The research context: Finland-based multinationals operating in Russia

The context of Finnish–Russian business interactions is very illuminating for examination of the role played by power and politics in cross-cultural managerial activities in multinationals. Due to a long joint history and geographic proximity, people in both countries have had many opportunities to be subjected to various public and media opinions and ideas about one another. The currently growing volume of business interactions across the Finnish–Russian border increasingly requires managers to reflect and make sense of their activities and interactions with "the other."

Historically, Finland was part of the Kingdom of Sweden for some 800 years and adopted its judicial and governmental systems and its political structure from Sweden. Then, for more than 100 years, Finland was a Great Duchy of the Russian Empire. During that time there were several attempts to "Russify" (i.e., to force adoption of the Russian language) the new territory. Finland declared its independence in 1917.

In 1939–40, the two countries fought the Winter War and both sustained heavy losses. In the end, although a substantial part of eastern Finland was annexed by the Soviet Union, Finland remained independent. In 1948, Finland committed itself to a Treaty of Cooperation, Friendship and Mutual Assistance with the Soviet Union, which became the basis for political and economic relations between the two countries until 1991. Finland nevertheless consistently sought to limit the influence of the Soviet Union solely to economic issues and resisted any attempts to impose ideological demands.

The breakup of the Soviet Union in 1991 caused the deepest recession in the history of Finland, which lasted until the mid-1990s. It did, however, serve as the main incentive for investing in new technologies and for the subsequent ascendance of the electronics and telecommunications industry into one of the main sectors of foreign trade. Finnish FDIs in Russia grew constantly between 1994 and 2008. After a downturn due to the financial crisis, these investments have continued to pick up since 2010.

The common history of the two countries is reflected in a number of pre-conceived ideas that both nations have about each other. There are nicknames that both Russians and Finns have adopted. The Finns use "ryssä," which is often applied somewhat pejoratively to all Russian-speaking people in Finland, including the children of mixed Finnish–Russian marriages. Formed later from the noun "ryssä," the verb "ryssiä" literally means "to screw something up." It acquired its pejorative connotation during efforts by the Russian Empire to "Russify" Finland at the beginning of the twentieth century. Similarly, the Russians apply the name "tsukhna" to Finns. Historically, this term was used to denote Finns living in areas close to St. Petersburg and Lake Ladoga, but it has more recently acquired pejorative connotations of being "undeveloped" and "uncivilized" (Protasova 2003).

week 5 Case Study

1) Identify the struggles / conflicts between the 2 national groups.

2) Differentiate between 'resource, interest & identity'- related reasons

3) To what extent does the macro-environment inform these micro-conflicts?

Cross-cultural interactions as a struggle around resources

First, drawing on Dörrenbächer and Geppert's (2006) framework, cross-cultural interactions in multinationals can be looked at through the lens of actors' struggle for access, possession, and control over the scarce resources of a multinational. Securing such access and control is closely linked with the motivation of actors to increase their organizational power and control/autonomy. Viewed from this perspective, cross-cultural interactions are seen as situational instances in and through which actors negotiate their respective access to and control over scarce and critical organizational resources.

It is obvious that resources of a multinational are finite and limited. This scarcity inevitably requires actors to compete for available resources. The case of relatively small multinationals (such as those based in Finland) that buy out existing companies and manufacturing facilities in Russia is particularly illustrative. Such acquisitions are likely to require large investments to improve organizational infrastructures, technologies, and competences. No wonder that having made such substantial investments, the investing side (usually headquarters) is interested in controlling how they are implemented by the receiving side (usually the subsidiary). The relationship is further intensified once a host market becomes an important source of profit and growth for the entire multinational.

The ways in which the budgeting process is handled and contested in multinationals offer a directly related and often quite revealing example of how a micro-political struggle around scarce resources affects cross-cultural interactions (see also Dörrenbächer & Geppert 2009). Although formally presented as a negotiation process based on purely rational arguments that are aired by the actors involved to ensure the best possible division and assignment of resources for the entire organization, it frequently entails a power-laden struggle for the access to and distribution of critical resources.

Consider the budgeting process in a Finnish multinational operating in Russia. It comprised budget negotiations between a management team from the Russian subsidiary and a management team from headquarters in Finland. At the time, the Russian subsidiary was the fastest growing and most profitable unit in the entire company. When the Russian unit started to prepare a budget for approval by headquarters, the Finnish side refused to accept and approve the calculations presented. The Russian side justified a somewhat higher level of expenditure with the requirements of Russian accounting standards and legislation. Yet, despite the opinion of the Russian managers that they had done "a great job in the budgeting process," describing and clarifying every expenditure item in detail, the budget had to be recalculated several times and in the end there was still no "officially approved budget for the factory." One of the Russian respondents made the following comment:

> I do not really understand this because on the one hand there were detailed calculations and costs projections and so on presented and no-one [at headquarters] really looked at them and at the same time no-one [at headquarters] was really prepared to say that it [the budget] is approved and [we can] go ahead … [This] does not prevent us [the Russian subsidiary] from … functioning properly but this [situation] when you have to present it [the budget] like N times and it is still not approved … what is the point?

