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STRUCTURAL EMBEDDEDNESS AND CONTRACTUAL RELATIONSHIPS OF CHAIN STORES AND THEIR SUPPLIERS IN RUSSIAN EMERGING MARKETS

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STRUCTURAL EMBEDDEDNESS AND CONTRACTUAL RELATIONSHIPS OF CHAIN STORES AND THEIR SUPPLIERS IN RUSSIAN EMERGING MARKETS[2,3]

The core idea of the paper is to put the social embeddedness of economic phenomena as a key concept in economic sociology at the heart of empirical research. The author stresses the importance of taking into account the temporal dimension of market exchange. It is shown that the continuation of exchange relationships can be considered as a proxy for social embeddedness. The paper focuses on the contractual relationships of retail chains and their suppliers, which have been dramatically changed since the emergence of modern chain stores in Russia. The aim is to reveal to what extent contractual relationships between retailers and suppliers are structurally embedded and which factors are conducive to a greater degree of structural embeddedness of retailer-supplier relationships in emerging Russian markets. Based on Baker, Faulkner, and Fisher's theory of the continuation of markets ties, the presented paper focuses on the influence of power, institutional forces, and competition. The paper is based on a survey of retailers and their suppliers in five Russian cities: Moscow, St. Petersburg, Yekaterinburg, Novosibirsk, and Tyumen. In 2010 questionnaires were collected from 257 managers of supplying companies and 255 retail managers from the above cities. Quantitative data was enriched with 30 in-depth interviews with suppliers and retailers in 2008. It is shown that both retailers and suppliers tend to maintain long-lasting relationships with a majority of partners. However, retailers and suppliers are prone to follow different models. Power turns out to be meaningful for retailers, while institutional forces appear to be of much more special importance for suppliers. Retailers exercise organizational power to destabilize market ties with counterparts. Suppliers use relational selection criteria and specific investments to attach relationships with exchange partners. The significant factors conducive to the prevalence of the embedded ties in the market are organizational power, relational criteria of business partner selection, specific investments, length of service in retailing, and the tenure length of managers in a given company, sector, and geographic location.

JEL Classification: Z13.
Keywords: market exchange, structural embeddedness, contractual relationship, networks, duration of a relationship, power, institutions, competition, trade revolution, emerging markets.

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Introduction

Since the late 1980s market exchange has moved into the center of sociological discussion, breaking up the Parsons-Robbins pact of the 1930s[4] by introducing the idea of social embeddedness of economic phenomena (Granovetter 1985; Granovetter 1990). This change gave new life to economic sociology, which has inspired numerous studies focusing on the role of social structures in determining economic behavior and market outcomes (Fourcade 2007). But it also distracted researchers from the hostile-worlds problem[5] (Zelizer 2005), which has contributed so little to the sociological understanding of the nature of markets per se (Krippner 2001). Thus, one has to acknowledge that market exchange as a "black box" of economics has not yet been cracked with sociological instruments.

This tendency to an elusive market (Krippner 2001) can be explained by several reasons. First, the idea that market exchange is opposed to social relations is implied in a great number of sociological studies. Second, studies devoted directly to exchange relations are not numerous in economic sociology when compared to its neighbors, including relational marketing, transactional cost theory, rational choice theory, and economic anthropology. Third, most economic sociologists enthusiastically study socially contested commodities, credential goods, and fictional commodities, but rarely deal with so-called standard markets (Aspers 2010; White 1981), which constitute the core of modern economies. Fourth, sociologists pay little attention to distribution (circulation of goods spatially and temporally), and consumption compared to manufacturing and (recently) finance, which traditionally refer to the main subject of economic sociology.

I argue that one small step on the way to sociological progress is to put the social embeddedness of economic phenomena at the core of empirical research (Uzzi 1996); to switch the research focus from relationships, which exist outside of a given transaction, to relationships that last within of a given transaction; and to focus on markets, which are at the fore of modern economies. I enrich the idea of social embeddedness by discussing approaches to its measurement and by arguing that the continuation of exchange relationships can be considered as a proxy for embedded ties. In addition, I propose to focus on market conditions conducive to embedding exchange relationships. Building on prior studies of organizational ties (Baker, Faulkner, and Fisher 1998), my paper tests how three market mechanisms, including power,

[4] The 1930s saw the formation of economic sociology as a distinct domain. In that period, Talcott Parsons realized his great ambitious plan related to redesigning social sciences. To avoid possible rebellion of the imperialistic world of economists, Parsons sought a way to convince them that sociologists were not supposed to enter their train. To justify his intentions, Talcott Parsons, following the definition of economics provided by Lionel Charles Robbins, made a pact implying that economists should study value while sociologists should study values (Stark 2000; Stark 2009; Velthuis 1999).

[5] Viviana Zelizer uses the expression "hostile worlds" for indicating a perspective that is quite popular among social scholars, according to which economic activity and intimate relations constitute two distinct spheres. Moreover, any contacts between these two spheres are considered to generate contamination and disorder (Zelizer 2005).

institutional forces, and competition, affect to some extent the reliance of economic actors on embedded ties. Finally, I examine the exchange relationships being formed between retailers and their suppliers in Russian markets during the 2000s. The 2000s saw an escalation of conflict in retailer-supplier relationships in Russia. Continuous disputes among market actors provoked state intervention into the most liberal economic sector (Radaev 2011; Radaev 2013), resulting in the enactment of a new restrictive Trade Law in 2009. Debates on this law demonstrated significant misunderstanding by legislators and experts of all complexities of market exchange, which is not confined to bargaining over price and redistribution of added value in favor of more powerful actors. This misunderstanding was based on some gaps in empirical knowledge about how the Russian consumer market really works. Sociologists are traditionally focused on non-market exchanges while economists are primarily interested in industrial markets. This sociological ignorance of market exchange and retailing contributes little to understanding the social nature of market exchange.

The research aim of the presented paper is thus twofold: 1) To determine to what extent contractual relationships between retailers and suppliers are structurally embedded; and, 2) To reveal how power, institutional attachments, and competition affect the structural embeddedness of supplier relationships in Russia's emerging markets. The study is confined to contractual relationships implying transaction planning and sanctions reinforced with guaranties from third parties (Macaulay 1963; Macneil 1980). Moreover, the research interest is aimed at structural embeddedness, which separates social structures from dyad interpersonal relations (Granovetter 1990).

The structure of the article is as follows. First, I consider the sociological discussion related to the role of business networks in developing economies generally and in Russia specifically. Second, I present methodological approaches to social emebeddeness, which exist in the economic sociological literature. Third, I propose research assumptions concerning factors conducive to embedding exchange relationships. Forth, I describe the data gathered and methods used in my analysis. Finally, I discuss the research findings and main conclusions.

Business networks in emerging markets

It is widely accepted that networks play a critical role in transition economies (Ledeneva 1998; Huber, Worgotter 1998; Sorenson, Popova 2002; Zhou et al 2003; Flambard-Ruaud 2005; Gerber, Mayorova 2010). Transition economies are deemed to be penetrated by intensive networks that are flexible and take many forms. Under conditions of uncertainty and complexity networks help economic actors to cope with difficulties caused by deficits in economic resources and gaps in formal institutions and to reduce risks in the business environment. The strength of networks is that they provide economic actors access to additional goods, including reliable information, mutual support, scare economic resources, and so forth. (Uzzi 1996; Uzzi 1997).

