Stakeholder management in a multicultural environment.

A case-study of a global retailer entering the Russian Market.

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DEDICATION

"When we consider a new project, we really study it... not just the surface idea, but everything about it"
Italy: Walt Disney Production

To my father Gianfranco who made all of this possible. Thanks for the support you provided to achieve this important goal!
I also express my deepest gratitude to my mother and all my family for their unconditional love, trust and encouragement.

Federica Zuccon

To my beloved parents: thanks for your support and inspiration! Thanks also to all my friends and boyfriend for your warmth and love!

Dinara Izmaylova
ABSTRACT

Nowadays, an increasing number of global retailers such as IKEA, Carrefour and Auchan, are expanding their business internationally: internationalization is seen as a way to face competitors as well as to enhance position on the market. In particular, emerging markets are becoming a fertile field for investing resources due to their fast economic development and growing disposable income of the local population. A number of market actors (or stakeholders) affect or are affected by the internationalization process, and therefore stakeholder management determines its success to a large extent. Thus, stakeholder management competences are becoming increasingly important in today’s business world.

Our study addresses stakeholder management strategy applied by a Swedish global retailer (IKEA) when internationalizing to the Russian market. We also try to identify the main cultural differences between the focal organization and the Russian stakeholders, and the way in which the company faces and overcomes those diversities. Thus, we first give a brief overview of stakeholder management approach applied by IKEA on the corporate level, and then focus on particular practices adopted in Russia. Although the IKEA Group has internal and external stakeholder management framework, we find out that no explicit stakeholder management methodology is used in Russia. The strategy of managers is emergent and implicit, but within the company guidelines and code of conduct and in accordance with organizational culture and values.

Although we outline IKEA Russia’s interaction with all main stakeholder groups on the Russian market, we examine more in detail the strategies applied towards the company’s three most critical stakeholders: government, suppliers and employees. Hence, IKEA Russia opts for long-term close collaboration with suppliers through knowledge and expertise exchange, close relationship-building, improvement of working standards, and even financial investments in some cases. Employees are granted good working conditions and respectful attitude, different compensation package, possibilities for personal and professional development. Government, identified by our respondents as the most challenging stakeholder, is approached through lobbying on different levels, development of personal relationships, exchange of experience and best practices. However, when interacting with authorities, IKEA also has to adapt, be “flexible within the limits”, and focus on the long-term.

Having outlined real-life strategies applied by IKEA in Russia, we compare them with the results of theoretical modeling. In order to come up with theoretical propositions for stakeholder management of IKEA in Russia, we developed a stakeholder management model, which comprised all the most relevant theories. We, thus, discover that theoretical suggestions for stakeholder management are close to what is done by management in practice. However, the theoretical model overlooks “soft” aspects of dealing with stakeholders: local and organizational culture, turbulent business environment, fast pace of doing business. Moreover, it is difficult for a single stakeholder management framework to give a one-right stakeholder management approach: it is important to combine different theories and use them for complementing each other. This allows to get a more profound insight into managing stakeholders.

We develop our research based on the information we could gather from IKEA’s representatives as well as secondary data sources, such as books, two doctoral theses, and a vast amount of journal articles. Our respondents were asked to answer questions throughout which their perceptions about the company’s stakeholders have been evaluated. This has helped the researchers to draw conclusions and answer the research questions.

Key words: stakeholder management, internationalization, cross-cultural management, global retailer.
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CHAPTER 1: GENERAL INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In today’s dynamic business world in order to maintain the market position, profitability and keep up with competition, companies often chose to undertake a project of expanding to new markets (Johnson & Vahlne, 2009; Lam & White, 2009; Ietto-Gilles, 2007; Törnroos, 2000; Galán & González-Benito, 2001). Our research seeks to examine these internationalization processes with a special focus on stakeholder management, as recent investigations argue that stakeholder management is extraordinarily important for project performance (Littau, Jujagiri & Adlbrecht, 2010; Dervitsiotis, 2003; Freeman, 2002; Jergeas, Williamson, Skulmoski, & Thomas, 2000).

Stakeholder analysis and management is becoming more important due to the “increasingly interconnected nature of the world” (Bryson, 2004; p.23) and project stakeholders are more and more viewed as critical players in projects (Littau et al., 2010; Cleland, 1986; Miller & Olleros, 2001; Office of Government Commerce, 2003; Olander & Landin, 2005). In addition, there is evidence that effective stakeholder management can not only boost financial performance (Kaplan & Norton, 1996; Atkinson, Waterhouse & Wells, 1997), but also bring intangible benefits, such as reputation, trust, knowledge exchange, long-term relationships, corporate culture (Barney, 1986; Ring & Van de Ven, 1992, 1994; Barney & Hansen, 1994; Leonard, 1995; Legnick-Hall, 1996; Teece, 1998).

Taking into consideration the benefits and criticality of stakeholder management for the success of the project, it is surprising why not all companies implement it in a continuous way. The main debate here may be over the ways in which companies approach stakeholder management and in what light the stakeholders themselves and their importance to the company are viewed. Thus, for example, having compared two similar construction projects, Olander and Landin (2008) conclude that the success of the one of them was largely dependent on effective stakeholder management, with critical stakeholders being identified both internally and externally (sponsor, shareholders and public community). The poor performance of the other project was mainly due to the lack of stakeholder management: attention was given only to direct internal stakeholders, while external stakeholders were not considered critical (Olander & Landin, 2008).

The case described above confirms the viewpoint that many managerial decisions fail or are not implemented in full because interests of the key stakeholders are not taken into consideration (Nutt, 2002). Similarly, Vilanova (2007) argues that the majority of the companies tend to be governed in the interests of a unique – and usually most powerful – stakeholder group, which is unstable in the long run and results in poor project performance.

The stakeholders may be viewed and approached differently in different companies and various projects. According to past research, the difference in distinguishing and perceiving the primary and secondary stakeholders and in identifying who are the most critical stakeholder groups depends on how the project manager and the company interpret the surrounding environment (Daft & Weick, 1984), as well as on demographic, economic, cultural and leadership factors and characteristics and values of managers (Waldman, Sully de Luque, Washburn, & House, 2006).
Under these circumstances, it is no wonder that stakeholder management techniques are becoming an important “soft” skill for project managers (Crawford, 2005; Morris, Jamieson, & Shepherd, 2006; Winter, Smith, Morris, & Cicmil, 2006). In fact, due to the advancement of stakeholder theory and practice in the last decade, project managers have a plethora of stakeholder instruments and frameworks to choose from (PMI, 2008). Furthermore, there is a growing trend for companies to be more active and more inclusive in stakeholder management: firms are considering not only direct and legitimate stakeholders as important ones, but also monitor the wider community. This demonstrates a shift from shareholder-based perspective towards the stakeholder-based one (Vilanova, 2007).

This study focuses on the reviewing stakeholder management literature (main concepts, techniques, strategies, frameworks) and tries to identify whether any stakeholder management methodology is applied by the global retailer under investigation. Although the retailer has a lot of accumulated internationalization experience from operations in different markets, we are scrutinizing its performance on the Russian market, which is distinguished for its particular culture and business environment turbulence (Roberts, 2005; Meyer & Skak, 2002). Penetration of the Russian market is claimed to be a stand-alone project of the global retailer (Jonsson, 2008c).

Having reviewed literature we identified that stakeholder management is one of the determinants of the successful internationalization (Bamossy & Brouthers, 1997; Elg, Ghauri & Tarnovskaya, 2008), together with a number of other factors: external environment (Roberts, 2005), know-how and unique resources, brand image and reputation, product design and quality (Kotha, Rindova & Rothaermel, 2001), availability of previous international experience (Barkema, Bell, & Pennings, 1996), connections and network (Durand, 2007). Stakeholder management, moreover, is a function of communication management (PMI, 2008; FitzPatrick, 1997), performance management (Bourne, Franco, Wilkies, 2003), and cross-cultural management (Elg et al., 2008).

