand knowledge’ of each other’s characteristics. Interviews with ‘elites’ revealed that this knowledge building process might be associated with several ‘risk sources’ of two types: ‘performance’ and ‘behavioural risk’ sources (see Figure 20).

A performance related ‘risk source’ such as insufficient knowledge about partner is inevitably inherent in every initial relationship between
firms. This category of ‘risk source’ emerged clearly in several quotes extracted from the interviews with elites. For example, the following quote illustrates the viewpoint:

*A risk is when we don’t know the other one [partner]. In general, what kind of firm is it? ... Why are they interested in us? Why do they want to start cooperation? We are seeking motives. ...Well, we don’t know anything. That is the risk.* (‘Elite’ C, Finn)

Another performance ‘risk source’, which was addressed by ‘elites’ in this relationship phase, is **lack of alternative partners**. This identified risk category may lead to dependence on relationship with a partner, which in the long run may cause losing competitiveness. In this respect, ‘Elite’ G expressed the following:

*This is my subjective point of view. When I meet with a partner and I feel that there is no contact and conversation is unsuccessful, I do not trust them and try to look for another [partner]. ...I do not break off negotiations; I just start looking for others. ...I don’t forget the partner, because business is business. The work must be done. If I don’t find a better partner, I try to understand him.* (‘Elite’ G, Russian)

Additionally, the above extract stresses the importance of common objectives and understanding between partners. **Absence of common objectives and understanding** is perceived as a significant risk in the initial interaction phase. Regarding this behavioural risk, respondents stated as follows:

*There is a risk of divergence of targets and policies. If the strategic objectives differ, there is a risk.* (‘Elite’ F, Russian)

*We are like scanning, are we talking about the same things? Do we possibly have common interests and objectives? Are we seeking one deal or are we immediately going to look for some sort of continuity? What is it that we both want?* (‘Elite’ C, Finn)

*They [partner’s managers] have to show that they have understanding of what we are talking about and the project to be done.* (‘Elite’ B, Finn)

Finally, in the ‘Exploration’ phase, behavioural risk of **cultural or behavioural distance** between Finns and Russians was acknowledged as
significant by two Finnish ‘elites’. They paid specific attention to differences in the ways of working. The following quotes illustrate this risk very effectively:

_There can be seen cultural differences, because we are actually working together. Those differences can be seen on a social level, in communication, and in business, generally speaking. ...Then on the professional level, there are different ways of doing work._ (‘Elite’ C, Finn)

_Different firms have different working traditions. ...There can be that sort of risk that the partner doesn’t fit our firm’s culture and the way we work in our firm. ...The ways of working differ with Russians. You just have to take into account that their ways of working are different, and if they don’t fit the way I want then there is no point to start cooperation._ (‘Elite’ A, Finn)

However, in contrast to the latter comment, ‘Elite’ A continued further on his viewpoint suggesting that an adaptation effort to the partner’s culture is also needed.

_There are different ways to act, that you should also in there [Russia] act according to that culture. It’s always like that when you go somewhere – no matter if it’s Russia or some other country – you always need to adapt to that country’s culture and their ways of working._ (‘Elite’ A, Finn)

‘Expansion’ Phase

Contrary to the ‘Exploration’ relationship phase, intense interactions between partners in the ‘Expansion’ phase induce respondents to consider risks more thoroughly. They drew attention to many different aspects of the potential risks associated with a broad range of activities in this relationship phase. Therefore, this phase can be acknowledged as the most risky in terms of containing the majority of identified ‘risk sources’. These risks may cause imperfect partner choice and, thereafter, potentially relationship termination. This was commented on by ‘Elite’ E:

_There is a very strong risk in this phase. If, you made a mistake, you may have chosen the wrong partner. From the beginning, you have not yet lost anything, but you have chosen the wrong direction. Hence, you are a bad manager. It is your personal risk._ (‘Elite’ E, Russian)
Wrong direction indicates relationship termination in the end. In relation to the above statement, this risk is difficult to avoid particularly in the initial phase of a relationship when having no experience with the partner. The reason for that is the diversity of ‘risk sources’, which imply the imperfect partner choice, as argued by ‘Elite’ F in the following extract,

After all, the right choice means that everything will be fine. However, the right choice doesn’t exist. There are no perfect partners. The partner can be suitable at some stage and it is very rare, if the partner satisfies you at every stage. (‘Elite’ F, Russian)

Numerous risks related to partners’ characteristics and their behaviour in the first interaction phase of the relationship were uncovered by respondents. These risks are reviewed below. The inference from these findings indicates that to make a perfect partner choice is a particularly demanding task.

Thus, first of all among performance ‘risk sources’, the majority of interviewed ‘elites’ expressed their main concern about partner’s limited resources. It is revealed that operating in Russia often partners’ insufficient or constrained financial, human or machinery resources may create serious obstacles for the successful implementation of projects.

There is a risk that the subcontractor will not be available due to limited resources at a given moment. ...To what extent a partner is reliable in providing the agreed range of work to me. Insecurity will decrease after the successful completion of one or two projects. (‘Elite’ F, Russian)

The following extract elaborates further on this issue:

You have to see ..., that how much they have resources to put into this [project]. ...If the firm is small, no matter how reliable the partner is, his resources are limited anyway. (‘Elite’ D, Finn)

Focusing on the ‘risk sources’ regarding a partner’s resources, the partner’s unskilled human resources have raised a serious concern among many respondents. The following quote highlights the significance of this risk:

Generally, I consider human resources as the biggest risk ...that does the [partner] firm have such human resources that are required ...capable for
the project or for continuation of cooperation. ...The middle management is the most significant. ('Elite’ A, Finn)

Additionally, in this regard, it was briefly stated that:

*It is very often that the sub-contractor is not able to perform with the required quality.* ('Elite’ B, Finn)

The aforementioned statements clearly connote the issue of quality and its significance, which is closely related to the ability of the partner's human resources to perform quality operations. For that reason, the risk of low quality of partner’s product, service or performance was highly stressed.

*A risk may be related to the quality of work. ...There were cases when we had some claims about quality and as a result we have suffered enormous damage and loss. The sub-contractors were not qualified enough. ...Of course, they may have outdated technology; the machinery may not be up to the job. There can be scrimping on materials, which also reduces the quality.* ('Elite’ G, Russian)

Furthermore, as can be seen from the ‘elite’s comment above, there is also the risk of incompatible infrastructure or facilities, which was acknowledged by respondents as essential during the actual project implementation phases. A further related comment expressed by a respondent is as follows:

*It’s like a professional compatibility, and ...compatibility of working tools. Do they [partners] have such programs, which are compatible with ours, that we can do cooperation? ...A lot of time has been wasted, when working systems were not compatible.* ('Elite’ C, Finn)

During interviews, ‘elites’ particularly emphasised how significant the risk of partner’s financial instability is for the joint project implementation on the Russian market. It is not uncommon to be in the situation of not having verifiable information about a partner’s financial state.

*There are sub-contractors, who don’t inform about their debts. Then, they can let us down later, when they fail in completing project tasks.* ('Elite’ F, Russian)
Moreover, Russian partner firms or sub-contractors very often try to solve their existing financial problems at the expense of new contracts. The following interview quotations clearly indicate this point of view:

Well, the biggest risk is that if we don’t know about the partner’s financial background before the contract is signed. They may have other contracts going on. If some contract fails financially, they have to quit totally from it. If they don’t inform us, this is a big risk…. Moreover, if their calculations don’t hold, if they save the previous work, then our work is in danger of failing. If they can’t get again a new contract to cover ours, then this is a chain reaction, which might end in bankruptcy. (‘Elite’ B, Finn)

We want to find out, what were the obstacles in the performance, that they clearly had difficulties. Is it about money? Do they have too much work somewhere else? Mostly, or mainly they have done too many contracts, that their financial resources are not enough. (‘Elite’ B, Finn)

Additionally, interview analysis revealed that among the ‘performance risks’, the risk of partner’s financial instability is a central one. It has a particular connectedness with the ‘risk source’s discussed above. Given that a firm’s financial stability is highly vulnerable to various conditions and turbulences in the business environment, it can be negatively affected also by the unskilled human resources of the firm. In turn, the explanation for the firm’s incompatible infrastructure or facilities can be found in its financial instability.

As project conditions change, a partner’s inability or unwillingness to be flexible will not allow the relationship to be successful in the long run. “Elite’s’ mentioned this risk as possible and stressed its negative impact on relationship success. The following interview quotes exemplify this point:

Inevitably, there are situations when it is necessary to deviate from the contract. However, sometimes the partner does not demonstrate flexibility and understanding. Partnership is not only eating sugar together, but sometimes salt. (‘Elite’ F, Russian)

If the partner is not flexible, willing to talk and compromise, then we are not likely to work with this partner in the future. (‘Elite’ H, Russian)

Further, in terms of the behavioural risks of the ‘Expansion’ phase, all respondents paid a lot of attention particularly to the ‘risk source’, which was
the **breach of contract terms**. They pointed that breaches are very common in construction related industries and, it is not exceptional in Russia, either. The ‘elites’ view missing the agreed project completion date and violation of payment terms as the most frequent breaches of contract.

*There is a high risk of failure in project completion by the stipulated deadline.* (‘Elite’ F, Russian)

*I have been working in Russia for such a long time I have found all sorts of problems there. ...There are a lot of such situations, where we haven’t been paid though the equipment has been delivered. ...There are many other countries where we give a longer time for payment, but we don’t give it in Russia.* (‘Elite’ D, Finn)

Risk events described above are often related to the **low commitment among senior managers** at the beginning of relationship development that was emphasised as very significant by ‘elites’. Generally, in Russia, active participation of senior managers especially in the first negotiations indicates their interest and commitment, which can potentially offer dividends in the future performance of the business relationship. Therefore, low commitment among senior managers in the initial relationship phases may be a strong signal for the other relationship party about potential ‘risk outcomes’. The importance to sense the level of senior managers’ commitment right at the beginning of relationship is stressed in the following extract:

*We should sense immediately, is this going to be a business for them? Do they think of this as a business? ...You really need to sense this and see how much effort they put into it.* (‘Elite’ D, Finn)

The following two behavioural ‘risk sources’ identified by ‘elites’ are closely related to the communication quality between partners during the ‘Expansion’ and later relationship phases. According to interviewed ‘elites’, the first one is **undefined interaction rules** between partners may bring about uncontrolled interactions and lead to disorder and conflict in their relationship. To avoid these unfavourable situations, ‘elites’ highlighted the importance of agreement on interaction rules and procedures between partners in the following interview extracts:

*It doesn’t mean that we would start to control the partner firm’s actions, neither they ours. But the rules of our mutual business relationship should be determined in advance.* (‘Elite’ A, Finn)
For example, if we have different procedures in some issues, then we agree beforehand whose procedures we follow. (‘Elite’ C, Finn)

In addition, the division of responsibilities was accentuated:

\[\text{It is important to divide our responsibilities and spheres of influence, and to make documentation accordingly. (‘Elite’ H, Russian)}\]

The other revealed ‘risk source’, which is related to communication quality, was \textit{inadequate information exchange} about the situation during project delivery. Timeliness and content of information exchange about problems between partners were considered as particularly important in order to resolve problems jointly and quickly.

\[\text{Then when they see that a task fails, they leave it until the last moment. And the schedule fails. We rather pay them extra…. Notifying beforehand is very important. The partner has to warn me that delivery fails. (‘Elite’ B, Finn)}\]

\[\text{The ability to solve problems quickly and cost-effectively is very important. … and the willingness of the partner to solve the problem jointly, so that both parties have suffered marginally. (‘Elite’ H, Russian)}\]

Information exchange among business partners is consistently mentioned in the literature as a key requirement of successful relationship development, because it reduces uncertainty within the relationship.

As a final point of discussion on ‘risk sources’, in the ‘Expansion’ relationship phase ‘elites’ emphasised \textit{partner’s disloyalty}. In particular, risk of leakage of confidential information to competitors through the partner firm and the partner learning commercially valuable information and moving to a competitor were pointed out. The following interview quotes demonstrate this viewpoint:

\[\text{That is a risk to you, if they [partner] also represent the competitor's products. (‘Elite’ D, Finn)}\]

The ‘Elite’ continued:
When we have been working together for a certain period of time already, if they [partner firm] suddenly jump to a competitor ... before we find a new partner, who would sell as much as this one..., it is a risk. Surely, it is a big risk. (‘Elite’ D, Finn)

This means an unexpected relationship termination, which may cause losing the customer, market and possibly reputation and, ultimately, waste of time and financial losses.

The above discussion based on the ‘elites’ comments provides rich information on ‘risk sources’ inherent in the ‘Expansion’ relationship phase, which may directly cause relationship termination.

Additionally in this phase, a ‘risk source’ such as partner’s deceitful behaviour through a poor or uneconomic agreement may lead to another direct ‘risk outcome’, which is dependence on particular relationship for a certain period of time (see Figure 20). The following extract emphasises the potential losses when a partner challenges a poor agreement.

Well, there can be all kinds of risks, if the contract has been made poorly. When nothing is defined precisely, everything can be argued. So I think the big risk is a poor cooperation agreement, which is becoming reality in this phase. (‘Elite’ C, Finn)

We signed the contract, but it is not up to our expectations. It is the loss of reputation, ultimately, the loss of time. ... This leads to financial losses. (‘Elite’ E, Russian)

In this regard, ‘elites’ described different forms of a partner’s deceiving tactics using poor or uneconomic agreements and frauds of local management through these agreements. The following extracts exemplify cases of such behaviour:

Sometime later, he paid the prepayment and began a raider attack to seize the property. We managed to defend our property, but this risk exists. (‘Elite’ G, Russian)

It came out that the managing director had always been taking a certain part from each delivery. They [owners] knew that it was happening, but they could not catch him. ...This fellow had been betraying them for years. He took from all deliveries 5% or something like this. (‘Elite’ A, Finn)
This further example illustrates more serious outcomes of a partner’s deceitful behaviour:

*I can immediately name five firms – Finnish firms – that have failed in their relationships. They went bankrupt because they were betrayed.* (‘Elite’ A, Finn)

**‘Commitment’ Phase**

Comparing to the previous relationship phase, in the ‘Commitment’ phase partners have already built a long-term relationship with a solid knowledge about each other. Accordingly, respondents generally did not characterise this phase as a very risky one. Nevertheless, *dependence on relationship* may arise between partners.

*The risk of losing independence. ...when there is a mutual penetration of resources and finance.* (‘Elite’ F, Russian)

Respondents denoted that the long-term cooperative relationship might also lead to a risk such as *getting accustomed to partner*. ‘Elite’ G illustrates this point in the following interview extract:

*At this stage, an informal entrepreneurial network is created. You take a certain amount of work, relying on your partner. Risks are possible, but at this stage full trust is built. ...I can build my business relying on him. In our network there are organisations that conduct foundation and infrastructure construction work, therefore we don't develop this kind of activity in our company.* (‘Elite’ G, Russian)

The above statement also suggests that this risk may hold business development back. Partners may take comfort in believing in the strength and benefit of their long-lasting business relationship. However, this may not be the kind of relationship that brings them success. Moreover, it may cause damage to a firm’s business development and *losing competitiveness* in the long run. In this regard, ‘Elite’ F expressed the following:

*I pay attention to what extent there is innovative potential in our relationship. How our relationship develops, at least conceptually, not necessarily financially. Our partnership is not only for extensive growth,*
but also for intensive development. ...If it is not taken into consideration, then you can just set goals to improve financial performance, profits and turnover. However, without business development you cannot achieve anything. (‘Elite’ F, Russian)

As previously mentioned, the dependence on a particular relationship could also be the result of two ‘risk sources’: lack of alternative partner and partner’s deceitful behaviour, which make the nature of the relationship asymmetric. The identified ‘risk sources’ of the ‘Commitment’ phase may even increase this dependence.

‘Dissolution’ Phase

‘Dissolution’ in a business relationship may arrive before the objectives of the first project have been fulfilled, i.e. during the earlier relationship phases. As discussed above, it may occur for many reasons, for instance, performance and behavioural ‘risks sources’ identified by ‘elites’. Accordingly, the presence of different ‘risk sources’ is associated with a higher likelihood of relationship termination. As ‘Elite’ C commented,

There can be a risk that the cooperation will break down, and we didn’t succeed after all. (‘Elite’ C, Finn)

Therefore, relationship termination was considered by ‘elites’ as a direct ‘risk outcome’, which may result in losing customer, market share and reputation, and, ultimately, waste of time and financial losses – indirect ‘risk outcomes’.

Regarding indirect ‘risk outcomes’, such as losing customer, market share and reputation, the ‘elites’ pointed out:

If the cooperation has been terminated, it has an effect on all the commitments of the firm. There could be mutual customers, and when you leave, then it surely affects the firm’s business. It is a business risk, yes. The client base will possibly be changed. (‘Elite’ C, Finn)

And, if we terminated the relationship as a result of the partner’s failure, then there is a risk of losing the client because of the reduction in the work/service range. The possibility to use the partner’s resources will be lost,
and hence, the ability to implement more orders will be reduced, and this will lead to losses in cash flow and profit. (‘Elite’ F, Russian)

*If the partner fails, there will be distrust towards our firm, this leads to financial losses. ...The risk is that we lose our reputation and ‘face’. (‘Elite’ E, Russian)*

Reputation can also be destroyed by negative judgments or rumours spread out by dissatisfied relationship partners. According to the ‘elites’, termination of relationship as a result of disagreement or conflict not being resolved amicably with a partner may signify *negative judgments and/or rumours:*

*The main risk is that a partner can give a negative rating of our firm, e.g., that it is impossible to work with our firm. So, the partner did not just fail in its work, but this partner may behave in a way that ruins our reputation. This risk we have already in this particular region. Hence, ... our firm cannot work, cannot help and cannot provide this or that. And this is a significant loss of money, because it will slow down sales. (‘Elite’ E, Russian)*

Finally, ‘elites’ stressed indirect ‘risk outcomes’ such as *waste of time and financial losses:*

*When we have signed the contract, and it is not up to our expectations ...we have to terminate the contract in the end. ...We cannot forgive every time, because one mistake after another. ...It is a loss of reputation, finally, a loss of time and money. (‘Elite’ E, Russian)*

*If it [contract termination] happened suddenly, it is possible to incur substantial losses due to contract obligations to the customer, because many contracts last for many months or years.... If the relationship suddenly terminated as well as the delivery of project documentation, which is almost a weekly process, then you can incur financial losses. It all comes down to financial losses. (‘Elite’ F, Russian)*

To recapitulate, the above discussion based on the data extracted from interviews with Finnish and Russian ‘elites’ provides rich information on the risks inherent in business relationships between firms operating in the Russian construction market.
4.1.2 Differentiated ‘Risk Sources’ and ‘Risk Outcomes’

Figure 21 represents the differentiated ‘risk sources’ and ‘risk outcomes’ and their connectedness.

<table>
<thead>
<tr>
<th>Risk outcomes</th>
<th>Risk sources</th>
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<tr>
<td></td>
<td><strong>Performance risk</strong></td>
</tr>
<tr>
<td>Losing customer/market/reputation</td>
<td>Low product / performance quality</td>
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<tr>
<td></td>
<td>Partner’s limited resources</td>
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<tr>
<td></td>
<td>Partner’s unskilled human resources</td>
</tr>
<tr>
<td>Waste of time and financial losses</td>
<td>Unreliable information about partner</td>
</tr>
<tr>
<td></td>
<td>Insufficient knowledge about partner</td>
</tr>
<tr>
<td></td>
<td>Partner’s financial instability</td>
</tr>
<tr>
<td></td>
<td>Incompatible infrastructure/facilities</td>
</tr>
<tr>
<td></td>
<td>Partner’s inability to be flexible</td>
</tr>
<tr>
<td>Losing competitiveness</td>
<td>Lack of alternative partners</td>
</tr>
<tr>
<td>Dependence</td>
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</tbody>
</table>

**Figure 21** Framework of ‘risk sources’, *direct* (in yellow) and *indirect* ‘risk outcomes’ (in red)

Having analysed the differentiated ‘risk sources’ and ‘risk outcomes’, two types of ‘risk outcomes’ were identified: *direct* and *indirect*. Thus, ‘elites’ indicated three *direct* ‘risk outcomes’: imperfect partner choice, relationship termination and dependence on relationship. The *indirect* ‘risk outcomes’ are as follows: losing customer, market share and reputation, losing competitiveness and waste of time and financial losses. Based on the analysis of the results, it can be conceded that *direct* ‘risk outcomes’ are behavioural, whereas *indirect* ‘risk outcomes’ are performance related.
Additionally, the connectedness between ‘risk sources’, direct and indirect ‘risk outcomes’ is established. The findings are synthesised into a framework and presented in Figure 21. The differentiation is visualised using colours. The grey colour is accorded to the ‘risk sources’, whereas ‘risk outcomes’ are presented in yellow and indirect ‘risk outcomes’ in red.

4.2 Conditions Supporting Trust Development in Finnish-Russian Business Relationships

This section dwells on the concepts related to the necessary conditions that support trust development in different phases of Finnish-Russian business relationships based on the respondents’ perception. The purpose is to describe and discuss the emergent themes grounded in the empirical data of the Pilot, Main and Supplementary studies. The findings are integrated in such way to offer a greater insight and comprehensive understanding of the conditions that invoke and support trust development in the intercultural business relationship context.

To this end, this section is structured around the theoretical concepts of the initial framework of the conditions supporting trust development in intercultural business relationships (see Figure 15). The section begins with a discussion on the learning process within business relationships and the findings related to it. Thereafter, the discussion focuses on fertile conditions that may invoke and nurture trust in different relationship phases. Among these conditions, the concept of learning enhancing means, which have an indirect impact on trust development, was elicited from empirical data and discussed separately. Then, the section proceeds by introducing the identified trust-constituting conditions, which in turn may directly impact trust development and are not subject to the trustor’s influence and control.

In compliance with the research objectives, findings were analysed and discussed in the context of Russian national culture. The analysis was conducted referring to a significant body of publications, which explore cultural norms and values of Russian society, and bearing on Hofstede’s (1993) cultural dimensions.
4.2.1 ‘Direct’ and ‘Indirect’ Learning

As it was discussed in section 2.2.3, knowledge may only be acquired through learning, which has distinctive categories in different relationship phases. These are ‘indirect’ and ‘direct’ learning, which mean learning without interaction and through interaction correspondingly. Trust therefore may develop as a consequence of both ‘direct’ and ‘indirect’ learning between partners (see Figures 13 and 14).

In business relationships, accumulation of knowledge particularly through ‘direct’ learning makes partners more rational in assessing each other’s trustworthiness. Partners search for the kind of knowledge that may satisfy their expectations regarding trustworthiness. In other words, trust develops when partners’ expectations or trust-constituting conditions are met or seen as tolerable or acceptable. This is conceivable during interactions when significant opportunities exist for relationship parties to acquire knowledge in order to understand each other’s characteristics and their relationship become available.

Furthermore, as the literature suggests, learning within a relationship is a continuous process. This argument was supported by managers during interviews in Finland, which revealed that while interacting with Russians, Finnish managers perceive a continuous need to learn new information (Weck & Ivanova, 2013). Moreover, all respondents regarded on-going learning as increasingly important.

*There is always something to learn ... and of course, more and more information comes all the time.* (Firm I, CEO, Finn)

Interviews uncovered that Finnish managers feel a strong need to update their own knowledge regularly in order to operate with the partners in the rapidly changing Russian business environment (Weck & Ivanova, 2013). Experience gained from relationship interactions is a major precondition for such learning.

*I think that right now in Russia there is a certain drive to grow, progress and develop. It is much stronger than we have in Finland. This speed and energy is noticeable. ... They are the ones who push us to develop ourselves.* (Firm I, Sales Manager, Russian)
Many different sources are needed to assure constant flows of knowledge and to enhance continuous learning within initial business relationships. Acquired knowledge therefore has distinctive types, which are logically related to the aforementioned categories of learning. The following sections discuss two types of knowledge proposed by McKnight et al. (1998): firstly, reputation or ‘second-hand knowledge’, which is a result of ‘indirect’ learning without interactions, and secondly, experiential knowledge or ‘first-hand knowledge’ as the outcome of ‘direct’ learning based on experience of interactions between relationship partners.

**Reputation**

During the ‘Awareness’ phase of relationships, the development of initial trust is based on information regarding a partner’s trustworthiness (Weck & Ivanova, 2013). In this relationship phase, when the history of prior interactions is non-existent, reputation or ‘second-hand knowledge’ is the only available knowledge on a potential partner’s characteristics of trustworthiness. The good reputation of a potential partner is positively related to trust initiation (Ring, 1977; Weigelt & Camerer, 1988).

The general point made by many respondents is that any source of information on a potential partner is important for trust to be established. Interview data indicated that during the earlier relationship phases, all managers use a number of knowledge sources to evaluate the reputation of a potential partner, when they do not have personal experience. Thus, in the ‘Awareness’ phase, the named knowledge sources are websites, exhibitions, consultants and referees or already existing Finnish and Russian customers, contractors and partners. Whereas in the ‘Exploration’ phase these sources are mainly referees, such as customers, subcontractors, partners and even competitors. Further discussion about learning in this phase is in following section 4.2.2 (Recommendations and references). The following quotes extracted from interviews of the Pilot and Supplementary studies exemplify knowledge sources in the ‘Awareness’ phase.

*Finnish companies, who offer background research. ...To my mind comes Finnvera, Finnpro and this kind of company. ... And, naturally your own bank. Banks do this kind of background research anyway. (Firm L, CEO, Finn)*
We simply ask and listen to our other customers, how they cooperated, was everything all right and so on. This doesn’t go through what could be called the organised system but is just everyday interaction. (Firm I, CEO, Finn)

In addition, the following extract from the interview with an ‘elite’ highlights the importance of the perceived good quality of knowledge sources that is also discussed further in section 4.2.2:

Just two things firms often do not do. They don’t make a resource analysis and market research. They see that they know so much better themselves. …You have to buy those from an objective expert, who is an outsider. (‘Elite’ A, Finn).

Further, a few Finnish respondents emphasised the significance of knowledge sources, which are available in their own country. The related quotes from interviews with Finnish managers are as follows:

First, it would be somebody here, in Finland. And then, maybe some other companies who had already made cooperation with this company or partner. But, if it’s Finns, it would be really good. (Firm L, Financial Manager, Finn)

In Finland it is much easier to get this information. (Firm K, Sales Director, Finn)

The aforementioned quotes also refer to the issue of cultural similarity, which is discussed in section 4.2.3.

The data elicited from interviews of the main empirical study demonstrate that during the earlier relationship phases the same knowledge sources are also used by managers in Russia. Additionally, they collect information from their own social and business networks, which cover competitors as well. These points of view were expressed by nearly all of the interviewees and are illustrated by the following quotes:

I can find everything about every company from the internet, just call the name. Like all professionals, we say that finding someone in the internet... it’s not the best way. If we selected a few companies in this field, we have checked them for some parameters. After that, their representatives come to us. (Firm E, Technical Director, Russian)
We have quite good confidential relationships – even with our competitors. So, I can just openly call our competitors and say that I have this kind of company here and they want to offer some work for us. And they presented this kind of work they have done and you were the customer there. So, can you give us a statement? And usually they quickly give us the kind of information we need. (Firm E, Director of Russian Operations, Finn)

A very common view expressed by respondents refers to the significance of a good reputation. The next extract contains information regarding which issues of a partner’s reputation are decisive:

I find out from partners how this firm works, what sort of operating methods and principles it has. ...What sort of problems have been met and how they have been handled. It is important ...what is the history of the firm ...the history of operations. And, whether it has been working according to my requirements. (‘Elite’ A, Finn)

Furthermore, one of the interviewed Finnish managers, who is very experienced in doing business in Russia, particularly emphasised quick knowledge sharing among insiders of social networks. Thus, for instance, a negative reputation spreads more rapidly than a positive one. The following interview extract illustrates this point.