In general, scholars believe that there are some distinctions of networks that can be found in emerging markets when compared to Western societies. It is stressed that interpersonal ties play a more important role in determining economic outcomes than inter-firm connections. Social relations established prior between economic actors mainly condition economic transactions. For example, Chinese businessmen tend to collaborate with partners who they know and trust (Flambard-Ruaud 2005). In transition countries, economic actors invest much in the formation of ongoing personal ties, but use them instrumentally, mostly like industrialized countries (Zhou et al 2003).

As for Russia, networks are referred to as an essential mechanism triggering the work of its economy. Most importantly, scholars usually discuss that Russian economy is penetrated by networks for surviving and rent-seeking, in contrast to entrepreneurial networks which are deemed to be widespread in developed economies (Huber, Worgotter 1998; Sorenson, Popova 2002). This fact is probably very much a legacy of the Soviet period, when networking played an extremely important role in achieving personal gains and in realizing corporate activities (Ledeneva 1998; Sorenson, Popova 2002; Barsukova and Radaev 2012). Based on Portes' argument that societies differ in their capabilities to be self-reliant and to apply their own devices for survival (Portes 1994), it is possible to presume that Russian economic history demonstrates the habitualization of its population to rely on networks and networking.

Studies on business relationships confirm that networks are significant in modern Russian markets as well. So, more than 70% of managers of industrial enterprises claim that firms seek to work with constant counterparts and maintain long-lasting relationships with major exchange partners. The average length of relationships that industrial enterprises construct with suppliers and consumers equalled 12 years and 9 years in 2000 and 2006, respectively (Popova 2010: 149–150). Moreover, scholars argue that business networks built by Russian managers tend to be closed and hierarchical.

Although the business practices of Russian economic actors are naturally embedded in networks and networking, there is some empirical evidence that managers face a range of diverse difficulties in collaboration with counterparts. They especially stress that exchange partners prove to be unreliable and non-obliging. In our previous studies we showed that retailers and suppliers often had conflicts with exchange partners: 54% of retailers and 64% of suppliers confirmed that they disputed with partners on top-heavy requirements and faced the defaults of counterparts over the previous 2 or 3 years (Radaev et al 2009: 16). This problem is reported as typical for industrial markets (Popova 2010), retail markets (Radaev et al 2009), and efreelancing markets (Schevchuk and Strebkov 2012). This controversy can supposedly be explained by Granovetter's argument on the role of concrete interpersonal relations and structures (or networks). According to Granovetter, "[Although] social relations may indeed often be a necessary condition for trust and trustworthy behavior, they are not sufficient to guarantee these and may even provide occasion and means for malfeasance and conflicts..." (1985: 491).

Conception of embeddedness in economic sociology

In economic sociology the conception of embeddedness is more of an umbrella for diverse theories rather than a caliper for precise methodological measurement. Sociological discussion on social embeddedness is largely rooted in two traditions: 1) A tradition derived from Polanyi's writings; and, 2) A tradition originated from Granovetter's publications. The Polanyian concept represents an institutional approach to economic behavior and is associated with the problem of analytical autonomy in the economic sphere, while the Granovetterian concept refers to a structural approach and raises the problem of atomizing human action in economics (Krippner and Alvarez 2007).

In this paper, I primarily deal with the latter version and will further focus on it more thoroughly. Granovetter emphasizes the universal nature of social relations, arguing that social relations always have a matter for the functioning of economies. He defines embeddedness as "economic action, outcomes, and institutions that are affected by the personal relations of actors and by the structure of an overall network of relations" (Granovetter 1990: 98). In order to separate dyadic interpersonal relations from social structures, Granovetter indicates two aspects of embeddedness – relational and structural. Over time, the Granovetterian conception of embeddedness has been simplified: Scholars came to associate *structural embeddedness* with networks and their parameters, and *relational embeddedness* with the specific content of those networks, including trust, expectations, reliability, and mutual commitments (Nahapiet and Ghoshal 1998).

There are, however, other instances. In Uzzi's work (Uzzi 1996; Uzzi and Lancaster 2003), social embeddedness embraces close interpersonal ties, and the formal character of those ties demarcates structural embeddedness from relational embeddedness. In addition to the relational and structural aspects of embeddedness, scholars single out positional embeddedness (Gualti and Gargiulo 1992) and institutional embeddedness (Brinton and Kariya 1998; Baum and Oliver 1992). The former is interpreted through indicators of position that an actor occupies in a given network, while latter focuses on organizational ties. For example, Baum and Oliver define institutional embeddedness as connections that organizational populations have with their institutional environments.

Perhaps Zukin and DiMaggio propose the broadest definition of embeddedness, which they associate with all possible frictions serving as barriers on the way to rational economic action. By "embeddeness" they mean the dependence of economic action on cognition, culture, social structures, and power (Zukin and DiMaggio 1990). In their turn, Wayne Baker and Robert Faulkner discuss double embeddedness – cultural and structural – implying that the influence of both culture and structures on economic, political, and social actions should be studied in order to capture such phenomena as communities, markets, and organizations (Baker and Faulkner 2009).

So, it is unsurprising that in the sociological literature there is no convention concerning how social embeddedness should be operationalized. The idea of embeddedness applies to "many kinds of relationships among different kinds of entities; ties are forged between and across individuals (e.g., DiMaggio, Louch 1998), firms (e.g., Mizruchi, Stearns 1994), industries (e.g. Burt 1983), nonprofit organizations (e.g., Baum, Oliver 1992), and governments (e.g., Ingram et al 2005)" (Krippner and Alvarez 2007: 225).

The majority tends to define it as exclusivity, implying that embedded ties embrace close personal dyadic relations (Uzzi 1996). There are two measures of embeddedness as exclusivity. The first one is referred to a limited number of ties (Baker 1990), while the second one concerns highly concentrated exchanges with a few trading partners (Uzzi 1996).

The next group of authors argues that embedding implies the involvement of dyads in a larger social network or structure, which defines the character of their interpersonal relations (Burt 2000; Brinton and Kariya 1998). In other words, structural embeddedness is separated from exclusive interpersonal relations. From this perspective, the involvement of two persons into a larger social structure may or may not generate a formation of strong ties between them. For example, Burt measures embedding as the number of third parties who connect observed actors in a given period of time (Burt 2000).

Others associate embeddedness with parameters of networks, including centrality, centralization, strategic alliance formation, as well as others. (Rowley, Behrens, and Krackhardt 2000). For example, Rowley et al operationalize embeddedness as the number of ties that an observed member establishes with direct partners: "The more ties a firm is surrounded by, the greater its embeddedness is in a given clique" (Rowley et al 2005: 503).

And finally, embeddedness is referred to as a continuity of relations as a proxy variable of embeddedness (Baker, Faulkner, and Fisher 1998). Granovetter stresses that the role of temporal factor could not be overstated as interpersonal relations have a certain history as well as peculiarities of social structures result from processes over time (Granovetter 1985; Granovetter 1990).

