

7th Changing Europe Summer School

Central Eastern Europe and the CIS between post-socialist path-dependence, Europeanization and globalization

Moscow (Russia) 29 July – 5 August 2012

Organized by the National Research University – Higher School of Economics
and the Research Centre for East European Studies (University of Bremen)

www.changing-europe.org

Alexander Rozhkov:

Building and developing customer relations in the emerging Russian market. The case of Finnish companies

About the author:

Alexander Rozhkov works at the National Research University - Higher School of Economics in Moscow, where he is lecturer at the Chair of Strategic Marketing, Department of Management and junior research fellow at the Laboratory of Network Organizational Forms.

He has a degree in management and a master's degree in marketing. This May he defended his PhD dissertation in customer orientation. The present paper represents a summary of the recent research project findings as well as some theoretical elements of the dissertation.

e-mail: arozhkov@hse.ru

Due to late submission this paper has not been language edited.

©

Publikationsreferat / Publications Dept.

Forschungsstelle Osteuropa an der Universität Bremen

Research Centre for East European Studies at the University of Bremen

Klagenfurter Straße 3

28359 Bremen

Germany

e-mail: fsopr@uni-bremen.de

Abstract

Modern companies are aimed at building and sustaining competitive advantages and tend to switch from short-term thinking (sales volume achievement) to establishing long-term relations with key stakeholders, especially customers. Successful customer relations require complex coordination, as well as business process integration and wide information exchange on both organizational and personal levels¹². Rapid change of technology and market uncertainty increase makes customers the main source of competitive advantage and value creation³ [Narver et al. 2004]. Moreover business success is defined by the position of a company in the relationship system with its customers, rather than by resource control or personal competency.

Current paper brings into consideration the issue of building and developing customer relations in emerging Russian market. Usually multinational companies enter Russian market and try to apply here their business solutions developed in mature markets. Many researchers argue that emerging markets require customer education rather than customer orientation⁴. We develop a complex model of customer orientation and relationship development and test it on the Russian subsidiaries of Finnish construction companies. Qualitative study based on in-depth interviews with middle- and top-managers suggests that processes of customer relations differ dramatically from those established in European market.

1. Theoretical frame

In modern business many companies focused on building sustainable competitive advantages move from current short term indicators such as sales volume and try to build up long term relations with key stakeholders and preferably with clients. Close business relations require goals, plans and business process coordination both on the organizational and personal level. A company can achieve competitive advantages through a system of partner relations, that enhance value creation and distribution processes. This brings us to the major role of the relationship marketing concept that embodies customer relation assessment and management tools.

Economic globalization in general and WTO integration particularly persuades Russian companies to seek sustainable and copy protected sources of competitive advantages. In this context customer orientation and building consumer relations are the most interesting areas for research projects and management practice. Despite continuous diffusion of modern management practices companies regard integration into existing relationship system of a perspective buyer as a challenge. Nevertheless such integration is a top priority goal as competitive position determined by relationship system as well as resources access.

¹ Narver, John C., and Stanley F. Slater. 1990. The effect of a market orientation on business profitability. *Journal of Marketing* 54 (4): 20-35.

² Jap S. and Ganesan S.: Control Mechanisms and the Relationship Life Cycle: Implications for Safeguarding Specific Investments and Developing Commitment. *Journal of Marketing Research*, Vol. 37, No. 2 (May, 2000), pp. 227-245

³ Narver J. C., Slater S. F. and MacLachlan D. L. (2004), Responsive and Proactive Market Orientation and New- Product Success. *Journal of Product Innovation Management*, 21: 334–347.

⁴ Sheth J. N. (2011). Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives and Practices. *Journal of Marketing*: Vol. 75, No. 4, pp. 166-182.

1.1 Customer orientation

First research papers on customer orientation can be found back in 1950-s initially integrated with the market orientation (MO) concept (P. Drucker, J. McKitterick, T. Levitt). Trying to develop the MO concept B.Darden, R.Hiz, R.Larch, evaluated the degree of MO practical applicability. A.Felton, F. Webster explored determinants of MO implementation and effectiveness in business organizations.

In early 1990-es customer and market orientation became quite popular, many 'classic' papers were published that time (J. Narver, S.Slater, A.Kohli, B.Jaworski, R.Deshpande). During this period researchers proposed basic models of market orientation and main approaches to its measurement (for ex. MARKOR, MTKOR, CUSTOR scales). In those papers customer orientation is defined as the major component of market orientation. Reviewing these papers helped us to distinguish basic elements and processes, enabling a company to become customer oriented.