In here [in Russia] ... people talk more with each other and deal more with each other, though this is a bigger community. If you have a bad reputation, the reputation goes much further... and much faster than positive things. You are rarely praised as much as they talk bad about you, if there is a reason. (Firm G, Managing Director, Finn)

In Russia, due to the current unstable business environment with weak market institutions, good reputation is more important than other formal guaranties. Informal social networks with strong interpersonal relationships between, for example, business partners, friends and even competitors provide valuable information to deal with an unknown partner or situation. The Russian word for social networks is ‘svyazi’, which means literally connections. Information received from these networks is perceived as preferable by Russian managers (Puffer & McCarthy 2001). This has a direct link to Hofstede’s framework of national cultural values. Russia, in general, is stereotyped as a collectivist society (e.g. Bollinger 1994; Puffer 1994;
Shama 1994; Fernandez et al. 1997), in which informal social networks are increasingly important.

**Experience of Interactions**

As it is also supported by the findings in the previous section, a favourable reputation has a clear role in the developing of initial trust between relationship parties (Ring, 1977; Weigelt & Camerer, 1988) and can encourage interaction. In the context of the relationship development process, it means that partners move from the ‘Awareness’ to the ‘Exploration’ relationship phase, in which they also begin to acquire knowledge about each other based on the experience of their first interactions (Weck & Ivanova, 2013).

Why people do business the way they do might be better learnt through interaction. Interviews with several Finnish managers indicated that respondents seek to learn about Russian partners’ way of doing business or gathering ‘first-hand knowledge’ all the time while interacting. Interview data demonstrated also that personal accessibility and direct interaction is very important in order to succeed with Russian partners. This can be seen from the following interview extracts:

*Personal meetings are very important. ...It is more important than with Finns and Western European people.* (Firm J, Chief Executive Officer, Finn)

*If, you make an agreement with a Russian partner, it needs to be done face-to-face. You must not do it by e-mail nor on the phone; you must do it personally... They will not start to do anything before you are there.* (Firm K, Sales Director, Finn)

In the following relationship phases – ‘Expansion’ and ‘Commitment’ – experience of interactions is the only source of knowledge on partner’s ‘competences’ and relational ‘intentions’. Thus, in the interaction phases, the knowledge building process is based on ‘direct’ learning which can be significantly influenced by the cultural context. How this process can be enhanced was exposed by respondents and is discussed in the following section.
4.2.2 Learning Enhancing Means

Focusing on the uncovering of trust-constituting conditions (see section 4.2.3) that affect directly on trust development, the concept of learning enhancing means was inductively elicited from data as an independent one with distinctive traits and functions. Thus, in this research, learning enhancing means are considered as equivalent to the trust-constituting conditions in terms of their purpose in relation to trust, but as facilitators of the learning process they have no direct impact on trust development within business relationships. Accordingly, conditions that support trust development comprise learning enhancing means and trust-constituting conditions.

Furthermore, learning enhancing means are subject to the trustor’s influence and control. Taking into account and applying learning enhancing means partners can learn more easily about each other’s characteristics. Learning enhancing means maintain the knowledge building on a partner’s trustworthiness by increasing confidence in the acquired knowledge reliability and hence may have a positive indirect impact on trust development. At the same time, learning enhancing means help to reduce the level of perceived uncertainty and risks in different relationship phases, and therefore there is a negative relationship between learning enhancing means and risk.

<table>
<thead>
<tr>
<th>Table 5</th>
<th>Identified learning enhancing means</th>
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<tr>
<td></td>
<td>Relationship Development Phases</td>
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<tr>
<td></td>
<td>‘Awareness’</td>
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<tr>
<td>Firm</td>
<td>Recommendations and references</td>
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<tr>
<td></td>
<td>Visiting work site</td>
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<td></td>
<td>Contract preparation</td>
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<tr>
<td>Individual</td>
<td>Cultural knowledge</td>
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<td></td>
<td>Communication and language skills</td>
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<td></td>
<td>Perceived quality of knowledge sources</td>
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<tr>
<td>‘Indirect’ Learning</td>
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<td>‘Direct’ Learning</td>
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It is determined by the researcher, that learning enhancing means can be differentiated into two levels: an individual and a firm. Accordingly, at the
individual level they connote those means that make easier for an individual to learn particularly about another individual, whereas at the firm level they facilitate learning mostly about the group of individuals such as a firm. Furthermore, different learning enhancing means can be valuable in different phases of relationship development, i.e. they vary over time along with relationship development. Table 5 depicts the identified learning enhancing means.

Finally, findings indicated that learning enhancing means are culturally driven. Thus, the inductively revealed learning enhancing means, which facilitate partners’ learning within business relationships in the context of Russian culture, are context specific. These learning enhancing means are discussed below.

**Firm Level**

**Recommendation Letters and References**

In the ‘Awareness’ and ‘Exploration’ phases of initial business relationship, recommendations and references provide information on a potential partner’s competencies and trustworthy behaviour and, thus, facilitate learning and knowledge building within the relationship. This reduces uncertainty, and hence, may contribute to the activation of initial trust between partners.

Russia scores very high on the Hofstede’s (1993) ‘uncertainty avoidance’ dimension. Most of the statistical research indicated that Russian people tend strongly to avoid uncertainty and failure (e.g. Bollinger, 1994; Fernandez et al., 1997; Elenkov, 1998; Naumov & Puffer, 2000; Danilova, 2007). Furthermore, Radaev (2005) claims that Russia is a prominent example of a distrustful society where trust in institutions and business relationships still remains at a low level. This indicates that the effect of people’s negative past experience of working in communist organisations on their reciprocal trust level among business partners still appears to be deep and long lasting. As a result, personal networks are considered as a preferable and more reliable source of information than official government channels or the press (Puffer & McCarthy, 2001). In the case where people do not have the possibility to obtain information from personal networks, they try to gather information in many different ways.
Interviews with Russian and Finnish managers from the firms located in Russia most commonly indicated that, in the initial business relationships, recommendations and lists of references are precious means to obtain knowledge on the partner’s reputation and are generally employed among interviewed managers. The following extract exemplifies, that managers search for such types of knowledge or reputation dimensions that can satisfy their trust preconditions regarding capabilities and trustworthy behaviour of a potential partner.

Providing us with a list of references and good presentation of finished projects is important. Based on this information, I can see the degree of work complexity done by the potential partner. (Firm E, Project Manager, Russian)

During the first interactions in the ‘Exploration’ phase, managers continue to collect information on the partner’s reputation. They expect that potential partner provide recommendation letters and lists of references during first interactions, for example,

... recommendations written by people who have worked with this firm (Firm E, Head of Designer Group, Russian).

However, interviews also commonly demonstrated that Russian managers refrain from using recommendations and references only from their family members or friends, who belong to a trusted personal network of Russian people; rather they tend to employ a broader business network. This network comprises such economic actors as customers, contractors, business partners.

Positive feedback on the work or recommendation letters, if possible, is important ... from clients, final customers, who ordered something from this firm. And, if the firm has worked as a subcontractor, then we need recommendation letters from those who hired them. (Firm B, Head of Sales Department, Russian)

This result supports findings of some recent studies (e.g. Shastitko, 2002; Chepurenko & Malieva, 2005; Radaev, 2005) which claim that informal networks with personalised forms of trust are not always significant in business development. The next interview quotation comes from a Finnish manager, who seems to have adopted the practices of business culture in Russia.
I pay attention with whom they [partners] have worked. If I know these companies, it means something. ... If at least someone gives a good recommendation, it is already something. Although it's not always possible to verify, there can be false information. (Firm G, Managing Director, Finn)

**Visiting Work Site**

Visiting the construction work sites and business premises for a search of verifiable information is a very common practice of the majority of Russian managers during initial interactions with a potential partner. This pattern of behaviour seemed significant in the context of the Russian business environment. It means that Russian managers cannot completely rely on third-party experience to reach a higher level of confidence; therefore, they look for more reliable means to facilitate their experiential learning. Thus, positive experience and knowledge acquired from visiting the work site of a potential partner provides solid ground for the activation of managers’ initial trust during the ‘Exploration’ phase of relationship.

The following extracts from interviews with Russian managers stress the importance of this learning enhancing mean.

*It is important for us to understand what they [partners] have. Therefore, we visit the firm and check. ... If there are some construction sites in progress at the moment, we question those people who work on the sites directly about the firm, and whether they belong to the regular workforce or contract employees. ... The fact that we have been honestly informed about it is important.* (Firm B, Head of Sales Department, Russian)

*I always visit the partner's premises in order to check where it is located, and how the work is organised.* (Firm E, Manager of Russian Relations, Russian)

Additionally in the Pilot study, a Finnish ‘elite’ pointed out another important purpose of visiting the work site. During the visit to a work site, a Russian partner may want to interview the manager who is going to be responsible for a particular project with him. This is addressed in the following interview quote:
In Russia, they usually ask, “Do you have a person who will manage this project?” And, then they start interviewing this person. They ask what he has been doing earlier, this kind of information, if possible. (‘Elite’ B, Finn)

Visiting the work site is an example of learning enhancing means, which is closely related to Hofstede’s (1993) ‘uncertainty avoidance’ dimension discussed in the section above. In contrast to the knowledge obtained through recommendation letters and references, which is based on third-party experience, visiting the work site provides ‘first-hand knowledge’ and represents direct learning through interactions. However, both learning enhancing means reflect a Russian low-trust society, which has been noted by several authors (e.g. Radaev, 2003, Kuznetsov & Kuznetsova, 2008).

**Contract Preparation**

An exceptional statement was made by one of the interviewed Finnish ‘elites’ interviewed in the Pilot study. In the following quote, the ‘elite’ exemplified learning enhancing means he usually applies with unknown business partners in Russia.

I have to mention about this, because usually, Russians say: you do the agreement. That’s a bad sign. Usually, I ask them to make the contract. Then we can see how they think, and how has this work been understood. And, there will be certain appendices such as time schedule and table of payments. ...then when they make the schedule, they usually ask how long time does the contract last ...because their accomplishment is also dependent on others. Then they need to have certain orderliness, how to get it [the work] ready. ...And, if they make that schedule in a correct way, that is exactly a sign that we are working with professionals here, ...because in the schedule, there are many things to consider, and because it is a work, there are many stages. They have to show, that they have an understanding of what we are talking about, of what kind of work. (‘Elite’ B, Finn)

This is an excellent example of learning about a potential partner’s competencies and skills in the ‘Expansion’ relationship phase. This can be justified by the current situation in the Russian construction market, where there is a real shortage of highly professional human resources. This problem was raised in several interviews with Russian and Finnish respondents, as it is demonstrated by the following quote:
Nowadays, there are few professionals on the market, and few knowledgeable people. Many firms take on everything not being able to perform the work. It does not matter whether they can do everything on time or not, but all work should be done professionally. (Firm E, Head of Designers Group, Russian)

In relation to ‘direct’ learning, another interesting point was made by one of the interviewed Russian managers, who emphasised the stage of contract preparation, as very critical for acquiring evidence regarding a partner’s trustworthiness.

If our relationship develops further, we start the stage of contract preparation. This is a very important stage, because the contract contains all responsibilities and terms important to both parties. In this stage, it may well become evident how much the partner can be trusted. Very often in the contract offered by partner, something may be proposed with a lopsided advantage. (Firm E, General Director, Russian)

Thus, it was significant that a few Finnish and Russian respondents indicated contract preparation by a partner to be a very important means for learning about that partner’s trustworthiness.

Common Interaction Rules and Division of Responsibilities

The majority of interviewed Russian managers, especially of the older generation, emphasised the importance of common interaction rules and clear division of responsibilities. This precondition is particularly important in the ‘Expansion’ and ‘Commitment’ relationship phases, in which project implementation takes place. Respondents believe that due to the precise division of responsibilities during all stages of project management, they are able to complete successfully the project avoiding conflicts with their partners.

There is a need for general rules for negotiations: open or not open; how much he [partner] wants to get information; how much he is willing to share his own information. (Firm F, General Director, Russian)

Further, a few Russian respondents put forward a point of view that within the project it is easy to define common interaction rules and determine
responsibilities with partners. Partners will know with whom they should interact when questions appeared. It also means that in such a regulatory environment, the managers’ learning will be unimpeded and supportive to the growth of trust.

*Knowledge of this [construction project] area allows being able to clearly define who is responsible for what. Then, the work goes smoothly, and during the process, there is no need to return to the contract.* (Firm E, Project Manager, Russian)

One of the interviewed Russian managers stressed that common interaction rules, which determine how they should respond to a partner’s behaviour in different relationship events, are crucial for trust growth.

*If my behaviour is right in the relationship …, if I perform according to the prescribed rules, there will be no situation when trust is lost.* (Firm E, Technical Director, Russian)

A reason why Russian managers tend to establish common interaction rules and division of responsibilities could be found in the cultural traits of Russian society which scores very high on Hofstede’s ‘power distance’ dimension. Shane (1994) characterises high power distance societies as more hierarchical and bureaucratic. High power distance can also be associated with autocratic behaviour (Hofstede & Hofstede, 2005). Indeed, power and decision-making was centralised and freedom was controlled for over the past seven decades through the communist ideology of the Soviet era. As a consequence, people at lower-level positions felt dependent on their leaders (Kets de Vries, 2000). However, Soviet leaders neither approved empowerment nor allowed middle management to take part in decision-making, thereby standing guard over the hierarchy of responsibilities and their own status. Ultimately, these circumstances may essentially explain Russian managers’ expectations of regulatory environment in project management. Another explanation may stem from the very high dimension ‘uncertainty avoidance’ estimated for Russia by Hofstede (1993). Russian managers may perceive the project environment as more certain, when they interact with partners according to agreed rules and division of responsibilities is determined.
**Informal Communication**

The strong point made by Russian respondents is that informal communication at all organisational levels – between both leaders and employees of partner firms - is especially important in the ‘Expansion’ and ‘Commitment’ phases of the relationship. Interviews indicated that learning through informal communication provides partners with the kind of knowledge they need about each other in order to maintain the growth of trust within relationship development.

*We are in touch on the phone periodically. We find out their situation with the work volume, what are their plans... We find out their needs.* (Firm F, Sales Manager, Russian)

Additionally, interviews with several Finnish managers revealed that Russian partners appreciate very much informal communication outside of the business relationship.

*They expect more let's say informal activities, something you can do outside your office.* (Firm J, Chief Executive Officer, Finn)

The following extract from an interview with a Russian manager illustrates the typical tools and forms of informal communication used by Russian managers.

*We have a program that contains all the contact information. We call and ask: "How are you?" ... Birthdays of contact persons, holidays. When we have a corporate ‘New Year’ event, we invite our most valued partners with whom would like to keep in touch.* (Firm F, Head of Sales Department, Russian)

It seems decisive in the context of the Russian business environment that leaders from partner firms communicate informally. This is emphasised by Russian respondents as being of utmost importance because informal communication strongly facilitates ‘direct’ learning, which may lead to trust and commitment of leaders increasing. Developing trust with leaders of Russian partner firms may allow achieving the wanted decisions in cooperation.
Communication between leaders and decision-makers outside of work...and friendship are very important. (Firm E, Manager of Russian Relations, Russian)

In a business relationship, learning through informal communication may initiate a closer personal relationship and, hence, maintain the growth of trust, which is dependent on interpersonal interactions. As it is mentioned earlier in this section, Russia has been traditionally viewed as a low-trust society (e.g. Radaev, 2003; Kuznetsov & Kuznetsova, 2008). Russian people tend to distrust individuals, groups and organisations that fall outside personal relationships (Ayios, 2004). Referring to Rose (2000), Russians know the people they trust and they trust the people they know. In such a sceptical society, where institutional trust still remains low, interpersonal trust becomes vital.

**Individual Level**

**Perceived Quality of Knowledge Sources**

In this research, *perceived quality of knowledge sources* refers to a manager’s general perception of the accessibility and competence of knowledge sources as well as their ability to provide high-quality information on a potential partner. Nearly all the respondents considered this to be a very important factor that positively influences the knowledge-building process especially in the initial phases of business relationships. Thus, in the ‘Awareness’ phase, knowledge on a partner’s trustworthiness is a result of initial learning without interactions. Therefore, relationship parties are likely to be particularly attentive to the quality of knowledge sources. To the extent that parties perceive that a knowledge source presents high quality information, they are more likely to have willingness to acquire knowledge from that source. For instance, it is well known that information received from the Internet – in particular, the potential partner’s website – may vary in quality to a great extent. Thus, the trustor’s perception that the website provides high-quality information will enhance the trustor’s initial learning by increasing confidence in the reliability of the acquired knowledge.

However, the empirical data show that perceptions of the quality of knowledge sources differ among managers depending mainly on their experience and presence in the Russian market. For instance, a few Finnish managers from the firms located in Finland expressed a strong view that
knowledge about Russian partners should be collected from all possible Finnish sources (Weck & Ivanova, 2013). The following quotes from interviews illustrate this view:

*Finnish companies which offer background research. ... That would be the channel from where I would start. ... At least the biggest mistakes could be avoided through that.* (Firm L, CEO, Finn)

*I think we will get the most objective information from the Finnish partners.* (Firm K, Sales Director, Finn)

Accordingly, the quality of information communicated by Finns is perceived of higher quality than that received from other sources and, therefore, as more reliable. This means that at the beginning of the relationship, in order to build initial trust in a potential Russian partner, Finnish managers prefer information gathered from those with whom they have a cultural similarity. Hence, the perceived information quality can be influenced by cultural similarity, which is discussed further in the section of *trust-constituting conditions*. Nevertheless, Finnish respondents – who are well experienced in doing business in Russia – value also information from the Russian market and from their own Russian partners (Weck & Ivanova, 2013). This finding evidently supports the inference concerning dynamic cultural identity and perception of cultural similarity at the level of business culture. The following extract exemplifies this viewpoint:

*We get more accurate information when we ask them [Russian partners] questions ourselves, instead of asking someone not from this field or some unknown research office. Otherwise, the data delivered is not necessarily identical to the data of the original sender; it can change on the way.* (Firm I, CEO, Finn)

**Cultural Knowledge**

In intercultural business relationships, when cultural similarity is not existent, cultural knowledge becomes particularly important in learning about a partner during all the phases of relationship development with that partner. The significance of knowledge and understanding of a partner’s culture was emphasised by the majority of both Finnish and Russian managers.
I think, ... when you understand on what everything is being built up, it is easier to predict what kind of decisions will be made by an individual. (Firm B, Head of Sales Department, Russian)

In business relationships, the level of trust can be raised through the medium of getting familiar with each other and understanding the cultural background of an individual or a group (Blois, 1999). Practically, in intercultural business relationships, partners do not have an identical or very similar cultural background. Knowledge of a partner’s culture may help to grasp, for instance, how that partner’s firm does business and the nature of management practices, norms and beliefs. (Weck & Ivanova, 2013) Accordingly, despite the fact that cultural knowledge is a result of learning of a foreign partner’s culture, it is also an essential for the further knowledge building on the partner’s trustworthiness and hence the growth of trust.

Interviews generally demonstrated that the majority of the interviewed Finns have considerable knowledge and understanding of Russian national and business culture. This could be expected, as most Finnish managers have a very long-term experience of cooperation with Russians. Additionally, Finns have a lot of general knowledge about Russian culture. A likely cause for this is the fact that Finland shares its longest border with Russia, as well as historical and commercial links. Nevertheless, some Finnish managers expressed difficulties in understanding the behaviour of their Russian partners. Apparently, cultural learning is a demanding task for managers, as it is “simultaneously a behavioural, cognitive, and an emotional process” (Schein, 1990, p. 111). It may not be always broad, deep or relevant enough to capture those cultural traits that explain the partner’s behaviour. The following interview extract supports this point:

Well, let’s say that when you are here [Russia] as a Finn, it is much easier to notice the risks of business with the Finnish partners in advance than with the Russian ones, because there are certain cultural differences in the behaviour of people. So, a Finn knows how to ‘read’ another Finn better. ... When certain things start to happen, Finnish firms and people behave in a certain way where you know how to react. With Russians it is much more difficult. You can learn it, but you can never learn it completely, 100 percent. (Firm E, Director of Russian Operations, Finn)

Additionally, a few comments were expressed by Russian managers concerning the failure of Finnish firms to understand the rules of doing business in the Russian market.
Different understanding of problems... if, we consider a Russian customer. Russian firms better understand his needs than Finnish firms do. ...The Finnish firms have a more demanding attitude to the supplier. Talking about the contractual obligations, their requirements are much stricter. (Firm D, Sales Manager, Russian)

Finnish partners do not know Russian norms and standards. (Firm G, Executive Manager, Russian)

However, despite some comments regarding the incompetence of Finnish managers in understanding how to do business in Russia, it is important to stress that during interviews the majority of Russian respondents expressed that they trust more in the cooperation with Finnish than with Russian partners. This viewpoint is evidently reflected in the following interview quotations:

I trust more Finnish partners, because they have never violated their obligations. Sometimes, there are some special features in payments, they have their own payment terms, but when you work with them, everything is expected. This predictability generates trust. (Firm E, General Director, Russian)

In our case, the attitude towards Finnish firms is more positive here in Saint Petersburg. It is because on the Finnish side, everything is done according to norms and for any question, there is an answer. (Firm B, Head of Sales Department, Russian)

Interacting mostly with Russian managers in both Finnish and Russian partner firms, the majority of Russian respondents expressed that they trust more Finnish firms. This fact leads to the assumption that business culture plays a more important role in trust development than national culture.

While knowledge of the national culture facilitates initial or ‘indirect’ learning to a great extent and plays a major role in forming attitudes towards a relationship partner (Weck & Ivanova, 2013), understanding of the partner’s business culture may provide a more viable explanation for his or her behaviour in business relationships. This understanding is especially critical in the ‘Exploration’ phase when first interactions and negotiations take place.
Additionally, the above interview quotations may also indicate that Russian managers with the long-term experience of working at the Finnish firms understand very well the differences between Finnish and Russian firms in their business culture and management practices. This understanding can be seen in many interview extracts with Russian managers utilised in the following sections. Having worked at the Finnish firms for a longer period of time, these Russian managers highly value the Finnish way of doing business, which they have adopted and expect the same from their partners. Thus, a substantial cultural adaptation may be a reason, that Russian managers trust more their Finnish partners.

The discussion above supports the claim that cultural identities are dynamic: parties adopt new group memberships, and other identities may evolve or fade in significance over time (Dietz et al., 2010). Changes in cultural identity may lead to a perception of cultural similarity in business practice between long-term relationship partners that in turn have a positive influence on trust.

The preceding discussion has touched on an interesting and inadequately researched question regarding the role of cultural adaptation in the process of trust development. The originality of this question has led to broadening the research questions and conducting a Supplementary study.

**Interpersonal Relationship and Friendship**

Interviews with the majority of both Finnish and Russian managers provided evidence that establishing close interpersonal relationships with Russian partners is particularly vital in order to build knowledge about them. Indeed, the importance of interpersonal relationships received special attention from Finnish managers.

*I think it is a ‘must’ thing; you have to have good personal relationships with people in Russian companies. ...These personal relationships will be deeper than with others [Finns and Europeans]. In Finland, it is often very formal, just business relationships.*  (Firm J, CEO, Finn)

According to McCarthy and Puffer (2002, 2003), Russian people have low trust in interactions and a strong propensity to share knowledge outside interpersonal relationships. Within close interpersonal relationships Russian people are more open. Learning becomes easier and thereby
partners get to know each other better. In fact, they know a great deal about each other’s private lives, which is typical for a collectivist culture.

Therefore, we should pursue that kind of openness, which is a benefit to everyone. Then often the friendship comes there ...within a month people already know each other very well. ... Partners become real friends. ...With some we have been working for like 20 years here. ...The old ones stay and the new ones come also. (Firm G, Marketing Director, Finn)

In here, the relationships are deeper, more like on an interpersonal level than in Finland. ... How are the children and how is it going at home? It’s normal here to talk about these things. ... These kind of personal relationships have to be first... trust is built on the personal level. ... I have this kind of saying, that in here, what you find out in five minutes while talking with a Russian, in Finland, for example with neighbours, it can take five years. (Firm G, Managing Director, Finn)

Referring to the aforementioned interview extracts, trust is built through learning within interpersonal relationships. Building and maintaining interpersonal relationships enables partners to learn and access such information about each other that may have a crucial impact on the growth of trust between them. Learning within the interpersonal relationship and discovering each other to be trustworthy may lead to a deeper level in the relationship or friendship in the ‘Expansion’ and ‘Commitment’ relationship phases.

Furthermore, interviews revealed that Russian managers easily expect friendship with their partners in long-term relationships. This supports the view of McCarthy and Puffer (2003) suggesting that Russians tend to cooperate with those with whom they are familiar and to exclude those they consider outsiders. The following interview extracts exemplify this viewpoint:

When you are a very good friend, and it happens very often with a partner, then it is easier to make business. I think it is a must thing for Russian people, otherwise Russian companies and Russian people do not make business. (Firm J, CEO, Finn)

When we work with the foreign company, we provide high-quality service. With Russian companies it is necessary to have a friendship. (Firm F, Head of Mechanical Department, Russian)
Nevertheless, friendship in the Russian business context is not the same as business friendship. It can be seen in the following quotation:

*When you start doing business with someone [Russian], you become a friend. It means you are his friend 24 hours a day. ...Friendship in Russia is far more important and useful than in Finland.* (Firm H, CEO, Finn)

A common perception among Finnish respondents was that the ‘interpersonal side’ of a business relationship is more important for Russians than for Finns. This has another culturally based explanation grounded on Hofstede’s (1993, 2001) research, which has positioned Russia as a quite feminine and very high uncertainty avoidance society. In such a society people value close interpersonal relations based on trust.

*Well, I think it is even more important for Russians than Finns to have some sort of interpersonal side in business relationships. ...It is important for Russians to keep contact outside the meeting rooms. ...Well, a certain balance should be kept in this matter.* (Firm A, Head of Technical Department, Finn)

In addition, it was pointed out that trustful interpersonal relationships facilitate partners' communication in problem solving and finding the right solution.

*Well, usually we do so that we build interpersonal relationships with our partners rather quickly through people participating in the first project. This is, let’s say a natural selection of those two or more persons from each side who communicate together, and then it becomes a so-called ‘confidential’ relationship. ...They form an interpersonal relationship with personal trust. Then, if there are problematic situations, they will find the right solutions by discussing together. Moreover, until now our experience has shown ... that 90% of the problems can be solved like this without taking the discussions any further.* (Firm E, Director of Russian Operations, Finn)

This finding corresponds to the previous literature on intercultural differences in trust development, which highlights the importance of interpersonal relationships (e.g., Money, Gilly & Graham, 1998; Yuki, Maddux, Brewer & Takemura, 2005) as they ease knowledge building about a relationship partner.
However, while the importance of close interpersonal relationships and friendship within business relationships with Russian partners was widely acknowledged by respondents, these relationships may potentially develop into unhealthy ones. In such relationships, trust between individuals may exceed the inter-firm trust to the extent that exchange of favours or illegal transactions follow. Even in the case where one partner does not encourage such a relationship, the other partner may try to please the other for his own future prospects through undue favours.

Communication and Language Skills

An effective learning process during relationships between business partners implies high quality of social communication. In this regard, the critical importance of communication skills in all interaction phases of relationship development was strongly emphasised by many Finnish and Russian respondents.

When you begin to explain something, he [partner] does not listen, just talk his own thoughts simultaneously – lack of communication skills. I would rather listen to him ten times, and I find a moment to insert my words. (Firm F, Manager of Customer Services, Russian)

Communication skills are even more critical in the intercultural business relationships. Thus, as it was widely acknowledged during interviews particularly with Finnish managers, that cultural differences between partners require such competences and abilities in communication that can facilitate a cultural adaptation and successful completion of their tasks.