Embedded exchange is a multidimensional concept (for example, see Macneil 1980). Nonetheless, one could argue that, at least in the economic sociological literature, its prevalent feature is exclusivity as a measure of close and meaningful relationships (see Baker 1990; Uzzi 1996). New economic sociology tends to be neglectful towards another variable – the duration of a relationship. However, according to James Coleman, the duration of a relationship demarcates social actions and transactions from the classical model of a perfect market (Coleman 1990: 91). Richard Emerson argues that a difference separating social from economic exchange theory "stems from the conceptual units of analysis employed – longitudinal exchange relations versus ahistorical individual decisions" (Emerson 1976: 350). I believe that a focus on the temporal dimensions of market exchange allows us to move from an analysis of given individual economic behavior to a conceptualization of market structures and social norms.

There is also a lot of research devoted to revealing factors that contribute to the inclination of actors to maintain long-lasting relationships. All factors that are mentioned by scholars as significant to the continuation of inter-firm relationships and interpersonal relations can be divided into several groups. First, authors examine what *individual characteristics* of economic actors, such as organizational size (Levinthal and Fichman 1988), reputation for "fair play" (Anderson and Weitz 1989; Ganesan 1994), status (Burt 2000), and homophily (Burt 2000), determine the longevity of their relationships. Second, scholars are interested in the influence of the *characteristics of ties* on their duration. These characteristics include the age of the dyad (Anderson and Weitz 1989; Burt 2000), trust (Anderson and Weitz 1989), power imbalance (Anderson and Weitz 1989), embedding and inertia (Burt 2000), stakes in the relationship (Anderson and Weitz 1989), experience, satisfaction with previous outcomes, interdependence, and transaction-specific investments (Ganesan 1994). Third, researchers demonstrate the importance of a population's characteristics to the continuation of relationships. They embrace environmental variety and volatility (Ganesan 1994), size diversity, density of ties, and embeddedness (Rowley, Greve, Rao, Baum, and Shipilov 2005).

Power, competition, and institutional forces as market conditions conducive to the formation of structurally embedded ties

The idea of social embeddedness proposed by Mark Granovetter implies that sociologists should be interested in how relational and structural forms of embeddedness affect economic phenomena at three levels: economic actions, economic outcomes, and economic institutions. At the individual level, relational embeddedness is argued to produce a direct effect, while structural embeddedness is claimed to have an indirect influence expressed as group pressure on the character of concrete interpersonal relations (Granovetter 1990). This Granovetterian argument provoked a bulk of diverse sociological writings based on a premise that social relations matter much more for economic outcomes.

Despite the fantastic popularity of the conception of social embeddedness, it tends to remain stuck at the level of program statements. There are a few who promoted the idea of social embeddedness to the center of empirical research and made it more instrumental. In addition, scholars often draw our attention to a variable character of embeddedness: Relations of economic actors can be embedded to some extent (Uzzi 1996; 1997; Rowely et al 2005). But specific conditions that determine to what extent economic actors rely on embedded ties are rarely discussed. Thanks to Granovetter, a focus of sociological research on embeddedness moved to question how social relations determine economic outcomes.

In addition, embeddeness research has been criticized for focusing on such empirical phenomena as immigrant enclaves and nonmarket organizational ties (strategic alliances and joint ventures), which favor the embeddedness thesis (Uzzi 1996; Baker, Faulkner and Fisher 1998). Scholars tend to believe that the observed social relations of exchange partners are often established outside of the market. "The findings suggest that a 'primed' relationship develops into ongoing embedded ties in stages that begin with an initial stock of trust appropriated from a pre-existing social relation" (Uzzi 1996: 680). Embedded ties are usually based on previous experience, recommendations from third parties, and belonging to common social circles (similarity) (Uzzi 1996; Burt 2000). Otherwise, it should be noted that the approach frequently ignores some achievements developed in the social exchange perspective proposed by Peter Blau, who was interested in a specific mechanism of socially binding actors that come across each other by chance (Blau [1964] 2009). His theory was about how actors that accidentally meet each other while pursuing personal interests form social ties, implying extension and a recurrence of exchanges resulting in the emergence of simple structures and social norms. Profit-searching interests can be considered as a foundation for repeated interactions regulated by exchange processes. Over time, repeated and extended interactions can produce simple social structures and norms (Blau [1964] 2009: 97). What is more important for our purposes, however, is Blau's idea that the formation of stable social ties is triggered by exchange processes rather than external reciprocal norms. According to Blau, internal exchange processes can explain this mechanism.

Thus, in this paper I will focus on one narrow aspect of social embeddedness related to the question of what market conditions can explain to what extent directly interacting economic actors rely on structurally embedded ties. Borrowed from the paper by Baker, Faulkner, and Fisher (1998), the analytical scheme on which my paper relies indicates competition, power, and institutional forces as important market conditions that determine exchange patterns. Baker, Fisher, and Faulkner rightly mention that scholars usually concentrate on studying only one of the listed market forces and rarely tried to deal with all three market forces, which are surely important to any market development, and to capture their comparative effect.

Power. Power refers to one of the key sociological categories that contributed to the emergence of rich and diverse traditions in its studies (Ledyaev 2001). I am primarily interested in the conception of power developed within social exchange theories, which tend to define it in terms of dependence and exchange (Blau [1964] 2009; Emerson 1962; Molm 2003). This conception is based on a premise implying that exchange simultaneously results in strengthening exchange relationships and in producing status inequalities among participants, generating power and dependence. Interdependence of exchange participants creates structural conditions for exercising power toward each other. Exchange can imply both the bilateral exercise of power, contributing to dependence balance, and a unilateral one, causing emergence of hierarchies and dominance (Radaev 2011). Macneil and Blau emphasised that a power dimension is a matter of special importance in modern societies. As for Macneil, contractual relations that are widespread in modern societies create unilateral power-enforcement, not only through promises, but also through hierarchal structures (Macneil 1980). In turn, Blau stressed an increasing significance of impersonal structures drawn on power for modern societies.

I consider organizational size as a structural aspect of power that can determine the structural embeddedness of contractual relationships between retailers and suppliers. A bigger organization is likely to posses more strategic resources (financial, operational, informational, etc.), allowing it to be independent from other organizations and to be influential in inter-organizational processes (Pfeffer and Salancik 1978). However, while studying inter-organizational ties between auditors and their corporate clients, Levinthal and Fichman demonstrated that an increase in company size promotes growth in the expected longevity of ties (Levinthal and Fichman 1988). Baker et al also found empirical evidence that “larger clients tend to keep their agencies” (Baker, Faulkner and Fisher 1998: 167). This fact can be explained in the following way: A bigger company size requires stable ties, because any market fluctuations can potentially result in major losses; the rigidity and inflexibility of large companies are the main reasons to seek stable relationships.

Hypothesis 1. The perceived size of a firm is positively associated with the extent to which a manager relies on structurally embedded ties.

Institutional forces. Transactions can be fulfilled on a base of existing interpersonal relations or, under certain conditions, transactions can stimulate their formation. Uzzi (1996) argues that an arm’s length tie begins to transform into an embedded relationship due to the initial set of expectations and resources. In addition to this, after a trial period participants start investing new resources into the development of relationships and adjusting mutual expectations. In time, the interactive process becomes more independent from initial economic interests, shaping into an embedded tie. Thus, I am interested in the elements of partner selection and specific investments.