In early 2000-s "customer orientation" started to regain positions. That time CO concept finally emerged from "Market orientation" as an independent research area. Number of articles in top-rated peer reviewed journals such as *Industrial Marketing Management*, *Journal of the Academy of Marketing Science*, *Journal of Business and Industrial Marketing* is constantly growing. Some researchers (J. Seth⁵, P.Engardio etc.) make suggestions about existence and possible forms of customer orientation in emerging markets. According to their opinion companies in emerging markets should struggle for market development (customer education) but not serving the existing needs (customer orientation).

Russian researchers are also interested in the topic discussed (S. Kousch, V.Rebuazina, I. Semenov, O.Tretyak). They focus on peculiarities of consumer behaviour, strategic aspects of customer stream management, customer relations in innovative companies. Still there are a lot of questions open for discussion both in theoretical aspects and in practice of building and evaluation of customer relations.

In modern marketing customer orientation is connected with relationship marketing research. Most important models and approaches were developed in 1990s by R.Morgan, Sh. Hunt, E. Gumesson, C.Grenrous, P. Tunboul, D. Ford and others. They classified main relationship types and outlined basic factors defining its development.

As far as the whole research area developed special research topics were distinguished: processes of interfirm relationship development (F. Dwyer, S. Jap, S. Ganessan), as well as value creation sources (L. Berry, D. Wilson, C. Genrous, J. Narver, S. Slater, P. Naude et al.)

Rapid development of the information technology influenced research area of market and customer orientation greatly. For example CRM (Customer Relationship Management) systems enabled many companies to collect and analyse customer activity data in real time. Nevertheless many CRM projects were declared unsuccessful, because huge amounts of data are not the only driver of customer orientation in business.

Despite large number of reviewed approaches and research articles customer orientation still can't be ultimately defined. There is still no universal opinion on basic processes of customer orientation as well

⁵ Sheth J. N. (2011). Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives and Practices. *Journal of Marketing*: Vol. 75, No. 4, pp. 166-182.

as possible measurements besides classic CO metrics. So we undertake an attempt to fulfil the existing gap.

1.2 Customer orientation concept

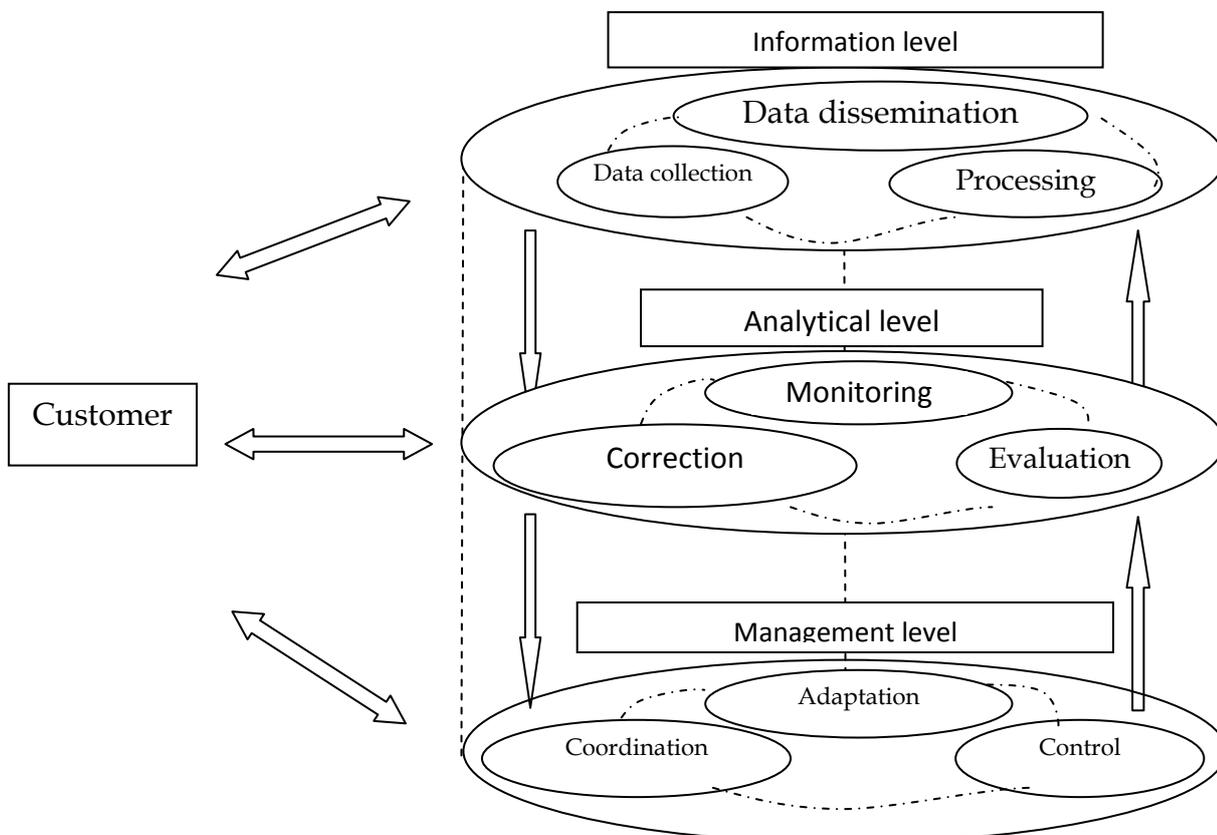
In this article we would define customer orientation (CO) of a company as a sustainable system of interconnected processes, competencies and value orientations enabling company to collect and efficiently use information on customer needs in order to evaluate, customize and improve customer relations.