Well, cultural difference is such an aspect... In Finnish firms, people have gotten used to a certain way and quality of doing work and taking care of everything in practice. In Russia, people have their own working culture and approaches, which are different. Then, matching these differences is a big challenge. ...And one can notice this. During interaction, good quality communication is needed in order to match both cultures. (Firm B, Senior Project Manager, Finn)

Foreign language skills play a key role in intercultural communication. Nowadays, there is a preference for using English as a shared working language in intercultural business relationships around the world. However,
in such relationships, English as the business language can be a contributor and a barrier to trust development (Henderson, 2010). Language as a communication tool is a necessity for interactions and developing close personal relationships. Language is a learning enhancing means. When non-native English speakers communicate in English during interactions, the risk of mistaken interpretations or assessment of each other’s ‘competences’ and ‘goodwill’ is potentially higher. As a result, trust growth between parties can be slowed down or even destroyed and so the development of personal relationships can be constrained. In Russian society, personal relationships take on a greater importance (e.g. Ledeneva, 1998; Höhmann & Malieva, 2002; Michailova & Worm, 2003). Therefore, use of the Russian language should be seriously considered when communicating with Russians. In Russia, most people of the older generation had studied English formally for decades with no possibilities to communicate in English outside the classroom.

The analysis of interviews supports the value of Russian language skills. During interviews, Finnish managers mainly raised the importance of these skills, because operating in Russia they inevitably communicate with Russian partners. Besides, Russian managers also emphasised the significance of Russian language skills for communication and development of personal relationships. Moreover, Russian interviewees referred to the gap in the aforementioned skills of Finnish expatriate managers in Russia.

*With Finnish managers, problems arise most often in communication. Due to the language barrier, personal relationships with them are not possible. If there are Russian-speaking Finns, then contacts will be the same as with Russians.* (Firm F, Sales Manager, Russian)

*It means a lot when people meet each other, what kind of contact they make. For trust to be born with your partner, it requires language skills. ... You need to be able to communicate and in practice, it means - in Russian. If you can speak Russian, you can survive here, you can create good contacts. And then, you need to have cultural knowledge.* (Firm G, Managing Director, Finn)

Furthermore, language skills are not only helpful during experiential learning in the interaction phases of relationship, but also ease an information search about potential partners and thus, support initial or ‘indirect’ learning in the ‘Awareness’ phase. Language skills may significantly help to assess the quality of information sources, and are identified as a
significant driver of knowledge building process in developing trust. Moreover, language skills are a prerequisite for creating close interpersonal relationships and friendship with business partners.

4.2.3 Trust-Constituting Conditions

During interviews in both the Pilot and the Main studies respondents indicated the most significant conditions that support trust development in each phase of business relationships with Russian partner firms operating in the Russian construction market. In total, nineteen trust-constituting conditions were identified by eight ‘elites’ in the Pilot study and thirty-five managers in the Main study.

Table 6  Trust-constituting conditions identified in the Pilot (in blue) and Main (in black) studies

<table>
<thead>
<tr>
<th>Trust Components</th>
<th>Types</th>
<th>Level</th>
<th>Trust-constituting Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence Trust</td>
<td>Characteristics of Trustee</td>
<td>Firm</td>
<td>High quality performance and capabilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Good financial state</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sufficient experience in the field</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Transparency and predictability</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Stability in key personnel</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Strong market position</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Experienced human resources</td>
</tr>
<tr>
<td></td>
<td>Individual</td>
<td></td>
<td>Professional competence</td>
</tr>
<tr>
<td></td>
<td>Individual</td>
<td></td>
<td>Openness and honesty</td>
</tr>
<tr>
<td></td>
<td>Individual</td>
<td></td>
<td>Cultural similarity</td>
</tr>
<tr>
<td></td>
<td>Individual</td>
<td></td>
<td>Activeness in negotiations and work performance</td>
</tr>
<tr>
<td>Goodwill Trust</td>
<td>Characteristics of Relationship with Trustee</td>
<td>Firm</td>
<td>Fulfilment of contract terms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Responsiveness to questions and problems</td>
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<td></td>
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<td></td>
<td>Willingness to share information</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Flexibility in negotiations</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Loyalty</td>
</tr>
<tr>
<td></td>
<td>Individual</td>
<td></td>
<td>Promise keeping and commitment</td>
</tr>
<tr>
<td></td>
<td>Individual</td>
<td></td>
<td>Interpersonal reciprocal understanding</td>
</tr>
<tr>
<td></td>
<td>Individual</td>
<td></td>
<td>Appreciation and respect</td>
</tr>
</tbody>
</table>
Table 6 summarises trust-constituting conditions perceived by ‘elites’ and managers from both studies. The trust-constituting conditions identified initially by ‘elites’ of the Pilot study are highlighted in blue. The initial list of conditions was expanded based on the Main study results. These additional findings are indicated in black.

Referring to the theoretical discussions in section 2.2.2, a trustor’s trust-constituting conditions are the trustor’s expectations of a trustee’s trustworthiness or ‘characteristics of trustee’ and ‘relationship with that trustee’ at the firm and individual level (see Figure 12). The trustee is perceived as trustworthy when the trustor’s expectations are met. In this case, these expectations are associated with positive changes in the level of trust in the trustee. Nevertheless, trust-constituting conditions are not the subject to trustor’s influence and control. This is the major difference compared to the learning enhancing means, which are under the control of both trustor and trustee. Similarly to learning enhancing means, the identified trust-constituting conditions are culturally driven and are, in this research, context specific to Russian culture. The significance and presence of these conditions vary in different relationship phases.

In this section, the findings of the Pilot study are thoroughly discussed, together with findings of the Main study, and presented according to the typology of trust-constituting conditions (see Figure 12): ‘characteristics of trustee’ and ‘characteristics of relationships with the trustee’ at the firm and individual level. In addition, findings of the Supplementary study – related to the trust-constituting conditions – are also incorporated into the discussion. The following tables (see Tables 7, 8, 9, 10) of this section summarise the identified trust-constituting conditions according to the relationship development phases.

**Characteristics of Trustee: Firm Level**

Table 7 demonstrates the trust-constituting conditions related to ‘characteristics of trustee’ at the firm level identified in the Pilot, Main and Supplementary studies. The trustor learns about the ‘characteristics of trustee’ directly and indirectly.
Table 7  
*Trust constituting-conditions* related to ‘characteristics of trustee’ at the firm level

<table>
<thead>
<tr>
<th>Competence Trust Characteristics of Trustee</th>
<th>‘Awareness’</th>
<th>‘Exploration’</th>
<th>‘Expansion’</th>
<th>‘Commitment’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm</td>
<td>Strong market position</td>
<td>Good financial state</td>
<td></td>
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<tr>
<td></td>
<td>Sufficient experience in the field</td>
<td>Stability in key personnel</td>
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<td></td>
<td>Experienced human resources</td>
<td>High quality performance and capabilities</td>
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<td></td>
<td></td>
<td>Transparency and predictability</td>
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</table>

**Categories of Learning**

<table>
<thead>
<tr>
<th>‘Indirect’ Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Direct’ Learning</td>
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</table>

**Strong Market Position**

In Russia today, obtaining a strong market position is a very challenging task. However, the firm’s stable market position is the basis of long-term cooperation (Kouchtch & Afanasiev, 2004). The highly competitive conditions of the Russian market require substantial resources and efforts from firms to achieve a sustainable competitive advantage and a convincing position in the market. Therefore, knowledge of a potential partner’s market position is a significant feature that the absolute majority of respondents are searching for before their interactions can take place with that partner. Interviewed managers emphasised the importance of all information related to the partner’s market position. Such information was acknowledged to be very significant particularly in the ‘Awareness’ and ‘Exploration’ relationship phases. The following interview quotes indicate the generally held point of view.

*Of course, we have some number of preference criteria for our partners, which are ... how active the company on the market is, which share does it have, which producer does it prefer, how does it position itself, either this company works only with price or it works also with quality.* (Firm B, Head of Sales Department, Russian)

For example, knowledge of a partner’s licences was considered very important by many interviewees.
How long the firm has been in the market, what kind of licences, and all related information is important. (Firm E, Head of Designer Group, Russian)

In Russia, business activities can only be carried out with a special licence issued by the licensing authorities. Firms operating on the market are obliged to have licences separately for each type of business activity. Therefore, a firm holding licences provides a certain guarantee of quality for potential partners and may be perceived as trustworthy.

**Sufficient Experience in the Field**

The common view of interviewed managers was that experience of a potential partner firm in the field is a very essential precondition for their trust in the earlier phases of business relationships such as in the ‘Awareness’ and ‘Exploration’ phases. Apparently, a partner’s sufficient experience is a key source of such competences that may initiate and activate trust. Respondents seek to obtain some knowledge of a partner’s experience already before actual interaction and continue data collection during first interactions.

The number of completed projects ... it would be good if this information were available on web resources. (Firm E, Communication Manager, Russian)

From my experience, many companies are offering their service, and they have enthusiasm and a desire to learn. This is not enough, if there are no completed projects. If you have no experience, it will not work. (Firm E, Project Manager, Russian)

However, it was also pointed out by a few Russian managers that many Finnish firms do not have a long enough experience of operating on the Russian market. It also means that the absence of people who know about a Finnish firm may cause difficulties and consume a longer time to build trusting relationships with that firm.

If the firm is new ..., it is always a challenge, because there are few people who know about it. Experience in the field is a serious thing. (Firm E, Technical Director, Russian)
**Experienced Human Resources**

Problems in the professional competence of human resources can be attributed to a large extent to the lack of experience. Therefore, knowledge of the sufficient experience of a potential partner firm’s human resources was considered as very important by many interviewed Russian and Finnish managers for trust initiation in the ‘Awareness’ relationship phase before interactions began. The lack of experienced human resources of a potential partner firm was commented on being a cause of potential problems that definitely does not support trust initiation with that firm.

*Organisation can be very good and it can have very good references, but practically, what matters is the people who do the job. We have, let’s say like this, warning examples of what has happened even if the references on the organisational level were completely appropriate. But, when there were ‘wrong’ people doing job, nothing worked.* (Firm E, Director of Russian Operations, Finn)

Additionally, the following criteria were widely acknowledged by respondents:

*The number of people in the firm, the past experience of the firm’s employees ...personal achievements of leading executives.* (Firm E, Communication Manager, Russian)

Even though today in Russia, the international business operations of Russian firms have increased, the amount of internationally experienced human resources is still limited. A few respondents significantly pointed out that the international experience of a firm’s employees is very important for the trust-based business relationship with that firm.

*If there is no experience, nothing will work. Participation in international projects is important.* (Firm E, Project Manager, Russian)
High Quality Performance and Capabilities

As commonly acknowledged by all Finnish and Russian respondents and especially accentuated by Russian managers, a high quality performance and capabilities of a potential partner firm are the most crucial trust preconditions in the interaction phases of a relationship such as the ‘Exploration’, ‘Expansion’ and ‘Commitment’ phases.

*It is very important that our partners implement their work in time and with the right quality. Quality is especially important.* (Firm E, General Director, Russian)

Interviews also revealed that the first interaction is a worth exploration, which is important to have at the potential partner’s work site. *Visiting work site* was discussed in section *Learning enhancing means* of this chapter. Russian managers’ visits to the work sites indicate also how important it is to have a verifiable knowledge on the quality performance and capabilities for their trust activation and growth in the ‘Exploration’ relationship phase. The purpose of visits to the work sites is described at large in the following interview extract:

*It is important to see how exactly the firm works on the construction site. I mean quality of work. ... Usually, you cannot see quality problems from the papers. We examine how work is organised ... what workforce and what transport are used on the site, how constructions are lifted and installed. You can always see that, analyse that and understand how it is done. There are certain technical requirements related to assembling, building-up and unloading of particular construction materials. If workers are professionals, they know how to do their work without thinking. If they are not competent, then they will be walking around, wasting time... and avoiding their work. That is why these factors are very important.* (Firm B, Head of Sales Department, Russian)

The reason for the visits to work site is the interviewees’ general low level of confidence in performance quality of Russian partner firms. The following extracts from the interview with a Russian manager evidently reflect this point:

*I don’t have such confidence with a Russian firm that all the quality claimed by the firm will be present. This is the main problem.* (Firm B, Product Sales Manager, Russian)
Additionally, the significance of a partner’s capabilities in strategic planning and implementation was emphasised by one of the interviewed Russian managers and is thoroughly substantiated in the following interview quote.

We need some information on ... his [partner’s] strategy. How successfully does our partner implement his strategic plans, how active he is and how well he moves in the chosen direction? ... It is important for us to understand how well our partner estimates the market, how good he is at planning. ... Because, if we work with our partner, we start to give him something in return, i.e. attract some extra resources, invest more our time etc. We need to know that our partner understands about what he does, and we can trust him in relation to the long-term planning. (Firm B, Head of Sales Department, Russian)

This condition seems decisive for the trust activation in the ‘Exploration’ relationship phase while operating in the context of Russian business environment.

**Transparency and Predictability**

Many of the interviewed Russian managers stressed the significance of transparency and predictability for trust activation and growth during the interaction phases of relationships such as ‘Exploration’, ‘Expansion’ and ‘Commitment’ phases. They paid great attention to these preconditions while describing in particular the first interactions with a potential partner in the ‘Exploration’ relationship phase.

I expect rather transparent information about the current state of the partner’s project ... How much partner desires to get information from us, how much he is willing to share his own information? These make an impact. (Firm F, General Director, Russian)

The irony is that, usually, Russian managers have a strong resistance to share knowledge of company business with outsiders (McCarthy & Puffer, 2003), but expect transparency from their partners. According to Elenkov (1998), a fairly high power distance along with high uncertainty avoidance of Russian management predisposes a minimal disclosure of company information.
Furthermore, a few interviewed Russian managers indicated that they usually look for some disclosure from potential partners on their future plans. This can be explained by the fact that opportunistic behaviour of Russian managers (Salmi, 1996; Puffer & McCarthy, 2001; Radaev, 2005; Jumpponen, Ikävalko & Pihkala, 2008), who primarily adopt a survival strategy is well known. The following interview quote exemplifies this point.

_We talk about where he [partner] will go in the near future, having a partnership with us. I mean what real projects and interests he has ... his nearest plans for several months, for example._ (Firm B, Sales Manager, Russian)

Having obtained and analysed the knowledge derived from the first discussions with a potential partner, Russian managers seek to predict partners’ actual plans in the nearest future. Managers’ predictions or possible scenarios is demonstrated in the interview extract below.

_But before making any contract with a partner firm ... we consider his future plans and perspectives very carefully, what is he going to do in the future; whether he is going to start his own manufacturing, whether he has technical capacity for production. ... Maybe not now, but after one or two years already, he will become our competitor, if we teach him how to work. He will simply start working against us._ (Firm B, Head of Sales Department, Russian)

Given that significance of transparency was acknowledged by Russian managers, Russian firms were generally characterised as less open than Finnish firms were. This widely held point of view emerged from interviews with Russian managers.

_Finnish firms can initially be more open because Russians are usually more secretive, so to say. They do not easily give away information about themselves. In that case, it is hard to understand, what kind of firm is that and how reliable it is. But it can be some sort of cultural feature or mentality._ (Firm B, Sales Manager, Russian)

**Good Financial State**

The absolute majority of interviewed Finnish and Russian managers indicated that a good financial state of a potential partner is a significant
trust-constituting condition during actual interaction phases such as ‘Expansion’ and ‘Commitment’ phases. This condition is closely related to the strong market position of a partner firm, which is discussed earlier in this section, and is particularly essential when operating in the Russian business environment. Therefore, according to the interviewed managers, they seek to get such rather confidential information even before the actual interactions.

Well, of course we would like to look at the firm or corporation from a financial perspective. ...Then we have to get some facts about the firm's financial state and that kind of ...rather confidential information. (Firm A, Head of Technical Department, Finn)

The following quotation comes from one Russian manager, who particularly emphasised the importance of a partner's financial state while planning a long-term business relationship.

Because we are looking for long-term relationships with our partners ... there is a set of standard requirements – good financial state of the firm and its solvency. (Firm B, Head of Sales Department, Russian)

Nevertheless, the quotation above represents an example of a certain contradiction with the results of several studies, which positioned Russia very low in the ‘long-term orientation’ (e.g. Hofstede, 1993; Danilova, 2007; Grachev, Rogovksy & Rakitski, 2008).

Stability in Key Personnel

The importance of interpersonal relationships while doing business in Russia has been widely acknowledged in the existing literature on Russian culture, and it is also discussed in the previous section 4.2.2. When strategically important and trusted staff of a partner firm leaves their job, it may have a negative impact on the entire relationship with that firm. Therefore, stability in key personnel of partner firms was considered by many Finnish and Russian respondents as a great contributor to the trust development in the ‘Exploration’ and ‘Commitment’ relationship phases. This also positively affects the continuation of business relationships with those partners with whom they have already built reciprocal trust.

People are very important. People leave, organizations remain. We have good partners such as Coca-Cola, embassies, banks ... we work with them,
but if people leave, we can lose contacts and business. (Firm G, Managing Director, Finn)

Nowadays in Russia, there are high turnover intentions of work force in comparison to Western European countries. Many employers complain about the low commitment and loyalty among employees at all organisational levels. This was also emerged in the interviews with a few Finnish managers. According to Rosenbaum (2001), in comparison to other Eastern European people, Russians are much more likely to expect quick and high earnings instead of a secure job in the long run. The possible explanations for that could be found from the traits of Russian culture discussed in the previous sections.

**Characteristics of Trustee: Individual Level**

Table 8 presents the *trust-constituting conditions* related to ‘characteristics of trustee’ at the individual level identified in the Pilot, Main and Supplementary studies.

**Table 8**

*Trust-constituting conditions* related to ‘characteristics of trustee’ at the individual level

<table>
<thead>
<tr>
<th>relationship development phases</th>
<th>‘Awareness’</th>
<th>‘Exploration’</th>
<th>‘Expansion’</th>
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<td>Cultural similarity</td>
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<td>Categories of Learning</td>
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**Cultural Similarity**

Both groups of interviewed managers – Russian and Finnish – widely acknowledged the significance of cultural similarity for trust development in all phases of relationship development. Interviews revealed that in those
situations where there is a possibility for making a choice between partners, most interviewed Finnish managers are inclined to choose a Finnish partner with whom they possess cultural similarity.

*I have to say, that if there is the option of a Finnish partner or a firm owned by Finns, we will probably end up with that one.* (Firm A, Area Director, Russia, Finn)

Similar view stemmed from interviews with Finnish managers conducted in Finland:

*If the aim is to do it [business in Russia], then of course with a Finnish partner, who has some experience.* (Firm K, Sales Director, Finn)

This inclination is also noticed by a Russian manager, who pointed out that *“The partner choice on a national basis exists in our company.”* (Firm E, Technical Director, Russian)

This finding supports prior research on intra- and inter-firm trust that has suggested that cultural similarity facilitates the development of trust as it eases interpersonal contact and communication (Sitkin & Roth, 1993; Child & Möllering, 2003). Child and Möllering (2003) stated that the reason for a positive relationship between cultural similarity and trust is that we are more ‘fluent’ in reading the trust-relevant signals, symbols, and patterns of our own culture than those of others. As a result, in relationships, both parties trust each other more freely, if they share cultural background, at least to some extent (Child & Möllering, 2003). Reducing cultural barriers, cultural similarity achieves a greater degree of closeness (Swift, 1999), which correspondingly lowers the level of uncertainty and feeds learning between them. Thus, perceived cultural similarity evokes trust between partners by reducing uncertainty and enhancing learning.

In contrast, however, interviews with a couple of Finnish managers conducted in Finland revealed their perception of cultural similarity with Russians. These respondents possess a long-term experience in Finnish-Russian business relationships. The implication of this finding is further discussed in relation to such issues as dynamics of cultural identity and cultural adaptation at the level of business culture.
**Professional Competence**

Interviews revealed that for the absolute majority of Finnish and Russian managers’ professional competence is one of the most significant conditions for trust activation and growth on the individual level. As it was emphasised by respondents, the professional competence of a partner firm’s employees guarantees that trust will be extended to them during first interactions in the ‘Exploration’ and the following ‘Expansion’ and ‘Commitment’ relationship phases. The following quotes demonstrate this view.

*Of course, when there are good specialists on the side of our partner, it is very valuable. ... When there are specialists on both sides, who can solve any problem fast, our business develops in the best possible way.* (Firm B, Head of Sales Department, Russian)

*It’s a great pleasure to deal with people, who are competent and know their job.* (Firm G, Managing Director, Finn)

Limited professional competence may impede the ability of a partner to perform rationally. Practically, lack in professional competences of a partner firm’s employees may cause a negative impact on project outcomes and, hence, on the relationship as a whole. Due to this risk, the partner firm may fail to be trusted. Respondents pointed out that the professionalism of a partner’s employees may become evident already during first interactions.

*During the first meetings ...trust is earned primarily through professionalism.* (Firm E, Project Manager, Russian)

**Openness and Honesty**

A spirit of openness and honesty in the interpersonal communication maintains trust development within all interaction phases of business relationships and is of particular importance during first interactions in the ‘Exploration’ phase. Openness is one of the most culturally driven expectations extracted from interviews with many Finnish managers. The following interview quotes evidently demonstrated that Russian managers expect openness on the personal level, which means the receiving of more detailed personal information from partners.
During the first meeting, they want to talk on a personal level and have some time for that. (Firm I, CEO, Finn)

Russians wait for more information about you and your company. ...They want to know about your family and what kind of people you have in your company. (Firm J, CEO, Finn)

As it is broadly conceived in the literature, Russians trust the people they know and do not do business with strangers (Rose, 2000; McCarthy & Puffer, 2003; Ayios, 2004). Therefore, it is important to be prepared for small talk and to reserve some time for that:

Small talk is important, and in general, they [Russians] are ready to talk openly about themselves and they expect the same from their counterparts. (Firm I, Chief Executive Officer, Finn)

You need to give something from yourself, maybe have dinner together or propose something else in order to show that you ...are also ready to spend your time and money to get acquainted. (Firm H, Sales Manager, Russian)

This suggests that they are not only interested in doing business with a particular Finnish partner firm but also interested in the people they interact with and have intentions to build long-term relationships. Open and honest communication is also a prerequisite to the building of interpersonal relationships, which is, in turn, a significant foundation for the development of trustful business relationships with Russian partners.

If you try to hide something, Russians are good business people and buyers, they will notice. (Firm A, CEO, Finn)

Honesty on the personal level was particularly emphasised by many Russian respondents:

For example, when we talk over our contract, if the person honestly tells me that he needs some training and honestly uncovers his knowledge weaknesses, then this is already a reason for my trust. I don’t really like those cases, when people tell that they know everything. (Firm B, Product Sales Manager, Russian)
**Activeness in Negotiations and Work Performance**

The evidence from interviews with the majority of Russian managers suggested that the activeness in negotiations and work performance of a potential partner firm invokes and maintains their trust in that partner. Activeness in negotiation was viewed as very important in all interaction relationship phases, and particularly in the ‘Expansion’ phase, when partners negotiate the contract terms of a project.

*If the partner takes the contract and all appendices with him, read it carefully, go through it without waste of time, during several days makes remarks, and asks questions – this inspires trust.* (Firm B, Head of Sales Department, Russian)

The viewpoint regarding the activeness in work performance was exemplified by the following interview extract.

*When our partner ... makes suggestions on improving the work and on technological innovations. ... points at our mistakes,... sometimes, pointing at our mistakes, he fixes them by himself not waiting until everything will be resolved at our factory, but himself – this has a very positive influence on trust.* (Firm A, Head of Sales Department, Russian)

Russians were characterised by a few Finnish managers as very active people in their business operations, which makes them different from Finns. They expect quick responses and actions from their counterparts.

*Of course, they [Russians] are more active than Finns are, they are pressuring all the time. ...You have to keep things going ahead.* (Firm H, CEO, Finn)

This view was supported by several Russian managers as well.

*Russians usually want everything done very fast. If they come to a decision, that's it. They need it to be done already.* (Firm I, Sales Manager, Russian)

Russian managers’ expectation for the partner’s activeness in business relationships may have explanations. The entrepreneurial and active behaviour of Russian managers may be also considered as evidence of the increase in individualism. For example, one Finnish manager stated that
Russians are always ready to discuss business opportunities and freely express their willingness to cooperate in case they are interested.

*I think they [Russians] always try to find a basis for cooperation, if there is something that could be done together. They are ready to help, and then it depends on you how it goes from there.* (Firm K, Sales Director, Finn)

Findings of several earlier studies showed that predominant collectivist values in Russian society are well underway towards a change (e.g. Bollinger, 1994; Miller et al., 1994; Veiga et al., 1995); and a strong sense of Russian entrepreneurs’ individualism is reported, for instance, in the study of Puffer and McCarthy (2001).

**Characteristics of Relationship with Trustee: Firm Level**

Table 9 presents the *trust-constituting conditions* related to ‘characteristics of trustee’ at the firm level identified in the Pilot, Main and Supplementary studies.

**Table 9**  
*Trust-constituting conditions* related to ‘characteristics of relationship with trustee’ at the firm level

<table>
<thead>
<tr>
<th>Characteristics of Relationship with Trustee</th>
<th>‘Awareness’</th>
<th>‘Exploration’</th>
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<tr>
<td>Flexibility in negotiations</td>
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<td>Willingness to share information</td>
<td>Loyalty</td>
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<td>Fulfilment of contract terms</td>
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**Categories of Learning**

- ‘Indirect’ Learning
- ‘Direct’ Learning

**Fulfilment of Contract Terms**

Fulfilment of contract terms is among those trust preconditions, which were commonly emphasised by all respondents during interviews. It was indicated that fulfilment of contract terms by a partner has a strong positive effect on
trust development in that partner during project implementation phases, which are the ‘Expansion’ and ‘Commitment’ phases of relationship development.

*Accurate execution of the contract terms is very important; we do not demand anything else. Contractors should perform everything in time and with proper quality. This builds trust and strengthens it.* (Firm E, General Director, Russian)

During interviews, many Russian and Finnish respondents expressed some concerns about inability to satisfy contract terms by Russian partners. The failure to meet deadlines, quality requirements, and payment liabilities were pointed out as common problems in business relationships with them. Radaev (2005) stated that in addition to conscious opportunistic strategies and self-interested behaviour of Russian managers, the macroeconomic instability and rigid monetarist policies of the Russian Government contribute to the breach in contract payment terms. Therefore, the majority of respondents considered pre-payment as a compulsory requirement to guarantee payments especially in the initial relationships with new partners.

*With new customers ... it's the standard solution; they make a prepayment (70-80%). Prepayment with large companies is divided into several payments, and small companies pay us in 10-15 days 70-80%, then we start the placement of an order at the factory. We supply equipment in 8-10 weeks, and the last payment – after notification of availability of equipment in the factory. They make the last payment of 20-30%. Because of this, our trust is based on money.* (Firm D, Director of Saint Petersburg Branch, Russian)

In addition, a few Finnish respondents pointed out that, in relationships with Russian partners, to guarantee deadlines and quality requirements, extra control or supervision is necessary over the progress of project work.

*If we think about a subcontractor, for instance, when we choose a Finnish subcontractor to a construction site, and then we choose a Russian one. In this case, we do not have to supervise the work of Finnish subcontractor that much at all as we have to supervise the Russian subcontractor. ... I mean, our resources have to be much greater when we have a Russian one, so that we can make sure that everything will be as agreed. ... These are quality, time schedule, and the whole content of the agreement.* (Firm B, Project Manager, Finn)
The issue of control is deeply rooted in Russian culture. According to Hofstede (1980, 1993), Russia belongs to those societies with the most power distance in the world with low interpersonal trust and a great need for controls on individual behaviour. As it is denoted in the earlier study conducted by Ivanovich, DeFrank and Gregory (1992), Russian managers believe that workers are basically lazy and that low product quality is not related to poor management. The other related view is proposed by Kets de Vries (2000) who posits that a tradition of severe punishment for mistakes has resulted in employees’ avoidance of responsibility and decision-making authority due to the risks that come with it. Furthermore, the dominant orientation in Russia is process orientation, which is based on the assumption that hard work is not a way to improve one’s private life (Kovaleva, 2007). This mind set is a result of long history of communist ideology in Russia and still exists to some extent among lower-level employees.