Partner selection. The selection of business partners is linked to mutual expectations that exchange partners have at the inception. Previous studies suggest that expectations originating in cooperative reputation, belonging to the same social circles, third-party referral networks, and pre-existing personal relationships, can facilitate the establishment of more intimate and lasting relationships (Uzzi 1996; Burt, 2000). The characteristics of initial expectations, among other things, engender trust and informal communication, which are key attributes of relational embeddedness.

> **Hypothesis 2.** The selection of business partners on the basis of relational criteria (reputation, satisfaction with previous outcomes, good acquaintances, and flexible bargaining policy) is positively associated with the extent that a manager relies on structurally embedded ties.

Investments in relationships. Initial investments are thought to be a key for starting an exchange (Blau [1964] 2009). Investments produce liabilities, which bolster trust. Brian Uzzi revealed that the value of economic exchange based on embedded relationships is higher because they enhance opportunities, allowing actors to access goods circulating in the network (trust, fine-grained information transfers, joint problem-solving arrangements) (Uzzi 1996; Uzzi 1997). In my research I take into account three elements constituting an investment in a relationship: 1) Assistance to business partners in problem-solving; b) Exchanging business information on partners and competitors; and, 3) Utilisation of common computer technologies.

> **Hypothesis 3.** Having specific investments in relationships is positively associated with the extent to which a manager relies on structurally embedded ties.

Competition. In the sociological and economic literature, competition is usually considered to be a market force that destabilises inter-organizational ties (Baker, Faulkner, and Fisher 1998). For example, Fligstein argues that competition (mostly price competition) is a main source of undermining a market's status-quo. Therefore, market actors always try to limit it. Baker et al reveal that "the more the structural conditions of a market (i.e., market structure) approximate a perfectly competitive ideal in one period, the higher the probability of dissolution of a market tie in the next period" (Baker, Faulkner and Fisher 1998: 167). This generates the following hypothesis:

Hypothesis 4. The level of competition in a given market is negatively associated with the extent to which a manager relies on structurally embedded ties.

Data, Measures, and Methods

Data

The empirical base includes quantitative and qualitative data from several studies conducted in 2007-2010.[6] The 2010 survey was a direct continuation of a project that took place in 2007. Both surveys were carried out by the Levada Analytical Center,[7] one of the leading centers in the field of sociological research in Russia. Surveys were supported by qualitative data gathered in 2008. Seeking answers to questions raised in the presented paper, I will primarily employ a dataset generated from a survey of retailers and their suppliers conducted in 2010. The quantitative data and in-depth interviews collected earlier (2007–2008) serve as a source of additional information that I will use to support my main findings.

In 2010, questionnaires were collected from 257 managers of supplying companies and 255 retail managers operating in five Russian cities: Moscow (Central region), St. Petersburg (Central-Western region), Yekaterinburg (Ural region), Novosibirsk, and Tyumen (Western Siberia region). The sampling was divided into two stages. At the first stage the unit of selection was companies. Focusing on retailer-supplier relationships, the research embraces two types of companies, including chain stores and their suppliers, which represent counterparts involved in direct interactions in observed markets. Retail chains were recruited from the complete list of multi-store companies, operating in the observed regions as chain stores and which constitute a new organizational population in Russia that is quite homogenous. Supplying companies were divided into two groups, including distributors and wholesalers, and manufacturers arranging direct supplies to retail outlets. The sample frame was selected from within these two groups of companies.[8] Business directories of the trading firms "RosFirm", InfoRos", and "TorgRus" were used, and the response rate was 54%.

At the second stage the unit of observation was managers responsible for dealing with exchange partners. On the side of suppliers, managers involved in collaboration with chain stores were sampled, while on the side of retailers, managers drawn in concluding contracts with suppliers were questioned. In each city an almost equal number of managers from supplying companies and retail chains were covered. Retailers and suppliers were surveyed by two different symmetrical questionnaires. Each included 65 questions concerning the state and conditions of cooperation between retailers and supplier in a given market.

[6] In 2010 a project entitled "The Development of Russian Retail: Relationships of the Leading Market Players" was conducted under the supervision of professor V. Radaev, which was a direct continuation of the project 'Power and Discrimination in Consumer Markets: Attitudes of Retailers and Their Suppliers in Modern Russia", which took place in 2007-2008. These projects were conducted by a research group from the Laboratory for Research in Economic Sociology at the Higher School of Economics, with partners from the Analytical Center of Yuriy Levada (Levada-Center) and the department of Economic Sociology at Tyumen State University (head of research – Professor A. Davidenko).

7 This was established in 1987 and has 67 offices across the country. Please see the Levada Center's website at: <http://www.levada.ru/eng/levada-center>.

8 In Russia, the number of chain stores is much smaller than the number of suppliers.

Additionally, the survey covers two large markets, specifically the food sector and home appliances and electronics (HAE). In sum, both sectors account for nearly 50% of Russian retail turnover. HAE retail is a highly concentrated industry, where at the end of the 2000s the four leading retail chains accounted for 60% of total turnover in the sector. Although the market of HAE suppliers is also highly concentrated, it is less so than HAE retail. At the same time, the Russian food sector is weakly centralized: The top five retailers produce only 11% of total turnover. The supply side of the food sector is highly fragmented (Radaev and Ovchinnikova 2007). Three quarters of surveys were collected from managers in the grocery sector, and one quarter were filled out by managers in the home electronic appliances sector, which was used as a different type of supply chain for cross-sector comparisons.

As I deal with different types of companies, including producers, wholesalers, and chain stores, it is therefore difficult to find some universal measures for organizational size. However, for suppliers, perceived organizational size is significantly related to the number of regions that a company operates in and to the market share that a company occupies in a local market for a given product category (Mann-Whitney U-test; $p < 0.001$). For retailers, the perceived organizational size is significantly related to such variables of structural power as the number of stores that a company manages and the market share a company occupies in a local market for a given product category. (Mann-Whitney U-test; $p < 0.001$).

The quantitative data was enriched by a series of in-depth interviews conducted in the three cities of Moscow, St. Petersburg, and Tyumen in 2008. Face-to-face interviews were gathered in order to strengthen interpretations of qualitative data. The number of in-depth interviews amounts to 30, including 15 interviews with managers of supplying companies and 15 interviews with buyers in retail companies. All managers were recruited from companies operating mostly in food markets. The sample was stratified by size and company type. In each city, units were selected on the basis of a list of companies surveyed in 2007. Selected companies represent different categories, such as large, medium, and small; and transnational and domestic. On average, interviews with managers lasted up to 60 minutes.

Measures

Dependent variable

I focus on structural embeddedness, interpreted as a network of long-term contractual relationships in which the manager of an observed firm is involved. More precisely, the dependent variable here is defined as the proportion of partners a manager of company *i* has been maintaining contractual relationships with at time *t* for over 5 years. So, investigating the relationships between advertising agents and their clients, Baker, Faulkner, and Fisher demonstrated that “the average market tie lasts about 5 years” (Baker, Faulkner, and Fisher

1998: 165). In my paper, I focus on formal contractual relationships, but as is known, "every contract is necessarily in part a relational contract, that is, one involving relations other than discrete exchanges" (Macneil 1980: 10). Moreover, I focus on exchange relations established and maintained by a manager in behalf of a given company. So, my paper deals with more with interfirm relationships, rather than personal relations, as the observed managers interact in order to fulfil the tasks of a given company. The selected indicator for structural embeddedbess not only allows us to capture the prevalence of relational contracts detected through lasting relationships, but also a to move from analyzing dyads to analyzing structures (exchange networks).