Inseparable from the stakeholder notion are the cultural management issues: any foreign company, even the one with broad international experience, might face difficulties when penetrating a new market. According to Miroshnik (2002), cultural issues may represent the cause of the failure of entire projects when it comes to internationalization. Therefore, the success of internationalization might be threatened by the lack of understanding of the cultural diversities that exist between the company and its local stakeholders. In this regard, our research strives to identify and analyze the cultural gaps between the local and retailer’s national cultures as well as the actions undertaken by the company in order to deal with those differences.

To sum up, the thesis work will be built upon a case study of a retailing company, one of the priorities of which over the last decades was internationalization on the Russian market (Dahlgren, 2010). In our research we therefore highlight internationalization particularly in the retailing sector. We also focus on stakeholder and cross-cultural management specifically in the Russian market.

1.2 BACKGROUND OF THE COMPANY

The company under investigation, IKEA, was founded over 60 years ago in Southern Sweden. It has since grown to become the world’s largest furniture retailer. In 2009, it had 301 stores worldwide, sales turnover of over Euro 22 billion, as well as 134,000
employees. The company’s focus has consistently been on marketing products at extremely low prices. Its first purchases in the 1950s were made from producers’ unsold stocks, in order to keep costs low. However, large sales success soon allowed IKEA to start ordering models of its own design from local manufacturers. Next, IKEA introduced innovations, such as flat packs, which reduced production and transport costs, and the “showroom-warehouse” concept, which reduced retailing costs. The company decided to penetrate the Russian market in 1998. Internationalization to Russia has been considered as a separate project, and IKEA Russia was accountable directly to the CEO and Corporate Headquarters (Jonsson, 2008a).

Russia has a population of around 150 million people, whose income and expenditures are expected to grow year by year due to the general economic development (Appendix 1). The retail sector in Russia is growing fast, its “retail landscape is currently one of the most dynamic and heteroclitic in the world” (Roberts, 2005; p.52) and is therefore an attractive market for Western companies.

“The attractions of emerging markets are clear. These include very rapid rates of revenue growth, market share and returns on investment via operations of relatively low capital intensity” (Wrigley & Currah, 2003; cited in Roberts, 2005; p.51).

However, the shortcomings of the Russian economic and business environment – unstable regulatory environment, with rules and regulations not always clear and subject to changes; costly and complicated customs procedures; lack of infrastructure and developed suppliers, especially in the regions (Roberts, 2005); political complexity – make the market penetration expensive and difficult for some foreign companies.

That situation was even worse back to the end of 1990s, in the midst of the financial crisis, when IKEA made a final decision to establish an office in Moscow and build its first store in Russia. Although Russia was a complicated market at the time of the expansion and the idea to penetrate the Russian market was not fully supported by the board of directors, company’s owner, Ingvar Kamprad pioneered this idea (Dahlgren, 2010).

IKEA actually had 3 attempts to enter the Russian market (Borgstrom, 2010; Dahlgren, 2010). The first attempt took place in the end of the 1980s, when Kamprad had a meeting with the then-chairman of the Council of Ministers of the Soviet Union Nikolay Rizhkov and even managed to sign an agreement to open 8 stores of IKEA in the Soviet Union (Dahlgren, 2010). However, this was followed by the collapse of the Soviet Union in 1991, and IKEA had to retreat due to the turbulence of the situation in the country.

The second attempt took place in the beginning of the 1990s: then the situation was so favorable that in short time IKEA opened an office in Moscow and increased its personnel. The company was also having negotiations about buying land in Saint-Petersburg and Moscow and even working out the possibility to build a factory in Siberia. However, this attempt was ruined again due to the putsh of 1993: then almost a civil war started in Russia, and obviously IKEA’s management took the decision to leave the country (Dahlgren, 2010).

The third, and final, attempt happened in 1997, when Lennart Dahlgren was first assigned to look for suitable land in Russia, and then became responsible for IKEA’s
expansion to Russia. IKEA’s third attempt was challenged by the devastating financial crisis that happened in 1998. However, having analyzed all pros and cons, IKEA decided to stay. Main argument in favor of staying in Russia was, among decreased competition and prices and increased number of qualified specialists (being laid off from other companies), the possible loss of trust of the Russian officials and consumers after the three failed attempts to penetrate the market, and as a result not being able to enter the market again in the future (Borgstrom, 2010).

Afterwards, it was IKEA to open one of the first shopping malls in Moscow, called “Mega”, in 2000, which later became an important shopping venue. Apart from this, IKEA opened its stores in Saint Petersburg, Rostov-on-Don, Adygea, Yekaterinburg, Nizhniy Novgorod, Kazan, Novosibirsk, Omsk in total 12 stores (http://www.ikea.com). According to Roberts (2005; p.52):

“The Swedish furniture retailer’s first Moscow store proved so popular that within two weeks of opening it was virtually empty (Cockburn, 2000). The company’s second Moscow store, located at the heart of the bustling 150,000m² “Mega Mall” complex in the southern suburb of Kommunarka, generates more sales by value than any other IKEA store worldwide.”

Now IKEA is considered one of the pioneers and one of the largest investors into the Russian retail sector (Dahlgren, 2010), investments amounting to a sum of around $4 billion (Bush, 2009).

According to the conversation with Borgstrom (2010), presently IKEA operates in Russia under three companies: the first one is responsible for real estate development and operations with the land; the second one is occupied with retailing and everything related to it; the third company deals with everything else (supply, factories, etc.). It is necessary to mention that IKEA Russia is different from any other country office of IKEA in that it is engaged in operations with real estate and land (Borgstrom, 2010) and that it reports directly to the CEO (Dahlgren, 2010).

However, apart from success, IKEA faces a number of challenges at the Russian market, among them bureaucracy and corruption. Thus, not long ago two country managers were dismissed for letting the contractor to pay a bribe (Kramer, 2010), which goes apart from IKEA’s code of conduct and corporate culture. Furthermore, opening of two new stores is delayed because of bureaucracy and authorities-related problems (Borgstrom, 2010; Bush, 2009). What is more, difference in management cultures can sometimes make it challenging to work in Russia (Tarnovskaya, 2007). There are also difficulties with subcontractors and suppliers, which may have low level of development (Respondent 1), or may be not collaborative due to their short-term and high-profit orientation (Borgstrom, 2010).

All in all, Russian market is challenging, but rewarding as well, with vast territories expecting their development, and a big number of potential consumers with growing disposable incomes (Elder, 2009). One of the directors of IKEA Russia, Leif Borgstrom (2010), considers perspectives of operating in Russia quite promising, taking into consideration that expansion to any other market would encounter similar problems.
1.3 RESEARCH OBJECTIVE AND RESEARCH QUESTIONS

The main objective of this research is to explore the stakeholder management practices of the global retailer on the Russian market as part of its internationalization process, taking into consideration the cultural diversity between the focal organization and local stakeholders. More precisely, we would like to find out whether the company under investigation applied any stakeholder management methodology on both global and local levels, and if so, whether what was implemented in practice differed significantly from what was planned. We then look for congruence between the stakeholder management practices and theoretical propositions.

Following this objective, we developed the research model and refined the research questions, which are described more in detail in Chapter 4. The research questions will however be mentioned as follows.

(1) Does the company apply any stakeholder management methodology or strategy? In the corporate headquarters? In Russia in particular?

(2) How do everyday real life actions fit or correspond to what is planned? How do real life actions in turn shape the strategy?

(3) To what extent strategies applied in practice differ from those suggested by theory?