**Flexibility in Negotiations**

Interviews with many Russian and Finnish managers made evident that a partner’s flexibility and willingness to negotiate is valuable during all interaction relationship phases, which are the ‘Exploration’, ‘Expansion’ and ‘Commitment’ phases. Flexibility, particularly during the first negotiations, may demonstrate the partner’s willingness to cooperate. During the performance of the project contract, flexibility in negotiation was perceived by many Russian and Finnish managers as of particular importance for trust development.

*During the performance of the contract, it may possibly be found that some obligations or responsibilities are not written in the contract. We should then agree verbally.* (Firm F, Chief of Sales Department, Russian)

*Of course, certain flexibility also outside our contract increases the level of trust. How to say it nicely... sometimes sticking to the contract literally can be difficult. Some flexibility from both parties is needed, so that we can solve our disagreements through negotiations.* (Firm A, Head of Technical Department, Finn)

According to the following quote from an interview with one Russian manager, when there is a flexible dialogue with a partner then an effective
review of performance is likely to take place. This also implies good learning opportunities for both relationship parties. Acquired knowledge enables parties to activate their initial trust during initial interaction.

*When I pay attention to the shortcomings [in project plans] ... if, he [partner] sees his mistakes, he begins to dig deeper. There appears a dialogue. And, when there is a such dialogue, then 98% of trust has been secured.* (Firm E, Technical Director, Russian)

Nevertheless, as it was pointed out by one Russian manager, in practice, negotiations with Russian management may be perceived as rigid, which does not contribute to trust activation.

*If a Russian firm’s management is very old school, it is difficult to negotiate with them. ... They may say that we should follow their standards. ... They just do not want to spend time thinking about new approaches and solutions. ... And the negotiation process is going so that we think how to avoid this and satisfy the customer. ... Rigidity in views is not conducive for trust.* (Firm E, Communication Manager, Russian)

Behavioural rigidity of Russian management is also strongly emphasised in the following interview quote:

*Foreign companies are more open for negotiations with middle managers. A Russian top manager is ready to work only with a person who is on the same level.* (Firm F, General Director, Russian)

Thus, Russian management can still be characterised by a centralisation of power and a high degree of bureaucracy and hierarchy. The roots of this can be found in national culture related to Hofstede’s (1993) ‘power distance’ dimension, the score of which is estimated very high for Russian society. The high power distance society is more hierarchical and bureaucratic (Shane, 1994). In such a society, there is a lack of trust between people who belong to different groups and levels of a hierarchy (Kovaleva, 2007).

**Responsiveness to Questions and Problems**

A partner’s responsiveness to any question or any sign of problem was indicated by the majority of Finnish and Russian managers as very beneficial
for the trust activation and growth in the partner during all the interaction phases of relationship development.

*Of course, if there are some problems, and he [partner] tells about them openly... then he tells about conducted actions or programmes to correct the situation. Well, this is a positive signal. Of course, it creates trust. Challenges make relationships stronger.* (Firm A, Head of Project Design Department, Finn)

Respondents also pointed out that quick reporting about emerging problems, keeping in touch and readiness to solve these problems with mutual efforts have a positive impact on their trust. This is a widely shared view among both Finnish and Russian respondents that can be exemplified by following interview extract with a Russian manager.

*The signing of the contract ... is a starting point. ... If there is an arguable question, I would like to be approached, and we'll sort it out. ... When there is a situation, where it is impossible for any reason to fulfil certain terms of contract, any sign of problem, any local or global issue, which by the way, in our business happens very often, in this case you have to be informed immediately before the problem goes any further.* (Firm E, Technical Director, Russian)

One Finnish manager emphasised the importance of a partner’s responsiveness to questions and problems as follows.

*If there is something [problem], we have to keep in touch, call and apologize and so on... Like for example, if payments have been late, some partners have been in touch ... updating me all the time.* (Firm G, Managing Director, Finn)

**Willingness to Share Information**

Willingness to share information among relationship parties is a cornerstone of trust in all phases of their interactions such as ‘Exploration’, ‘Expansion’ and ‘Commitment’ phases. This view became evident during interviews with the majority of Russian managers, who particularly stressed that honest information sharing is the most crucial condition for their trust activation and growth in the interaction relationship phases.
I have noticed such a special feature that the more we are open with the client, the more they trust us, and mutual trust appears. …I have my own view, which is matured based on many cases. The more you are honest and opened on the stage of first negotiations, and the more transparently you introduce your firm, the product and yourself … the longer relationship you will have. (Firm D, Head of Contracting Department, Russian)

Furthermore, a Russian manager clearly stated in the following interview extract, how important a voluntary willingness to share information about problems is.

I expect clear and honest information, if there is a problem. I do not want to find it out from somebody else. I want that the partner comes and honestly tells me about the problem and how he is going to solve it. Perhaps we can even help him. (Firm A, Head of Sales Department, Russian)

Nevertheless, Radaev (2005) claims that although Russian business partners highly value openness and honesty in relationships, reciprocal trust between them is low due to the frequent breach of contracts and the non-transparency of business transactions. Additionally, the Russian collective historical experience of survival led to a lack of trust in people who do not belong to the group (Kovaleva, 2007), which is often the case in initial business relationships. This is closely related to the issue of transparency, which is a characteristic of the trustee on the firm level and discussed earlier in the current section.

**Loyalty**

The issue of a partner’s loyalty was emphasised by many Russian managers as very important for their trust maintenance. The rather frequent answer to the question - what it is expected from a partner in the ‘Commitment’ phase – was the following:

Maybe some loyalty, for example, when our partner gets a project, he calls us to work with him. It shows also that he trusts us. (Firm E, Communication Manager, Russian)
However, interviews a few Russian managers revealed also very specific interpretations of the partner’s loyalty. The following extract demonstrates this point.

*A rather important thing is that when I need some information from the partner and this can be something related to our competitors, who they may also collaborate with, partner provide me with any kind of available information. This is very important for me. ... Sometimes we even share our marketing research.* (Firm B, Product Sales Manager, Russian)

Interestingly, the behaviour of a partner in the situation exemplified in the following interview extract is also considered as loyalty.

*When it appears that our competitor was on the horizon of our partner’s company, a contact person from this company invited our manager to listen to our competitors during their negotiations. ... It’s loyalty!* (Firm F, Chief of Sales Department, Russian)

Thus, deducing from the extracts above, providing different kinds of information on a competitor or business advantage by a partner is considered as loyalty. According to Hofstede (2001), in collectivist cultures the qualities such as loyalty, solidarity, interdependence, and identification with the ingroup are highly valued. However, people from collectivist society view morality differently than in individualistic cultures and they consider it acceptable to treat friends better than others (Triandis, 1989; Hofstede & Hofstede, 2005).

**Characteristics of Relationship with Trustee: Individual Level**

Table 10 depicts the *trust-constituting conditions* related to ‘characteristics of relationship with trustee’ at the individual level identified in the Pilot, Main and Supplementary studies.
Table 10  *Trust-constituting conditions* related to ‘characteristics of relationship with trustee’ at the individual level

<table>
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<tr>
<th>Relationship Development Phases</th>
<th>‘Awareness’</th>
<th>‘Exploration’</th>
<th>‘Expansion’</th>
<th>‘Commitment’</th>
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<td>Goodwill Trust</td>
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<td>Characteristics of Relationship</td>
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<td>Promise keeping and commitment</td>
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<td>Appreciation and respect</td>
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<tr>
<td>Interpersonal reciprocal understanding</td>
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<tr>
<td>Categories of Learning</td>
<td>‘Indirect’ Learning</td>
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<td>‘Direct’ Learning</td>
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**Promise Keeping and Commitment**

Many Russian managers acknowledged the significance of promise keeping for their trust during all interaction phases of relationship development. An example concerning the perceived importance of senior managers’ or business owners’ involvement in the first negotiations is shown in the following interview extract.

*Here in Russia, there are a lot of firms that are built on personal relationships with either the owner itself or some key person, who manages the business. If that person makes a promise, he keeps it. The formal methods just may not work. The word of that owner or top manager means more than any kind of formal evaluation. ... Working in the Finnish company, we don’t take into account this as much as we would do in a Russian company.* (Firm B, Head of Sales Department, Russian)

Russian respondents believe that the active participation of senior managers or business owners in the first negotiations shows their commitment; and the agreements, which were reached with them, were going to be kept. This activates initial trust.

*It is important that the negotiations started with the senior management, and if the decision is made at the lower level, then you need some kind of confirmation.* (Firm D, Project Manager, Russian)
The view expressed by Russian managers in the extracts above is a manifestation of distrust, which is predominant in the Russian society. These extracts demonstrate both distrust and the high power distance dimension of Russian society. Thus, for many Russian firms it is still a characteristic that only the decision made by a higher-level manager can be trusted, because managers at lower-level positions do not participate in decision-making. Power in organisations is centralised in a few hands (Hofstede & Hofstede, 2005), that represents the autocratic management.

**Appreciation and Respect**

Respondents of both groups of interviewed managers – Finnish and Russian – expressed a view that appreciation and respect for Russian partners are essential factors fostering the development of trust and relationships with them. The value of these trust-constituting conditions were especially emphasised by Finnish managers.

*In my opinion, appreciation and respect, and this [expectation] increase even more along the way.* (Firm I, CEO, Finn)

A similar viewpoint shared by Russian managers is demonstrated in the following extract:

*When we talk about the work, partners should pay attention to us. Not like this, I talk to a partner, but he does not listen to me or do other things. There should be basic human respect.* (Firm F, Sales Manager, Russian)

Additionally, the next extract from an interview with a Finnish manager justifies the importance of an appropriate attitude while building trustful relationships with Russian partners.

*Well, we will not get very far, if we here [in Finland] consider ourselves better than they [Russians] and go there telling them what to do and how... In reality, they are educated and know a lot. University education is at a high level there. We think here, that since we invented something, we need to tell to others as if they had never heard about it before.* (Firm K, Sales Director, Finn)

Additionally, as Puffer and McCarthy (2001, p. 34) stress, “treating partners with respect and following through on commitments” is fundamental for
trust building in relationships especially in societies like Russia. According to Hofstede and Hofstede (2005), an expectation of respect in society has roots in the higher ‘power distance’ culture.

**Interpersonal Reciprocal Understanding**

The evidence derived from many interviews with Finnish and Russian managers suggests that interpersonal reciprocal understanding plays a very special and positive role in the development of trust during all interaction phases with Russian partners. However, respondents particularly stressed the significance of this condition in the ‘Exploration’ relationship phase, where the first interaction with a potential partner takes place. This trust-constituting condition on the personal level is a complex concept that is related to relationship quality. The notion of *interpersonal reciprocal understanding* was developed in order to cover the original words used by Finnish and Russian managers, when they were describing trust-constituting conditions in relationships between people. The words used by Finnish managers in the Finnish language were: *sympatia* and *kemia*, which are literally translated in English as *sympathy* and *chemistry* respectively. However, the actual meaning of these terms in English is not what managers wanted to convey. More relevant aspects can be better captured by the following array of synonyms: understanding each other, being comfortable with each other, sharing similarities, liking for each other, mutual attraction in terms of character traits, friendliness, etc.

Discussing the *interpersonal reciprocal understanding*, Finnish and Russian respondents were very open in expressing their feelings, as for instance, in the following extract from an interview with a Finnish manager.

*I have that kind of a partner, which is the best, our partner. So, our ‘contact’ and then trust has started from that we have mutual interest or mutual hobby. ... Immediately the ‘sympathy’ (‘sympatia’) was aroused. Of course, it affected our business making, and it still does nowadays. ... Here, it’s important to find something in common between people. ... Trust has to be built to a person.* (Firm G, Managing Director, Finn)

The related illustration of the emerged pattern was made by a Russian respondent in the interview extract below.
This is my subjective point of view. When I meet with the partner and I feel that there is no ‘contact’ and the conversation is unsuccessful, thus I do not trust him, and try to look for another. ...If I do not like a person, the head of this company, I leave him behind and have no contact with him. ...If I don't like a person; I do not enter into the contract. ('Elite' G, Russian)

Similarly, the following comment made by one Finnish manager exemplifies well the importance of this trust-constituting condition.

If ... ‘chemistry’ ('kemia') does not work. It is better here [in Russia] ... to wake up to this fact and change a person who gets along better, because people might not change. ... If you have lost your trust to someone, it is really hard to get it back. (Firm G, Marketing Director, Finn)

In the above interview extracts, the Finnish manager and Russian ‘Elite’ G used the word contact with a similar connotation as the word kemia. Whereas disliking a person, as emphasised by the Russian ‘elite’, implies the absence of sympatia in Finnish.

In general, reciprocal understanding is often denoted as being of particular importance for establishing trustful business relationships (Bradach & Eccles, 1989; Nooteboom, 2002). Additionally, having interpersonal reciprocal understanding goes hand in hand with a good interpersonal relationship and friendship – these are valued among Russians in business relationships and are inherent to a feminine society. As it was discussed in the literature review section 2.2.5, the domination of a feminine culture in Russian society is not straightforward. However, in the context of personal relationships, it finds support in several studies (Hofstede 1993; Bollinger 1994; Danilova, 2007; Grachev, Rogovsky & Rakitski 2008).

4.3 Contribution of Cultural Adaptation to Trust Development

The aim of this section is to generate knowledge in order to increase knowledge enabling to understand cultural adaptation and explain its contribution to trust development in the context of an intercultural business relationship. The section describes and discusses the themes generated inductively from the data collected from the in-depth interviews with eight
Finnish senior managers in the Supplementary study. It begins with a categorisation of cultural adaptation originated inductively from the empirical data. Next, the section summarises the conceptual findings on cultural adaptation in accordance with the relationship and trust development phases.

4.3.1 Categorisation of Cultural Adaptation

**Indirect Cultural Adaptation: Adaption to ‘STRANGER’**

During the ‘Awareness’ phase of the initial business relationship, recognition of a feasible partner encompasses also learning about cultural aspects. Learning about a potential partner’s culture can only take place indirectly since there are no interactions occurring in this phase. Therefore, knowledge about a potential partner’s culture cannot be acquired based on experience of interactions or ‘direct’ learning. This knowledge is not specific or detailed, it predominantly concerns a partner’s national culture. Accordingly, cultural adaptation, in the ‘Awareness’ phase, is considered as *indirect adaptation* because it is based on the knowledge acquired through ‘indirect’ learning. This adaptation is not directed towards a particular business situation or partner’s behaviour, but towards the culture of a potential business partner in general.

Interview stories – elicited from the interviews with all Finnish and Russian managers in Finland – evidently reflected that respondents perceive cultural adaptation, in the ‘Awareness’ phase, as *very important* to ensure the development of initial trust and to ease first interactions in the following relationship phase. During interviews, respondents were provided with a scale for assessing the level of their adaptation. Most respondents assessed the extent to which they adapted in the ‘Awareness’ phase as *moderate* (Weck & Ivanova, 2013).

*Of course, you will change your behaviour a little, because you already know something, and of course, you want to keep something of your own culture.* (Firm J, CEO, Finn)

A couple of interviews with Finnish managers also demonstrated that assessment of a relationship partner’s culture can occur based on *stereotypical knowledge* that is stereotypical generalisation about another
culture and can be seriously biased. The following interview extract exemplifies the case when a Finnish respondent with no personal experience of relationships with Russians expressed a stereotypical viewpoint regarding Russian culture, contradicting views of well-experienced respondents (Weck & Ivanova, 2013).

_They [Russians] look like they are formal. ... They are formal. I think, like Finnish people, they go straight to the business issues, without much small talk. ...Maybe, when we have a contract and we are partners, then maybe they will be more relaxed._ (Firm L, Financial Manager, Finn)

The over-reliance on stereotypical knowledge while considering about a potential partner can be a risk factor for the initiation of reciprocal trust and hence the successful relationship development. Having a _stereotype-free knowledge_ helps to avoid this risk.

A prerequisite for acquiring _stereotype-free knowledge_ is ‘direct’ learning through interactions. Therefore, having no interactions in the ‘Awareness’ relationship phase, a partner should interpret and adapt to the obtained ‘second-hand knowledge’ with caution, just like to a ‘Stranger’, in order to avoid biased stereotypes.

Among the respondents of the Supplementary study, two were bilingual with Russian as their first language. Interviews with them showed that they play a very critical role in cultural adaptation, particularly in the ‘Awareness’ phase. They assure proper understanding of information on a potential partner, which is especially important in the earlier relationship phases. Having lived and worked for an extended period in Finland, they are also bicultural; they are able to help in interpreting acquired information and to facilitate the cultural adaptation of their Finnish colleagues.

_We have been participating in exhibitions for many years, we see what kind of booth the company has, do they participate every year, what suppliers they have, are they Western, for example. We can see this on their website and the booth._ (Firm I, Sales Manager, Russian)

Bilingual and bicultural managers support actively cultural adaptation by bridging the language gap and improving communication between relationship partners during all interaction relationship phases such as ‘Exploration’, ‘Expansion’ and ‘Commitment’. Importantly, they are a source of _stereotype-free knowledge_ for their colleagues.
Direct Cultural Adaptation: Adaptation to ‘ACQUAINTANCE’

As business relationship develops toward the ‘Exploration’ phase and the first interaction takes place, ‘direct’ learning about a potential partner’s culture is possible. During ‘direct’ learning, when partners begin to interact, information that is more specific and predominantly about the business culture becomes available. Experience of actual interactions provides partners with stereotype-free knowledge. Thus, cultural adaptation in the ‘Exploration’ phase is considered as direct adaptation because it is based on the knowledge acquired through ‘direct’ learning, which in turn is based on the interaction experience.

Cultural adaptation becomes even more important in the interaction relationship phases. During the first meetings and interactions, it may activate trust that was achieved in the ‘Awareness’ relationship phase. Interviews with the absolute majority of Finnish and Russian managers demonstrated that they perceive cultural adaptation as very important particularly during the first interaction in the ‘Exploration’ relationship phase. This commonly held viewpoint is strongly expressed in the following interview extract with a Finnish manager.

*Everyone who has succeeded in Russia, and has worked there for a long time, has had to adapt their behaviour.* (Firm K, Sales Director, Finn)

Nevertheless, a certain difference between the attitudes of interviewed Finnish managers towards the importance of adaptation became evident. Managers from the firms, which had not yet established themselves in the Russian market, generally acknowledged cultural adaptation as important, whereas managers from the firms with well-established business relationships with Russian partners clearly value cultural adaptation very much. For them, adaptation is a prerequisite for success and better performance. (Weck & Ivanova, 2013) The next interview extract exemplifies their point of view.

*We always try to do our best to adapt. However, we cannot say what would happen if we did not adapt. I think, judging by how things developed, it was useful and somehow got us better results.* (Firm I, Sales Manager, Russian)

During the ‘Exploration’ phase, after some first interactions, the partners adapt to each other as ‘Acquaintances’. There is still some tension in this
phase, but with each interaction, the partners become more aware about each other’s culture. (Weck & Ivanova, 2013) The majority of interviewed managers consider partial adaptation to the partner’s culture and preserving their own cultural traits as most appropriate in order to maintain trust development. In other words, they stand for the view regarding the importance of moderate cultural adaptation in intercultural business relationships. This widely held view is clearly demonstrated in the extract from the interview with a Finnish manager.

*There should be some originality...Certainly, the question is whether, at some point, you need to decide whether to resist the local culture or consider adapting to it. These things [cultural traits], which do not cause confusion, can only enrich business relationships. (Firm I, CEO, Finn)*

**Direct Cultural Adaptation: Adaptation to ‘FRIEND’**

During the ‘Expansion’ and ‘Commitment’ relationship phases, ‘direct’ learning continues more intensively as partners have agreed on their cooperation and proceeded to the project implementation. Partners meet more specific situations than in the previous relationship phase, and their active learning during interactions increase significantly their cultural knowledge. Acquired knowledge allows partners to adapt to each situation appropriately and thus maintain trust growth between them. Many of the Finnish respondents expressed the view that cultural adaptation in specific situations is very important. In this regard, an interviewed Finnish manager stated:

*The adaptation was helpful, so you can handle every situation correctly. (Firm K, Sales Director, Finn)*

The later relationship phases such as the ‘Expansion’ and ‘Commitment’ phases involve many situations related to the interpersonal relationships with Russian partners. Findings from the interviews with the absolute majority of supplemented study respondents highlighted that establishing friendship is of crucial importance when doing business in Russia and that the state of Friend has distinctive traits, which were also discussed in the previous section (Weck & Ivanova, 2013). Thus, for instance, “For most Americans, anyone who is not an enemy seems to be a friend...The Russian language has different words for friend (drug, pronounced ‘droog’) and acquaintance (znakomy), and these words should not be misused. A drug is
like a ‘bosom buddy’, someone to trust, confide in, and treat like a member of the family” (Richmond, 2009, p. 96). By contrast, a znakomy is a person who is known to a certain extent, but who cannot be confided in entirely. The following quote shows the view generally held by respondents regarding the importance of friendship in business relationships with Russian partners.

*When you are a good friend ... it is much easier to do business. I think that it is essential for Russian people.* (Firm J, CEO, Finn)

Friendship is possible when partners respect and trust each other. They realise that they have common and achievable goals in cooperation, hence they are ready to invest in such relationship by giving more appreciation and support. This point of view was raised by a Finnish manager and is demonstrated in the next interview quote.

*It [trust] develops slowly. More and more cooperation is expected. More and more appreciation, more and more support is expected. And we are ready to give that, when we know each other better... Sure, we adapt to the situation.* (Firm B, CEO, Finn)

Friendship with Russian partners can be developed during the ‘Expansion’ relationship phase, but the status of ‘Friend’, which connotes a higher level of trustworthiness, can be finally achieved in the ‘Commitment’ phase (Weck & Ivanova, 2013). Friendship eases knowledge acquisition that may lead to the growth of trust and raising the relationship into the next ‘Commitment’ phase. Friendship enables partners to adapt to each situation more freely, like to a ‘Friend’.

In the ‘Commitment’ phase, which is equivalent to a serious alliance and refers to a relational continuity, partners are able to master the situational knowledge about each other culture, so that they can adapt *substantially* to business situations. Notable statements were made by a couple of Finnish senior managers, who are very well experienced in doing business with Russians. They perceived *cultural similarity* with Russians and therefore claimed that there is no need to adapt to Russian business culture. This is reflected in the following interview quotes:

*In Russia... I think it is very easy for Finnish people. I do not think we need to do anything special [to adapt].* (Firm J, CEO, Finn)
There is nothing weird or strange [in Russia] for me. ... I am the same [as Russians]. Yeah, exactly that. (Firm K, Sales Director, Finn)

These interview extracts provide more evidence to the discussion on the dynamics of cultural identities in section 4.2.2 (Cultural understanding). The perception of ‘cultural similarity’ expressed by well-experienced Finnish managers may be a result of substantial direct adaptation to Russian culture. This implies the relationship between ‘change in cultural identity’ at the level of business culture and substantial cultural adaptation, as a change in cultural identity may invoke the perception of cultural similarity.

4.3.2 Summary of Conceptual Findings

By analysing a contribution of cultural adaptation to trust development in intercultural business relationships the categories of cultural adaptation were determined. It is concluded that different categories of cultural adaptation are needed to support trust development, as culturally embedded trust-constituting conditions and learning enhancing means vary in different relationship phases. Thus, relationship development phases were accorded a corresponding value in relation to a ‘subject’ of cultural adaptation as follows: in the ‘Awareness’ phase – adaptation to ‘Stranger’, in the ‘Exploration’ phase – adaptation to ‘Acquaintance’ and in the ‘Expansion’ and ‘Commitment’ phases – adaptation to ‘Friend’. Empirical findings showed that the type and level of cultural adaptation or its influence on trust development changes across different relationship phases.

Table 11 summarises the identified categories, types and level of cultural adaptation and related conceptual findings in accordance with the relationship and trust development phases. The empirically grounded conceptual finding are presented in the non-coloured cells.

During the ‘Awareness’ relationship phase, searching for a potential partner and preparation for doing business with that partner involves an ‘indirect’ learning of cultural aspects (Weck & Ivanova, 2013). However, knowledge obtained from secondary sources can be stereotyped and misleading. Reliance on such knowledge may result in misunderstanding national culture. Thus, in the ‘Awareness’ phase, the development of initial trust is determined to benefit best from a moderate cultural adaptation with caution as to a ‘Stranger’. Moderate direct adaptation is needed to ease
interactions in the following relationship phase and to ensure trust initiation. Initial trust achieved in the ‘Awareness’ phase encourages relationship partners to interact. (Weck & Ivanova, 2013)

Table 11 The conceptual matrix of theoretical and empirical findings on cultural adaptation
(Adapted from Weck & Ivanova, 2013, p. 214)

<table>
<thead>
<tr>
<th>Relationship phases</th>
<th>‘AWARENESS’</th>
<th>‘EXPLORATION’</th>
<th>‘EXPANSION’ &amp; ‘COMMITMENT’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning types</td>
<td>‘Indirect’</td>
<td>‘Direct’</td>
<td></td>
</tr>
<tr>
<td>Cultural knowledge</td>
<td>National culture</td>
<td>Business culture</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stereotypical</td>
<td>Stereotype-free</td>
<td></td>
</tr>
<tr>
<td>Adaptation Type</td>
<td>Indirect</td>
<td>Direct</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>to ‘Stranger’</td>
<td>to ‘Acquaintance’</td>
<td>to ‘Friend’</td>
</tr>
<tr>
<td>Level</td>
<td>Moderate</td>
<td></td>
<td>Substantial</td>
</tr>
<tr>
<td>Trust development stages</td>
<td>Initiation</td>
<td>Activation</td>
<td>Growth &amp; Maturity</td>
</tr>
</tbody>
</table>

Further trust development is more dependent on ‘direct’ learning through interactions and direct cultural adaptation. During first interactions in the ‘Exploration’ phase, partners are able to gather more specific and stereotype-free knowledge on each other’s business culture and moderately adapt own culturally embedded expectations or trust-constituting conditions and learning enhancing means. This supports trust Activation. The obtained ‘first-hand knowledge’ enables partners to adapt as ‘Acquaintances’.

In the ‘Expansion’ and ‘Commitment’ relationship phases, ‘direct’ learning through interaction deepens the understanding of culturally embedded partners’ characteristics and behaviour and may facilitate direct cultural adaptation in a proper and moderate way. Investing in the development of interpersonal relationships is perceived as increasingly important in these phases. Thus, friendship, which implies close interpersonal relationships, intensifies the obtaining of stereotype-free cultural knowledge. This maintains the growth of trust and raises it to the maturity level. Accordingly, the category of cultural adaptation to a ‘Friend’ corresponds to the Growth and Maturity stages of trust development. Although in the ‘Commitment’ relationship phase, direct cultural adaptation may only be needed for the maintenance of trust level achieved in the ‘Expansion’ phase. The moderate level of cultural adaptation was perceived by respondents as most
appropriate in all interaction relationship phases. Nevertheless, the status of ‘Friend’ may also lead to substantial cultural adaptation.

4.4 Relating Results within Relationship Development Phases

The aim of this section is to offer a greater insight and understanding of the role conditions supporting trust development play in relation to relationship risks in the context of intercultural business relationships by relating empirically grounded findings from three studies: Pilot, Main and Supplementary. To this end, the section is structured to discuss findings in accordance with Dwyer’s et al. (1987) phases of relationship development, utilising the initial conceptual framework of trust development. Thus, the section introduces findings on the phase-by-phase basis starting from the ‘Awareness’ phase and concluding with the ‘Commitment’ phase. Dwyer’s et al. ‘Dissolution’ relationship phase was not included in the research analysis due to the absence of actual trust growth between relationship parties in this phase. However, in this research relationship development is considered as a non-linear process, i.e. dissolution or return to a previous phase can happen in any relationship phase. Dissolution could come due to trust erosion. Finally, the concluding section presents the respondents’ assessment of identified relationship risks and trust-constituting conditions in relation to trust development.