Independent variables

Power, institutional forces, and competition are referred to as independent variables. Measures of these three market forces represent their structural aspects. Dimensions, measures, and variables are summarized in Table 1.

Power. I am interested in studying the structural aspect of power. So, power here is measured as a perceived organizational size. The measure is based on one question: "Can the company you work for referred to as large, medium, or small?" A category of small enterprises turned out to include few observations (see Table A1 in the Appendix). So, it was decided to transform the variable "perceived organizational size" into a dichotomy by merging medium and small companies. The questionnaires additionally included several measures related to organizational size: 1) The number of regions where a company operates; 2) The number of stores that a company manages; and, 3) The market share that a company occupies in a local market for a given product category.

Institutional forces are operationalized as structural attachments including relational criteria of new partner selection and specific investments in a partnership. The measure of relational criteria of a new partner selection is transformed from the non-alternative question "Which criterion do you consider when selecting a new partner?" (see Table A2 in the Appendix). The variable "relational criteria of a new partner selection" has the numeral 1 if a manager chooses at least one relational criterion (high reputation, good acquaintance, successful experience, flexible bargaining policy) and the numeral 0 when a manager chooses no one specific relational criterion. As to specific investments into a partnership, this measure was constructed from the question "What do you provide your exchange partners with?" (see Table A3 in the Appendix). The variable "specific investments into partnership" has the numeral 1 in case a manager chooses at least one type of assistance (information exchange, IT sharing, assistance in problem solving) and a 0 when a manager chooses no one type of assistance.

Level of competition was measured as the perceived competition level in a given market (see Table A4 in the Appendix). The measure was transformed into a dichotomy variable where 1 means "high level" and 0 implies "medium and low levels". In the questionnaire there were additional variables for measuring the structural aspect of market competition: 1) "What is your opinion on how the level of competition changed since the financial crisis of 2007?"; and, 2) "How many direct competitors are there in a local market for a given product category?"

Control variables. Length of service in retailing, and a manager's tenure in a given company, sector, and geographic location were used as control variables in my statistical analysis. Length of service in retail chains was measured as the number of years from: 1) The foundation of chain stores (a continuous variable); and, 2) The start of dealing with chain stores for suppliers (a continuous variable) as 2010 minus the answered year. A cubed term for length of service in retailing was used to capture nonlinear effects (Fichman and Levinthal, 1991; Baker, Faulkner, and Fisher 1998). The results of curve estimation demonstrated that the cubed term for length of service in retailing accounts for changes in the dependent variable better than the squared and linear one. For suppliers, R^2 (cubed term) equals 0.250, while for retailers it (cubed term) is 0.048. The variable representing tenure of a manager in a given company was included in my analysis, as well. A company's length of service in retailing is correlated with a manager's tenure at low levels (for suppliers r = 0.356). No significant association between the variables was found for retailers.

The sector is represented by a dummy variable (1 = "food") constructed from the question "What kind of products does your company supply or trade?" The variable "sector" has "1" when a manager indicates at least one food or drink category. Location was represented by a series of dummy variables of cities where the observed managers work (Moscow = base)

Table 1.Concepts and measurement

Dimension	Variable	Measurement
Degree of structural embeddedness	Involvement in networks of long lasting contractual relationships	Ratio of partners a manager$_i$ has been maintaining exchange relationships with at time t for over 5 years
Power	Perceived company size	1 — large, 0 — medium and small

Institutional forces	Relational partner selection criteria: high reputation, good acquaintances, successful experience, flexible bargaining policy	1 — at least one relational criterion is taken into account, 0 — no one relational criterion is taken into account
	help in problem solving, passing over business information on partners and their competitors, development of sharing computer technologies	1 — at least one resource is invested into exchange relationships, 0 — no one resource is invested into exchange relationships
Competition	Perceived competition level	1 — high, 0 — medium and low
Market experience	Length of service in retailing	Number of years that a company has been working in retailing
Tenure	Length of service in a given company	Number of years that a manager has been working in a given company
Sector	Sector	1 — food, 0 — non-food
Location	City where an observed manager works	Dummy-variables: base — Moscow

I used a multiple linear regression as a standard statistical technique, allowing researchers to find answers to questions related to "the role(s) that multiple independent variables play in accounting for the variance in a simple dependent variable" (Nathans, Oswald, Nimon 2012). My dependent variable was continuous. The equation follows as:

$$\boldsymbol{Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + ... b_nx_n + u,}$$

Y — proportion of partners a manager$_i$ has been maintaining relationships with at time t for over 5 years.

Independent variables:

X_1 — perceived company size;

X_2 — relational partner selection criteria;

X_3 — specific investments;

X_4 — perceived competition level in a given market.

Control variables:

X_5 — product group;

X_{6-8} — a number years that a $company_i$ has been working in retailing; squared term for the number of years that a $company_i$ has been working in retailing; cubed term for a number of years that a $company_i$ has been working in retailing;

X_9 — a number of years that a manager has been working for a given company

$X_{10–13}$ — location (dummy variables: base — Moscow).

Two multiple linear regressions are computed for retailers and suppliers separately. This is explained by the fact that regression for the overall base was characterized by a lower R^2. Both utilized models met the following requirements: 1) Independence; 2) homoscedasticity; and, 3) the normal distribution of εi. I deal with small samples sizes, so replacement with means was used. All analyses were conducted using SPSS software version 19.0.

Research findings

The structural embeddedness of retailer-supplier relationships

The research findings, which coincide with numerous research results, is that business cooperation between retail chains and their suppliers is based largely on mid- and long-term ties in modern retail. Table 2 demonstrates that the majority of long-term contractual relationships between retailers and their suppliers constitute more than half of their total relationship profiles. On average, retail chains had had been maintaining relationships for over five years with 60% of their partners; the same figure for supplying companies amounted to 62.5%. Only 11% of managers in retail chains and 14% of managers in supplying companies had no partners of over five years.[9] In addition, the average proportions of partners who retailers and suppliers intend to prolong contractual relationships with over the next period of time equaled 88.7 and 91.9%, respectively.

Table 2. Means (and Percentages) for the degree of structural embeddedness of retailer-supplier relationships

	Retailers			Suppliers		
	Mean or percentage	SD	N	Mean or percentage	SD	N
Portion of partners a manager has been maintaining contractual relationships with for over five years	60.0	32.3	228	62.5	34.8	231

[9] This can be explained by the age of organizations. It turned out that most of these companies were new and had been in markets for less than 5 years.