Nonetheless, throughout the entire process the Finnish side persistently asked, "why would this [legislation and accounting standards] be different [in Russia] than everywhere else in the world."

In response, one Russian manager ironically expressed his view on the issue, underscoring that the essence of this budget-related "rope pulling" was rooted in the mistrust felt by Finnish managers towards their Russian colleagues and their inclination to preserve control over financial resources in the organization:

> I think that [these problems are] driven by the fact that they [Finns] are afraid that if they approve the budget then maybe we [Russians] will suddenly spend millions of euros … I do not know for what but … I do not really understand this.

Another example comes from another Finland-based company where a Russian manager working at the Russian subsidiary pointed out that despite the fact that Russia represents the most strategically important market for the company in terms of growth potential and profitability, the Finnish headquarters consistently tried to exclude Russian managers from information exchange, important discussions concerning organizational changes and developmental programs, and company-wide IT projects. It indicates that even if working for the good of one and the same company, managers in different companies' units consistently engaged in micro-political activities to ensure that they knew more and possessed more important information than others.

> We consider ourselves to be ... quite [an] important part of [the company] ... [but] it seems that they [the Finnish headquarters and managers] think that we [the Russian subsidiary and managers] do not need it [to be included in the information exchange space] or maybe they think that we are not at the right level to be included in this project and I think that it is not right.

These short examples shed some light on one micro-political element of cross-cultural interactions and negotiations in multinationals: how these cross-cultural interactions are often underpinned by the efforts of organizational actors to secure their access to and control over important and finite organizational resources, be they of a financial or more intangible nature, such as access to important information exchanges and discussions. Through the struggle for resources that cross-cultural interactions propagate, the actors involved are able to (re)negotiate the intra-organizational balance of power among themselves.

Cross-cultural interactions as a struggle around interests

The second view in Dörrenbächer and Geppert's (2006) classification suggests that cross-cultural interactions in multinationals can be examined through the lens of the struggle for power by the actors, which is driven by their professional and personal interests. Here power is not seen as being obtained by securing access to or control over organizational resources but rather by ensuring that the ultimate course of events benefits one's interests to the highest possible extent.

Cross-cultural interactions around organizational goals and objectives that are oftentimes framed through the lens of organizational effectiveness and efficiency (i.e., which goals and objectives would make the organization most effective and efficient) tend at the same time to veil and avoid discussions concerning *whose* goals and objectives are presented as those of the organization. The same can be applied to instances of organizational restructurings, shutdowns, layoffs, corporate appointments, etc. in multinationals. The underlying question, which is often left at the periphery of these activities, is *whose* interests are being served and *who* benefits most from these changes (see Dörrenbächer & Geppert 2006). That is where power and politics can be found in cross-cultural interactions among actors in multinationals.

Consider an example of one Finnish multinational operating in Russia that has been on the brink of separating its Russian business into a stand-alone division. There were well-grounded arguments to support this decision: quicker decision-making, cost effectiveness, and more effective utilization of the locally available competences and knowledge. Whereas both the Finnish headquarters and the Russian subsidiary agreed on the need to implement this crucial step, there was less agreement concerning who was going to lead the newly formed division. Inclined to exercise close control over one of the company's most important and substantial investments, Finnish managers insisted (and in fact later imposed their opinion) that it has to be someone from the headquarters. One top Finnish manager put it as follows:

> There will be a Finnish guy on top. It is not explicitly so that top guy has to be from Finland but the top guy needs to be from the outside [of Russia] ... [The Russian] team has learnt to have a lot of confidence in their Finnish counterparts and in their sort of mother company ... [T]o employ a Russian to be on top of that team is a serious risk.

On the other hand, managers in the Russian management team were of the opinion that "business in Russia has to be done either with the hands of Russian managers or with the hands of those managers ... who know Russia very well ... because ... you have to live here [in Russia] and you have to feel it every minute." It should be mentioned that the company was then developing plans for a substantial expansion in the Russian market: both (a) developing strategies for widening and extending its sales channels to cover a larger area of the Russian market and (b) seeking opportunities to expand its operations via acquisitions or greenfield investments in major Russian cities other than Moscow and St. Petersburg, where the company had been already operating. Hence the position in question could have provided its holder with the status and respect of someone who would expand and accelerate the company's business in Russia. The position was clearly very attractive considering the company's optimistic prospects in Russia.

In this situation Russian managers were keen to remind their Finnish colleagues in the cross-cultural negotiations that they were "the team of 10–15 people ... in their respective functions" at the Russian unit who had so far been very successful in turning the Russian unit into "the main profit maker" for the entire company. The overall message from the Russian managers to headquarters was that it was unnecessary at the moment to hire a new person as general director of the new division. Instead, the currently available people, who had already proven their ability to manage business operations in Russia and moreover had "some strong ambitions," could be relied on to carry out this important task.