4.4.1 ‘Awareness’ Relationship Phase

Figure 22 represents theoretical and empirically grounded concepts related to trust initiation in the ‘Awareness’ phase of relationship development between Finnish and Russian firms operating in the Russian construction market. The theoretical concepts are shown in the bold font type. The ‘Awareness’ phase encompasses the pre-exchange process of a partner search. The definition introduced to interviewees is as follows: “Recognising a feasible relationship partner, no actual interaction”.

The identified trust-constituting conditions or expectations of trustee’s trustworthiness are presented in accordance with trust dimensions or
components and levels specified in the initial conceptual framework of ‘subjective trust’ (see Figure 12).

Figure 22  Trust Initiation stage: Trust initiation in the ‘Awareness’ relationship phase (theoretical concepts are shown in bold font type)

These conditions that emerged from empirical data as being significant for Russian partners’ trust initiation in the ‘Awareness’ relationship phase. The conditions are as follows: strong market position, sufficient experience in the field, experienced human resources and cultural similarity. To meet these conditions or expectations, the knowledge about a partner’s trustworthy characteristics is needed. This can be done through learning, which in the ‘Awareness’ phase is ‘indirect’ and based on ‘reputation’ or ‘second-hand
knowledge’. Accordingly, the knowledge sources extracted from interviews were as follows: partner firms’ websites, exhibitions, referees (i.e. consultants, customers, and business partners). Figure 22 demonstrates the role of learning enhancing means that facilitate the learning process in the ‘Awareness’ phase, and thus, support trust development indirectly. Interviews revealed the following means: cultural knowledge, communication and language skills and perceived quality of knowledge sources during interviews (see Figure 23). Among identified learning enhancing means in this phase, the importance was especially attributed to cultural knowledge.

As discussed in section 4.2.3, culture may have a significant impact on trust-constituting conditions and learning enhancing means. Therefore, cultural knowledge plays an increasingly important role in the learning process. Additionally, in the ‘Awareness’ phase, knowledge on the partner’s culture generates conditions for indirect cultural adaptation, which is defined, in this research, as cultural adaptation to ‘Stranger’. The analysis of empirical data made evident that cultural adaptation to the learning enhancing means and trust-constituting conditions would be supportive to the trust development (see Figure 22).

Figure 23 Interplay between findings in the ‘Awareness’ relationship phase (theoretical concepts are shown in bold font type)
Further, in the ‘Awareness’ phase, relationship risks were not generally perceived by the interviewed managers due to the absence of actual interactions between parties. The only two risks identified in this phase were unreliable information about partner and insufficient knowledge about partner. Appendix 10 demonstrates the probability estimates of the identified risks in the ‘Awareness’ relationship phase.

Summing up, Figure 23 is an extension of Figure 22 and presents the interplay between factors that affect trust development in the ‘Awareness’ phase. The introduced interplay between empirically grounded concepts clearly exhibits the important role of trust-constituting conditions in relation to risks and, in particular, how the identified risks can be reduced. Thus, for instance the ‘risk sources’ such as unreliable information about partner and insufficient knowledge about partner can be mitigated by cultural similarity with that partner. This supports the Das and Ten’s (2004) view, in which the concepts of ‘subjective trust’ and ‘perceived risk’ are inversely related. The result is also consistent with the claim of many scholars that trust reduces uncertainty, and hence, ‘perceived risks’ in business relationships (e.g. Bachmann, 2001; Das & Teng, 1998a; Lane, 1998; Luhmann, 1979, 1988; Shapiro, 1987; Smyth, 2008; Van de Ven & Ring, 2006; Zucker, 1986). Additionally, the effective adaptation to the learning enhancing means such as communication and language skills, enables learning that provides deeper knowledge about the partner’s characteristics, which may invoke the growth of trust and hence reduce relationship uncertainty and risks.

4.4.2 ‘Exploration’ Relationship Phase

The definition of ‘Exploration’ phase introduced to interviewees is as follows: “Recognising a feasible relationship partner, beginning to consider benefits, burdens and obligations associated with possible relationship”. According to Dwyer et al. (1987), interactions begin at the ‘Exploration’ phase of relationship development. In this phase, when sufficient knowledge about a potential partner has not been built yet, trust is based on the reputation or ‘second-hand knowledge’ and the limited experiential knowledge. Thus, the experience of first interactions and referees such as consultants, customers, and partners were identified as knowledge sources in the ‘Exploration’ phase.

Figure 24 exhibits the identified trust-constituting conditions or trustworthiness expectations that may activate trust in a trustee in the
‘Exploration’ relationship phase. ‘Direct’ learning enables better assessment of a trustee’s characteristics and behaviour. Respondents indicated such learning enhancing means that may increase information availability and ensure that knowledge on the expected trust-constituting conditions is acquired. On the firm level, these are recommendations and references, visiting work site; and on the individual level – cultural knowledge, communication and language skills and perceived quality of knowledge sources.

Figure 24 Trust Activation stage: Trust activation in the ‘Exploration’ relationship phase (theoretical concepts are shown in bold font type)
In the ‘Exploration’ relationship phase, knowledge of a partner’s *business culture* becomes particularly important as it may have a significant impact on the *learning enhancing means* and *trust-constituting conditions* and therefore, it plays an increasingly important role in the learning process. Nevertheless, gathering knowledge on both the partner’s national and business culture during first interactions is needed to generate a basis for the *direct cultural adaptation* or, as it is defined in this research, *cultural adaptation to ‘Acquaintance’*. An appropriate cultural adaptation to the *trust-constituting conditions* within the partner’s cultural context would be supportive to the development of trust.

**Figure 25** Interplay between findings in the ‘Exploration’ relationship phase (theoretical concepts are shown in bold font type)

The importance of *learning enhancing means* in the process of trust development lies in the extent to which they may increase the availability of
information on trust-constituting conditions. This suggests that adapting effectively to the learning enhancing means during the learning process, partners acquire better opportunities for knowledge acquisition that may lead to trust development.

Figure 25 is an extension of Figure 24 and introduces the interplay between identified relationship risks, trust-constituting conditions and learning enhancing means in the ‘Exploration’ relationship phase. Similarly to the ‘Awareness’ phase, the interplay of findings in the Figure 25 shows that identified risks can be reduced when a partner’s characteristics meets the trustor’s expectations or trust-constituting conditions through knowledge acquisition or learning about the partner. Moreover, many identified risks are in a ‘mirror-image relationship’ (Das & Teng, 2004) with the identified characteristics, for instance, the absence of common understanding and interpersonal reciprocal understanding, partner’s unskilled human resources and high quality performance and capabilities, senior managers’ low commitment and promise keeping and commitment and other (see Figure 25).

4.4.3 ‘Expansion’ and ‘Commitment’ Relationship Phases

The definition of the ‘Expansion’ phase of relationship development introduced to interviewees is as follows: “Increase in benefits obtained by partners and their interdependence”, whereas the final ‘Commitment’ phase is defined as – “Investing substantial resources in relationship maintenance”.

By the beginning of the ‘Expansion’ phase, relationship partners have already acquired initial knowledge on each other’s characteristics. During the ‘Expansion’ phase they continue ‘direct’ learning, which stems from their own experience of current and prior interactions. The experience gained from prior interactions provides a basis for the further monitoring and evaluation of the partner’s characteristics. The growth of trust is likely to depend on the degree to which these characteristics, which are trust-constituting conditions, meet the trustor’s expectations at both firm and individual level. Figure 26 presents the ‘Expansion’ relationship phase and trust-constituting conditions extracted from interviews.
The positive experience from the interactions in the previous phases is a foundation for deeper trust in the ‘Commitment’ phase. In addition to those trust-constituting conditions indicated in the ‘Expansion’ phase, loyalty was added by respondents in the ‘Commitment’ phase. Practically, due to the insignificant growth of trust in the ‘Commitment’ relationship phase, a key task of identified trust-constituting conditions in this phase is to maintain earlier generated trust between partners.

Figure 26  Trust Growth and Maturity stages: Trust growth and maturity in the ‘Expansion’ and ‘Commitment’ relationship phases (theoretical concepts are shown in bold font type)
At the firm level, the learning enhancing means identified in the ‘Exploration’ phase – recommendations and references, and visiting work site – were replaced in the beginning of the ‘Expansion’ phase by the following: interaction rules and division of responsibilities, and informal communication. Contract preparation was added in the ‘Expansion’ phase (see Figure 27). Whereas at the individual level, interpersonal relationship and friendship was recognised in addition to those identified in the ‘Exploration’ phase.

**Figure 27** Interplay between findings in the ‘Expansion’ relationship phase (theoretical concepts are shown in bold font type)

In both the ‘Expansion’ and ‘Commitment’ relationship phases, interpersonal relationships and friendship was emphasised as very essential
for learning that may activate and sustain trust growth between partners operating in the Russian business environment (see Figures 27 and 28). Extensive knowledge acquired by partners through direct interactions in these relationship phases allows them to adapt properly to each other like friends. Accordingly, direct cultural adaptation, in the ‘Expansion’ and ‘Commitment’ relationship phases, was defined as cultural adaptation to ‘Friend’.

Both Figures 27 and 28 are the extensions of Figure 26 and introduce the interplay between identified relationship risks, trust-constituting conditions, learning enhancing means and adaptation to ‘Friend’ in the
‘Expansion’ and ‘Commitment’ relationship phases correspondingly. As can be seen from Figure 27, identified trust-constituting conditions and relationship risks are in the mirror-image relationships (Das & Teng, 2004), for example: fulfilment of contract terms and undefined interaction rules, promise keeping and commitment and senior managers’ low commitment, willingness to share information and inadequate information exchange, high quality performance and capabilities and unskilled human resources. Figure 27 also indicates that the ‘Expansion’ phase is the most risky relationship phase, while only a few risks were revealed in the ‘Commitment’ phase (see Figure 28). Accordingly, meeting a trustor’s expectations regarding a trustee’s trustworthiness or trust-constituting conditions in the ‘Expansion’ phase is the most critical for trust growth and for the decrease in the level of ‘perceived risks’.

4.4.4 Assessment of Identified Relationship Risks and Trust-constituting Conditions

The purpose of the section is to introduce the significance of identified factors such as relationship risks and trust-constituting conditions for the trust development process based on the interviewees’ assessments in the Main study. Thus, during interviews of the Main study, the relationship risks and trust-constituting conditions identified in the Pilot study were assessed by thirty-five managers in relation to trust development. Before that, respondents were asked to estimate the probability level of each identified ‘risk source’ and ‘risk outcome’ within the following phases of relationship development: ‘Awareness’, ‘Exploration’, ‘Expansion’, ‘Commitment’ and ‘Dissolution’. These estimations were analysed, and the estimated probability values were averaged for each identified ‘risk source’ and ‘risk outcome’ within each relationship phase. Additionally, ‘risk sources’ and ‘risk outcomes’ were prioritised according to their average probability values within each relationship phase. These averaged probability values show a general orientation or overall trend in the majority of respondents’ estimations. The results of ‘Awareness’, ‘Exploration’, ‘Expansion’, ‘Commitment’, and ‘Dissolution’ relationship phases are introduced in graphs of the Appendices 10, 11, 12, 13 and 14 correspondingly. Similarly to the ‘elites’ of the Pilot study, the managers interviewed in the Main study did not generally ‘perceived risks’ in the ‘Awareness’ relationship phase except unreliable information about partner and insufficient knowledge about
partner, conceivably due to the absence of actual interactions in this phase (see Appendix 10).

Thereafter, following Slovic (1993), respondents were asked to generally estimate the extent to which each identified ‘risk sources’ and ‘risk outcome’ may affect negatively the level of trust directed to their relationship partners. In the same way, respondents estimated to what extent each identified trust-constituting condition is associated with a positive change in their trust level. These estimations demonstrate the perceived significance of the identified ‘risk sources’ and ‘risk outcomes’ and trust-constituting conditions to the trust development. All respondents’ estimations were analysed, and the estimated values were averaged for each ‘risk source’ and ‘risk outcome’ and trust-constituting condition. It is worth mentioning again, that these averaged values are used to demonstrate only a general orientation or trend in the majority of respondents’ estimations.

Thus, the graph in Appendix 15 demonstrates how identified relationship risks may negatively affect the trust level in the trustee, whereas the graph in Appendix 16 depicts an overview of the perceived positive influence of trust-constituting conditions on the trustor’s level of trust. Both graphs in Appendices 15 and 16 show the averaged and prioritised values of participants’ assessments. Here, it is interesting to note that in practical applications it may happen that for a trustor the breach of contract terms, low product and/or performance quality and partner’s unskilled human resources are the most severe risks affecting the level of trust. Inversely, the fulfilment of contract terms, high quality performance and capabilities and professional competence of a trustee are the most favourable conditions for the positive change in trust level. Additional attention is justified to the fact that professional competence of trustee was assessed as having more positive influence on the trust level than personal relationships with the trustee.

To recapitulate, the analysis of results in section 4.4 shows that, while the nature and probability level of perceived ‘risk sources’ and ‘risk outcomes’ vary along relationship development phases, the trust-constituting conditions also differs. Importantly, they are to a large extent in the ‘mirror-image’ relationships. Apparently, that is due to the nature and context of interactions changes over time as the relationship develops. This reflects a co-evolution of the factors, affecting trust development, that are subject to cultural influence.
5 DISCUSSION

This chapter summarises findings and discusses the contributions arising from the research. The research proposes the following conceptual frameworks and propositions. The first framework regards the identified conditions that support trust development in the context of intercultural business relationships, and the second framework integrates these conditions and risks in the development process of intercultural business relationship. The latter framework recognises not only the presence of conditions supporting trust development and ‘risk sources’, but also the way in which they are interrelated, and how through their relations these factors jointly come to have an impact on the process of trust development and hence on the willingness to cooperate within business relationship.

Thus, this final chapter proceeds as follows. Firstly, contributions related to the building of an integrative perspective on conditions supporting trust development and risks are presented and discussed according to the research questions. Thereafter, the focus shifts to assessing the trustworthiness of the research. Finally, this chapter ends with a look at the limitations of the research, further research avenues and implications for managerial practice.

5.1 Potential Risks in Finnish-Russian Business Relationships

The scientific literature is silent about the potential risks in perceived intercultural business relationships. No empirical work was found focusing explicitly on the identification of potential risks in business relationships with Russian partners while operating in Russia or, particularly, in the Russian construction market. Thus, the following research question was formulated to identify the ‘perceived risks’ and their sources:

RQ 1 What are the potential risks perceived in different phases of business relationships with Russian partner firms?
The Pilot study examined this research question explicitly. The data extracted from interviews with Finnish and Russian ‘elites’ provided rich information on the potential risks perceived in business relationships with Russian firms operating in the construction market in Russia. Firstly, these risks were identified within each relationship phase and then differentiated relating to ‘performance’ and ‘behavioural risks’. The findings are discussed according to relationship development phases and graphically represented (see Figure 20) in section 4.1.1. Secondly, the identified 25 relationship risks are further differentiated into 19 ‘risk sources’ and 6 ‘risk outcomes’, and their connectedness is established. Finally, these results are synthesised within a framework (see Figure 21).

Two categories of ‘risk outcomes’ were identified: direct and indirect. Thus, there are three direct ‘risk outcomes’: first, imperfect partner choice, second, relationship termination and, third, dependence on relationship. The revealed indirect ‘risk outcomes’ are as follows: losing customer, market share and reputation, losing competitiveness and waste of time and financial losses. Analysing the findings, direct ‘risk outcomes’ are likely to be behavioural, whereas indirect ‘risk outcomes’ – seem to be performance related.

In terms of theoretical interest and value of the research question (RQ 1), the potential risks perceived in Finnish-Russian business relationships are identified and presented according to the relationship development phases and thoroughly discussed. Additionally, the findings allowed for making a distinction and a clear linkage between ‘risk sources’ and ‘risk outcomes’. Importantly, the results of the Pilot study support the risk typology proposed by Das and Teng (2001a).

The examination of identified relationship risks continued in the main research study with the purpose of building an overall picture of risk occurrence in each phase of relationship development. Appendices 10 – 14 demonstrate the results based on the respondents’ assessments.

5.2 Conditions Supporting Trust Development

This research contributes to the scarce literature on the conditions supporting trust development in the context of intercultural business
relationships. Specifically, it bridges the gap in the empirical research on the conditions supporting trust development in different phases of business relationships with Russian partners. To this end, the following research questions were posed:

RQ 2  \textit{How can trust development be supported in relationships between Finnish and Russian firms operating in the Russian market?}

(a) \textit{What are the conditions that support trust development with Russian partners in different phases of business relationships?}

During the research process it became evident that the in-depth examination of conditions supporting trust development is also crucial to the understanding of the role they play in relation to risks perceived in business relationships. These conditions simultaneously co-exist and interrelate with relationship risks, having a joint impact on the process of trust development and hence on the willingness to cooperate within a business relationship. Therefore, in addition to risks, special attention was paid to the identification and explicit description of the conditions supporting trust development.

While analysing empirical data of the Pilot and Main interview studies, the importance of cultural adaptation for the development of trust in intercultural business relationships became visible. This unanticipated aspect prompted the following research question:

(b) \textit{How does cultural adaptation contribute to trust development in business relationships with Russian partners?}

5.2.1 \textbf{Synthesis of Theoretical and Empirical Findings}

The research literature review laid the theoretical foundation for an in-depth investigation of the conditions supporting trust development in Finnish-Russian business relationships. Based on a definition and delineation of the research key theoretical concepts, the initial conceptual framework of conditions that support trust development in intercultural business relationships was developed in section 2.2.6 (see Figure 15). The framework guided the empirical investigation and the inductive data analysis. It also
provided a structure for organising and integrating the findings derived from the analysis of interviews.

Thus, Figure 29 represents a conceptual matrix, which synthesizes the empirically grounded conceptual findings on conditions supporting trust development in the Finnish-Russian business relationship context and theoretical concepts of the initial framework. It is necessary to mention that empirically grounded concepts integrated into this conceptual matrix represent the findings of the Pilot, Main and Supplementary studies.

Most importantly, this matrix demonstrates findings following the defined four stages of trust development: *Initiation*, *Activation*, *Growth* and *Maturity* (see Figure 11, section 2.2.1), which are aligned to the phases of Dwyer’s et al. (1987) relationship development model, discussed in the section 2.1.1. It is useful to recall that Dwyer’s et al. (1987) model comprises five relationship phases: ‘Awareness’, ‘Exploration’, ‘Expansion’, ‘Commitment’ and ‘Dissolution’. The ‘Dissolution’ relationship phase is regarded as irrelevant for the research, due to the absence of actual trust growth in this phase. However, the research implies that relationship development is a non-linear process, i.e. dissolution or return to a previous phase can happen in any relationship phase. Dissolution could come due to trust erosion.

Referring to the discussion in the literature review (see section 2.2.3), *Initiation* is the stage of trust development during which trust towards a potential partner is initiated based merely on ‘indirect’ learning and rational assessment of information regarding the intentions and competence of that partner. It also means, that in the ‘Awareness’ relationship phase, trust rests almost entirely on the calculation concerning the relative risks and benefits, data which is gathered from the external sources or business intelligence as the experience of direct interaction is non-existent in this relationship phase. This basically implies the presence of only ‘calculus-based trust’ in this phase. With respect to Rousseau et al.’s (1998) trust bases model, the calculus also takes account of the national institutional environment or legal and other institutional safeguards, which in the case of Russia still lag behind many of the developed countries (Ledeneva, 2009; Puffer et al., 2010).

If initial trust was formed in the ‘Awareness’ phase, it may encourage the actors to learn more about the prospective partners and the possibilities for cooperation and to enter into initial interaction in the ‘Exploration’ relationship phase. The exploration in this phase is also likely to be based
mostly upon the calculation process but with the sufficient use of the exchange information acquired directly through interaction. As a result, the direct or experiential knowledge may give rise to positive expectations about the partner’s intentions and to the formation of attachments resulting from reciprocal interpersonal care and concern (Rousseau et al., 1998). This provides a fundamental base for the Activation of ‘relational trust’. ‘Relational trust’ is very important and if it is lacking the underlying ‘calculus-based trust’ in a particular partner can no longer remain valid. The co-existence of both ‘calculus-based trust’ and ‘relational trust’ may lead partners to the transition to the ‘Expansion’ relationship phase.

The extensive Growth of ‘relational trust’ may take place in the ‘Expansion’ relationship phase, in which information necessary for its further development becomes more available through repeated interaction and regular communication between partners. With the increase in ‘relational trust’, ‘calculus-based trust’ may proportionally decrease (Lewicki et al., 2006). The relatively long period of repeated interaction and for instance, *interpersonal reciprocal understanding, moderate cultural adaptation* may motivate partners to establish closer *interpersonal relationships* and *friendship*. Such relationships put partners in a position, which allows them to accumulate direct knowledge about each other more intensely and to reinforce their relationships. The experience of a critical increase in positive emotions and secure attachment based on care and concern may raise ‘relational trust’ to the *Maturity* level and the likelihood of a shift to the ‘Commitment’ relationship phase. In this research, the final *Maturity* stage of trust development is characterised as the stage during which the highest level of ‘subjective trust’ is largely derived from the bases of ‘relational trust’ through the affective process. This stage also implies the existence of conditions for a high confidence in a relationship partner that is not necessarily a result of the calculus process or rational assessment.

The introduced conceptual matrix (Figure 29) provides more depth into understanding of the conditions that support trust development in different phases of intercultural business relationships as well as their relevant contextual factors. More specifically, this matrix shows the comprehensive set of conditions that invoke and facilitate trust development in the context where an individual (trustor), representing a Finnish firm, develops trust directed to an individual (trustee) from a Russian partner firm and the partner firm as whole (trustee) while interacting within the business relationship in the Russian market.
In order to facilitate comprehension of the matrix graphical illustration, the same colours were used as in all other frameworks throughout this dissertation. Different font-weight is used to make a visual distinction between theoretical and empirical concepts. Thus, the concepts derived from the literature are highlighted by applying the bold type, whereas the text in normal type corresponds to the empirically grounded conceptual findings.
Figure 29 The conceptual matrix of theoretical and empirical findings on conditions supporting trust development in Finnish-Russian business relationship context

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**Figure 29** The conceptual matrix of theoretical and empirical findings on conditions supporting trust development in Finnish-Russian business relationship context

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**Table:**

<table>
<thead>
<tr>
<th>Relationship development phases</th>
<th>‘AWARENESS’</th>
<th>‘EXPLORATION’</th>
<th>‘EXPANSION’</th>
<th>‘COMMITMENT’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust development stages</td>
<td>INITIATION</td>
<td>ACTIVATION</td>
<td>GROWTH</td>
<td>MATURITY</td>
</tr>
</tbody>
</table>

**LEARNING ENHANCING MEANS**

- **Level**
  - Firm
  - Individual

**Categories of learning**

- **‘INDIRECT’ LEARNING**
  - Learning without interaction
- **‘DIRECT’ LEARNING**
  - Learning through initial interactions
  - Learning through interactions

**Knowledge about trustee and relationship with trustee**

- **Type**
  - Reputation (‘second-hand knowledge’)
  - Reputation and experiential knowledge
- **Source**
  - Third party experience: referees, consultants, websites, exhibitions
  - Experience of first interactions and referrals
  - Experience of ongoing and prior interactions

**Cultural knowledge**

- **Level**
  - National culture
  - Business culture

**TRUST-CONSTITUTING CONDITIONS**

- **Competence**
  - Characteristics of trustee
  - Level
  - Firm
  - Individual

- **Goodwill**
  - Characteristics of relationship with trustee
  - Level
  - Firm
  - Individual

**CULTURAL ADAPTATION**

- **Type**
  - Indirect Adaptation
  - Direct Adaptation

- **Category**
  - Adaptation to ‘Stranger’
  - Adaptation to ‘Acquaintance’
  - Adaptation to ‘Friend’

- **Degree**
  - Moderate
  - Moderate and substantial
**Conditions Supporting Trust Development**

The analysis of empirical data in the Main study revealed a variety of conditions that support trust development in business relationships with Russian partner firms. These conditions are to a large extent consistent with conditions identified initially by ‘elites’ in the Pilot study. However, the empirical evidence pointed to a need for making a distinction between identified conditions considering them in terms of:

- firstly, a *direct* or *indirect* effect on trust development
- secondly, a possibility for the trustor’s influence and control.

To this end, the conditions are broadly divided into two substantive types, which are formally named as follows:

- **specific** or *direct-effect conditions* such as *trust-constituting conditions* and
- **general** or *indirect-effect conditions* such as *learning enhancing means, learning and adaptation processes*.

Reflecting the above differentiation, Figure 30 demonstrates different types of identified conditions that support the development of ‘subjective trust’. In this research, national and business culture is considered as a contextual factor that influences conditions supporting trust development.

![Figure 30](image)

**Figure 30**  Types of conditions supporting development of ‘subjective trust’
Trust- Constituting Conditions

According to the above differentiation, the identified specific or direct-effect conditions or trust-constituting conditions directly affect the development of trustor’s trust in a trustee and are not subject to the trustor’s influence and control. A significant part of the matrix (Figure 29) is devoted to the empirically grounded trust-constituting conditions – which refer to trustor’s expectations of trustee’s trustworthiness or ‘characteristics of trustee’ and ‘relationship with that trustee’ – in the context of Finnish-Russian business relationships.

Following Doney and Cannon (1997), these conditions incorporate the ‘characteristics of trustee’ and the ‘characteristics of relationship with trustee’ on two levels, namely considering the trustee as either an individual or a firm. Thus, the empirical findings of the research on trust-constituting conditions support the view (e.g. Jeffries & Reed, 2000; Doney & Cannon, 1997; Zaheer et al., 1998) that trust occurs at two levels: between individuals (interpersonal trust) and between an individual and a firm (inter-organisational trust or personal trust towards a firm). Furthermore, the matrix reflects the fact that the identified conditions change as the nature of interactions between parties varies in different relationship phases.

Interviews with managers from Finnish firms in the Main study enriched the findings on trust-constituting conditions revealed through interviews with ‘elites’ in the Pilot study. In total, 19 conditions were identified. Among them, seven conditions that support interpersonal trust and twelve conditions support trust of a person towards a firm. The identified trust-constituting conditions that support interpersonal trust such as openness and honesty, professional competence, promise keeping and commitment are conceptually consistent with the trust conditions determined in the earlier studies conducted by Gabarro (1978), Jennings (1971) and Butler (1991) (see section 2.2.2 of the Literature review). The research findings also brought to light several conditions on the individual level (interpersonal trust), which were not listed by any of these authors and may be less obvious to those unfamiliar with Russian business culture. These conditions are as follows: appreciation and respect, interpersonal reciprocal understanding, activeness in negotiations and work performance. The scarce existing literature on the conditions supporting development of an individual’s trust towards a partner firm especially in the context of Russian business culture and the lack of empirical studies could not serve as a benchmark against which to contrast these research findings.
Learning

As discussed earlier in this section, this research addresses the value of ‘learning’ in the process of trust development. The empirical findings strongly support the view that ‘learning’ plays a central role in supporting trust development in business relationships. Thus, in the ‘Awareness’ or pre-exchange relationship development phase, the process of a partner search encompasses ‘indirect’ learning about partner’s characteristics or trust-constituting conditions based on reputation or as McKnight et al. (1998) call it ‘second-hand knowledge’ as well as cultural aspects. In this phase, ‘indirect’ learning increases knowledge on a partner’s reputation and mainly national culture from external or secondary sources. This is valuable for the development of initial trust. Websites, exhibitions, consultants and referees, who may be customers, contractors or partners, were identified as the main sources. Figure 29 depicts the knowledge types and sources in different relationship phases as revealed in this research.