No such partners (%)	11			14		
Portion of partners a manager has been maintaining contractual relationships with for less than one year	9.2	12.0	240	10.5	18.6	234
No such partners (%)	21*			42*		
Portion of partners a manager broke up contractual relationships with last year	5.2	9.8	237	3.8	11.8	231
No such partners (%)	50*			72*		
Portion of partners a manager intends to prolong contractual relationships with next year	88.7	19.8	239	91.9	21.9	235
No such partners (%)	1			4		

Note: * $p < 0.01$; Chi-square statistics

In these datasets there are also several variables for the assessment of short-term retailer-supplier relationships (see Table 2). First of all, we see the proportion of a company's partnerships that started last year. In 2010 58% of managers in supplying companies and 79% of retail chain managers initiated new relationships. These figures show that making new contracts in retail is quite common, and retailers are more likely to establish new relationships than suppliers. However, it is important to note that suppliers were asked not about all trade companies they signed contracts with, but about retail chains specifically, which represent a very limited pool of firms. As a result, not all new contracts were counted. The proportion of newly established business ties is, indeed, insignificant. New partners of suppliers, on average, account for 10.5% of all business relationships, while those of retailers account for 9.2%.

– *"Do I understand correctly that you mainly work with the same retailers?*
– Yes.
– *Are new ones rare?*
– Well, the market by and large has already been formed and if, for example, a new chain suddenly appears in the market, it will definitely become our client. But it is a matter of single cases really" (Interview 7, producer at transnational level, St. Petersburg, 2008.)

The next indicator, partly confirming the results above, is the proportion of partners having no renewed contracts, meaning the level of relationship mortality. In 2010, 72% of suppliers and 50% of retailers did not terminate any business contracts and continued working with all counterparts that they cooperated with in 2009.[10] In 2010, the average proportion of non-

[10] The difference is significant at the Chi-squared level of 0.000.

renewed contracts by retailers reached 5.2%, while those renewed by suppliers reached 3.8%. These figures demonstrate that the proportion of terminated contracts is minimal and markedly below the corresponding numbers of newly signed contracts.

> "Contracts are extended more frequently than terminated. In the course of many years we have formed a stable structure of suppliers" (Interview 11, local retail chain, Tyumen, 2008).

All mentioned parameters show that at the end of the 2000s market exchange between retail chains and their suppliers tended to be regulated by "relational" norms. This tendency is supported by the similarity in estimates given by retail chain managers and suppliers that were questioned separately. The consistency of views demonstrated by managers representing two sides of market exchange can be considered as a manifestation of exchange patterns that have already been established in the observed Russian markets. Moreover, the revealed result appeared to be stable over time. This is reconcilable with the findings obtained several years ago (see Table A5 in the Appendix). In 2007 on average, retailers argue that they maintain relationships of over 3 years with 66% of partners, while suppliers reported an analogous figure of 65%. Finally, the fact that the majority of chains and suppliers have a long-term cooperation with the majority of their counterparts is counterintuitive; neither the financial crisis nor governmental interventions in contract relationships reinforced transactional exchange. Conversely, an assumption can be drawn on the findings that the observed period was characterised by a crystallization of the institutional framework of relational exchange.

Types of contracts concluded between retail chains and their suppliers

The fact that cooperation between retail chains and their suppliers tends to be long lasting can be explained by the peculiarities of exchange processes in modern retail. Retailer-supplier exchanges should be viewed not as one-time deals, but rather as continuous contractual relationships. The latter usually implies certain duration.

> "Generally speaking, it is possible. But in our company we do not contract for one-time supply. It is very difficult and unprofitable. There are many problems with it. I remember one case when we had to deliver a single lot to the north. It was necessary to ship a bulk of boxes, but the client was supposed to stay in Tyumen for only two days. As a result, we failed…' (Interview 1, producer at transnational level, Tyumen 2008).

Delivery contracts in retail are mainly concluded for one year. In these circumstances, depending on the market segment and location, some contractual conditions can be revised several times a year.

> "Like in other chains, a contract is made for one year. Then it gets extended if working principles are satisfactory for both parties and there are no complaints towards each another" (Interview 5, federal retail chain, Tyumen, 2008).

Although annual agreements are common, retailers also deploy permanent contracts and so-called trial contracts. Permanent contracts, as a rule, contain the legal framework of a long-term cooperation, and trial contracts are used to initiate new relationships. Permanent contracts are drafted for an indefinite time; they come with additional agreements, and some clauses can be revised by mutual consent.

> "Sometimes (we use) annual (contracts), sometimes (we use) permanent (contracts) and just re-sign them every year with revised commercial components" (Interview 2, producer at transnational level, Moscow, 2007).

Interestingly, although some companies sign permanent contracts, in reality they organize cooperation with partners as a series of single deals. Governed by trial contracts, retailers cooperate with suppliers within a trial period, testing their reliability and estimating any potential sales volume they can generate.

> "Yes, we test them for three months and if it is successful we extend a contract for another half a year. At least, I do that for my category. We do not have a strict single standard in this respect, each manager can decide on this as he pleases" (Interview 1, local retail chain, Moscow, 2008).

Trial contracts are not common for Russian retail, as their viability varies significantly with location, sector, and company size. To sum up, retailer-supplier relationships in modern retail are usually long-term (even in case of trial contracts). One-off deals can take place relatively rarely. The main types of contracts are annual and permanent. Trial contracts, which test the reliability of partners, are used locally. Thus, the type of contract relationships existing between retailers and their suppliers makes a considerable contribution to social integration: It goads partners to build stable relationships based on personal and institutional platforms.

Market exchange conditions of the structural embeddedness of retailer-supplier relationships

Table 3 summarizes the means (or percentages) and standard deviations of estimates that retailers and suppliers report on market exchange conditions. The surveyed managers represent mainly large and medium companies: 50.6% of retailers and 43.2% of suppliers refer to the firms they work for as being a large business. Most representatives of chain stores (60.8%) and supplying companies (77.4%) rely on at least one relational criterion to select exchange partners. However, the difference in the estimates is statistically significant: Suppliers are more prone to be relationship oriented than retailers. Retailers and suppliers equally invest in a partnership – 65.7% and 67.5%, respectively. According to the majority (60.7% of retailers and 66.3% of suppliers), the level of competition is considered to be high in observed markets.

Table. 3. Means or Percentages of Independent and Control Variables

	Retailers			Suppliers		
	Mean or percentage	SD	N	Mean or percentage	SD	N
Power						
Organization size (%)			225			257
Large	49.4			43.2		
Medium / small	50.6			56.8		
Institutional attachments						
Selection of partners (%)			255			257
Relational criteria	60.8*			77.4*		
Transactional criteria	39.2			22.6		
Specific investments (%)			239			237
Investments	65.7			67.5		
No investments	34.3			32.5		
Competition						
Competition level (%)			252			243
High	60.7			66.3		
Medium / low	39.3			33.7		
Control variables						
Number of years that a company has working in retail (years)	11.0	6.44	242	10.6	5.66	241
Number of years that a manager has been working for a given company (years)	4.15	3.25	254	5.3	4.11	255
Sector (%)						
Food	74.9		255	76.3		257
Non-food	25.1			23.7		
Geographic location (%)			255			257
Moscow	20.4			19.8		
St. Petersburg	22.0			19.5		
Yekaterinburg	19.6			24.9		
Novosibirsk	20.0			19.5		
Tyumen	18.0			16.3		

The findings generated from a multiple linear regression analysis partly support Baker, Faulkner, and Fisher's theory of continuity and dissolution of market ties as a function of three forces – power, institutional forces, and competition (Baker, Faulkner, and Fisher 1998). Table 4 presents the results of a linear regression analysis to see how the independent variables make a significant contribution to explaining the degree of structural embeddedness of relationships between retailers and suppliers in emerging Russian markets.