We are thus focusing on the experience of a particular company, and investigate whether it applied any stakeholder management methodology when implementing its internationalization project to Russia.

1.4 DEFINITION OF MAIN CONCEPTS

1.4.1 Internationalization

Internationalization has been defined by Welch and Luostarinen (1988), and Beamish, Killing, Lecraw and Morrison (1994) as the process throughout which organizations become aware of the importance of international business activities and try to expand their operations across their national borders. International expansion is considered as one of the most important strategic choices for those firms whose aim is the enlargement of their business.

1.4.2 Global retailer

The term global retailer refers to those retailers, whose expansion abroad is done by adopting the same models with a minimal adaptation to the local market conditions (Park & Sternquist, 2007). They are characterized by a centralized management and an ability to rapidly expand thanks to the “simple replication of an already proven formula”
(Salomon & Tordjman, 1989). They usually own their own stores and franchise as well as their own brand (Salomon & Tordjman, 1989).

1.4.3 Stakeholder
According to Julius (1997) the notion “stake” and consequently “stakeholder” originated in the early dates of the United States, when “settlers were invited to ‘stake’ their claims” for territory by “marking out their land with posts or stakes” (Julius, 1997; p. 454). Further, in 1963 the Stanford research institute defined stakeholders as “those groups without whose support the organization would cease to exist” (cited in Freeman & Reed, 1983, and Freeman, 1994).

Littau et al. (2010), who conducted a meta-analysis of stakeholder theory (examined 116 stakeholder-related articles that were written between the years 1984 and 2009) claim that the two most used definitions of stakeholder were those by Freeman (1984, p. 46): “…a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization’s objectives…” and by Cleland (1985): “…who have a vested interest in the outcome of the project.”

1.4.4 Classification of Stakeholders
Classification of stakeholders is closely tied to and springs from their definition. Kirsi Aaltonen (2010) argues that typically stakeholders are divided into internal and external ones. Internal stakeholders have a direct and formal relation to a project or a company and can be referred to as specific (Carroll, 1989), primary (Cleland, 1998; Clarkson, 1995) or business actors (Cova & Salle, 2005). External stakeholders do not have a formal connection to, but affect or may be affected by a company or a project. In turn, external stakeholders can be called generic, secondary or non-business actors respectively.

For the purpose of our research we will regard stakeholders as primary (with explicit and legitimate connection to the organization, e.g. employees, suppliers, authorities/government, customers, corporate management, Ingvar Kamprad – as a separate stakeholder) and secondary (with implicit connection to the organization, e.g. media, non-governmental associations, wider community).

1.4.5 Stakeholder Management
Under Stakeholder Management we understand a set of strategies and practices a company uses in order to manage its stakeholders. A company may have an emergent strategy to manage stakeholders when the necessity arises, or it may have a continuous framework of identification, analysis, and development of strategies.

1.4.6 Cross-cultural management
Cross-cultural management is the discipline which studies “the behavior of people in organizations located in cultures and nations around the world” (Adler, 1983). The subject aims to describe the organizational behavior within cultures and countries, compare the different behaviors among cultures and countries as well as study the
relations among people from different countries working within the same organization (Adler, 1983; Miroshnik, 2002).

1.5 SIGNIFICANCE OF THE STUDY

The significance of the study is drawn upon several reasons. Firstly, as not much reliable information is available upon stakeholder management practices applied at the Russian market, our investigation can be useful for other researchers as well. Second, this study can contribute to the development and accumulation of knowledge related to the performance of foreign investors at the Russian market, due to the lack of reliable data on that matter. Thirdly, although the company under investigation is often used for research purposes, its stakeholder management practices have not been explicitly addressed previously, especially in relation to the Russian market. Forth, the research undertaken, although based on the performance of a particular company, can be useful for other foreign companies wishing to expand to Russia. Particularly, it can be interesting for companies from the retailing and construction sectors due to the specifics of the company examined.

1.6 DELIMITATION OF THE STUDY

The main delimitation of the study is that it is focused on the performance of only one particular company on the Russian market. It therefore reflects the particularity of approach that company applied, which may not be suitable for other firms. However an advantage of investigating that particular company is that its activities at the Russian market are diversified: it is engaged in retailing, producing and real estate development. This diversity can amortize the fact that only one company is scrutinized.

Furthermore, due to the limit of time, the study undertaken was a cross-sectional one, and not longitudinal. Although we tried to get access to the data sources of different time periods, we still could not systematically track different stakeholder management strategies applied at different times. Taking into consideration, however, that the company possesses a rather unique organizational culture which is one of its competitive advantages and which has not changed dramatically from the date of its foundation, we believe that there was not much difference in stakeholder management strategies during the period under investigation. It may only be that these strategies were adjusted according to context and people implementing it.

Another significant limitation of the research is that we could not get desirable access to the company in order to conduct significant number of interviews. However, we did interview some key people responsible for operations at the Russian market, and used extensively a great amount of secondary sources in order to achieve objectivity and triangulation of the study.

1.7 ORGANIZATION OF THE STUDY

This study starts with the introductory chapter which covers the theoretical and practical background of the research. There the importance of stakeholder management, as well as main concepts of the study, are defined. The introductory chapter also describes the company under investigation and its performance on the Russian market.
The second chapter deals with methodological considerations of the research, and defines what philosophical considerations, research strategy and type are applied in order to conduct this study. This is then followed by an extensive literature review chapter that addresses most important concepts of internationalization, stakeholder management and cross-cultural management theory.

The forth chapter is devoted to the development of our research models. We try to explain how we locate our study among other theoretical and practical matters, how we come up with research questions, and what theoretical framework we will use in order to undertake our research.

Chapter 5 covers the research design matters: what are the research assumptions, purpose and approach, how we in practice conduct our research. This chapter is then followed by the data analysis and discussion chapter, that presents, summarizes and debates over the outcomes of the research. We conclude our study in Chapter 7, drawing on theoretical and practical considerations and propositions.
CHAPTER 2: RESEARCH METHODOLOGY

2.1. INTRODUCTION
This chapter discusses the research methodology that was applied in the present research thesis. The chapter will start by explaining the philosophical considerations of the study, continue with the brief description of the research strategy adopted and finalize with the research type chosen.

2.2. RESEARCH PHILOSOPHY
Understanding the philosophy of the study is important because it determines the research strategy and methods used to shape it (Saunders, Lewis, & Thornhill, 2007). This subchapter will deal with epistemological and ontological considerations, as well as explain the research approach applied in the study.

2.2.1. Epistemological considerations
Epistemology is concerned with the attitude of a researcher towards knowledge, that is what kind of knowledge he/she considers more reliable, acceptable and objective (Saunders et al., 2007). Saunders et al. (2007) identified three main epistemological positions depending on what approach to knowledge is used in the research: positivism, realism and interpretivism. These approaches treat information in a different way. Thus, while positivism gives more prominence to the “hard” data that can be objectively measured and subsequently generalized, realism pays more attention to the human senses and feelings and questions whether they give a real picture of the reality or just an image of it (direct and critical realism). Interpretivism, in turn, tries to comprise all the complexity of the surrounding environment and highlights the significance of the human interpretation of the world around us (Saunders et al., 2007; Bryman & Bell, 2007).

Research in stakeholder management reveals the complexity and multi-facetedness of the issue under investigation, and therefore can hardly be tailored to law-like generalizations. The specifics of stakeholder management is that it depends on a plethora of variables, such as geographical location, organizational culture, intercultural differences, political, economical, social factors – just to name a few. Thus, positivist approach can hardly be applied in this case. Furthermore, as stakeholder attributes can hardly be measured and managers rely on the perceived characteristics of the business actors, that is they act according to what they have observed, saw, heard and consequently analyzed, one can suppose that realist approach is more suitable in this research.