1.3 Theoretical model

We develop a complex model (pic.1) of customer orientation and relationship development that combines several levels of customer relations, supported by certain processes. The model proposed includes basic processes as well as inter-process connections that are vitally important for customer orientation and competitive advantage development.

We also tried to test the model on customer relations in emerging Russian market. Usually multinational companies enter Russian market and try to apply here their business solutions developed in mature markets. Many researchers argue that emerging markets require customer education rather than customer orientation⁶.

pic. 1 Customer orientation model: basic processes



⁶ Sheth J. N. (2011). Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives and Practices. *Journal of Marketing*: Vol. 75, No. 4, pp. 166-182.

Qualitative study based on in-depth interviews with middle- and top-managers suggests that processes of customer relations are not integrated, that leads to the low level of customer orientation. After that we move to skill and competence level and proceed to best practice research in the area of customer relations. As the result we find a significant gap between the required and actual levels of customer relations skills and techniques in observed companies.

1.4 Main components of the Customer orientation model.

As it was stated above the model is formed on the basis of previous research in customer and market orientation combined with basic statements of the relationship marketing. Here we would like to discuss main elements of the model giving some insight into their contents and interaction. The model proposed consists of the three main levels, represented by horizontal pillars on the pic.1. First level combines basic information management processes: customer data collection, data dissemination and data processing.

Data collection refers to obtaining any kinds of data on consumer needs and wants. In most cases it is available from customers willing to share their experience and complaints. Initially information can be gathered by sales representatives, via web-channels (social nets, twitter), e-shops and so on. It is usually accumulated by key account manager or stored in the data base.

Besides that data can be gathered episodically or on regular basis providing the company necessary information to make certain decisions. In order to turn the data into value company should spread it among the departments.

Data dissemination can be defined as data transfers from the initial entrance point to other departments or functional areas. In order to make this process easier and more efficient companies tend to organize corporate knowledge systems or data panels. This makes customer data easy accessible, structured and useful for other front and back-office departments. Data can be transferred through formal or informal channels. Though being very in

Evaluation. This process is aimed at ranking existing and future customers in order to focus on the most profitable and prospective ones. This approach is determined by the limited amount of the resources available. Skilled employees are the bottle-neck of most companies nowadays, so it's not wise to lose their time for low-profitable customers. There are also evidences from various research projects that close relations with customers and suppliers are not very frequent among successful innovative companies⁷.

Coordination is a very important stage, when all the information obtained is converted into actions aimed at better fulfilment of customer needs and wants. In fact coordination refers to the process of mutual adjustments in terms of price, quality, delivery time, communication channels and so on. It is natural that initially partners would have quite different points of view and try to bridge existing gap after some time. This idea belongs to relationship marketing and suggests that the amount of value created is growing with time by the means of such coordination and transaction cost cutting. Level of coor-

⁷ S.P. Kouchtch, O.A. Tretyak, V.A. Rebiazina, M.M. Smirnova. Customer orientation in Russia – a Myth or Reality?// 2nd EMAC Regional Conference «Marketing Theory Challenges in Emerging Societies», Conference Proceedings, Iasi, Romania: Alexandru Ioan Cuza University (AICU), 2011.

dination may vary from small adjustments in communication process to joint strategic planning depending on the customer.