Initial trust, achieved in the ‘Awareness’ phase, may inspire a decision to continue ‘learning’ directly from the experience of initial interaction. Thus, further development of trust is dependent on subsequent ‘direct’ learning. A trustor elicits knowledge piece by piece from experience through the learning process in the interaction relationship phases. Partners learn about each other’s ‘competences’ and ‘intentions’ (Nooteboom, 2002) through repeated interactions (Lewicki & Bunker, 1996). Thus, during the first interactions in the ‘Exploration’ relationship phase, partners are able to gather more specific ‘first-hand knowledge’ on each other’s characteristics, expectations and culture. As discovered from interviews, referees are also a very valuable knowledge source in this phase. ‘Direct’ learning becomes more intense with the beginning of the ‘Expansion’ phase and will continue during the ‘Commitment’ phase, albeit not so extensively.
**Learning Enhancing Means**

Whereas *trust-constituting conditions* directly affect the development of trustor’s trust in a trustee and are not subject to the trustor’s influence and control, *learning enhancing means* – which are equivalent to the *trust-constituting conditions* in terms of their function in relation to trust – facilitating the learning process, have no direct impact on trust development within business relationships and are subject to the trustor’s influence and control. Thus, *trust-constituting conditions* play, in a sense, a straightforward or direct role in supporting trust development, whereas *learning enhancing means* possess an indirect role. Figure 30 demonstrates this point.

The matrix of integrated findings (Figure 29) introduces nine empirically grounded *learning enhancing means*, which are confined to the context of Russian business culture. In different relationship phases, *learning enhancing means* vary according to the types of learning and the nature of knowledge sources, which are also indicated in the matrix. The identified *learning enhancing means* facilitate learning about a prospective partner’s characteristics more effectively and, thus, may support trust development indirectly. Additionally, it is proposed that in the intercultural business relationships, learning enhancing means for the most part are culturally driven.

**Cultural Knowledge**

Among the identified *learning enhancing means*, *cultural knowledge* is particular importance and has a specific role in supporting trust development. The findings of the empirical investigation support previous studies on the influence of national culture on trust development (Ayios 2004; Doney, Cannon & Mullen, 1998; Johnson & Cullen, 2002; Zaheer & Zaheer, 2006), having revealed an evident impact of Russian national culture on the conditions supporting trust development such as *trust-constituting conditions* and *learning enhancing means* in business relationships with Russian partners. Pre-existing knowledge about the partner’s national culture can help to understand better these conditions and therefore it plays an increasingly important role in the learning process, especially during the initial relationship phases. *Cultural knowledge* also grows through the learning process while interactions take place between relationship partners.
The findings have shown that a knowledge of business culture, rather than national culture, is particularly important during the interaction relationship phases. However, the fundamental role of national culture is widely acknowledged and its models were applied in a diverse body of research on intercultural business relationships (e.g. Holden, 2002; Rosenbloom & Larsen, 2003; Sørnes, Stephens, Sætre & Browning, 2004). Thus, summarising the finding, knowledge of a partner’s national culture is likely to be more important in the initial relationship phases, whereas knowledge of the business culture is in greater demand in the interaction phases of relationship development.

In this research, business culture is understood as a way of doing business characterised by shared norms, rules and practices and influenced by historical, political, social and economic factors within a particular society.

Although pre-existing knowledge of a partner’s national culture might be helpful in the ‘Awareness’ relationship phase and during first interactions, it is important to note that such knowledge should be interpreted with caution. Findings also demonstrated that a stereotypical assessment of the other party could occur particularly in the ‘Awareness’ relationship phase, when the experience of interaction with that party is non-existent. Therefore, relationship interactions can be regarded as a prerequisite for obtaining knowledge on the partner’s culture, which is free from stereotypes. (Weck & Ivanova, 2013) Based on interactions, stereotype-free cultural knowledge may improve the quality of relationships and hence is considered as a critical factor in raising the level of trust. Finally, in intercultural business relationships, knowledge of both a partner’s national and business cultures is a vital precondition for cultural adaptation.

**Cultural Adaptation**

The research revealed the important role of cultural adaptation in supporting trust development. Moreover, trust development requires ‘cultural adaptation’ from both partners involved in intercultural business relationships. In particular, a moderate level of the trustor’s cultural adaptation was determined as most favourable for the growth of a partner’s trust and its maintenance during all the relationship phases studied. In other
words, if the trustor moderately adapts his or her own culturally embedded expectations, i.e. trust-constituting conditions, and learning enhancing means to the trustee’s ones, the trustor will behave in a trustworthy manner and, hence, will be trusted by the trustee. Generally, the moderate cultural adaptation improves the quality of business relationships between partners that has a positive impact on trust development.

While the trustor’s moderate cultural adaptation has empirically revealed a positive influence on the trust level of the trustee, the trustor’s substantial direct adaptation may positively influence on trust in the trustee. Interviews with those Russian managers, who have acquired long-term experience of working in Finnish firms, showed that they are inclined to choose Finnish business partners for cooperation, because they perceive them as more trustworthy than Russian partners. This unanticipated empirical finding has interesting implications. The finding on the existence of a high level of trust in a partner, whose national culture is dissimilar, is not in compliance with the existing literature on the positive relationship of cultural similarity and trust (Gulati, 1995; Sitkin & Roth, 1993; McAllister, 1995; Child & Möllering, 2003). However, this can be explained by arguing that Russian managers who have been working in the Finnish firms for a longer period of time have substantially adopted norms and values of Finnish business culture. These Russian managers prefer business relationships with Finnish partners with whom they perceive similarity on the level of business culture. This suggests that a change in the trustor’s cultural identity, caused by the substantial cultural adaptation to the trustee’s business culture, may take place during the long-term business relationship with that trustee. This finding supports the claim that cultural identities are dynamic (Dietz et al., 2010).

Considering the change in cultural identity, it can be deduced, that this change most likely happens on the level of business culture, since according to Hofstede (1980), prominent changes in national culture level do not happen easily over time. The change in cultural identity can generate the trustor’s perception of ‘cultural similarity’ with the trustee, which was also uncovered during interviews with a couple of Finns who are very well-experienced in doing business with Russians. Nevertheless, interviews with the majority of Finnish managers revealed that cultural similarity in the national culture has a positive influence on the trust development especially in the earliest phases of business relationships and may play a decisive role in their choice of relationship partner.
Empirical findings showed that the type, level and category of cultural adaptation and their influence on trust development change across different relationship phases. Thus, cultural adaptation can be considered as dynamic. It can also be concluded that different categories of cultural adaptation are needed to support trust development, as culturally embedded trust-constituting conditions and learning enhancing means vary in different relationship phases. Thus, three categories of cultural adaptation were determined based on the research findings and assigned to the corresponding business relationship phases.

Accordingly, the ‘Awareness’ relationship phase refers to indirect adaptation to ‘Stranger’, in which partners generate initial trust relying on ‘second-hand knowledge’ of each other’s culture and adapt with caution. Initial trust achieved in this phase encourages relationship partners to interact. The ‘Exploration’ phase corresponds to direct adaptation to ‘Acquaintance’. During this phase, partners are able to get more specific ‘first-hand knowledge’ about each other’s culturally embedded characteristics and expectations through initial interactions and consequently activate trust. The ‘Expansion’ and ‘Commitment’ relationship phases imply developing close interpersonal relationship and friendship. The status of ‘Friend’ allows a possession of intense ‘first-hand knowledge’ and a higher level of trustworthiness. Therefore, the category of adaptation to ‘Friend’ was assigned to these phases.

Figure 29 summarises the types, levels and categories of cultural adaptation and presents them in line with the relationship phases: indirect adaptation to ‘Stranger’ in the ‘Awareness’ phase, direct adaptation to ‘Acquaintance’ in the ‘Exploration’ phase and direct adaptation to ‘Friend’ in the ‘Expansion’ and ‘Commitment’ phases.
The initial conceptual framework of conditions supporting trust development (see Figure 15) introduced in section 2.2.6 was supported by the empirical inductive investigation in all three studies and developed further. Thus, Figure 31 introduces the proposed conceptual framework, which reflects conditions that support trust development in the context of the intercultural business relationship. It comprises theoretical and empirically grounded concepts related to trust development of both trustor and trustee such as cultural knowledge and cultural adaptation and exhibits their interplay within the framework. The empirical concepts reflect the individual perspectives of both Finnish and Russian managers, who represent Finnish firms and are directly involved in business relationships with Russian firms. The empirically grounded concepts such as learning enhancing means, cultural knowledge, cultural adaptation, change in cultural identity, and perception of cultural similarity deepened the initially proposed conceptual framework. The framework (see Figure 31) shows their influence on ‘subjective trust’ at one development stage and how this influence is moderated by business culture, which is closely tied to the dimensions of national culture.

Thus, the proposed conceptual framework represents theoretical and empirically grounded concepts at one stage of the trust development process and suggests that this process takes place stage-by-stage starting from the trust Initiation stage, moving on to the Activation then Growth stage and ultimately to the Maturity stage. Trust can only increase through learning or knowledge acquisition about the trustworthiness of a trustee, which means that a trustee’s characteristics and behaviour within the relationship are in accordance with a trustor’s expectations.

In particular, for the development of initial trust in the ‘Awareness’ relationship phase, the framework implies that ‘indirect’ learning will continue more extensively and transforms into ‘direct’ learning with the beginning of interactions during the following relationship phases. The framework depicts the empirically identified concept – learning enhancing means – which maintains the knowledge building about a trustee’s trustworthiness and, hence, may have an indirect positive impact on the trust development.
The contextual conditions or factors such as the national and business culture play a significant role in affecting trust development due to a direct
impact on the learning enhancing means and trust-constituting conditions. Accordingly, knowledge of national and business culture is of particular importance for the learning process, and therefore, the concept of cultural knowledge is also integrated into the framework. However, a stereotypical knowledge or generalisation about another culture can be seriously biased that may constrain trust development. Thus, stereotype-free cultural knowledge is critical for better understanding culturally embedded trust-constituting conditions and is particularly valuable for the cultural adaptation. So, for instance, in the ‘Awareness’ relationship phase, knowledge of a trustee’s national culture is seen as very helpful for indirect cultural adaptation, whereas knowledge of business culture is perceived as more important for direct cultural adaptation during interaction relationship phases. Furthermore, cultural knowledge can be significantly increased through ‘direct’ learning about trustee’s culture during interactions.

The empirically grounded concept of cultural adaptation is also incorporated into the proposed framework, as it is of particular significance for trust development within intercultural business relationships. For instance, a trustor’s substantial adaptation to the trustee’s business culture may positively influence on trust in a trustee through changing the trustor’s ‘cultural identity’ and perception of ‘cultural similarity’ at the level of business culture. Connections between these concepts are also exhibited in the proposed framework.

Based on the above discussion regarding the proposed conceptual framework (Figure 31), the following propositions were developed:

**Proposition 1:** The knowledge of the trustee’s national (business) culture is more important in the initial (interaction) phases of relationship development.

**Proposition 2:** The more (less) learning enhancing means are utilised by the trustor in the learning process, the more (less) opportunities are opened up for knowledge acquisition on the trustee, and hence, the greater (smaller) indirect impact on the development of subjective trust in the trustee.

**Proposition 3:** Having a higher (lower) knowledge level of the trustee’s business culture contributes to more (less) understanding of trust-constituting conditions and cultural adaptation means in business relationships with that the trustee.
**Proposition 4:** Having long-term (short-term) experience of relationships in a trustee’s business culture encourages the trustor to substantial (moderate) cultural adaptation.

**Proposition 5:** The trustor’s moderate (substantial) cultural adaptation to the trustee’s trust-constituting conditions has more (less) positive impact on the growth of a trustee’s subjective trust.

**Proposition 6:** The trustor’s substantial (moderate) cultural adaptation to the trustee’s trust-constituting conditions has more (less) positive impact on the growth of the trustor’s subjective trust in the trustee.

The following propositions are stated to explain how the trustor’s cultural adaptation may influence the development of the trustor’s subjective trust:

**Proposition 7:** The trustor’s substantial (moderate) cultural adaptation leads to a major (minor) change in the trustor’s cultural identity in business.

**Proposition 8:** Major (minor) change in the trustor’s cultural identity as regards business culture results in the trustor’s greater (lesser) perception of cultural similarity, which consequently invokes a higher (lower) level of subjective trust.

### 5.3 Conditions Supporting Trust Development and Risks: The Integrative Perspective

The following question was examined to increase understanding of the role that conditions supporting trust development plays in relation to risks in intercultural business relationships and to propose an integrative conceptual framework:

**RQ 3** What is the relation between conditions that support trust development and perceived risks in the development process of intercultural business relationships?
5.3.1 Relation between Trust- Constituting Conditions and Risks

The research findings support the argument conceptualised by many scholars (e.g. Bachmann, 1999; Dietz et al., 2010; Dwyer et al., 1987; Morgan & Hunt, 1994; Ring & Van de Ven, 1992; Sako, 1992; Van de Ven & Ring, 2006) and discussed in section 2.1.3 that trust is the immediate antecedent to the development of successful long-term business relationships. In the Main study, the perception that the decrease in trust level negatively affects the willingness to cooperate was shared among all respondents of the Main study. Findings also showed that, in different phases of the business relationship, the development of 'subjective trust' is under pressure from the diverse risks (see Appendices 10 – 14) and can be supported directly by different trust-constituting conditions and indirectly by learning enhancing means (see Figures 22, 24 and 26). Given that learning enhancing means are not in direct relationship with 'subjective trust' the focus of this section lies on the relationship between trust-constituting conditions and perceived relationship risks and their sources. Understanding the relation between trust-constituting conditions and relationship risks allows more well-grounded hypothesising how these factors jointly come to have an impact on the trust development and hence on the willingness to cooperate within business relationship.

The research findings also support the view widely acknowledged in the literature, trust reduces perceived uncertainty and hence risks in business relationships (e.g. Bachmann, 2001; Das & Teng, 1998a; Luhmann, 1979, 1988; Shapiro, 1987; Smyth, 2008; Van de Ven & Ring, 2006; Zucker, 1986). While trust reduces 'perceived risk', it may not reduce objective risk involved in business relationships (Das & Teng, 2001a). “Because trust is a state of mind rather than an action, it does not do anything about objective risk in a relationship” (Das & Teng, 2001a, p. 254). Accordingly, when the trust level is high, risks are not eliminated, but as indicated by prevalent number of respondents of the Main study, risks perceived as low. However, it must be noted that this trust-risk relationship is not mechanistic with a straight cause-effect connection. Trust reduces ‘perceived risk’ through the ‘confidence’ derived from the evidence of satisfied expectations or the presence of conditions supporting trust development during recent interaction. An adequate level of confidence engenders the growth of trust and hence has a positive impact on the willingness to cooperate. Accordingly, confidence resides between trust and risk and mediates their relationship outcome (see Figure 9).
Further, the research empirical findings support the view of Das and Ten (2004) and are in compliance with their framework, in which the concepts of ‘subjective trust’ and ‘perceived risk’ are in reverse relationship. ‘Subjective trust’, in this research, is regarded as having two dimensions such as ‘competence trust’ and ‘goodwill trust’ (Blomqvist, 1997; Das & Teng, 2004; Nooteboom, 1996) showed in Figure 5 of the literature review. Additionally, referring to the framework (see Figure 8), it is considered that the relationship risk consists of two types of risks, which are ‘performance risk’ and ‘behavioural risk’ (Das & Teng, 2004). As empirical results showed, ‘competence trust’ is supported by trust-constituting conditions related to
the characteristics of trustee (see Figure 29) that are largely in ‘mirror-image’ relationship with the ‘performance risks’ (see Figures 23, 25, 27 and 28). Whereas ‘goodwill trust’ is facilitated by characteristics of relationship with trustee (see Figure 29) that accordingly are to a great extent in reverse relationship with ‘behavioural risks’ (see Figures 23, 25, 27, 28).

Accordingly, Figure 32 depicts the proposed matrix of relation between the trust dimensions and risk types in business relationships. The matrix reflects perspectives on ‘perceived risk’ type and level, confidence and relationship development in relation to the trust dimension and level. Thus, for instance, when the level of both ‘competence trust’ and ‘goodwill trust’ is high, it means that the characteristics of the trustee and the relationship with that trustee have met the trustor’s expectations and hence, confidence is high. In this situation, the trustor is willing to cooperate and to take risks while proceeding to the next relationship phase with that trustee.

5.3.2 The Integrative Conceptual Framework

The integrative perspective on the relation between conditions supporting trust and risk in the intercultural business relationship context is presented in the form of a conceptual framework. Drawing perspectives from different disciplines as inputs to the proposed framework, the aim was to provide a framework that is generally applicable across multiple disciplines. Thus, this framework (see Figure 33) is constructed based on the theoretical concepts discussed in the literature review and conceptual findings of the empirical research. The proposed framework integrates frameworks (see Figures 8, 9 and 12) introduced in sections 2.1.3, 2.1.5 and 2.1.6. It represents a simplification of relationships between the main research concepts and consists of two parts. The first part depicts the concepts, which are empirically examined within the research questions RQ 1 and RQ 2. The second part illustrates the proposed relationships between the concepts theoretically considered within the research question RQ 3.
Figure 33  The integrative conceptual framework of the relation between conditions supporting trust development and risks in the intercultural business relationship

The first part of the framework contains two conceptual fragments (see Figures 8 and 12) regarding trust-constituting conditions and ‘risk sources’, which are the determinants of ‘subjective trust’ and ‘perceived risk’ or ‘relationship risk’ correspondingly. Given the empirical evidence, trust-constituting conditions and ‘risk sources’ vary in different relationship phases as the nature and context of interactions changes while the
relationship develops. Hence, the level of ‘subjective trust’ and perceived relationship risk may also differ. The second part of the framework proposes the relationships between the concepts of ‘perceived risk’ and ‘subjective trust’, and their impact on the process of relationship development and, in particular, on the ‘willingness to co-operate’.

Summarising above, the integrative conceptual framework (Figure 33) reflects the role of conditions supporting trust development in relation to risks in intercultural business relationships by showing the interplay of empirically grounded concepts of the first part: trust-constituting conditions, risk sources, learning, learning enhancing means and cultural adaptation as well as theoretical concepts of the second part: ‘subjective trust’, ‘perceived risk’, ‘confidence’ and ‘willingness to cooperate’. This interplay occurs throughout the process of relationship development, beginning in the ‘Awareness’ phase, moving to the ‘Exploration’, then to ‘Expansion’ phases, and ultimately to the ‘Commitment’ phase. Although the ‘Dissolution’ phase was considered as irrelevant in this research, the integrative conceptual framework (Figure 33) implies that relationship development is a non-linear process, i.e. dissolution or return to a previous phase can happen. Dissolution could come due to trust erosion.

The general argument of the integrative conceptual framework (Figure 33) is that the relationship will continue from one phase to another as long as the partners are able and willing to rely on trust under the pressure of relationship risks (Ring & Van de Ven, 1994), and a growth or increase in trust level occurs during their interactions. Confidence in a partner’s motives and future behaviour engenders willingness to rely on trust in dealing with that partner in a risky situation (cf. Doney et al., 1998) and may lead to the growth of trust. According to Das and Teng (1998b), confidence refers to certainty about a cooperative partner’s characteristics and behaviour or his trustworthiness. This certainty can be derived from knowledge that satisfies the trustor’s expectations or learning. Basically, to achieve this confidence trust-constituting conditions or expectations of the trustor must be fulfilled.

In this framework, the concepts of ‘subjective trust’ and ‘perceived risk’ are in a mirror-image relationship (Das & Teng, 2004), which is discussed in section 2.1.6 of the literature review and advocated by the empirical results introduced in sections 4.4.1, 4.4.2 and 4.4.3. While a trustor’s ‘subjective trust’ is based on positive expectations (Das & Teng, 2001a; Rousseau et al., 1998) regarding a trustee’s trustworthiness or trust-constituting conditions, ‘subjective trust’ is negatively related to the level of ‘perceived risk’
(Bachmann, 2001; Das & Ten, 2004; Smyth, 2008; Van de Ven & Ring, 2006). Thus, when the level of ‘subjective trust’ exceeds the level of ‘perceived risk’, the trustor is likely be willing to cooperate and continue the relationship with the trustee (Anderson & Weitz, 1989; Ganesan, 1994). Alternatively, the trustor is not likely to be willing to cooperate with the trustee, when the level of ‘perceived risk’ surpasses the level of ‘subjective trust’.

However, according to Mayer’s et al. (1995) trust definition, trust is a willingness to be vulnerable to the actions of another party, and being vulnerable implies accepting risks. It means that a trustor takes the risk that a trustee’s performance and behaviour will not fully meet the trustor’s expectations. At the same time, the trustor constantly learns about the trustee and searches for information or evidence to satisfy his or her own trustworthiness expectations and beliefs that the risks he or she is going to accept would be low. A trustor has to develop enough confidence in a trustee’s motives and future behaviour to be willing to rely on that trustee in a risky situation (Doney et al., 1998). During the interaction phases, a trustee can prove his or her trustworthiness by satisfying a trustor’s expectations. Having a successful experience provides the trustor with confidence, which may lead to the growth of his or her ‘subjective trust’ and willingness to continue the cooperation.

According to the preceding arguments and the definition of trust, partners experiencing a higher level of ‘subjective trust’ are more confident in the success of their relationships, and are more willing to continue their cooperation even when that implies risk-taking. On the contrary, partners perceiving a higher level of relationship risks are less confident and are less likely to develop their relationships. In other words, ‘willingness to cooperate’ and ‘risk-taking behaviour’ is affected by the relationship between ‘perceived risk’ and ‘subjective trust’ and the level of confidence.

To summarise, cooperative partners focus on pragmatic problems of whether they trust each other enough to choose to cooperate in the first place, or whether they wish to end the existing endeavour due to perceived relationship risks outweighing their trust. At the beginning of the initial relationship, a certain degree of ‘perceived risks’ always exists, and initial trust is in great demand in order to take these risks. Before and during first interactions, partners may have positive expectations about each other’s
behaviour and competences and therefore perceive risks as low. In intercultural business relationships, these positive expectations may lead to initial trust, which is mainly based on cultural similarity between partners (Sitkin & Roth, 1993; Child & Möllering, 2003). As partners’ interactions increase, more positive information becomes available. Learning that interaction outcomes meet the expectations raises confidence and in turn reinforces trust growth. At the same time, as a result of growth in ‘subjective trust’ and ‘confidence’, relationship ‘uncertainty’ and ‘perceived risks’ reduce, thereby increasing ‘willingness to continue the cooperation’.

The following propositions stem from the integrative framework (Figure 33) and reflect the conceptual insight of the current research:

**Proposition 9:** The trustor’s learning and confidence in the trustee’s trustworthiness are positively related.

**Proposition 10:** The more (less) learning enhancing means are utilised by the trustor in the learning process, the more (less) opportunities are opened up to meet the expectations and build confidence in the trustee’s trustworthiness.

**Proposition 11:** (Not) having met the expectations regarding the trustee’s trustworthiness or trust-constituting conditions through the direct learning results in the increase (decrease) in the trustor’s confidence.

**Proposition 12:** The higher the level of the trustor’s confidence the greater the growth in subjective trust with the consequential fall in the level of perceived risk, and vice versa.

**Proposition 13:** The trustor’s subjective trust is positively related to the willingness to cooperate or to continue relationship with the trustee.

**Proposition 14:** The higher the level of trustor’s subjective trust than the level of perceived risk the greater positive effect on the willingness to cooperate with the trustee.

Additionally, the integrative framework (see Figure 33) takes into consideration the indirect role of cultural and environmental factors incorporating concepts such as trust-constituting conditions and ‘risk sources’. It is assumed that cultural values to a large extent are predictors of trust-constituting conditions while environmental factors are responsible for ‘risk sources’. However, the framework ignores the potential effect of individual differences in propensity to trust, risk perception and risk-taking. The propensity to trust might be considered as a general willingness to trust...
others (Mayer et al., 1995), which varies due to people’s different cultural backgrounds, personality types, and developmental experiences (Hofstede, 1980). The notions of risk perception and risk-taking are discussed in section 2.1.5. In the initial business relationship without prior interactions, the effect of individual differences is mostly significant in the ‘Awareness’ and ‘Exploration’ phases of relationship development, when limited information is available, and insufficient observations of the partner’s behaviour are made.

### 5.4 Assessing the Trustworthiness of Research

A lot of the debate found in the literature is related to the criteria for assessing the trustworthiness of qualitative research. There are commonly recognized quality criteria in quantitative research, whereas in qualitative research, there is no general agreement about which of the alternative criteria to use when assessing quality (King & Horrocks, 2010). Despite the diversity of researchers’ positions in relation to the quality criteria, Lincoln and Cuba (1985) proposed four criteria as direct alternatives to the main criteria of quantitative research: credibility, transferability, dependability, and confirmability. These criteria were chosen to be consistent with the philosophical and methodological position of this research discussed earlier in sections 3.1 and 3.2.

**Credibility**

‘Credibility’ in qualitative research has to do with demonstrating confidence that the researcher’s interpretations and conclusions make sense. It also refers to the extent to which interpretations are endorsed by those with whom the research is conducted (King & Horrocks, 2010) and by competent and disinterested peers able to provide independent assessments.

An increasingly important method to ensure that the empirical evidence is valid and reliable is **triangulation** (Remenyi, Williams, Money and Swartz, 2002), that is, “a validity procedure where researchers search for convergence among multiple and different sources of information to form
themes or categories in a study” (Creswell & Miller, 2000, p. 126). Denzin (1978) identified four basic types of triangulation: data triangulation, investigator triangulation, theory triangulation, and methodological triangulation.

Referring to Denzin (1978), ‘data triangulation’ in this research, was achieved by obtaining evidence from varied sources of data, and so it was ensured that potentially biased viewpoints are not being elicited from a single respondent. Importantly, a more holistic picture of the phenomenon was obtained from diverse sources of data, interviewing Finnish and Russian managers who have different status positions and functions in the firms of different sizes and actual experience in business relationship development with Russian partners (see Appendices 6 and 7). Furthermore, the primary data collected in the main and Supplementary studies were triangulated with the ‘elites’ interview responses of the Pilot study (see Appendix 5). Multiple informants increased extensively data credibility in all three interview studies as they provided the data from different perspectives and cultures. The diversity of informants and their selection criteria were discussed in more detail in the section 3.4.

‘Investigator triangulation’ involves using multiple investigators to review research findings. Given the practical time constraints and individual schedules, it was difficult to assemble different investigators for the data review in all three interview studies except for the Supplementary study. This is a major weakness of the research data analysis. In the Supplementary study, analysis of empirical data was conducted in parallel with a co-researcher reviewing independently all transcripts and comparing findings. The process of reflection and discussion with the co-author resulted in an agreement on the understanding of the meaning underlying the data. Having arrived at the same conclusions about data interpretation, confidence in the findings was heightened.

Contrary to ‘investigator triangulation’, ‘theory triangulation’ entails using professionals outside the research field to examine and interpret data. In this research, theory triangulation is achieved by discussions on findings and emerging conclusions with professors and colleagues in the STROI and ROCKET research projects (see section 3.4.1) from different Finnish and Russian universities as well as company representatives familiar with the research setting. The results of all three studies were presented on a regular basis at research project seminars, workshops and meetings. Multiple theoretical perspectives were also discussed with fellow scholars during
scientific conferences and workshops and considered further through the peer-review process of publications made on the basis of research findings.