However, we claim that the research strategy of this dissertation is more interpretivistic. This is mainly because the attributes of the surrounding world and of stakeholders in particular are interpreted by managers subjectively according to their own values and personal characteristics. Consequently, a strategy adopted by the company is dependent on the personality of the manager who makes decisions (Waldman et al., 2006; Agle, Mitchell & Sonnenfeld, 1999; Boesso & Kumar, 2009). Hence, the primary and secondary data collected for the purpose of this research will be based on subjective
interpretations of interviewees/authors and will bear their personal imprint, although a triangulation will be done through combining practitioner and academic points of view.

2.2.2. Ontological considerations

**Ontological** position of the research, in turn, deals with the nature of the reality and reflects “the assumptions researchers have about the way world operates and the commitment held to particular views” (Saunders *et al.*, 2007; p. 108). The main debate here is whether the reality, or social phenomena, exists externally and independently of social actors (objectivism), or whether it is dependent on and shaped by their perceptions and actions (subjectivism) (Saunders *et al.*, 2007). In terms of stakeholder management, it is by all means shaped by the humans and their perceptions about the reality, thus subjectivism is more in line with the specifics of our research, and is most congruent with the interpretivist approach adopted.

Furthermore, as stakeholder management is a dynamic process in that managers have to constantly access the surrounding environment and changing attributes of stakeholders, the objectivist approach can hardly fit here as it implies a more static reality. On the contrary, subjectivist approach “is a continual process in that through the process of social interaction the social phenomena are in a constant state of revision” (Saunders *et al.*, 2007; p. 108).

Since stakeholder management is a complex phenomenon it makes sense to study each particular situation in detail in order to understand the reality and assumptions behind it (Remenyi, Williams, Money, & Swartz, 2005), which leads researchers to apply the social constructionism approach.

“This follows from the interpretivist position that it is necessary to explore subjective meanings motivating the actions of social actors in order for the researcher to be able to understand these actions” (Saunders *et al.*, 2007; p.108).

Saunders *et al.* (2007) mentioned another ontological approach that can be applied in a scientific research: pragmatism. It implies that in particular situations it is not necessarily important to adopt one single approach for the study, and the researcher does not necessarily have to choose between positivism or interpretivism. He/she can apply a mixed method as long as the research question is answered in the best way. Tashakkori and Teddie (1998) argue that “at some points the knower and the known must be interactive, while at others, one may more easily stand apart from what one is studying” (Tashakkori and Teddie, 1998; p.26).

However, the approach for our research is quite clear and explicit. As we deal with the interpretation of the environment and social phenomena by individuals in a continuous way, then the ontological position that best fits here is subjectivism, more specifically constructivism.

2.2.3. Research approach

According to Easterby-Smith, Thorpe and Lowe (2002) it is important to define the research approach in the beginning of the research work for three main reasons. Firstly,
it allows the researcher to make a more conscious decision about the research design, that is techniques and procedures of the data collection and analysis. Secondly, it will help the researcher to understand what research strategies and choices will work better for his/her research. Thirdly, the researcher becomes more informed about the possible constraints for the study: thus, he/she simply may not have access to the sufficient amount of data. Having realized that, the researcher may adjust his/her research approach.

There are two main research approaches mentioned in the literature: deduction and induction. The former stresses the importance of theory development and testing: the researcher normally develops a hypothesis and then tests it empirically. The latter approach is more focused on data collection and analysis, and theory development as a result of this analysis (Saunders et al., 2007; Sekaran, 2003). However, a mixed approach can also exist: it may actually give more objectivity to the research (Saunders et al., 2007). Apart from the purpose of the research, the choice of the research approach depends on the number of factors, such as the nature of the research topic and availability of existing literature, timing, access to data and ability to make empirical investigation, audience at which the research is targeted (Creswell, 1994) and even researcher’s own preferences (Buchanan, Boddy, & McAlman, 1988).

In light with the fact that the present research can be characterized by interpretivist and constructivist philosophies, it is more in line with the inductive approach. Thus, we first collect empirical data through interviewing and reviewing secondary sources of information, and then make conclusions and generalizations from it and develop theory. Moreover, the strategy we adopt towards data collection and analysis is a qualitative one: we conduct a number of semi-structured interviews that help us to profoundly analyze the phenomenon under investigation and its underlying assumptions and preconditions.

However we have elements of the deductive approach as well, since as a result of the literature review a theoretical model is invented which is used to verify the findings. Furthermore, the choice towards the deductive approach is supported by the time constraint and existence of a great amount of literature and articles on the topic under investigation. We therefore consider that the research approach to adopt should be a mixed one, but with more emphasis and significance put into inductivism.

Although the present research can be characterized by interpretivist and constructivist philosophies, it is more in line with the deductive approach. Thus, we first look through theory and, based on the literature review, we develop a model that will be used to organize the empirical findings. Furthermore, the choice towards the deductive approach is supported by the time constraint and existence of a great amount of literature and articles on the topic under investigation. After analyzing theory we collect empirical data through interviewing and reviewing secondary sources of information, and then make conclusions and generalizations from it, examine how these correspond to theoretical propositions and create new theory. The strategy we adopt towards data collection and analysis is a qualitative one: we conduct a number of semi-structured interviews that help us to profoundly analyze the phenomenon under investigation and its underlying assumptions and preconditions. Thus, as we start our research from theory reviewing and continue it with empirical investigation, we apply a mixed research approach, but with more emphasis put into deductivism.
2.3. RESEARCH STRATEGY

Saunders et al. (2007) mentions a number of possible research strategies: experiment, survey, case-study, action research, grounded theory, ethnography and archival research. The choice of the research strategy:

“will be guided by research question(s) and objectives, the extent of existing knowledge, the amount of time and other resources available, as well as researcher’s own philosophical underpinnings” (Saunders et al., 2007; p. 135).

Our research will be based on the investigation of the stakeholder management strategy applied in a particular company, it will therefore represent a unique case study and will “provide an opportunity to observe a phenomenon that few have considered before” (Saunders et al., 2007; p. 140). A case study is:

“… an empirical enquiry that investigates a contemporary phenomenon within its real life context, when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used.” (Yin, 1989, 1993, in Remenyi et al. 2005; p. 165).

According to Remenyi et al. (2005), a case study allows “a meaningful exploration of the characteristics of real-life events, such as the managerial process, maturation of industries or power struggles in organizations” (Remenyi et al., 2005; p. 162). In particular, the deliberate use of a single case study is justified by the availability of a well-formulated theory which can be validated, challenged, or enlarged (Remenyi et al., 2005). And although, for the purpose of objectivity and generalisability, it is preferable to use multiple case studies (Yin, 2003), we have decided to focus our efforts on a single company due to the time-constraint and risk of not being able to contact other companies. The triangulation and reliability of data is, however, achieved through using multiple methods of data collection: we utilize both primary (interviews) and secondary (analysis of company documents, previous research and literature) data sources.

Furthermore, as there is no database tracking stakeholder management strategies applied by a particular company over time, and given that our study will be based on a number of semi-structured qualitative interviews conducted over a short period of time, we will apply a cross-sectional study rather than a longitudinal one. Unfortunately, we do not have sufficient time, resources and access to the company in order to observe and analyze the phenomena under investigation in dynamics and over time (Saunders et al., 2007).