Adaptation is rather close to the previous process and includes customisation of the products, processes and structures in order to facilitate customer interactions. The main difference here is that the process is one-way, no collaboration is presumed. Supplier might take any actions needed in order to improve the service proposition according customer requirements. All the operations performed are directed by the supplier involving internal resources of the company.

Last two processes can be attributed to the relationship management level, enabling partners to combine their efforts in order to achieve common goals.

1.5 Relationship development stages

In relationship marketing researchers regard buyer-seller relations as a certain consequence of stages. In different models this consequence is called "relationship phases"⁸ or "relationship lifecycles"⁹. According to Dwyer¹⁰ business relations sequentially develop through five main stages: awareness, exploration, expansion, commitment and dissolution. Other researchers (for ex. Jap & Ganesan, 2000), distinguish four separate stages: exploration, buildup, maturity and decline.

Every evolution stage mentioned can be characterized with particular interfirm relations that actually used as a basis for their differentiation. The only exclusion here is awareness stage in Dwyer's model. There is no interaction on this stage though companies identify each other as possible partners. So in order to conduct case analysis we are positive to use four stage model excluding the "awareness" stage mentioned above.

1.5.1 Exploration

This stage includes initial search and trial use of products and services. During this period partners are able to estimate liabilities, potential benefits and cost of long term relations. Main task for a company at this stage is to decrease uncertainty and define potential value of the relations¹¹. Relations are quite weak at the moment. Partners prefer to keep specific investments to the minimum to ensure low exit barriers. At this stage flexibility (local adjustments) is more reasonable compared to adaptation (involves more significant changes in products, processes etc.) Nevertheless relational adaptation value grows as companies increase cross-functional coordination¹². According to Dwyer¹³ this stage can be divided into five main processes:

⁸ Dwyer F.R., Schurr P.H. and Oh. S. Developing Buyer-Seller Relationships / Journal of Marketing, Vol. 51, No. 2 (Apr. 1987), pp. 11-27.

⁹ Jap S. and Ganesan S.: Control Mechanisms and the Relationship Life Cycle: Implications for Safeguarding Specific Investments and Developing Commitment, Journal of Marketing Research, Vol. 37, No. 2 (May, 2000), pp. 227-245.

¹⁰ Dwyer F.R., Schurr P.H. and Oh. S. Developing Buyer-Seller Relationships / Journal of Marketing, Vol. 51, No. 2 (Apr. 1987), pp. 11-27.

¹¹ Dwyer F.R., Schurr P.H. and Oh. S. Developing Buyer-Seller Relationships / Journal of Marketing, Vol. 51, No. 2 (Apr. 1987), pp. 11-27.

¹² Hsieh M.H., Tsai K.H., Wang J.R.: The moderating effects of market orientation and launch proficiency on the product advantage-performance relationship, Industrial Marketing Management, Volume 37, Issue 5, July 2008, pp. 580-592.

¹³ Dwyer F.R., Schurr P.H. and Oh. S. Developing Buyer-Seller Relationships / Journal of Marketing, Vol. 51, No. 2 (Apr. 1987), pp. 11-27.

- Attractiveness estimation
- Negotiations
- Development and power distribution
- Norm development
- Expectation development

Efficient implementation of these processes allows to coordinate partner positions, specify various relational aspects, which were briefly marked during the initial negotiations. For example requirements for “prompt reaction for customer request” can be perceived as one-day just in time delivery by the customer and “3-5 business day shipping” by the supplier. Such gaps are rather frequent and partner agreements on details can help to avoid issues in future. Still it is impossible to coordinate all the details in advance, so partners should focus on basic principles of the relationship as well as flexible problem resolving procedure.

1.5.2 Buildup

On this stage relations develop and grow, partners increase the level of mutual dependence as well as the amount of benefits received. J.Frazier¹⁴ regards this relationship development process as the consequence of partners’ satisfaction with the results of the previous stages. Meanwhile trust and commitment lead to risk increase¹⁵. So partners proceed to long term relations and customer oriented supplier should focus on mutual relational adaptation. Still research shows little evidence to this suggestion¹⁶.

1.5.3 Maturity

On this stage partners explicitly or implicitly provide commitments to keep up the relations and provide required investments¹⁷. Moreover companies in mature relationships exclude other possible partners with similar value propositions from consideration [Dwyer et al., 1987]. Loyalty or commitment of the parties provides stable relations, supplier obtains an opportunity to investigate customer requirements and fulfill them completely. Such efficient collaboration requires additional investments, which protect the relationship form competitors¹⁸. Relational adaptation is more important here then supplier flexibility¹⁹.