Another procedure quite commonly used to assess the trustworthiness of qualitative analysis is ‘member checks’ or respondent validation, which implies crosschecking or validating data interpretation with respondents from whom data were collected (Lincoln & Guba, 1985). Member checks are often viewed as a useful tool for acquiring additional information (Silverman, 2011). However, the member check technique is controversial. Along with positive aspects, Angen (2000) and Sandelowski (1993) criticised the use of this technique. Authors posited that, from the interpretive perspective, understanding is co-created and there is no objective truth or reality to which research results can be compared. Indeed, the member checking may lead to confusion rather than confirmation because participants may change their mind about an issue or may disagree with the researcher’s interpretations. Nevertheless, reports of the research results were sent to all of the interview participants in three studies. Generally, they were interested to receive the research findings but did not express any additional information or critique and disagreement. Reasons for that could be the assured anonymity of respondents and the firms they represent; and no interview quotes were exemplified in the reports that might result in identification of the respondents.

‘Prolonged engagement’ is another technique introduced by Lincoln and Guba (1985) for establishing credibility. They stated that researchers have to spend sufficient time to establish trust and rapport with interview participants and to learn or understand the culture, social setting, or phenomenon of interest. In this research, the purpose of prolonged engagement was achieved without spending much extra time with respondents. It was possible because learning about the participants’ culture and social setting was not needed, as the researcher possesses direct experience of working and living for more than two decades in both Russia and Finland. Furthermore, being a native speaker of Russian and fluent in Finnish was obviously an advantage in data collecting. These facts could also imply having the researcher’s ‘localized understanding’ of ‘contextualized resources’ (e.g. cultural artefacts, body language, personal experiences, historical and social setting), which is of paramount importance in cross-cultural interviewing (Welch & Piekkari, 2006, p. 431). Making
contextualization of interviewees’ responses was often needed but not problematic for the researcher.

Interviewing Russian and Finnish managers in their own languages allowed gathering more deep and accurate data than in a foreign language. Using their mother tongue, interviewees freely shared their own thoughts, feelings and emotions with the researcher. This also had a positive impact on the researcher’s trust initiation and rapport with the interviewees (see also Welch & Piekkari, 2006). Initial trust and rapport was established easily and quickly by having small talk and informal discussion about the research background and objectives with respondents before interviewing.

Furthermore, for the last almost 25 years the researcher has worked in Finland as a lecture, researcher and manager for many projects that provided assistance for Finnish firms in their operations in the Russian market. Working within the projects offered to the researcher an opportunity to observe the differences in business management between Finnish and Russian firms and comprehend the challenges Finnish firms experienced while building trust-based relationships with their Russian business partners. The researcher’s background that bridges across the two cultures, Russian and Finnish, has provided a rich and important source of knowledge and has greatly facilitated this research in many ways.

**Transferability**

‘Transferability’ refers to “the extent to which the conclusions drawn in one setting can transfer to another” (King & Horrocks, 2010, p. 160). It involves providing readers with a thick description of the findings and their context that is sufficiently detailed; this allows readers to assess the fit of the findings or part of the findings to the context they are focusing on (Lincoln & Guba, 1985).

The large amount of interviews in the course of this research enables moving beyond the specific country and industry contexts. Findings derived from the interviews are thoroughly described in the report with the purpose to show that they might have applicability in other contexts. Additionally, the researcher tried to keep the descriptions of findings rich enough to enable readers to hear individual voices. To this end, numerous interview extracts were utilised to illustrate contextual insights. Thus, the rigorous description of the empirical findings might help in transferring them to other contexts.
(see Lincoln & Guba, 1986), such as non-Finnish-Russian business relationships, other developing-developed country and industry contexts.

To facilitate the evaluation of the extent to which the conclusions made are transferable to other settings, the researcher also strove to report in an understandable and readable way, which is free of academic jargon (Patton, 1990). The findings report comprises several scientific papers, which were appraised by academic colleagues at multiple research project workshops and peer-reviewed before being accepted to several conferences. This has undoubtedly improved the readability of the report.

The proposed conceptual frameworks are not industry or country specific and can be justified in any industrial and cultural context. With regard to the proposed frameworks, the conclusions drawn can be transferred to other times, business relationships, and people.

**Dependability**

‘Dependability’ refers to the question as to: "How can one determine whether the findings of an inquiry would be repeated if the inquiry were replicated with the same (or similar) subjects (respondents) in the same (or similar) context?" (Lincoln & Guba, 1985, p. 290). However, as Lincoln and Guba (1985) denoted, this question has much less sense in qualitative research, which generally assumes that there is no single objective reality ‘out there’ to be discovered. In this particular research, real-world settings, which are people and contexts, inevitably change, and hence replication is unachievable (King & Horrocks, 2010). This argument is not an attempt to dismiss the researcher’s concern with dependability of findings. Instead, the researcher believes that an ‘external audit’, which means a review conducted by a “competent external disinterested auditor” (Lincoln & Guba, 1985, p. 77) can be beneficial to challenge the research process and findings and to raise the accuracy of the research. Thus, external audits are conducted by impartial reviewers of the journals and multiple workshops and conferences, where research findings were presented (also indicated earlier in this section). This criterion can be useful in establishing confirmability as well, which is discussed in the next section.
Confirmability

Due to the subjectivity of qualitative research, Lincoln and Guba (1985) propose the ‘confirmability’ criterion to assess the quality of the process whereby research data were produced. Enabling a reader to trace the researcher’s construction of data interpretation requires a thorough explanation about how findings were gathered and how conclusions were drawn. This researcher attempted to describe the research design and research process as accurately as possible by providing a description of the general methods and procedures used in the research in sufficient detail and by assuring the transparency of data collection and analysis. Readers can judge how reasonably the conclusions were derived from the collected data having reviewed the individual sections dedicated to these issues (see sections 3.3, 3.4 and 3.5). Additionally, using matrix analysis styles (see section 3.5) facilitated the data display by organizing data collected through interviews into matrices of two levels (see Appendices 8 and 9). This has also contributed to making the analysis process more transparent.

5.5 Limitations and Directions for Future Research

Every research project has limitations, and this research is no exception. Thus, caution should be taken when making too broad interpretations of the research results. However, limitations open new horizons and opportunities for the future research. This final section acknowledges limitations to the research and proposes topics that deserve to be further investigated.

To begin with, some methodological limitations need to be acknowledged. This research is conducted in the context of the Finnish-Russian business relationships and different sectors of the construction and construction related industry sectors. However, the selected firms for the investigation were all Finnish firms, which operate in the Russian construction market. This fact causes a most significant limitation to the research. As interviews were conducted with management representatives from Finnish firms, generalisation of the empirical findings is limited to their views only. Lack of interviews with managers from the other side of dyadic relationships was due to challenges in obtaining such contact information. The majority of Finnish respondents were not willing or not allowed to provide the researcher with
contact information of their Russian partner firms referring to ethical issues and business confidentiality.

Additionally, the fieldwork was carried out in the two largest cities of Russia, namely Moscow and Saint Petersburg, since the majority of Finnish firms operate there. This choice was also guided by pragmatic reasoning. Thus, the location of Finnish firms together with the attendant costs and time constraints limited the possibility of conducting interviews in other Russian cities. These limitations also made it impossible for the researcher to conduct a longitudinal study on conditions that support trust development within business relationships. Accordingly, the research findings are based on the analysis of retrospective data, which covers the whole period of the respondents’ experience in business relationships with Russian partners. Another weakness is that the research was conducted within the scope of the sectors related only to the construction industry.

Finally, the methodological limitation concerns the absence of triangulation or verification the consistency of findings generated by the different methods of data collection. Due to the specific character of the research questions, in-depth personal interviewing was selected as the only appropriate method for data collection. Such methods as participant observation and a collection of documentary material were not employed since these methods are not adequate for the researcher's objectives and time constraints. Trust in business relationships is formed by individuals and refers to an individual’s psychological state. The development of trust is a long-term and sensitive process, which cannot be easily observed. Additionally, collection of documents about interviewees' partners would not guarantee their anonymity.

Considering the research findings from the perspective of Finnish firms, these findings should be interpreted with caution because the majority of interviewees were Russian ‘elites’ and managers, in total 34 out of 51 in all three studies. The data acquired from them may to a great extent be culturally predetermined. Additionally, even though Russian managers from Finnish firms have to different extents adopted the values of Finnish business culture, as is revealed in this research, they still have to operate in accordance with the unwritten rules of the Russian market. However, this fact provides an opportunity to regard these findings also as views similar to those, which could be obtained interviewing managers from Russian partner
firms. In other words, the research findings could also be considered with regard to the perspective of the Russian partner firms.

The above constraints raise avenues for further research that would then produce more rigorous results. It is, therefore, recommended that further study is undertaken with the aim of investigating the perspectives of both relationship parties and to analyse any possible differences between their perceptions. Interviews with managers from Russian partner firms would add valuable first-hand information on the research questions. A longitudinal design might be able to shed more light on the conditions that support the process of trust development.

Additionally, it would be of particular interest to extend the scope of research to other Russian cities, i.e. outside Moscow and Saint Petersburg, as there is a general belief that the business culture in these cities has noticeably adopted Western values and practices. This might not only reveal some contrasts to the current findings but would provide a more comprehensive understanding of relationship risks and conditions underlying trust development with Russian business partners. Furthermore, in order to gain additional insights beyond industry boundaries, future research needs to examine various industry sectors verifying similarities and differences or other relevant factors that may affect trust dynamics.

More importantly, broadening the research setting would also allow further corroboration of the empirical relevance for the proposed conceptual frameworks and propositions, which could be developed to be better applied to other contexts (e.g. different societal cultures and industry sectors) as well. Employing a quantitative approach, for instance by applying survey methodology to complement interviews and gain the best of both methods, could do this.

In addition, based on the research findings brought forward in this dissertation, future research may also include the following promising areas. As it is revealed, cultural adaptation has a positive influence on the development of trust in intercultural business relationships. This finding opens the door for more empirical research to investigate the extent to which cultural adaptation on different levels may have an impact on trust development and to capture patterns advantageous specifically for the characterisation of these dynamics. Furthermore, this research highlighted a positive relationship between cultural adaptation and the change in cultural identity as regards business culture. Thus, a step forward would be to
investigate in depth the role that cultural identity plays in supporting trust development process. Finally, the proposed framework of conditions supporting trust development provides a conceptual and empirical springboard for future research on other potentially important factors affecting the process.

5.6 Managerial Implications

The findings of the research have revealed several important managerial implications, which could potentially benefit Finnish managers and firms that are, or are contemplating bringing their business into the Russian market. The Russian market represents a rapidly changing business environment, which is for the most part different from the environment in Finland and other developed European countries. This difference emphasises the importance of close cooperation with local partners who can help to succeed in such a turbulent business environment. Trust-based relationships with Russian partners can enable Finnish managers and their firms to respond quickly to market challenges and to recognise business opportunities especially when the economic recession is underway.

As it is widely acknowledged in the literature, “trust provides a way to cope with risk or uncertainty in exchange relationships” (Lane, 1998). This research contributes to the considerations on how can trust development be supported in relationships with Russian partners in the presence of relationship risks. And, in particular, the research findings show the conditions and directions that Finnish managers should follow in order to succeed in developing trust with their Russian partners. Additionally, the findings are considered to be helpful for managers from other European firms, which seize the opportunity provided by the vast potential of Russian market. To this end, the main managerial implications stemming from the research are summarised below.

Firstly, the results of this research are expected to assist managers to recognise potential risks, their sources and outcomes in relationships with their Russian counterparts. In practice, business risks are an essential part of business activities as risks are inherent in all business relationships
without exception. Especially intercultural business relationships imply greater uncertainty, which arises to a great extent from differences in national and business cultures. Wherever there is uncertainty, there are risks too. To build sustainable intercultural business relationships and make successful decisions, it is valuable to be aware what are the relationship risks and the losses flowing out of them. As a result of this research, the number of 25 potential risks perceived by research participants was identified. These risks were differentiated according to risk types and relationship phases, and direct and indirect ‘risk outcomes’ were elicited. Additionally, the probability value was estimated for each identified ‘risk source’ and ‘risk outcome’. Thus, the identified risks can be utilised as a checklist and a framework for the assessment of business relationships with Russian partners in order to limit potential financial losses and to protect operations from the volatility inherent in today’s Russian business environment and particularly in the Russian construction market. The high level of such risks as breach of contract terms, low product and/or performance quality and partner’s unskilled human resources was perceived as typical for the construction field.

Secondly, it is useful to recall what has been discussed regarding the importance of trust in the literature review. Trust has been identified as the most crucial factor that facilitates cooperative business relationships. Trust is particularly critical while operating in Russia, a country still struggling with developing market institutions and infrastructure. In these market conditions, foreign firms have to rely on trust when entering into new business relationships, while trust is often regarded as an alternative for weak market institutions (Peng & Heath, 1996). However, trust is not self-evident and requires essential efforts and energy for its development. As such, understanding how trust can be supported over time should be a prime concern for managers. On a general level, the research findings provide valuable information for managers helping them to understand the importance of conditions that support trust development and their relationship with risks in the context of intercultural business relationships. Particularly in relationships with Russian partners, this increased understanding allows management to better control the situation and to allocate trust supporting efforts more effectively.

Specifically, findings on trust-constituting conditions should provide managers with effective practical tools they can use systematically in different phases of relationship development. So, for instance, findings integrated in the matrix (see Figure 29, section 5.2.1) can be utilised as a
framework or guidelines, which can guide the choice for the appropriate practices to build trust-based relationships with Russian business partners. This framework is supplemented with explicit advice and interview extracts obtained from interviews with research participants.

Furthermore, the identified trust-constituting conditions are to a large extent culturally embedded. In this research, the conditions are specific to the context of Russian culture. Findings especially emphasised trust-constituting conditions on the individual level. For instance, when dealing with Russian business partners, a willingness to establish interpersonal relationships and friendship is revealed as a very important condition for interpersonal trust development and should be considered in order to increase trust on the firm level as well. This result also corresponds with previous literature, which emphasises the importance of interpersonal trust in the societies with low institutional trust (e.g. Coleman, 1990; Zaheer & Zaheer, 2006). Furthermore, such trust-constituting conditions as fulfilment of contract terms, high quality performance and capabilities and professional competence were perceived as the most influential for the change in trust level. Therefore, it is the duty of managers, who are involved in intercultural business relationships, to take into account those aspects of societal and business cultures, which may support trust or impede its development.

Successful trust development requires learning those expectations and characteristics of a partner or conditions that support trust as well as traits of a partner’s culture. This research offers useful learning enhancing means that facilitate this learning process during interaction, and therefore, should be seriously considered while building trust-based business relationships with Russian partners. Considering the Russian construction market, visiting work site of a potential partner, collecting solid recommendations and references were identified as the most widely used learning enhancing means.

As this research revealed, cultural knowledge is a critical factor, which is expected to support managers in understanding and appreciating partners' expectations or trust-constituting conditions. General knowledge of a partner's national culture is a valuable asset especially in initial relationship phases. At the same time, findings particularly accentuate the importance of business culture, which is situation-specific and closely related to practical
interaction issues. Accordingly, managers should primarily aim to learn about a partner’s business culture in order to be able to understand and appreciate its elements, which essentially affect *trust-constituting conditions*. This qualitative research offers rich descriptions on Russian national and business culture, which are expected to be of particular interest to managers, especially to those who are unfamiliar with doing business in Russia.

Finally, by drawing attention to the importance of *cultural adaptation* for the trust development in intercultural business relationships, results of this research are a call for managers to *moderately* adapt their own behaviour in order to meet the expectations of their Russian business partners, and thereby, maintain trust development in relationships with them. The research results showed that *trust-constituting conditions* change during relationship development. This means that there is a need for cultural adaptation in all relationship phases. It is also revealed that cultural knowledge obtained through experience of interpersonal interactions provides a critical basis for the appropriate cultural adaptation to the trustee’s expectations or *trust-constituting conditions*. Thus, empirical findings on *trust-constituting conditions* driven significantly by the Russian national and business culture should assist managers’ cultural adaptation, which is positively related with trust development in different phases of relationship development with Russian partners.

Overall, this research provides important avenues for improving managers’ understanding of challenges in the process of trust development within business relationships while operating in the Russian market. The foregoing managerial implications may be generally extended to the other independent states of the former Soviet Union. People from these countries still share to a certain degree similar managerial work values and norms developed during the Soviet era. Importantly, these research empirical findings seem to be relevant beyond the boundaries of construction related industries and some parallel is likely to be found in other industries as well.
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Appendix 1  Interview background questions

<table>
<thead>
<tr>
<th>BACKGROUND QUESTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee name:</td>
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<tr>
<td></td>
</tr>
<tr>
<td>Position in the company:</td>
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<tr>
<td></td>
</tr>
<tr>
<td>Gender:  male  female</td>
</tr>
<tr>
<td>National origin:  Finnish  Russian</td>
</tr>
<tr>
<td>Experience in the company:  1–5  6–10  &gt;10</td>
</tr>
<tr>
<td>Experience in Finnish-Russian business relationships:  1–5  6–10  10–20  &gt;20</td>
</tr>
<tr>
<td>Company name:</td>
</tr>
<tr>
<td>Company’s industry sector:</td>
</tr>
<tr>
<td>Company’s operations in Russia (years):</td>
</tr>
</tbody>
</table>
**Appendix 2**  Interview guide of the Pilot study

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**INTERVIEW GUIDE**

### Relationship Development Phases:

<table>
<thead>
<tr>
<th>Phase</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I  ‘Awareness’ phase</strong></td>
<td>recognizing a feasible relationship partner</td>
</tr>
<tr>
<td><strong>II  ‘Exploration’ phase</strong></td>
<td>beginning to consider benefits, burdens and obligations associated with possible relationship</td>
</tr>
<tr>
<td><strong>III  ‘Expansion’ stage</strong></td>
<td>increase in benefits obtained by partners and their interdependence</td>
</tr>
<tr>
<td><strong>IV  ‘Commitment’ stage</strong></td>
<td>investing substantial resources in the relationship maintenance</td>
</tr>
<tr>
<td><strong>V  ‘Dissolution’ stage</strong></td>
<td>evaluating of the dissatisfaction with the partner and concluding that the costs of partnership continuation outweigh benefit</td>
</tr>
</tbody>
</table>

### Relationship Risks

1. What risks do you perceive in the different phases of relationships with your Russian partner firms?

<table>
<thead>
<tr>
<th>Phase</th>
<th>Risk Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I  ‘Awareness’ phase</strong></td>
<td></td>
</tr>
<tr>
<td><strong>II  ‘Exploration’ phase</strong></td>
<td></td>
</tr>
<tr>
<td><strong>III  ‘Expansion’ phase</strong></td>
<td></td>
</tr>
<tr>
<td><strong>IV  ‘Commitment’ phase</strong></td>
<td></td>
</tr>
<tr>
<td><strong>V  ‘Dissolution’ phase</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Trust-Constituting Conditions

2. What are the necessary conditions for your trust development in different phases of business relationships with Russian partner firms?

<table>
<thead>
<tr>
<th>Phase</th>
<th>Conditions Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I  ‘Awareness’ phase</strong></td>
<td></td>
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<tr>
<td><strong>II  ‘Exploration’ phase</strong></td>
<td></td>
</tr>
<tr>
<td><strong>III  ‘Expansion’ phase</strong></td>
<td></td>
</tr>
<tr>
<td><strong>IV  ‘Commitment’ phase</strong></td>
<td></td>
</tr>
<tr>
<td><strong>V  ‘Dissolution’ phase</strong></td>
<td></td>
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</tbody>
</table>
**Appendix 3**  Interview guide of the Main study

<table>
<thead>
<tr>
<th>INTERVIEW GUIDE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIRST PART</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relationship Development Phases:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I     ‘Awareness’ phase:</td>
<td>recognizing a feasible relationship partner</td>
</tr>
<tr>
<td>II    ‘Exploration’ phase:</td>
<td>beginning to consider benefits, burdens and obligations associated with possible relationship</td>
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<tr>
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<tr>
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</tr>
<tr>
<td>V     ‘Dissolution’ stage:</td>
<td>evaluating of the dissatisfaction with the partner and concluding that the costs of partnership</td>
</tr>
<tr>
<td></td>
<td>continuation outweigh benefit</td>
</tr>
</tbody>
</table>

1. Who are your partners?

2. What do you value most in the relationships with your Russian partners?

3. What do you not accept in the relationships with your Russian partners?

4. What kind of characteristics and behaviour of your Russian partners support trust formation and development in different relationship phases?

   I     ‘Awareness’ phase

   II    ‘Exploration’ phase

   III   ‘Expansion’ phase

   IV    ‘Commitment’ phase

   V     ‘Dissolution’ phase
5. Do you feel that the following conditions positively affect your trust development in relationships with partner firms?

<table>
<thead>
<tr>
<th>Firm level</th>
<th>Not at all</th>
<th>Affects slightly</th>
<th>Affects very much</th>
<th>Affects substantially</th>
</tr>
</thead>
<tbody>
<tr>
<td>High quality performance and capabilities</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Good financial state</td>
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<tr>
<td>Sufficient experience in the field</td>
<td></td>
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<tr>
<td>Transparency and predictability</td>
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<td></td>
<td></td>
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<tr>
<td>Fulfilment of contract terms</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsiveness to questions and problems</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Common interaction rules and division of responsibilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willingness to exchange information</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Relational flexibility</td>
<td></td>
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</tbody>
</table>

| Individual level                                                          |            |                  |                   |                       |
| Professional competence                                                    |            |                  |                   |                       |
| Openness and honesty                                                       |            |                  |                   |                       |
| Cultural similarity                                                        |            |                  |                   |                       |
| Promise keeping and commitment                                             |            |                  |                   |                       |
| Personal relationships                                                     |            |                  |                   |                       |
| Interpersonal reciprocal understanding                                      |            |                  |                   |                       |

7. Do you agree with the following statements?

<table>
<thead>
<tr>
<th>The more you trust in your business partner, the less risks you perceive in the relationship with that partner.</th>
<th>Disagree</th>
<th>Disagree slightly</th>
<th>Agree</th>
<th>Agree very much</th>
<th>Agree substantially</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>The decrees of trust in your business partner has a negative impact on your willingness to cooperate with that partner.</th>
<th>Disagree</th>
<th>Disagree slightly</th>
<th>Agree</th>
<th>Agree very much</th>
<th>Agree substantially</th>
</tr>
</thead>
</table>

8. Having relationships with different partner firms in the Russian market, which do you trust most a Russian or Finnish partner?

| Why? (Please make an example) |

9. Do you perceive the same risks having relationships with Russian and Finnish partner firms in the Russian market?

| Yes | No |

| Why? (Please make an example) |
10. **To what extent do you perceive that the following risks and risk outcomes are probable and in which phase(s) of relationships with your Russian partner firms?**

<table>
<thead>
<tr>
<th>Risks and risk outcomes</th>
<th>Phases</th>
<th>Very unlikely</th>
<th>Unlikely</th>
<th>Likely</th>
<th>Very likely</th>
<th>Most likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>WASTE OF TIME AND FINANCIAL LOSSES DUE TO IMPERFECT PARTNER CHOICE AND RELATIONSHIP TERMINATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partner's financial instability</td>
<td>I</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insufficient knowledge about partner</td>
<td>II</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreliable information about partner</td>
<td>III</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incompatible infrastructure / facilities</td>
<td>IV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior managers' low commitment</td>
<td>V</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absence of common objectives and understanding</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Undefined interaction rules</td>
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<tr>
<td>Partner's inability to be flexible</td>
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<tr>
<td>Cultural / behavioural distance</td>
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<tr>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>RISK OF LOSING A CUSTOMER / MARKET / REPUTATION DUE TO IMPERFECT PARTNER CHOICE AND RELATIONSHIP TERMINATION</td>
<td></td>
<td></td>
<td></td>
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<td>Low product/ performance quality</td>
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<tr>
<td>Breach of contract terms</td>
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<td></td>
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</tr>
<tr>
<td>Partner's limited resources</td>
<td></td>
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<td>Partner's unskilled human resources</td>
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<td></td>
</tr>
<tr>
<td>Negative judgements / rumours</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Partner's disloyalty</td>
<td></td>
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<tr>
<td>LOSING COMPETITIVENESS DUE TO DEPENDENCE ON RELATIONSHIP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of alternative partners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Getting accustomed to partner</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Partner's deceitful behaviour</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>What other?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
## INTERVIEW GUIDE

### 1. How important is “unofficial” information about your potential Russian partners’ behaviour and the way they do business for your trust development?

<table>
<thead>
<tr>
<th>Response</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Extremely important”</td>
<td>1</td>
</tr>
<tr>
<td>“Very important”</td>
<td>2</td>
</tr>
<tr>
<td>“Important”</td>
<td>3</td>
</tr>
<tr>
<td>“Slightly important”</td>
<td>4</td>
</tr>
<tr>
<td>“Not at all”</td>
<td>5</td>
</tr>
</tbody>
</table>

What kind of information about your potential Russian partners and from which sources do you look for before the first contact and why?

### 2. What can you tell about the stereotypical behaviour and the way of doing business of Russian partners during the first meetings and later interactions?

### 3. To what extent do you adapt to your partners’ behaviour and the way they do business based on stereotypical / secondary information before and during the first interactions / meetings?

<table>
<thead>
<tr>
<th>Response</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Substantially”</td>
<td>1</td>
</tr>
<tr>
<td>“Moderately”</td>
<td>2</td>
</tr>
<tr>
<td>“Not at all”</td>
<td>3</td>
</tr>
</tbody>
</table>

To what extent your adaptation was important for the trust development during the first interactions / meetings?

<table>
<thead>
<tr>
<th>Response</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Extremely important”</td>
<td>1</td>
</tr>
<tr>
<td>“Very important”</td>
<td>2</td>
</tr>
<tr>
<td>“Important”</td>
<td>3</td>
</tr>
<tr>
<td>“Slightly important”</td>
<td>4</td>
</tr>
<tr>
<td>“Not at all”</td>
<td>5</td>
</tr>
</tbody>
</table>

Could you please give some examples when your cultural adaptation was useful or did cause misunderstanding / problems?

### 4. What kind of unexpected or new information on Russian partners have you learned during the first and later interactions / meetings with them?

How important is this information and why?

<table>
<thead>
<tr>
<th>Response</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Extremely important”</td>
<td>1</td>
</tr>
<tr>
<td>“Very important”</td>
<td>2</td>
</tr>
<tr>
<td>“Important”</td>
<td>3</td>
</tr>
<tr>
<td>“Slightly important”</td>
<td>4</td>
</tr>
<tr>
<td>“Not at all”</td>
<td>5</td>
</tr>
</tbody>
</table>

Do you think that you still have to learn about your partners’ behaviour and the way they do business? “Yes” _____ or “No” _____

### 5. What do you think Russian partners expect from you at the first and following interactions?

### 6. To what extent do you adapt to your Russian partners’ behaviour and the way they do business based on your directly learned information during interactions with them?

<table>
<thead>
<tr>
<th>Response</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Substantially”</td>
<td>1</td>
</tr>
<tr>
<td>“Moderately”</td>
<td>2</td>
</tr>
<tr>
<td>“Not at all”</td>
<td>3</td>
</tr>
</tbody>
</table>

From your point of view, to what extent this adaptation was important for the trust development during later interactions?