In the end, the position was given to a Finnish executive from headquarters. Irrespective of its outcome, this short case illustrates how, when examined closely and with a good understanding of the organizational context and the motives and interests (both of which are needed) of the actors involved, cross-cultural negotiations in multinationals often not only reflect structurally determined cultural or psychic distances between a headquarters and a subsidiary or between home (Finland) and host (Russia) countries, but also serve as a sort of "smokescreen" for more politically and power-laden negotiations concerning the interests, motives, and career aspirations of the actors involved. Here, the level of power that organizational actors are able to gain in their respective organizations hinges on their ability to convince others through cross-cultural interactions that their personal interests and the interests of their organization are identical.

Cross-cultural interactions as a struggle around identities

Finally, based on Dörrenbächer and Geppert (2006), cross-cultural interactions in multinationals can also be viewed as a process of defining and (re)constructing by the actors of the sense of their identity, i.e., of "who we are" in relation to "the other." Cultural identity has been shown to supply a range of ideas, pre-conceptions, and prejudices concerning "self" and "other" that organizational actors in cross-cultural organizations such as multinationals use to define, frame, and influence important organizational issues and practices (Ailon-Souday & Kunda 2003; Koveshnikov 2011). Seeing cross-cultural interactions in multinationals as micro-political struggles around actors' identities implies that through these interactions the actors strive to define their "self" identity in a more beneficial manner vis-à-vis "the other." This can take several forms, such as defining oneself as more "modern," "developed," "hard working," or "knowledgeable." Importantly, these struggles (re)create a certain balance of power among the actors involved, inevitably making the positions of some more beneficial and dominant than those of others. The potential power and political effects of these interactions in multinationals include constructions of superior–inferior, ethnocentric–polycentric, global–local, and developed–undeveloped relationships between the actors.

In the Finland-based multinational in Russia introduced in the previous section, cultural stereotyping was an important part of the actors' cross-cultural interactions around a wide range of both strategic and operational issues. When reflecting on their business relations with their Finnish colleagues, Russian managers frequently alluded in various ways to the fact that in their view "Nordic culture" was one of the main reasons why Finnish companies were unable to realize their full potential in the Russian market. It was reflected in statements such as "Finns are very Finnish" in their business behaviors and attitudes, implying a lack of the courage and boldness needed to seize the business opportunities offered by "the big world outside." Finns were portrayed as not especially competent in managing the uncertainty and dynamism of the Russian business context. They were depicted as being too slow and "very difficult to encourage … to do big things … [and] take risks." Importantly, these characterizations of Finnish managers were juxtaposed with certain opinions held by the Russian managers. Consider the following juxtaposition from a Russian respondent describing the "*Finnish way*" and the "*Russian way*" to do business:

> I compare Finns to a bee. If you put a bee in a jar or a bottle and, you know, it is considered to be intelligent (laughs), but it will fly only in one and the same direction and then, after dozens of attempts, it will just fall down and die. So this is the way that people in Finland are often operating.
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> But if you take a fly and put it in a bottle, it will just move around randomly here and there but it will finally find the way out, so the problem is solved. And … this is the way Russians work.

Finnish managers also used certain culturally bound views about their Russian counterparts to make sense of their cross-cultural interactions with Russians. Overall, Finnish managers did not consider their Russian colleagues well-versed in Western business practices such as strategic planning and operational decision-making, which presumably require a thorough analytical mindset. Instead, Russian managers were seen as representatives of a culture that is primarily driven by emotions and feelings rather than by the analytical thinking necessary for managing business across borders. Hence the Finnish managers felt that their Russian counterparts often acted on the spur of the moment without thinking too much and were too often carried away from reality.

These ideas were further complemented by another stereotype: "*Russians are not reliable, … they are dishonest, [and]… you can't really trust them.*" Russian managers were not seen as trustworthy and the untrustworthiness was then often referred to by Finnish managers when discussing their cross-cultural work-related interactions: "*I don't see that as important to hold to the statistics in the reports that Russians send to Finland, because I don't really trust them.*" Additionally, Finnish managers held certain beliefs concerning the compulsion felt by Russian managers and employees to defer more generally to strong authority and hierarchy. This was portrayed as an example of the "*big expectation that there is a certain person who has the responsibility and makes the decision,*" which is rooted in Russian culture.

All in all, the essence of cross-cultural interactions viewed as a micro-political struggle around identity and its power implications are effectively summarized by a Russian manager who reflected upon interactions between headquarters and the subsidiary from the latter's point of view: "*Sometimes there is … a feeling that you are perceived [by the other party] as an idiot, some kind of a bear with a balalaika, who neither knows nor understands anything.*" The power and political rationale of such cross-cultural interactions is clear – the actors' inclination to construct one's identity as being more beneficial and positive than that of the other.