1.5.4 Decline

On this stage at least one partner reviews alternative partnership options or communicates such intentions to break the relations to the other partner. It is necessary to point out that partners try to avoid getting into decline stage through investments into renovation and keeping to maturity stage in order to go on with value creation and collaborate efficiently. During decline stage relations move into trust crisis

¹⁴ Frazier G.L. Interorganizational Exchange Behavior in Marketing Channels: A Broadened Perspective, *Journal of Marketing*, Vol. 47, No. 4 (Autumn, 1983), pp. 68-78.

¹⁵ Frazier G.L. Interorganizational Exchange Behavior in Marketing Channels: A Broadened Perspective, *Journal of Marketing*, Vol. 47, No. 4 (Autumn, 1983), pp. 68-78.

¹⁶ Hsieh M.H., Tsai K.H., Wang J.R.: The moderating effects of market orientation and launch proficiency on the product advantage–performance relationship, *Industrial Marketing Management*, Volume 37, Issue 5, July 2008, pp. 580-592.

¹⁷ Blau, P. M. (1964). *Exchange and Power in Social Life*, Wiley, New York.

¹⁸ Zineldin M., Dodourova M., (2005) "Motivation, achievements and failure of strategic alliances: The case of Swedish auto-manufacturers in Russia", *European Business Review*, Vol. 17 Iss: 5, pp.460 – 470.

¹⁹ Hsieh M.H., Tsai K.H., Wang J.R.: The moderating effects of market orientation and launch proficiency on the product advantage–performance relationship, *Industrial Marketing Management*, Volume 37, Issue 5, July 2008, pp. 580-592.

so partners switch from value creation to short term goals such as profit or sales maximization²⁰. Furthermore partners rely on flexibility instead of adaptation because of the risks to loose specific assets. Such trend is very negative because of value decrease and inability to turn all specific assets into liquid assets. We would exclude this stage from further research as in most cases it is counterproductive and unwanted for the participants.

We should also note that reviewed models of buyer-supplier relationship development(Dwyer et al., 1987, Jap & Ganesan, 2000) are rather general. Meanwhile they reflect dynamics and main qualitative changes in relations. Also the processes mentioned can be found both on organizational and personal levels of interaction. Both levels cause significant influence on the development of relations. For example M. Granovetter²¹ proposed the term 'social embeddedness' to describe such connection. This approach is based on the suggestion that business relations are built on the basis of social connections, which predict and guide directions of the future development²². Obviously business relations are carried out by their employees on daily basis²³. J. Barnes and D.Howlett²⁴ propose to use the following criteria in order to define mature relations:

- both partners agree that they carry out a relationship, and regard it as a relationship;
- relations exceed single transactions and have a special value and status.

There are two basic tools of customer orientation in relations. They are flexibility relationship-specific adaptation. We would describe these tools in more detail.

1.6 Flexibility

The first tools refer to supplier adaptation through resource relocation what enables the supplier to use the opportunities and/or avoid problems creating value for customer. Flexible supplier can apply existing policy for customer service more easily to fulfill customer requests. Unit products and services can also be introduced^{25,26}. Ability to provide wide range of products on the basis of standard models helps the supplier to decrease uncertainty, time to launch new products and improve overall business performance. Flexibility suggests an opportunity to promptly react on emerging customer needs with all changes carried out on the cost of internal resources of the company^{27,28}.

²⁰ Jap S. and Ganesan S.: Control Mechanisms and the Relationship Life Cycle: Implications for Safeguarding Specific Investments and Developing Commitment, *Journal of Marketing Research*, Vol. 37, No. 2 (May, 2000), pp. 227-245.

²¹ Granovetter, M. (1983), The Strength of Weak Ties: A Network Theory Revisited", *Sociological Theory*. 1983. Vol. 1. pp. 201-233.

²² Третьяк О.А., Румянцева М.Н. Сетевые формы межфирменной кооперации: подходы к объяснению феномена // *Российский журнал менеджмента*. 2003. Т 1, №2 с. 77-102.

²³ Blois, K. J. (1999), Trust in Business to Business Relationships: An Evaluation of its Status. *Journal of Management Studies*, 36: 197-215

²⁴ Barnes, J., &Howlett, D. (1998). Predictors of equity in relationships between financial service providers and retail customers. *International Journal of Bank Marketing*, 16(1), 15-23.

²⁵ Anderson, J. C., & Narus, J. A. (1999). *Business market management: Understanding, creating, and delivering value*. New Jersey: Prentice-Hall.