<table>
<thead>
<tr>
<th>Response</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Extremely important”</td>
<td>1</td>
</tr>
<tr>
<td>“Very important”</td>
<td>2</td>
</tr>
<tr>
<td>“Important”</td>
<td>3</td>
</tr>
<tr>
<td>“Slightly important”</td>
<td>4</td>
</tr>
<tr>
<td>“Not at all”</td>
<td>5</td>
</tr>
</tbody>
</table>

Could you please give some examples of adaptation to the way of doing business of your partners?
## Appendix 5  Interviewees of the Pilot study

<table>
<thead>
<tr>
<th>Respondent / ‘Elite’</th>
<th>N</th>
<th>‘Elite’ position</th>
<th>Gender</th>
<th>National origin</th>
<th>‘Elite’ business experience in Russia</th>
<th>Firm’s origin and location</th>
<th>Industry sector</th>
<th>Interview language</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1</td>
<td>Managing Director</td>
<td>Male</td>
<td>Finnish</td>
<td>&gt; 30 years</td>
<td>Finnish, Finland</td>
<td>Consulting in construction, Finland</td>
<td>Finnish</td>
</tr>
<tr>
<td>B</td>
<td>2</td>
<td>Area Director, Russia</td>
<td>Male</td>
<td>Finnish</td>
<td>&gt; 20 years</td>
<td>Finnish, Finland</td>
<td>Construction, Finland</td>
<td>Finnish</td>
</tr>
<tr>
<td>C</td>
<td>3</td>
<td>Area Director, Russia</td>
<td>Male</td>
<td>Finnish</td>
<td>&gt; 10 years</td>
<td>Finnish, Finland</td>
<td>Construction / design, Finland</td>
<td>Finnish</td>
</tr>
<tr>
<td>D</td>
<td>4</td>
<td>Sales Director</td>
<td>Male</td>
<td>Finnish</td>
<td>&gt; 30 years</td>
<td>Finnish, Finland</td>
<td>Machinery, Finland</td>
<td>Finnish</td>
</tr>
<tr>
<td>E</td>
<td>5</td>
<td>Technical Director</td>
<td>Male</td>
<td>Russian</td>
<td>&gt; 30 years</td>
<td>Finnish, Russia, Saint Petersburg</td>
<td>Machinery in construction, Russia</td>
<td>Russian</td>
</tr>
<tr>
<td>F</td>
<td>6</td>
<td>Managing Director</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 20 years</td>
<td>Finnish, Russia, Saint Petersburg</td>
<td>Construction / design, Russia</td>
<td>Russian</td>
</tr>
<tr>
<td>G</td>
<td>7</td>
<td>Managing Director</td>
<td>Male</td>
<td>Russian</td>
<td>&gt; 30 years</td>
<td>Russian, Russia, Saint Petersburg</td>
<td>Construction, Russia</td>
<td>Russian</td>
</tr>
<tr>
<td>H</td>
<td>8</td>
<td>Business Opportunity Director</td>
<td>Female</td>
<td>Russian</td>
<td>&gt; 20 years</td>
<td>Finnish, Finland</td>
<td>Consulting in construction, Finland</td>
<td>Russian</td>
</tr>
</tbody>
</table>
## Appendix 6  Interviewees of the Main study

<table>
<thead>
<tr>
<th>Finnish firm / size and location</th>
<th>N</th>
<th>Respondent position</th>
<th>Gender</th>
<th>National origin</th>
<th>Respondent experience in Finnish-Russian relationships</th>
<th>Interview language</th>
<th>Industry sector</th>
<th>Business relationship type (Finnish-Russian)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm A Large Saint Petersburg</td>
<td>1</td>
<td>Head of Technical Department</td>
<td>Male</td>
<td>Finnish</td>
<td>approx. 10 years</td>
<td>Finnish</td>
<td>Construction</td>
<td>Contractor-subcontractor</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Head of Project Design Department</td>
<td>Male</td>
<td>Finnish</td>
<td>approx. 5 years</td>
<td>Finnish</td>
<td>Construction</td>
<td>Seller-buyer</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Head of Sales Department</td>
<td>Female</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Seller-distributor</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Vice President, Area Director</td>
<td>Male</td>
<td>Finnish</td>
<td>&gt; 10 years</td>
<td>Finnish</td>
<td>Construction</td>
<td>Seller-distributor</td>
</tr>
<tr>
<td>Firm B Large Moscow</td>
<td>5</td>
<td>Head of Sales Department</td>
<td>Female</td>
<td>Russian</td>
<td>&gt; 7 years</td>
<td>Russian</td>
<td>Construction steel structures</td>
<td>Seller-buyer, seller-distributor</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Product Sales Manager</td>
<td>Female</td>
<td>Russian</td>
<td>approx. 10 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Seller-buyer</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Project Manager</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Seller-distributor</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Senior Project Manager</td>
<td>Male</td>
<td>Finnish</td>
<td>approx. 15 years</td>
<td>Finnish</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Head of Sales Department</td>
<td>Male</td>
<td>Russian</td>
<td>&gt; 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Seller-buyer</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>Head of Sales Department</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Seller-distributor</td>
</tr>
<tr>
<td>Firm C Large Moscow</td>
<td>11</td>
<td>Commercial Director</td>
<td>Female</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction materials</td>
<td>Seller-buyer, seller-distributor</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>Sales Manager</td>
<td>Female</td>
<td>Russian</td>
<td>&gt; 3 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Seller-distributor</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>Director of Russian Operations</td>
<td>Male</td>
<td>Finnish</td>
<td>approx. 10 years</td>
<td>Finnish</td>
<td>Construction</td>
<td>Seller-distributor</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>General Director</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Seller-distributor</td>
</tr>
<tr>
<td>Firm D Large Saint Petersburg</td>
<td>15</td>
<td>Lawyer</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction service machinery</td>
<td>Seller-buyer</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>Director of St. Petersburg Branch</td>
<td>Male</td>
<td>Russian</td>
<td>&gt; 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Seller-buyer</td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>Project Manager</td>
<td>Male</td>
<td>Russian</td>
<td>&gt; 3 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Seller-buyer</td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>Head of Contracting Department</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>19</td>
<td>Head of Sales Department</td>
<td>Male</td>
<td>Russian</td>
<td>&gt; 3 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td>Firm E Medium-sized Saint Petersburg</td>
<td>20</td>
<td>Director of Russian Operations</td>
<td>Male</td>
<td>Finnish</td>
<td>&gt; 10 years</td>
<td>Finnish</td>
<td>Construction / structural and engineering design</td>
<td>Contractor-subcontractor</td>
</tr>
<tr>
<td></td>
<td>21</td>
<td>Head of Designers Group</td>
<td>Female</td>
<td>Russian</td>
<td>approx. 3 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>Technical Director</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 10 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>23</td>
<td>Communication Manager</td>
<td>Female</td>
<td>Russian</td>
<td>approx. 3 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>24</td>
<td>General Director</td>
<td>Female</td>
<td>Russian</td>
<td>&gt; 15 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>25</td>
<td>Project Manager</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>26</td>
<td>Manager of Customer Relations</td>
<td>Female</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td>Firm F Medium-sized Moscow</td>
<td>27</td>
<td>Head of Mechanical Department</td>
<td>Male</td>
<td>Russian</td>
<td>&gt; 5 years</td>
<td>Russian</td>
<td>Construction machinery service</td>
<td>Seller-buyer</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>Head of Sales Department</td>
<td>Male</td>
<td>Russian</td>
<td>&gt; 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>29</td>
<td>Manager of Customer Services</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 3 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>30</td>
<td>Chief of Sales Department</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>General Director</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 10 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>32</td>
<td>Sales Manager</td>
<td>Male</td>
<td>Russian</td>
<td>approx. 5 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td>Firm G Medium-sized Moscow</td>
<td>33</td>
<td>Managing Director</td>
<td>Male</td>
<td>Finnish</td>
<td>&gt; 20 years</td>
<td>Finnish</td>
<td>Construction engineering and design services</td>
<td>Contractor-subcontractor</td>
</tr>
<tr>
<td></td>
<td>34</td>
<td>Marketing Director</td>
<td>Male</td>
<td>Finnish</td>
<td>approx. 20 years</td>
<td>Finnish</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>Executive Manager</td>
<td>Female</td>
<td>Russian</td>
<td>&gt; 10 years</td>
<td>Russian</td>
<td>Construction</td>
<td>Planner-subcontractor</td>
</tr>
</tbody>
</table>
## Appendix 7  Interviewees of the Supplementary study

<table>
<thead>
<tr>
<th>Finnish firm / size</th>
<th>N</th>
<th>Respondent position</th>
<th>Gender</th>
<th>National origin</th>
<th>Respondent experience in Finnish-Russian relationships</th>
<th>Interview language</th>
<th>Industry sector</th>
<th>Business relationship type (Finnish-Russian)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Firm H</strong> Small</td>
<td>1</td>
<td>Chief Executive Officer</td>
<td>Male</td>
<td>Finnish</td>
<td>&gt; 30 years</td>
<td>Finnish</td>
<td>Construction steel structures</td>
<td>Seller-buyer, seller-distributor</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Sales Manager</td>
<td>Female</td>
<td>Russian</td>
<td>approx. 15 years</td>
<td>Russian</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Firm I</strong> Small</td>
<td>3</td>
<td>Chief Executive Officer</td>
<td>Male</td>
<td>Finnish</td>
<td>&gt; 20 years</td>
<td>Finnish</td>
<td>Construction steel structures</td>
<td>Seller-buyer, seller-distributor</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Sales Manager</td>
<td>Female</td>
<td>Russian</td>
<td>approx. 20 years</td>
<td>Russian</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Firm J</strong> Small</td>
<td>5</td>
<td>Chief Executive Officer</td>
<td>Male</td>
<td>Finnish</td>
<td>&gt; 10 years</td>
<td>Finnish</td>
<td>Industrial machinery</td>
<td>Seller-buyer</td>
</tr>
<tr>
<td><strong>Firm K</strong> Small</td>
<td>6</td>
<td>Sales Director</td>
<td>Male</td>
<td>Finnish</td>
<td>approx. 20 years</td>
<td>Finnish</td>
<td>Construction steel structures</td>
<td>Seller-buyer</td>
</tr>
<tr>
<td><strong>Firm L</strong> Small</td>
<td>7</td>
<td>Chief Executive Officer</td>
<td>Male</td>
<td>Finnish</td>
<td>&lt; 10 years</td>
<td>Finnish</td>
<td>Construction service structures</td>
<td>Seller-buyer</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Financial Manager</td>
<td>Female</td>
<td>Finnish</td>
<td>no personal experience</td>
<td>Finnish</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 8  A fragment of level-one matrix in Pilot study data analysis

<table>
<thead>
<tr>
<th>‘Elite’</th>
<th>‘Awareness’</th>
<th>‘Exploration’</th>
<th>Relationship Development Phases</th>
<th>‘Commitment’</th>
<th>‘Dissolution’</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>Performance risk</td>
<td>Relational risk types</td>
<td>I also pay attention to the financial question. There are sub-contractors, who don’t inform about their debts. Then, they can let us down later, when they fail in completing project tasks. <strong>Insufficient knowledge about partner financial state</strong></td>
<td>I pay attention to what extent there is an innovative potential in our relationship. How our relationship develops, at least conceptually, not necessarily financially. Our partnership is not only for extensive growth, but also for the intensive development... If it is not taken into consideration, then you can just set goals to improve financial performance, profits and turnover. But, without the business development you cannot achieve anything. <strong>Looking for innovative potential / development in relationship; Development decrease due to long-term relationship</strong></td>
<td>And, if we terminated relationship as a result of partner’s failure, then there is a risk of loss of the customer because of the reduction in the work/service range. The possibility to use the partner’s resources will be lost, and hence, the ability to implement more orders will be reduced, and this will lead to the losses in cash flow and profit ... If it happened suddenly, it is possible to incur substantial losses due to contract obligations to the customer, because many contracts last for many months or years... If relationship suddenly terminated as well as the delivery of project documentation, which is almost a weekly process, then you can incur financial losses. It all comes down to financial losses. <strong>Relationship termination may cause losing customer, time and financial losses</strong></td>
</tr>
</tbody>
</table>

| Performance risk | Uncertainty about availability of partner’s resources in relationship | After all, the right choice means that everything will be fine. But, the right choice doesn’t exist. There are no perfect partners. Partner can be suitable in some stage, and it is very rare, if the partner satisfies you in every stage. **No perfect partners in reality; imperfect partner choice** |

| Relational risk types | | | | Inevitably there are situations when it is necessary to deviate from the contract. Nevertheless, partner does not demonstrate flexibility and understanding. Partnership is not just eating sugar, but sometimes – salt. **Partner’s inflexibility** |

| Behavioural risk | There is a risk of divergence in targets and policies. If strategic objectives differ, there is a risk. ... Here arise such kinds of problems as a disagreement in strategic development, division of markets, customers and revenue. **Lack of understanding in strategic objectives** | The risk is that there is a probability of partner’s failure in fulfilling obligations, particularly in providing the agreed range of work. ... There is a high risk of failure in project completion by the stipulated deadline. **Partner’s failure in providing the work and following the time schedule** | There is a risk of losing independence ... when there is a mutual penetration of resources and finance. **Getting accustomed to each other; possibility to lose independence** |
Appendix 9  A fragment of level-two matrix in Pilot study data analysis

<table>
<thead>
<tr>
<th>‘Elites’</th>
<th>‘Awareness’</th>
<th>‘Exploration’</th>
<th>‘Expansion’</th>
<th>‘Commitment’</th>
<th>‘Dissolution’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance risk:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreliable knowledge about partner (Elite A)</td>
<td>Insufficient knowledge about (‘Elites’: B, C, E)</td>
<td>Partner’s limited resources (‘Elites’: A, B, D, E, F)</td>
<td>Losing competitiveness (‘Elite’ F)</td>
<td>Losing reputation, customer, market (‘Elites’: C, D, E, F)</td>
<td></td>
</tr>
<tr>
<td>Lack of alternative partners (‘Elites’: D, G)</td>
<td>Partner’s inability to be flexible (‘Elites’: B, F)</td>
<td></td>
<td></td>
<td>Waste of time and financial losses (‘Elites’: B, C, D, E, F)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Partner’s financial instability (‘Elites’: B, F, G)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Partner’s unskilled human resources (‘Elites’: A, B, C, G)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low product and/or performance quality (‘Elites’: B, E, G)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Incompatible infrastructure and/or facilities (Elite A, C)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Imperfect partner choice (‘Elites’: E, F)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Behavioural risk:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural and behavioural distance (‘Elites’: A, C)</td>
<td>Partner’s inadequate information exchange (Elite B)</td>
<td>Dependence on relationship with partner (Elite F)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior managers’ low commitment (‘Elites’: B, C, D)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Undefined interaction rules (‘Elites’: A, C)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Partner’s disloyalty (Elite D)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Partner’s deceitful behaviour (‘Elites’: D, A, B, C, D, G)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Relationship termination (‘Elites’: C, F, G)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Appendix 10**  Risk estimations in the ‘Awareness’ phase

**AWARENESS PHASE: Risk sources and risk outcomes in relationships with Russian partners**

<table>
<thead>
<tr>
<th>Risk Source</th>
<th>Likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAST OF TIME AND FINANCIAL LOSSES DUE TO IMPERFECT...</td>
<td></td>
</tr>
<tr>
<td>Unreliable information about partner</td>
<td>3,1</td>
</tr>
<tr>
<td>Insufficient knowledge about partner</td>
<td>2,9</td>
</tr>
<tr>
<td>Partner's financial instability</td>
<td>1,0</td>
</tr>
<tr>
<td>Breach of contract terms</td>
<td>1,0</td>
</tr>
<tr>
<td>Senior managers' low commitment</td>
<td>1,0</td>
</tr>
<tr>
<td>Absence of common objectives and understanding</td>
<td>1,0</td>
</tr>
<tr>
<td>Undefined interaction rules</td>
<td>1,0</td>
</tr>
<tr>
<td>Cultural / behavioural distance</td>
<td>1,0</td>
</tr>
<tr>
<td>Incompatible infrastructure / facilities</td>
<td>1,0</td>
</tr>
<tr>
<td>Partner’s inability to be flexible</td>
<td>1,0</td>
</tr>
<tr>
<td>RISK OF LOSING A CUSTOMER / MARKET / REPUTATION DUE TO...</td>
<td></td>
</tr>
<tr>
<td>Low product / performance quality</td>
<td>1,0</td>
</tr>
<tr>
<td>Partner’s limited resources</td>
<td>1,0</td>
</tr>
<tr>
<td>Partner’s unskilled human resources</td>
<td>1,0</td>
</tr>
<tr>
<td>Inadequate information exchange</td>
<td>1,0</td>
</tr>
<tr>
<td>Partner’s disloyalty</td>
<td>1,0</td>
</tr>
<tr>
<td>Negative judgements / rumours</td>
<td>1,0</td>
</tr>
<tr>
<td>LOSING COMPETITIVENESS DUE TO DEPENDENCE ON RELATIONSHIP:</td>
<td></td>
</tr>
<tr>
<td>Lack of alternative partners</td>
<td>1,0</td>
</tr>
<tr>
<td>Getting accustomed to partner</td>
<td>1,0</td>
</tr>
<tr>
<td>Partner's deceitful behaviour</td>
<td>1,0</td>
</tr>
</tbody>
</table>

1,00 - Very unlikely; 2,00 - Unlikely; 3,00 - Likely; 4,00 - Very likely; 5,00 - Most likely
## Appendix 11  Risk estimations in the ‘Exploration’ phase

### EXPLORATION PHASE: Risk sources and risk outcomes in relationships with Russian partners

<table>
<thead>
<tr>
<th>Risk Source/Outcome</th>
<th>Likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WAST OF TIME AND FINANCIAL LOSSES DUE TO IMPERFECT PARTNER</strong></td>
<td></td>
</tr>
<tr>
<td>Insufficient knowledge about partner</td>
<td>3,3</td>
</tr>
<tr>
<td>Cultural / behavioural distance</td>
<td>3,3</td>
</tr>
<tr>
<td>Senior managers’ low commitment</td>
<td>3,0</td>
</tr>
<tr>
<td>Absence of common objectives and understanding</td>
<td>3,0</td>
</tr>
<tr>
<td>Undefined interaction rules</td>
<td>2,9</td>
</tr>
<tr>
<td>Unreliable information about partner</td>
<td>2,9</td>
</tr>
<tr>
<td>Incompatible infrastructure / facilities</td>
<td>2,8</td>
</tr>
<tr>
<td>Partner’s inability to be flexible</td>
<td>2,6</td>
</tr>
<tr>
<td>Partner’s financial instability</td>
<td>1,0</td>
</tr>
<tr>
<td>Breach of contract terms</td>
<td>1,0</td>
</tr>
<tr>
<td><strong>RISK OF LOSING A CUSTOMER / MARKET / REPUTATION DUE TO</strong></td>
<td></td>
</tr>
<tr>
<td>Inadequate information exchange</td>
<td>2,5</td>
</tr>
<tr>
<td>Partner’s unskilled human resources</td>
<td>2,0</td>
</tr>
<tr>
<td>Low product / performance quality</td>
<td>1,0</td>
</tr>
<tr>
<td>Partner’s limited resources</td>
<td>1,0</td>
</tr>
<tr>
<td>Partner’s disloyalty</td>
<td>1,0</td>
</tr>
<tr>
<td>Negative judgements / rumours</td>
<td>1,0</td>
</tr>
<tr>
<td><strong>LOSING COMPETITIVENESS DUE TO DEPENDENCE ON RELATIONSHIP</strong></td>
<td></td>
</tr>
<tr>
<td>Lack of alternative partners</td>
<td>2,8</td>
</tr>
<tr>
<td>Partner’s deceitful behaviour</td>
<td>2,6</td>
</tr>
<tr>
<td>Getting accustomed to partner</td>
<td>1,0</td>
</tr>
</tbody>
</table>

Likelihood Scale: 1,00 - Very unlikely; 2,00 - Unlikely; 3,00 - Likely; 4,00 - Very likely; 5,00 - Most likely
Appendix 12  Risk estimations in the ‘Expansion’ phase

**EXPANSION PHASE: Risk sources and risk outcomes in relationships with Russian partners**

<table>
<thead>
<tr>
<th>Risk Source</th>
<th>Likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAST OF TIME AND FINANCIAL LOSSES DUE TO IMPERFECT PARTNER...</td>
<td></td>
</tr>
<tr>
<td>Breach of contract terms</td>
<td>3,5</td>
</tr>
<tr>
<td>Partner's financial instability</td>
<td>3,7</td>
</tr>
<tr>
<td>Cultural / behavioural distance</td>
<td>2,6</td>
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<tr>
<td>Partner’s inability to be flexible</td>
<td>3,0</td>
</tr>
<tr>
<td>Undefined interaction rules</td>
<td>2,6</td>
</tr>
<tr>
<td>Senior managers' low commitment</td>
<td>1,6</td>
</tr>
<tr>
<td>Incompatible infrastructure / facilities</td>
<td>1,5</td>
</tr>
<tr>
<td>Absence of common objectives and understanding</td>
<td>1,0</td>
</tr>
<tr>
<td>Insufficient knowledge about partner</td>
<td>1,0</td>
</tr>
<tr>
<td>Unreliable information about partner</td>
<td>1,0</td>
</tr>
<tr>
<td>RISK OF LOSING A CUSTOMER / MARKET / REPUTATION DUE TO...</td>
<td></td>
</tr>
<tr>
<td>Low product / performance quality</td>
<td>3,8</td>
</tr>
<tr>
<td>Partner's unskilled human resources</td>
<td>3,7</td>
</tr>
<tr>
<td>Partner's disloyalty</td>
<td>3,5</td>
</tr>
<tr>
<td>Inadequate information exchange</td>
<td>2,7</td>
</tr>
<tr>
<td>Partner's limited resources</td>
<td>2,6</td>
</tr>
<tr>
<td>Negative judgements / rumours</td>
<td>1,0</td>
</tr>
<tr>
<td>LOSING COMPETITIVENESS DUE TO DEPENDENCE ON RELATIONSHIP:</td>
<td></td>
</tr>
<tr>
<td>Partner's deceitful behaviour</td>
<td>1,0</td>
</tr>
<tr>
<td>Getting accustomed to partner</td>
<td>1,0</td>
</tr>
<tr>
<td>Lack of alternative partners</td>
<td>1,0</td>
</tr>
</tbody>
</table>

1,00 - Very unlikely; 2,00 - Unlikely; 3,00 - Likely; 4,00 - Very likely; 5,00 - Most likely
**Appendix 13  Risk estimations in the ‘Commitment’ phase**

<table>
<thead>
<tr>
<th>WAST OF TIME AND FINANCIAL LOSSES DUE TO IMPERFECT PARTNER:</th>
<th>1,0</th>
<th>2,0</th>
<th>3,0</th>
<th>4,0</th>
<th>5,0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner's financial instability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breach of contract terms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural / behavioural distance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undefined interaction rules</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partner’s inability to be flexible</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incompatible infrastructure / facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior managers' low commitment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insufficient knowledge about partner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreliable information about partner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absence of common objectives and understanding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RISK OF LOSING A CUSTOMER / MARKET / REPUTATION DUE TO:</th>
<th>1,0</th>
<th>2,0</th>
<th>3,0</th>
<th>4,0</th>
<th>5,0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low product / performance quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partner's unskilled human resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partner's disloyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partner's limited resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inadequate information exchange</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative judgements / rumours</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LOSING COMPETITIVENESS DUE TO DEPENDENCE ON RELATIONSHIP:</th>
<th>1,0</th>
<th>2,0</th>
<th>3,0</th>
<th>4,0</th>
<th>5,0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting accustomed to partner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partner's deceitful behaviour</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of alternative partners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1,00 - Very unlikely; 2,00 - Unlikely; 3,00 - Likely; 4,00 - Very likely; 5,00 - Most likely
Appendix 14  Risk estimations in the ‘Dissolution’ phase

‘DISSOLUTION’ PHASE: Risk sources and risk outcomes in relationships with Russian partners

- WAST OF TIME AND FINANCIAL LOSSES DUE TO IMPERFECT PARTNER:
  - Partner’s financial instability: 3.3
  - Insufficient knowledge about partner: 1.0
  - Unreliable information about partner: 1.0
  - Breach of contract terms: 1.0
  - Senior managers’ low commitment: 1.0
  - Absence of common objectives and understanding: 1.0
  - Undefined interaction rules: 1.0
  - Cultural / behavioural distance: 1.0
  - Incompatible infrastructure / facilities: 1.0
  - Partner’s inability to be flexible: 1.0

- RISK OF LOSING A CUSTOMER / MARKET / REPUTATION DUE TO:
  - Negative judgements / rumours: 2.6
  - Low product / performance quality: 1.0
  - Partner’s limited resources: 1.0
  - Partner’s unskilled human resources: 1.0
  - Inadequate information exchange: 1.0
  - Partner’s disloyalty: 1.0

- LOSING COMPETITIVENESS DUE TO DEPENDENCE ON RELATIONSHIP:
  - Lack of alternative partners: 1.0
  - Getting accustomed to partner: 1.0
  - Partner’s deceitful behaviour: 1.0

Scale: 1,00 - Very unlikely; 2,00 - Unlikely; 3,00 - Likely; 4,00 - Very likely; 5,00 - Most likely
Appendix 15  The perceived positive effect of identified conditions on the trust development

**Conditions supporting trust development identified in relationships with Russian partners**

**FIRM LEVEL:**
- Fulfillment of contract terms: 4.8
- High quality performance and capabilities: 4.7
- Sufficient experience in the field: 4.5
- Good financial state: 4.5
- Transparency and predictability: 4.1
- Willingness to share information: 3.6
- Responsiveness to questions and problems: 3.3
- Flexibility in negotiations: 3.3
- Common interaction rules and responsibility division: 2.5

**INDIVIDUAL LEVEL:**
- Professional competence: 4.6
- Openness and honesty: 4.5
- Promise keeping and commitment: 3.5
- Personal relationships: 3.4
- Cultural similarity: 2.9
- Interpersonal reciprocal understanding: 2.8

1,00 - Not at all; 2,00 - Affects slightly; 3,00 - Affects; 4,00 - Affects very much; 5,00 - Affects substantially
Appendix 16  The perceived negative effect of perceived risks on the trust development

<table>
<thead>
<tr>
<th>Risks identified in relationships with Russian partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAST OF TIME AND FINANCIAL LOSSES DUE TO IMPERFECT PARTNER:</td>
</tr>
<tr>
<td>Breach of contract terms</td>
</tr>
<tr>
<td>Partner's financial instability</td>
</tr>
<tr>
<td>Insufficient knowledge about partner</td>
</tr>
<tr>
<td>Senior managers' low commitment</td>
</tr>
<tr>
<td>Unreliable information about partner</td>
</tr>
<tr>
<td>Absence of common objectives and understanding</td>
</tr>
<tr>
<td>Cultural / behavioural distance</td>
</tr>
<tr>
<td>Incompatible infrastructure / facilities</td>
</tr>
<tr>
<td>Undefined interaction rules</td>
</tr>
<tr>
<td>Partner's inability to be flexible</td>
</tr>
<tr>
<td>RISK OF LOSING A CUSTOMER / MARKET / REPUTATION DUE TO:</td>
</tr>
<tr>
<td>Low product / performance quality</td>
</tr>
<tr>
<td>Partner's unskilled human resources</td>
</tr>
<tr>
<td>Partner's disloyalty</td>
</tr>
<tr>
<td>Negative judgements / rumours</td>
</tr>
<tr>
<td>Partner's limited resources</td>
</tr>
<tr>
<td>Inadequate information exchange</td>
</tr>
<tr>
<td>LOSING COMPETITIVENESS DUE TO DEPENDENCE ON RELATIONSHIP:</td>
</tr>
<tr>
<td>Partner's deceitful behaviour</td>
</tr>
<tr>
<td>Getting accustomed to partner</td>
</tr>
<tr>
<td>Lack of alternative partners</td>
</tr>
</tbody>
</table>

1.00 - Not at all; 2.00 - Affects slightly; 3.00 - Affects; 4.00 - Affects very much; 5.00 - Affect substantially
Despite the continuing increase in international business over the last few decades and general recognition that trust is a key attribute of successful cooperation, our understanding regarding trust development and risks in the context of intercultural business relationships remains limited. The primary aim of this research is to contribute to the understanding of how trust development can be supported in relation to potential risks perceived in different phases of relationships between the Russian subsidiaries of Finnish firms and their Russian partners operating in the Russian construction market. This dissertation offers many theoretical contributions. In particular, it sheds more light on the conditions that directly and indirectly support trust development and their role in relation to relationship risks in the uncertain institutional context, such as the Russian business environment. The research has also practical implications that benefit managers who are about to or are contemplating to bring their business into the Russian market.