Table 4 Regression Coefficients for degree of structural embeddedness of retailer-supplier relationships

Dependent variable – proportion of partners a manager of company$_i$ has been maintaining contractual relationships with for over five years	Retailers		Suppliers	
	B	S.E.	B	SE
Power				
Organizational size				
Large (medium and small — reference)	-6.12*	3.07	4.40	3.56
Institutional attachments				
Selection of partners				
Relational criteria (transactional criteria — reference)	-1.25	3.65	12.67**	4.27
Specific investments				
Investments (absence of investments — reference)	-3.99	3.59	10.36*	4.00*
Competition				
Competition level				
High (medium and low — reference)	2.59	2.86	1.92	3.88
Control variables				
Company tenure in retailing (years)	10.15***	2.06	8.00***	2.11
Company tenure in retailing (years)^2	-0.66***	0.15	-0.33*	0.15
Company tenure in retailing (years)^3	0.01***	0.00	0.00	0.00
Manager tenure in a given company (years)	0.34	0.48	1.13*	0.48
Sector				
Food (non-food — reference)	-7.48*	3.35	-0.66	4.14
Geographic location (Moscow — reference)				
St. Petersburg	15.19**	4.67	8.69	5.56
Yekaterinburg	-12.94**	5.17	-8.03	5.59
Novosibirsk	46.83***	4.49	22.68***	5.59
Tyumen	20.05***	4.71	2.74	5.96
Constant	17.50	9.89	-13.70	10.15
R^2		0.505		0.369
Adj. R^2		0.477		0.334
F		18.4***		10.8***
Number of observations		249		255

Note: * p < 0.05; ** p < 0.01; *** p < 0.001 (2-tailed tests).

The main result obtained during this analysis is that organizational power and structural attachments are significantly related to the degree of structural embeddedness of retailer-supplier relationships. Meanwhile, the perceived level of market competition has no significant influence on the degree of structural embeddedness. In addition to this, for retailers and suppliers the degree of structural embeddedness is explained by different sets of factors. Powerful structures turn out to be meaningful for retailers while institutional forces appear to be of much more significant importance for suppliers. Retailers exercise organizational power to destabilize market ties with counterparts. Suppliers use relational selection criteria and specific investments to attach relationships with exchange partners.

Power. The research findings report that Hypothesis 1 is partly supported. The association between organizational power and the degree of structural embeddedness is revealed only for retailers. In addition, contrary to expectations, the obtained association is negative. Among retailers, the proportion of long-term exchange partners that a manager reports is 6.1% higher on average for larger companies when compared to medium and small enterprises, holding other factors constant. Perhaps medium and small chain stores are more dependent on their exchange partners and have fewer opportunities to exercise power compared to their bigger competitors.

Institutional forces. Two measures of institutional forces are significantly related to the degree of structural embeddedness (Hypothesis 2 and Hypothesis 3). I find that the relational criteria of partner selection and specific investments into exchange relations contribute to a greater degree of structural embeddedness for retailer-supplier ties. However, Hypothesis 2 and Hypothesis 3 are confirmed only for suppliers; they do not explain embeddedness for retailers. Those managers of supplying companies who select business partners according to at least one relational criterion (high reputation, good acquaintances, successful experience, flexible bargaining policy) have a proportion of long-term partners that is 12.7% greater than those managers who mainly initiate relationships relying on transactional criteria (large volume of supply, advantageous price offer, high reputation, large marketing budget, timely delivering). The result is compatible with previous research findings, demonstrating that social mechanisms are responsible for generating trust, which is a necessary condition for steady inter-firm ties to be formed.

Having specific investments in relationships is positively associated with a greater degree of structural embeddedness. Among suppliers having specific investments in a partnership, the proportion of long-term partners a manger reports is 10.4% higher on average, compared with suppliers who have no investments. This finding supports the idea that embedded ties provide additional goods, including mutual support, IT sharing, and information exchange.

Competition. Contrary to expectations (Hypothesis 4), perceived competition levels do not differentiate the proliferation of long-term contractual ties in observed markets ($p > 0.05$). This finding is true for both retailers and suppliers.

Control variables. The influence of control variables, such as the number of years a company has been operating in retail, the sector, and geographic location, is revealed to be significant for retailers. The number of years a company has been operating in retail has a nonlinear association with the degree of structural embeddedness. Among retailers, the proportion of long-term partners a manager reports goes up on average by 10.2% with every year a company stays in business; but then it goes down by 0.7% with every year a company stays in business. This fact is partly consistent with findings of previous studies (Baker, Faulkner, and Fisher 1998; Fichman and Levinthal 1991), implying that the risk, or hazard, of dissolution [of market ties] exhibits an inverted curvilinear pattern – a "honeymoon effect", where the hazard increases in the yearly years, peaks, and then declines in the later years (Baker, Faulkner, and Fisher 1998: 148–149). Moreover, retailers who operate in food markets have a proportion of long-term partners that is 7.5% less than that of retailers who work in HAE. This obtained result confirms the existing opinion that "electronics retailers, naturally, have fewer opportunities to dictate their conditions to producers", unlike in the food sector (Radaev 2007: 201). Food chain stores are prone to be more transactional compared to non-food chain stores. Finally, geographic location is significantly related to the degree of structural embeddedness. Compared with managers who work in Moscow, managers from other cities demonstrate a greater degree of structural embeddedness. There is a common knowledge that regional production markets are more concentrated than those in the capital because the juicy bits of markets are occupied by local producers operating from the Soviet times who have strong ties with the local administration and who offer goods that enjoy a traditionally high demand from locals. Relationships between retail chains and their suppliers in Moscow are characterised, on average, by a lower degree of embeddedness than in St. Petersburg, Novosibirsk, and Tyumen. Yekaterinburg appears to be an exception. Managers from Yekaterinburg have a proportion of long-term partners as reported by managers that is 12.9% lower on average than managers in Moscow.

As for suppliers, the number of years a company works with chain stores, the number of years a manager works in a given company, and regional factors play an important role. Among suppliers, the proportion of long-term partners a manager reports goes up on average by 8.0% with every year a company stays in business; but then it goes down by 0.3% with every year a company stays in business. The number of years a manager works for a given company matters as well. Among suppliers, the proportion of long-term partners a manager reports goes up on average by 1.1% with every year a manager stays with a given company. This result is important because it emphasises once more that relational factors are of much more importance for suppliers. The personality of a manager contributes a lot to building long-lasting partnerships. Geographic location is significantly revealed to the degree of structural embeddedness. For suppliers working in Novosibirsk, the proportion of long-term partners is higher by 22.7% compared to suppliers in Moscow.

Discussion

The findings reveal that retailers and their suppliers are disinclined to exchange through short-term market ties and tend to build relational exchanges. In this sphere, delivery contracts are usually signed for up to one year with further renegotiation of commercial terms and conditions. On average, both retailers and suppliers maintain long-lasting relationships with a majority of partners. It is important to note that in the observed markets new exchange relationships are frequently established, while terminated contracts are rarely found. Moreover, there is every reason to assume that the 2000s observed a tendency for an increasing stability in retailer-supplier relationships. The process of building stable market ties in retail is corroborated through the consistency of estimates given by retailers and suppliers. On the one hand, it manifests the objectivity of the analysis and, on the other hand, it demonstrates the functioning of institutionalized exchange schemes that characterise markets as stable formations (Fligstein 1996).