²⁶ Wilson L.O., Weiss A.M. and John G. Unbundling of Industrial Systems. *Journal of Marketing Research* Vol. 27, No. 2 (May, 1990), pp. 123-138.

²⁷ Cannon J.P. and Homburg C. Buyer-Supplier Relationships and Customer Firm Costs, *Journal of Marketing*, Vol. 65, No. 1 (Jan., 2001), pp. 29-43.

1.7 Relationship-specific adaptation

Adaptation is another tool for relationship development. It suggests investments in products, processes and procedures in order to satisfy special requests from the other partner in the relations. We can propose market system specialization, acquiring new industrial equipment, assortment enhancement, distribution channel change or product customization. Such actions increase channel efficiency²⁹, decrease customer purchasing and production costs providing more functionality and productivity³⁰. Investment specificity can be evaluated by the amount of possible losses for supplier in case of relationship decline as well as inability to use the asset in some new circumstances³¹. Supplier specific investments can be interpreted as strong signals of his readiness to increase the amounts of value provided to the customer³². Supplier can also use specific investments to enhance switch costs and eliminate relations decline probability. But still, compared to flexibility this approach is long-term oriented³³.

1.8 Customer orientation and business results

According to the research results customer orientation of a company is positively linked with business performance. Customer orientation suggests abilities to efficiently gather and process consumer information and use the data obtained in competitive struggle. Research showed positive links of customer orientation with financial results of the company (revenue, profit, return on investment rates, control costs and overall level of financial stability). Market results such as brand success, sales growth, service quality and new product launch results are also defined by the level of customer orientation. Business sustainability as a management system, market survival capabilities, and reasonable resource management also can be improved by customer orientation. Customer data gathering and dissemination let any company to fulfill the requirements of key stakeholders both external and internal. Research was carried out on the basis of wide business sample including business units of big corporations working on both commodity and high-tech markets. MARKOR and MTKOR scales were used for customer orientation measurement^{34, 35}. These links between customer orientation and business performance are supported by a large number of research projects. So customer orientation should become a management object for companies.

²⁸ Noordewier T.G., John G. and Nevin J.R.: Performance Outcomes of Purchasing Arrangements in Industrial Buyer-Vendor Relationships, *Journal of Marketing*, Vol. 54, No. 4 (Oct., 1990), pp. 80-93.

²⁹ Kent, J. L. and Mentzer, J. T. (2003), THE EFFECT OF INVESTMENT IN INTERORGANIZATIONAL INFORMATION TECHNOLOGY IN A RETAIL SUPPLY CHAIN. *JOURNAL OF BUSINESS LOGISTICS*, 24: 155-175.

³⁰ Cannon J.P. and Homburg C. Buyer-Supplier Relationships and Customer Firm Costs, *Journal of Marketing*, Vol. 65, No. 1 (Jan., 2001), pp. 29-43.

³¹ Williamson O., 1996. *The mechanisms of Governance*. NY: Oxford U. Press.

³² Ivens B.S., Flexibility in industrial service relationships: The construct, antecedents, and performance outcomes, *Industrial Marketing Management*, Volume 34, Issue 6, August 2005, pp. 566-576.

³³ Cannon J.P. and Homburg C. Buyer-Supplier Relationships and Customer Firm Costs, *Journal of Marketing*, Vol. 65, No. 1 (Jan., 2001), pp. 29-43.

³⁴ Narver J. C. and S. F. Slater (1990). "The Effect of a Market Orientation on Business Profit ability." *Journal of Marketing* 54(October):20-35.

³⁵ Kohli A. K. and B. J. Jaworski (1990). "Market Orientation: The Construct, Research Propositions and Managerial Implications." *Journal of Marketing* 54(April):1-18.

2. Research design and methodology

Quantitative studies that would verify elaborate theoretical approaches were initially planned. However, only a limited number of companies were available, so the methodology was changed, and research purposes were accordingly adapted to develop new theories rather than to test existing ones. Qualitative approach, including in-depth interviews and case method, appeared an appropriate way to develop new marketing concepts³⁶³⁷ and hence it was chosen as the main research methodology.

The best method that could help solve all these multifaceted problems is the semi-structured interview. According to Yin³⁸, interviews are one of the most important sources of primary data. This method is used when the purpose of research is complicated or ambiguous. While conducting interviews the necessary clarification could be given and additional questions for clear understanding could be asked.

Case study also seemed an appropriate method because of the limited number of complicated cases. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Case studies are complex because they generally involve multiple sources of data, and produce large amounts of data for analysis.