Given the specifics of the case study as a research strategy, it corresponds best to exploratory or explanatory approach, rather than a descriptive one. Thus, while exploratory studies seek to clarify understanding of a matter under investigation, assess phenomenon in a new light, explanatory approach aims at establishing links and causal relationships between variables, the object of a descriptive strategy is to give a clear picture and description of the phenomenon, “to portray an accurate profile of persons, events or situations” (Robson, 2002; p. 59) (Saunders et al., 2007). Thus, in our particular case an exploratory research type is used, since we try to approach a
phenomenon from a new prospective, i.e. by investigating the performance of a particular company on a particular market. We, however, also try to establish links between variables: for example between stakeholder management and cross-cultural management, but the causality analysis is not the cornerstone of our research.

2.4. RELIABILITY AND VALIDITY

The quality and truthfulness of the overall research may be assessed through its reliability and validity. The reliability seeks to ensure the consistency of findings and possibility to achieve the same results but with different observers and using a different sample (Saunders et al., 2007). The validity in turn “is concerned with whether the findings are really about what they appear to be about” (Saunders et al., 2007; p. 150), or in other words, whether the findings really represent the phenomenon the researcher is trying to investigate.

Saunders et al. (2007) mentioned different threats to reliability: subject or participant error, subject or participant bias, observer error, observer bias. Taking these into consideration, it is possible to conclude that our study has little probability of subject or participant error, because, although we were conducting interviews, these were later triangulated by the secondary data and previous interviews conducted by other researchers. We also believe that we avoided subject or participant bias, i.e. interviewees were telling the information according to their own perceptions and their opinions were not influenced by anyone else. This is because the interviewees were offered anonymity and some of the interviewees had highly-ranked position in the company. Furthermore, the organizational structure of the company under investigation is flat and not hierarchical, which stimulates openness.

Moreover, we tried to avoid the observer error by developing the uniform interview guide, which was adjusted to each individual respondent according to their position in the organization. The adjustments were made through discussion and consultation between the researchers in order to achieve agreement and correct understanding of the questions being asked. The observer bias was eliminated due to the presence of both researchers during the interview when possible, and due to the practice of recording the interviews and doing a transcript of the discussion. Thus, both researchers could become familiar with the contents of discussion and contribute to the interpretation of findings. The bias was further eliminated by verifying and triangulating the findings through the usage of secondary data and previous interviews by other researchers.

Although, by following the formal criteria of reliability, we tried to make our study as reliable as possible, there is, however, a viewpoint that the notion of reliability within qualitative research is misleading (Stenbacka, 2001). Some authors believe that the concept of reliability is applicable first of all in the quantitative research but not so straight-forwardly in the qualitative research due to substantial differences between the two types of research (Golafshani, 2003). In contrast with the quantitative research, the subject under investigation in the qualitative research is dynamic, context-specific and often interpretivistic (Golafshani, 2003). For example in our research, which is interpretivistic by nature, we are interested in people’s judgments, opinions and interpretations of certain events. Obviously, it is hardly possible that two different persons have exactly the same opinion. Following this idea, some authors try to define reliability and validity of qualitative research:
“Healy and Perry (2000) assert that the quality of a study in each paradigm should be judged by its own paradigm's terms. For example, while the terms Reliability and Validity are essential criterion for quality in quantitative paradigms, in qualitative paradigms the terms Credibility, Neutrality or Confirmability, Consistency or Dependability and Applicability or Transferability are to be the essential criteria for quality (Lincoln & Guba, 1985).” (Golafshani, 2003; p. 601).

Talking about validity, it is possible to differentiate between two main types of validity: internal and external. The internal validity implies “the extent to which the findings can be attributed to the interventions rather than any flaws in the research design” (Saunders et al., 2007; p. 137) and deals with such questions as: “Do the findings of the study make sense? Are they credible to the people we study and to our readers? Do we have an authentic portrait of what we were looking at?” (Miles & Huberman, 1994; p.278), the external validity deals with generalisability of the study, and how well the results of the study can be applied in different circumstances or for a different organization (Saunders et al., 2007; Bryman & Bell, 2007).

Continuing the discussion about the difference between qualitative and quantitative research, Smith and Heshusius (1986) (referenced to in Sale et al., 2002; p. 45) note:

“Validity’ to a quantitative researcher would mean that results correspond to how things really are out there in the world, whereas to a qualitative researcher ‘valid’ is a label applied to an interpretation or description with which one agrees”.

Similarly, Stenbacka (2001) argues that validity of a qualitative research may be achieved if the informant is freely telling his/her opinion, or when “the method of non-forcing interviews with strategically well-chosen informants” (Stenbacka, 2001; p.552) is applied.

As our research is grounded on interpretivistic philosophy applied towards a single case-study, we do not have the aim of generalizing our findings. On the contrary, our research deals with the highly specific information: description and interpretation of strategies and practices adopted by a particular organization in a certain context. However, other researchers may find our study interesting, as it covers some stakeholder management issues that are faced by an international company penetrating the Russian market. Thus, the study can be used for further more in-depth research of stakeholder management practices.

In addition, we do not measure anything during the research, but conduct semi-structured interviews with key persons in the company in order to collect empirical data. We focused on internal validity and tried to ensure comprehensibility of the study: the research design and data collection processes were thoroughly tailored in order to avoid any flaws.

To sum up, to the extent, which is possible in a qualitative study, we tried to ensure maximum validity and reliability for our research: by thoroughly working out the research design and tools, by carefully selecting interviewees, by being as objective as possible during interview conduction and results interpretation, by triangulating the data.
2.5. CONCLUSION

To sum up, while our research is based on interpretivism and constructivism philosophical considerations, the research approach applied is deductive with elements of the inductive one. The research strategy applied is an exploratory single case study based on cross-sectional qualitative data analysis.
CHAPTER 3: LITERATURE REVIEW

3.1. INTRODUCTION

This chapter reviews the literature related to internationalization, stakeholder management and cross-cultural management theories and methodologies. We identify the main internationalization theories which, together with the description of the major cross-cultural management approaches, support the analysis of stakeholder management, the core topic of our research. Since internationalization strategy is the basic process organizations have to apply when they expand their business abroad, we start the literature review by briefly describing this process through the analysis of academic articles and books. Subsequently, we narrow down our research and concentrate on the analysis of retailers’ internationalization and their expansion in the Russian market. After having delineated the main features of the internationalization process, we then focus in depth on examining stakeholder management. Without any doubt, cultural differences, compatibility of organizational culture with local norms and values are of extreme importance when it comes to both stakeholder management and expansion of firms in a foreign market (Waldman et al., 2006; Agle et al., 1999; Boesso & Kumar, 2009).

We therefore divided our literature review into three main sections. First one will discuss internationalization strategies, the second one will focus on stakeholder management approaches, and the third part will deal with cross-cultural management. In particular, we focus on the Russian and Swedish cultural features and diversities.

3.2. INTERNATIONALIZATION

3.2.1. Main internationalization theories

A number of authors have studied and analyzed the internationalization process of organizations, and a variety of theories and approaches have been used to assess this process. The Uppsala internationalization process model described by Johanson and Vahlne (2009) in 1977 has been considered the cornerstone of the literature concerning internationalization. In particular, this model “explains the characteristics of the internationalization process of the firm” (2009; p. 1141) which tries to enter a new foreign market through the implementation of experiential knowledge and learning, and commitment processes. However, the model has been recently revised as a consequence of the increased complexity of the markets as well as the spread of the globalization which pushes organizations to expand internationally (Johanson & Vahlne, 2009). The revised model of 2009 puts into evidence the importance of networks and business relationships which contribute to increased level of knowledge of the foreign market as well as the mutual trust and commitment among all actors interested in the internationalization process (Johanson & Vahlne, 2009). Furthermore, it considers opportunities as a driving force of internationalization, because the ability of a firm to exploit them contributes to the success of the entire process (Johanson & Vahlne, 2009).