The statistical analysis of conditions conducive to the formation of structurally embedded ties between retailers and suppliers supports, in part, the theory of continuation of market ties as a function of competition, power, and institutional forces, as proposed by Baker, Faulkner, and Fisher. I manage to reveal that the degree of structural embeddedness interpreted as involvement in long-lasting networks is significantly associated with organizational power, the relational criteria of business-partner selection, specific investments, length of service in retailing, tenure of managers in a given company, the sector, and geographic location.

However, retailers and suppliers are prone to follow different models. For retailers, organization size mainly serves as a source for destabilizing contractual relationships. On the one hand, this finding contradicts some previous research results, according to which bigger firms are interested in maintaining the market's status quo. On the other hand, it is compatible with some assertions proposed by Ganesan (1994). He argues that retailers tend to form long-term relationships only with partners that they are strongly dependent on.

Contrary to retailers, suppliers quite importantly tend to be more relationship oriented. Mechanisms of structural attachments turn out to be key tools for suppliers. Suppliers inclined to glue inter-firm relations by applying relational criteria for partner selection and specific investments. This tendency can be explained by the fact that suppliers, being less powerful than their counterparts, are extremely interested in resolving the problem of power asymmetry. Moreover, this conclusion is supported by other studies (White 1981; Dore 1983; Uzzi 1996), which demonstrates that production markets are more likely to be permeated by embedded relationships compared to any other markets of professional services (Baker, Faulkner, and Fisher 1998; Knorr-Cetina 2007).

In contrast to this, retailers depend on power and local market structures. For retailers, institutionalised exchange schemes significantly vary in a given sector and in a given regional market. As expected, the food sector demonstrates a proliferation of more transactional norms compared to the HAE. This fact is supposedly generated from the market structure where more dispersed suppliers deal with more powerful chains. Moscow and Yekaterinburg also show a dominancy of transactional orientation. It supports a popular opinion concerning Moscow's market, which is considered to support strict rules for exchanges. As far as Yekaterinburg is concerned, several years ago it showed continuous retailer-supplier conflicts generated by the market entry of transnational chains. Additionally, retailers, when compared with suppliers, are more sensitive to local institutions and conditions.

Conclusions

The research findings have shown that market exchange does not just imply one-off transactions. Quite the contrary, the market exchange embraces a wide range of exchange relationships. For understanding market exchange, the conception of social embeddedness matters. In his argument, Granovetter argues that social embeddedness can take several forms. This research paper focuses on structural embeddedness as involvement of an economic actor in long-lasting networks. Moreover, it stresses that the continuation of market exchange relationships serves as a proxy for social embeddedness, because this variable allows us to bridge individual economic action with market structures and market institutions.

The presented paper has demonstrated that economic sociology can benefit from scrutinizing market exchange relationships and studying standard markets. Moreover, retail should be put at the center of sociological research, as it has moved into the core of modern economics. The transformation in Russian retailing is supposed to be a manifestation of global trends. The 20th century witnessed an increasing number of countries experiencing a trade revolution resulting in fundamental economic changes. The most important outcome of that is a shift in market power from manufactures to retailers caused by enlarging retail enterprises and strengthening the centralization of the latter's management system (Petrovic and Hamilton 2011: 14). This power imbalance pushed participants of exchange relations toward developing mechanisms of bilateral control in order to construct symmetrical ties (Weitz and Jap 1995: 308). In the sociology of modernity it is widely accepted that changes toward modernity are accompanied by shifts from communal relationships to associative ones based on self-interested and third-party enforcement, especially in economic spheres. However, today an increasing number of researchers have been concerned with a return tendency. Modern markets are considered to be "in the process of being tamed, regulated, and closed" (Arndt 1979: 69).

Transactions tend to occur in the framework of long-lasting relationships, and an exchange partner's identity matters. All the above-mentioned items contributed much to acknowledging the significance of including relationship elements in analyses of modern market exchange.

This seems to be of significant importance for Russian markets, which are considered to be penetrated by networks of personal relations to a strong degree. In the Russian literature, the role of personal relations is specially emphasized when compared to inter-firm ties. Nevertheless, the understanding of large market structures and institutions requires not only personal relations of dyads to be taken into account, but also their involvement in larger structures (or networks). In addition, scholars are inclined to associate the networking character of the Russian economy with the legacy of the Soviet period, considering networking as a "life-jacket" for business people in the conditions of emerging markets. However, I suppose that exchange conditions conducive to forming embedded ties, including personal and structural ones, should be moved to the center of sociological research as well.

It is reasonable for future studies to focus on studying consequences generated by the high degree of structural embeddedness. For example, in which way does it affect the character of personal interactions? Or to what extent are structurally embedded ties in conflict? And if a manager understands that his contractual relationships are to be prolonged, what are reasons for him to perform at his best? Still there is one more important question related to how structural embeddedness mediates economic efficiency. Specifically, the McKinsey Global Institute demonstrates that the quality of interaction between retailers and suppliers contributes much to the operational efficiency of supply chains (*Reaching Higher…* 2002).

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Appendix

Table A1. Percentages of respondents who answered the question "*Can the company you work for be referred to as large, medium, or small?*"

	Retailers (%)	Suppliers (%)
Large	49.4	43.2
Medium	34.1	43.6
Small	16.5	13.2
Number of observations	255	257

Table A2. Percentages of respondents who answered "yes" to the question "*Which criterion do you take into account when selecting a new partner?*"

	Retailers (% yes)	Suppliers (% yes)
Big volume of supplies	34.1	67.7
Advantageous price offer	89.4	64.2
Popular brand	70.2	–
Significant marketing budget	35.7	–
Timeliness in delivering	70.2	86.8
Good reputation	34.9	31.9
Successful outcomes of previous cooperation	43.9	53.7
Good acquaintances	14.1	25.3
Flexible bargaining policy	34.9	53.7
Number of observations	255	257

Table A3. Percentages of respondents who answered "yes" to the question "*What do you provide your exchange partners with?*"

	Retailers (% yes)	Suppliers (% yes)
Business information on partners and their competitors	29.4	33.2
Number of observations	228	227
Problem solving	44.3	54.1
Number of observations	230	229
Development of sharing computer technologies	44.2	34.5
Number of observations	231	223

Table A4. Percentages of respondents who answered the question "*How do you estimate the level of competition in a local market for a given product category*?"

	Retailers (%)	Suppliers (%)
Large	60.7	66.3
Medium	37.7	29.6
Small	1.6	4.1
Number of observations	252	243

Table A5. ***Means and proportions for variables, expressing a degree of structural embeddedness of retailer-supplier relationships in 2007***

	Retailers (%)	Suppliers (%)
Proportion of partners a manager has been maintaining contractual relationships with for over three years	66	65
No such partners (%)	6	5
Number of observations	224	235
Proportion of partners a manager broke up contractual relationships with last year	11	8
No such partners (%)	26	33
Number of observations	226	235

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