Overall, 16 interviews with middle and top managers in five Finnish companies were conducted covering customer relations in construction business. Average length of an interview was about 40 minutes. During these interviews wide range of customer relationship management topics was discussed. We were aimed at identifying basic processes of customer orientation.

Content-analysis was used as the main for data extraction. Available secondary data was also gathered in order to improve the results. On the first stage of the analysis we calculated frequency rate for particular elements (for example formal and informal communication channels use, feedback processing and so on). Given the size of the sample it was not quite reliable, still we were able to mark particular processes that were ignored in explored companies.

Next we calculated indexes for the main components of the model (data collection and dissemination, customer evaluation etc.) as a sum of individual mentions of particular processes and actions mentioned. After that we were able to compute nonparametric Spearman correlation index (ρ_s) for ranked data. For magnitude estimation we used correlation values over 0.50. Correlation analysis showed that data collection (Collect) is associated with Adaptation ($\rho_s = 0,64$), Customer evaluation ($\rho_s = 0,77$), Coordination ($\rho_s = 0,69$) и Relationship management ($\rho_s = 0,58$).

³⁶ Dooley L. "Case Study Research and Theory Building" *Advances in Developing Human Resources* 2002; 4; 335.

³⁷ Gummesson E. "Case study research and network theory: birds of a feather" *Qualitative Research in Organizations and Management: An International Journal*, Vol. 2 No. 3, 2007 pp. 226-248

³⁸ Yin, R. K. (2003). *Case study research: Design and methods* (3rd ed.). Thousand Oaks, CA: Sage.

Spearman correlation

	Collect 1	Dissem 2	Adapt 3	Eval 4	Coord 5	RM 6
Informationcollection (Collect)	1					
Informationdissemination (Dissem)	0,370	1				
Adaptation (Adapt)	0,640	0,568	1			
Customerevaluation (Eval)	0,773	0,288	0,757	1		
Coordination (Coord)	0,689	0,494	0,735	0,718	1	
Relationshipmanagement (RM)	0,587	0,606	0,530	0,457	0,671	1

For the purposes of our research we should find cases where the connection is low or missing. So during further analysis we found no significant magnitude between Collection and Dissemination of the data ($\rho_s = 0,37$), customer Evaluation and data Dissemination ($\rho_s = 0,28$). Likewise Dissemination is weakly correlated with Coordination process ($\rho_s = 0,49$), and customer Evaluation is not in bound with Relationship management ($\rho_s = 0,45$).

Such connections are vitally important for customer relations' development. Their lack is a sign of the low customer orientation level, fragmented data collection and dissemination processes in a company. In this circumstances analytic functions are separated from data sources. Subjective decisions and lack of consistent relation management system outlined in case analysis are supported by independence of customer evaluation and relationship management.

3. Results and discussion

Companies achieve fairly good results in creating exchange value for their customers as it is based on the features of the product propositions and additional services provided. Service extensions are rarely outsourced due to the lack of reliable partners in the Russian market. On the other hand relational and proprietary value creation is not so frequent. First of all Russian subsidiaries do not possess the complete range of business processes. For example new product development is arranged in Finland, so Russian customers are not involved. Proprietary value creation refers to internal business process improvement. This source of value creations is also underperforming due to the poor customer knowledge (in terms of satisfaction assessment etc.)

3.1 Relationship development stages

In this block we are going to discuss findings on relationship development stages: challenges and solutions, as well as issues in transition from stage to stage. As mentioned above, customer relation development includes several phases, and according to the data collected, each of them brings certain problems to be solved. It also should be mentioned that the stages are very hard to separate.

At the Awareness stage, managers search potential customers using all possible channels. There are several problems at this stage: very high entry barriers, difficulties with embedding into existing relations, dealing with complex construction legislation and certification, customer representatives demanding bribes and so forth. The company can move on to the next stage of relationship building only in case these problems are solved. So managers extensively use customer intelligence and get straight to the CEO, sometimes with bribe reporting.

During the Exploration stage managers negotiate term and conditions of future contract. The duration of this stage can vary greatly. It depends on the perceived trustworthiness of the seller. Trust is declared to be very important for the relations. It basically refers to two main components. First is 'initial' trust (or 'perceived trustworthiness') that refers to the degree to which customers consider the company to possess professional competencies to carry out the service/provide the goods required. This component defines how smoothly the stage of negotiations would pass. Customers with high level of trust regard the firm as 'problem solving agent'. They give some problem description and allow the firm to suggest its own solutions, and choosing the most suitable one. Other customers insist on a very complicated agreement that would include all possible risks. Customers of this group are not familiar with this company, its quality standards and working behaviours. For foreign (not Russian) customers perceived risks are extended by Russian construction norms and regulations that are new for them and very complicated.

