Companies’ Strategic Processes in International Business Networks

Nina Vladimirova

National Research University – Higher School of Economics, Moscow

Management Department

Research Questions

Objects of the research: Swedish constructions companies and their partners in Russia

- What groups of factors influence network-level strategy and doing business in Russia
- How international strategy changes due to construction sector specifics
- What partners are needed to be successful on the Russian market
Methodology and data collection

- Methodology: case-analysis
- Main data source:
  - Structured in-depth interviews using 60-questions questionnaire
  - Companies’ internal documents
  - Secondary Data from WEF, WB, Rosstat, Datamonitor etc.

Literature review

- Network theories
- International strategies

Lack in including inter-organizational connections into international strategies

Jarillo, Granovetter, Miles & Snow, Moore, Williamson, Ford, Hakansson & Snehota, Kogut, Dyer & Singh, Moller & Rajala

Dunning & Lundan, Kotler, Prahalad & Doz, Bartlett & Ghoshal, Ghemawat, Meyer & Estrin
Network-level strategy

RESEARCH RESULTS
Factors, influencing network-level strategy (institutional context)

<table>
<thead>
<tr>
<th>Russia</th>
<th>Finland</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Traditional industrial society</td>
<td>• Information society in Finland</td>
</tr>
<tr>
<td>• Low firm-level of technology absorption</td>
<td>• Rapid innovation development</td>
</tr>
<tr>
<td>• Traditional market relations through contracts</td>
<td>• Knowledge generation through new technologies</td>
</tr>
<tr>
<td>• Poor integration into international processes</td>
<td>• Development of network collaboration</td>
</tr>
</tbody>
</table>

Factors, influencing network-level strategy (industry context)

- Project nature of business
- Choice of partners is realized on the first stage of projects
- It is difficult to change partners after a project start
- Project can involve different partners, both from a current network and outside it
Barriers to developing network in Russia

- Different stages of economic development
- Differences in industry standards and regulations
- Non-transparent procedures of tenders
- High level of corruption and economic crimes
- Poorly developed net of SME
- Lack of trust from the Russian partners

International strategies in the construction sector

Three of four companies adhere to **multinational strategy** with certain account of local features

*Arguments in favor:*

- Peculiarities of the Russian law and business practice
- Project specify of the construction sector requires individual lead-up in business

*Argument against:*

- Total quality management requires the same standards in different business units
International strategies in the construction sector

Consideration of local differences

Global integration

Global strategy

Global integration

Transtnational strategy

Multinational strategy

Multilocal strategy

Stage 1 – preconstruction
Stage 2 – contract award
Stage 3 – building and construction works
Stage 4 – exploitation

Types of partners in the construction sector

Companies, possessing unique knowledge about the market (A-connections)

Consulting companies

Environment services company

Exploratory companies

Value-chain partners (V-connections)

Subcontractor

Instructor

Contractor

End-buyer

Developer

General Contractor

Developer

Building owner

General design engineer

Road-construction and infrastructure companies

Designer bureau

Projecting companies

Local authorities

Insurance companies

Banks

Largeregulating organisations

Financial industrial group

Companies, providing business stability (S-connections)
Conclusions

- Choice of an international strategy and its implementation depend on institutional, cultural and local features.
- Network configuration depends both on context factors and presence of other divisions in the market.
- Project specificity of the construction business limits customers’ and suppliers’ choice after the first stage.
- Priority partnership relations are chosen according to companies’ international strategy.
- Degree of localization or globalization in international strategies changes depending on stages of the project.
- Three different groups of partners can be defined.

THANK YOU FOR ATTENTION!