Forsgren (2001) outlines three assumptions related to the model developed by Johanson and Vahlne in 1977: first of all, the scarce knowledge of the foreign market constitutes a barrier for the organization that aims to internationalize. Secondly, incremental decisions relating to foreign investments are taken because of the uncertainty of the
market. Then, knowledge is difficult to transmit from one to another because it is a skill pertaining exclusively to each individual. In this regard, Johanson and Vahlne (1997) assert: the deeper knowledge is, the “lower the perceived market risk and the higher the level of foreign investment in that market” will be (Forsgren, 2001; p. 259). Forsgren also (2001) reports that the former Uppsala model supports the idea according to which organizations should invest only in a few close countries and those investments have to be driven by a deep knowledge of the new market.

Although the Uppsala internationalization process model has been acknowledged for its simplicity (Forsgren, 2001) and the important contribution to the discipline, it has also received some criticisms “based on the observation that company behavior has changed” (Johanson & Vahlne, 2009; p. 1420) since the time when model was created. This is because organizations speeded up the process of internationalization; and the increase of strategic alliances and joint ventures have changed the approaches of organizations towards internationalization (Oviatt & Mc Dougall, 1994; Zahra, Ireland & Hitt, 2000; UN World Investment Report, 2000). Most importantly, the physical distance among countries does not constitute a barrier that cannot be overcome (Madsen & Servais, 1997).

Differently from the Uppsala internationalization process model, the innovation-related internationalization model focuses on those agents, either internal or external, that might push organizations to internationalize their business (Lam & White, 2009). In addition, the Hymer model described by Ietto-Gilles (2007) and Törnroos (2000) considers the economic factor as the most important reason why organizations should invest abroad. The model also addresses two main elements that have to be taken into consideration when entering a foreign market. First of all, organizations have to evaluate the existence of competitive advantages over the competitors (Ietto-Gilles, 2007). Strictly related to this factor, the second element refers to the elimination of potential conflicts that might arise when a foreign organization enters a new market (Ietto-Gilles, 2007). Thus, the author observes that:

“... Hymer’s main message is that, for direct investment to thrive there must be market imperfections that create both advantages and conflicts. By investing directly and by thus reducing competition, the firm aims to reduce or eliminate the conflicts while exploiting its own advantages.” (Ietto-Gilles, 2007; p. 197)

Another internationalization model is the International Product Life-Cycle Model developed by Vernon who affirms that organizations decide to internationalize their business only when their products reach the maturity level of the product life cycle as a consequence of the initial loss of market share (Galán & González-Benito, 2001). Finally, further contribution to the international process theory has been given by the OLI-approach described by Dunning (1998), which suggests that ownership (O) as well as localization (L) and internationalization (I) collectively are determinant advantages that should be realized when organizations expand internationally (Galán & González-Benito, 2001).
3.2.2. Internationalization process in the retail sector

Although extensive literature regarding the internationalization process in both manufacturing and service sectors already exists, so far, however, there has been little discussion about the implementation of that process in the retail industry. Park and Sternquist (2008) focus their attention on the internationalization process of global retailers which differ from the so called multinational retailers. Because the purpose of the study is the analysis of stakeholder management approaches during the process of internationalization in the Russian market of a global retailer, slight differences existing between multinational and global retailers have to be considered. For instance, IKEA, Zara and Body Shop pertain to the category of global retailers, whose main characteristic is the scarce adaptation to local needs. Differently, multinational retailers, such as Wal-Mart and Carrefour, “adapt their retail concept to a foreign country” (Park & Sternquist, 2008; p. 281).

According to Jonsson (2005) retail internationalization is much more challenging compared to manufacturing internationalization, as retailers need to manage a certain number of stores which implies the participation of stakeholders, such as staff, government, suppliers and end-consumers in the process. The author takes into consideration the works of other retail researchers such as Dawson (1994), Alexander and Myers (2000), Vida and Reardon (2000), and Park and Sternquist (2008) whose opinion about retail internationalization theories differ.

Dawson (1994) questions the idea about the possibility to adopt generic internationalization theories to retail sector. This opinion is sustained by Alexander and Myers (2000) as well: in particular, they affirm that the retail internationalization process represents a subject area which needs to be studied separately, although an understanding of the traditional internationalization theories is highly recommended. On the contrary, Jonsson (2005) points out that some other researchers, such as Vida and Reardon (2000), and Park and Sternquist (2008) embrace the possibility to, entirely or partially, apply the general internationalization models to the retail sector.

3.2.3. Internationalization process in the Russian market

Several studies about the internationalization process of retailers in emerging markets have been undertaken. Specifically, for the purpose of our analysis, a number of researches focused on the expansion of retailers in the Russian market have been reviewed. Lorentz, Häkkinken and Hilmola (2006) sustain that the Russian market can be considered an interesting field for foreign global retailers’ international expansion. In particular, their analysis is centered on the expansion of retailers throughout cross-border mergers and acquisitions (M&A).

Graham (2005) asserts that Western retailers are successfully expanding their business in Russia as they consider it a very attractive country. Reasons to sustain this belief are the market growth and the high concentration of price- and convenience- sensitive consumers who positively welcome new retail brands. On the other hand, the same author points out that not only the opportunities are faced by firms when they decide to internationalize their business within the Russian retail sector, but also negative issues, such as organized crime, mafia, excessive and bureaucratic regulations and insufficient infrastructures (Graham, 2005).
Although the concept of knowledge sharing has been minimally stressed within the internationalization field, Jonsson (2005) identifies knowledge sharing as one of the key success factors of retailer internationalization. Knowledge sharing was also discussed by Jonsson and Kalling (2006) when describing the steps companies follow in order to implement the organizational culture during all phases of the internationalization process.

3.3. STAKEHOLDER MANAGEMENT

Having covered different theories related to internationalization strategies of the firm, we will now turn to one of the critical success factors of internationalization and the core topic of our research: stakeholder management. We divided the review of the stakeholder literature into four main parts. Firstly, different definitions and classifications of stakeholders will be addressed. Secondly, we will give insight into characteristics and attributes of different stakeholder groups. Thirdly, an overview of stakeholder influence strategies and actions will be presented. The forth part of the review will outline organizational interpretation and response strategies to stakeholder pressures. Finally, different stakeholder management frameworks will be addressed. The summary of the stakeholder literature mentioned in this chapter is presented in the table in Appendix 2.

3.3.1 Definition and classification

There exists no uniformity among academicians in the definition and classification of stakeholders. Thus, according to Littau et al. (2010) it is possible to outline three most popular approaches to defining stakeholders. The first approach goes in line with the Freeman’s definition that “a stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984; p. 46). The second one corresponds to Cleland’s (1985) definition: stakeholders are those “…who have a vested interest in the outcome of the project.” Therefore scholars either adopt one of these 2 approaches or modify them slightly. The third approach implies the combination of the first two definitions. Appendix 3 and 4 presents various stakeholder definitions and identification rationales.

Thus, stakeholders can be viewed as ‘claimants’ or contract holders (Cornell & Shapiro, 1987; Evan & Freeman, 1988; Hill & Jones, 1992), voluntary or involuntary risk-bearers (Clarkson, 1994), groups or individuals to whom an organization is responsible (Alkhafaji, 1989; Langtry, 1994) or that have a relationship with a corporation (Thompson, Wartick, & Smith, 1991; Brenner, 1993), groups or individuals necessary for the firm’s survival (Bowie, 1988; Freeman & Reed, 1983; Näsi, 1995) and so on. Moral relationship claims are also mentioned by various authors (Freeman, 1994; Wicks, Gilbert & Freeman, 1994). Figure by Donaldson and Preston (1995) highlights the advance of the stakeholder thought: a firm is no longer regarded from the input-output point of view, but from the stakeholder perspective (Appendix 5).