The second level of trust (or 'relational trust') is achieved during the interaction process. Most interviewees assume that interpersonal relations are very important, especially for problem solving. On the other hand further negotiation (transactional) costs are reduced as well as some new value created when parties move from simple purchase to custom solution building for the particular customer. According to the survey conducted there are several problems connected with this stage.

When the deal has been secured, initially there are very strict requirements for on-time delivery and quality assurance, as well as coordination challenges. These problems are solved with the use of signalling to suppliers and securing suppliers' commitment, rather successfully as reported.

The last two stages, Expansion and Commitment, are very hard to separate in practice. According to the respondents' opinion, their 'target' customers are initially aimed at quality and long-term development rather than low prices. Interpersonal relations are reported to be very important in keeping up relations. They are also the main instrument to solve problems of this phase: payment delays and contract fulfilment.

Finally, respondents tend to name formal agreement as one of the most important steps in the customer interaction process. Contract fulfilment is the most important reputation asset that is considered in next interactions and negotiation processes. Only one respondent mentioned that Finnish partners can be trusted without a written agreement while others admitted that there is no difference between Russian and foreign partners in terms of trust, risk and contract fulfilment.

3.2 CRM methods and tools

We have been inquiring what CRM methods and tools are implemented by companies. As the project proceeded, new questions were raised: why are so few sophisticated tools used? And why is the reliance of the managers on negotiations, social relations and personal judgments so high?

First of all, it should be mentioned that no sophisticated IT solutions dealing with customer management were identified. We will further discuss possible reasons for that finding, and in the next paragraphs we list all CRM tools and comment on their implementation in the companies.

As mentioned earlier, customer identification dimension deals with target customer analysis and customer segmentation. Basically customers are differentiated according to the industry they belong to. It is quite natural because of various construction standards and legislation to be taken into consideration in case of different industries. As for customer rating criteria respondents basically distinguish three main groups: regular customers, key customers and potential customers.

The first group is represented by companies with a moderate share of wallet and purchase volume, they are likely to switch to other suppliers. The second group or key customers are the most important for the company, providing most sales volumes as well as stable demand in the long term. The third group is represented by companies who can start buying either switching from a competitor or entering the market for the first time. Also there is a criterion such as customer potential that corresponds with customer ability to start some large projects and also become a key customer. One of the most important criteria during the interaction is the contract or formal agreement.

Customer attraction refers to direct marketing tools used to communicate with the potential customers. According to the results of the survey, companies use a variety of communication channels including e-mail, phone and personal sales. Loyalty programs and customer complaints handling are not well developed. Most surprising was that companies do not possess information on the exact share of satisfied customers. Some respondents stated that customer satisfaction monitoring is in initial stage of development. The last dimension, customer development, is also in its initial stage. According to the information collected, Finnish companies in Russia neglect formal CLV or similar estimates. Any customer can be transferred to the most important customer category on the basis of possible sales volume and business growth rates.

In general, the level of CRM in Finnish companies on the Russian market can be estimated as average with good communication but poor customer analytics that can have a strong negative effect in long-term perspective. Market research is either outsourced (from time to time) or performed by particular managers for their own needs. Customer satisfaction is not measured or monitored on regular basis.

Why isn't customer satisfaction monitored? There can be several explanations. First, managers had to deal with rapid market growth during the last years and did not have any time to carry out such work. Second, most companies do not have great work experience in Russian market so without direct knowledge transfer from 'Mother Company' their CRM methodology and system is in progress.

4. Final conclusion

It can be concluded that the Finnish companies observed demonstrate a relatively low level of customer orientation, as well as low level of CRM tools and policies usage (including IT) and lack of formalization. As mentioned above, interpersonal relations are very important because the majority of potential customers tend to have favourite supplier(s) and Finnish companies have to break into existing relations. In this context local sales managers seem to have the most important competitive advantage. This is the first factor explaining such a low level of customer management formalization. The second factor is connected with rapid market growth of the last five years. In these conditions managers had to concentrate on market share neglecting sophisticated customer analysis. Third, most companies have limited Russian market experience, and with knowledge transfer from 'Mother Company' going slowly, they implement CRM techniques.

Also the companies observed demonstrate low attention towards relations' development phases; especially transfer to the commitment stage. It seems that the lack of formalization and analysis can also explain why special goals or policies to reach commitment on the organizational level are not in place.