Mitchell, Agle and Wood (1997) give a comprehensive differentiation between the narrow and broad views of stakeholder management. Thus, they argue that the narrowness stems from the limited resources, time, managerial attention and patience, results in definitions of stakeholders directly related to the firm’s core economic interests (firm’s survival, stakeholders as risk-bearers, contractors or claimants), and is
aimed at identifying the legitimacy of claims for the managers to focus on the most critical of them. In contrast, the broad view is based on the reality, in which companies can affect or may be affected by virtually anyone, even those who do not have any legitimate relation to the firm. Nevertheless, whatever definition of stakeholders is adopted, management action and choice addresses a set of expectations, and is therefore a function of stakeholder influences (Rowley, 1997).

3.3.2 Characteristics and attributes of stakeholder-management relations

In the early studies about stakeholders scholars focused mainly on power relationships and interdependence. Thus, as early as in 1964, Etzioni mentions three types of power: coercive, utilitarian and normative. This division was later supported by Clarkson (1995). Freeman & Reed (1983) classify power as formal, economic and political. Carroll (1989) argues that the degree of stakeholder power can be measured in terms of staff, budget, amount of and source of funding, while Rowley (1997) identifies stakeholder power in terms of network structure and position.

Another stakeholder characteristic – legitimacy – is derived from scholars who support the “narrow” definition of stakeholders. Thus, they are focused on defining the “normative core” and legitimate basis of the stakeholder theory. Following Davis’s (1973) distinction of power between legitimate and illegitimate, Mitchell et al. (1997) argue that the notions of power and legitimacy are very interrelated and sometimes even coupled together. Weber (1947) in turn suggests that legitimacy and power combined together may create authority as well as exist independently. Moreover, in order to capture the dynamics of stakeholder-management interactions, Mitchell et al. (1997) introduce another attribute of stakeholder relations – urgency – which they ground on two conditions: time sensitivity and criticality. Based on the three key stakeholder attributes identified above, a stakeholder typology was developed (Appendix 6).

It is evident that in today’s world neither firm nor its stakeholders can close themselves from the influences of each other. Therefore stakeholders and managers operate in a so called social network environment. Rowley (1997) was among the first ones to apply the social network analysis to examine the characteristics of stakeholder structures. He argues that such attributes of the stakeholder network as density and centrality of the organization in it affect the behavior of both the company and stakeholders. The same refers to interest, identity and overlap between stakeholder groups: they are also important attributes of stakeholder-management relations (Rowley & Moldoveanu, 2003).

Frooman (1999) goes further in examining characteristics of the relation between stakeholders and management of the company, and focuses on resource dependency theory. Taking into consideration the interdependency between the firm and its stakeholders, he argues, there exist four main types of stakeholder-firm relationships: low interdependence, high interdependence, firm power, and stakeholder power (Appendix 7).

Stakeholder interests are covered by Fredrick, Post and Davis (1992) as well as Wood (1994). In particular, the latter offers various classifications of stakeholder interests: economic and social; concrete and symbolic; local, domestic and international. Frooman (1999) notes that usually interests of the firm and its stakeholders diverge.
Having highlighted the main attributes of stakeholder-management relationships – power, legitimacy, urgency, centrality of position and density of the network, identity, interest and overlap between stakeholder groups, resource dependency – it is important to bear in mind that stakeholder characteristics, expectations and interests are subject to modification with the pace of time and changes in market environment (Julius, 1997; Mitchell et al., 1999).

3.3.3 Stakeholder influence strategies

Stakeholder influence strategies, that is ways to affect the firm’s actions in pursuit of self-interest, have been extensively described in the literature by various authors. It is possible to subdivide the main approaches, used to describe stakeholder influence strategies, into three main groups. The first one deals with the description of unique strategies, the second one is based on the Frooman’s (1999) resource-dependency theory, and the third one relies on the interest-identity-overlap perspective (Rowley & Moldoveanu, 2003).

3.3.3.1. Singular strategies

The description of singular strategies that can be adopted by stakeholders in order to affect decision-making of the companies were described by Vogel (1978), Davis and Thompson (1994), Paul and Lydenberg (1992), Corlett (1989) and Shipp (1987), Davidson, Worrell and El-Jelly (1995), Smith and Cooper-Martin (1997) and others. They covered respectively: proxy resolutions and boycotts, stockholder resolutions, boycotts, modified vendettas, divestitures and letter-writing campaigns; and focused mainly on the effectiveness of these strategies, as well as market reaction (Frooman, 1999).

While the description of unique approaches maybe useful in giving managers examples of real-life stakeholder reaction and market attitude towards it, these, however, may not be deep enough to apply as the basis for the stakeholder strategy of the company.

3.3.3.2. Resource dependency

In 1999 Frooman, based on the resource dependency theory, suggests the typology of influence strategies applicable both by the firm and its stakeholders: direct withholding, indirect withholding, direct usage, and indirect usage (Appendix 8). Thus, by modifying access to resources stakeholders can influence the firm to behave in a certain way, and vice versa: the firm can affect actions of its stakeholders.

Frooman’s (1999) framework is supported by Mattingly and Greening (2002) (Appendix 9) who focus on outcome orientation and pathway of influence The resulting strategies of their model are almost the same as those of Frooman (1999). For example, Mattingly and Greening’s (2002) “coercion” corresponds to Frooman’s (1999) “direct withholding”, implying that the firm is dependent on its stakeholder and the stakeholder has a high salience and is independent of the firm. Similarly, “subversion” corresponds to “indirect withholding”, “collaboration” – to “direct usage” and “mediation” – to “indirect usage”.

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The resource-dependency theory gives an interesting perspective on stakeholder-managerial relations, however it ignores many important aspects of these relations and some critical stakeholder attributes. Therefore, in developing stakeholder management strategy firms should take other aspects into consideration as well.

3.3.3.3. Interest-Identity-Overlap perspective
The stakeholder influence theory is further developed by Rowley and Moldoveanu (2003), who argue that stakeholder action is dependent on a threefold perspective: interest-based, identity-based, and degree of overlap among stakeholder groups. Thus, for instance, stakeholders can undertake an action against a firm even if it does not bring any explicit benefit for them, but if it highlights their identity as a group (Rowley & Moldoveanu, 2003).

This chapter outlined different approaches used to identify and explain possible stakeholder behaviors. All of them contribute to the understanding of the stakeholder-managerial relationship, however in order to better forecast stakeholder reactions of a particular company it is better to combine and adjust these approaches for the needs of the company. The consequent subchapters will deal with identification and analysis of stakeholders, stakeholder management strategies and frameworks applied by companies.

3.3.4. Interpretation of the environment by organizations. Identification, analysis and prioritization of stakeholders
In this subchapter we will address different ways of environment interpretation adopted by companies as well as main approaches that can be used to analyze stakeholders: stakeholder visualization, stakeholder impact analysis and stakeholder register.

3.3.4.1. Two approaches towards interpretation of the environment
According to Aaltonen (2010), there exist two main approaches towards project stakeholder environment. First approach, which is supported by specialized organizations such as PMI, implies that the firm environment is comprehensible, analyzable and predictable, and consequently a number of detailed guidelines, standards and models are offered to companies (PMI, 2008). However, on the other side, some scholars claim that project environment is too complex, dynamic and uncertain, and that it is hardly possible to anticipate cause-and-effect interactions among its participants (Floricel & Miller, 2001; Flyvbjerg, Bruzelius, & Rothengatter, 2003; Söderholm, 2008).

Therefore, organizations tend to interpret the environment around them and act accordingly (Daft & Weick, 1984; Mitchell et al., 1997). Based on this assumption, Daft and Weick (1984) developed a typology of interpretation models applied by companies (Appendix 10). According to this model it is possible to foresee organizations' strategy and decision-making towards their stakeholders. In addition, some academicians argue that interpretation of the environment, and thus identification of the relevant stakeholders and their attributes, may depend on the number of factors: such as demographic, economic, cultural and leadership, as well as characteristics and values of managers (Waldman et al., 2006). Furthermore, it is not uncommon that
leaders of the companies imprint their firms with their own values (Agle et al., 1999; Boesso & Kumar, 2009).

Following the interpretation concept, the majority of firm response strategies depend on how managers understand internal and external environment, identify motives, interests and attributes of their stakeholders, and perceive their companies’ relation to stakeholders. For example, Mitchell et al. (1997) provide a typology of stakeholders based on their attributes (Appendix 6). Thus, according to managers’ perception of their stakeholders’ power, legitimacy and urgency, the company adopts certain strategies and makes decisions. The same applies to Rowley and Moldoveanu’s (2003) and Rowley’s (1997) models: in planning its strategy towards stakeholders, a company should take into consideration their interests, identity and overlap between different groups, as well as perceived centrality of its position and density of the network of stakeholders respectively.

3.3.4.2. Stakeholder analysis based on stakeholder visualization

According to the literature, it is possible to visualize stakeholders in different ways, using for example such tools as stakeholder mapping and stakeholder circle.

One of the most popular tools for grasping the environment, as well as identifying, classifying and analyzing stakeholders and their characteristics, is stakeholder mapping. During this process two-dimensional matrices with different rationale (power, interest, influence, dynamism, impact, predictability, importance, position, etc.) can be developed. Examples of different matrixes are presented in Appendix 11. In particular, PMI (2008) highlights several models: Power/Interest matrix, Will-Skill model, Power/Influence matrix, Influence/Impact matrix, and Salience model (described above). Among them, the most widely cited and used model is power-interest matrix (Appendix 11, Figure 1) (Johnson, Scholes, & Wittington, 2008; Bryson, 2004; Eden & Ackermann, 1998). Thus, it is suggested to map the firm’s stakeholders according to their perceived power and level of interest in the company’s projects, and to subsequently prioritize them and develop appropriate strategies. This approach is especially useful given the limited nature of managerial time and resources at the firm’s disposal. Eden and Ackermann (1998) group stakeholders in the power-interest matrix into four categories: players, those who have both high power and interest in organization’s projects; subjects, with high interest and little power; context setters, who possess power but have little interest; and crowd, with both little interest and power. Based on the analysis derived from power-interest matrix, it is possible to build stakeholder influence diagrams that aim at identifying influence flows between stakeholders (Eden & Ackermann, 1998).

Stakeholder Circle approach was developed by Bourne and Walker (2005). Its main element is a circle with concentric circle lines that indicate distance of stakeholders in relation to a project or project deliverables. The circle also has different patterns of stakeholder entities that can be interpreted as stakeholder homogeneity. The size of the block means scale and scope of influence, while color density implies the degree of impact (Appendix 12).

The visual tools of stakeholder analysis are very practical in that they represent stakeholders in an easy-to-grasp way. Whereas different stakeholder matrixes are widely used due to the possibility to adjust them to the needs of the company (by simply changing rationale) as well as due to the ease of building and interpretation, the
Stakeholder Circle model is a bit more complicated. Unlike the matrix, the Stakeholder Circle may be difficult to construct, read and report, and it is therefore less wide-spread.

3.3.4.3. Stakeholder impact analysis

Bourne and Walker (2005) applied risk management concepts, specifically probability-impact analysis, in order to calculate possible impact stakeholders may have over the company. Thus, they developed stakeholder vested interest intensity index (ViII) that helps to identify the nature and timing of feasible responses to stakeholder influence.

This index was further developed by Olander (2007) into stakeholder impact index which seeks to “analyze and determine claims of stakeholders and their possible effect upon project decisions” (Olander & Landin, 2008; p.557). This index consists of three different parts: (1) evaluation of stakeholders according to Mitchell et al.’s (1997) typology; (2) usage of vested interest/impact index (Bourne & Walker, 2005); (3) evaluation of each stakeholder’s position towards the project according to McElroy and Mills’s (2000) classification: active opposition, passive opposition, not committed, active support, passive support.

The approaches based on risk management may be more accurate in forecasting stakeholder behavior, but they require specialist knowledge in order to apply them, and can therefore be adopted in relatively big companies that possess resources for such a deep analysis.

3.3.4.4. Stakeholder analysis based on stakeholder register

For the sake of identification, analysis and consequent prioritization of stakeholders, project managers can consider using a stakeholder register (PMI, 2008) (Appendix 13). The register can help to classify all the relevant information about stakeholders, as well as to standardize the process of stakeholder management.

To sum up, the surrounding environment is interpreted differently by every organization due to a plethora of factors and assumptions. This can be extrapolated to stakeholder management: their perceived attributes depend on the ability of the organization to analyze the surrounding environment in a correct way. A number of tools can help in evaluating the situation around the firm, some of them are stakeholder visualization, impact analysis and stakeholder register. The most easy to use tools are stakeholder mapping and stakeholder register, while Stakeholder Circle and stakeholder impact analysis require more time and specialist knowledge.

3.3.5. Stakeholder management strategies

After having identified and prioritized the stakeholders, as well as having assessed their possible influence actions, the company should develop its own strategy for monitoring and managing the stakeholders. This can help the company to react timely and appropriately to the stakeholder-related challenges and utilize arising opportunities. The necessary strategies can be generated with the help of classification tools described in the previous chapter, as well as using other approaches developed in the literature.
3.3.5.1. Strategies derived from stakeholder mapping

Two-dimensional matrices, due to their simplicity of use, are among the most widely used tools for developing stakeholder management strategies: they not only help to analyze the characteristics of stakeholders and their salience, but also identify suitable firm response strategies. Examples of different firm response strategies are given in Appendix 13 together with classification of stakeholders. One of the most popular frameworks is power-interest matrix (Johnson et al., 2008), where firm strategies include: keep satisfied, keep informed, key players and minimal effort. Already mentioned above, Frooman’s (1999) resource-dependency matrix can also be very useful in defining stakeholder management strategies.

3.3.5.2. Strategies derived from Oliver (1991)

By combining institutional and resource dependence theories Oliver (1991) develops a typology of tactics and strategic responses to the external environment (Appendix 14) that range “from passive compliance with external pressure to active manipulation and control of external pressures” (Rowley, 1997; p. 895): acquiesce (habit, imitate, comply), compromise (balance, pacify, bargain), avoid (conceal, buffer, escape), defy (dismiss, challenge, attack), manipulate (co-opt, influence, control).

This typology was further developed and modified by Rowley (1997) who applied it to network theory. The result of his study was typology of firm behavior in terms of resistance to stakeholder actions: commander, compromiser, subordinate and solitarian (Appendix 15) – depending on the position of the firm in the network and the network density. Aaltonen and Sivonen (2009) in turn suggest their own typology of response strategies to stakeholder pressures in global projects: adaptation, compromising, avoidance, dismissal, influence. The strategy adopted can be explained by such factors as position in the network, power, legitimacy, means of stakeholders, responses of other actors in the network.

The literature offers a variety of approaches for stakeholder management. Thus, the company may use two-dimensional matrices in order to both classify its stakeholders and develop management strategies, or it can apply a number of other existing frameworks, such as those by Frooman (1999), Oliver (1991), and their modifications. The approach that a particular company might adopt depend on its specificity, needs, available resources, managerial preferences, surrounding environment.

3.3.6. Project stakeholder management frameworks

This chapter will address various stakeholder management systems developed by practitioners and theorists.

3.3.6.1. Classical framework

One of the earliest stakeholder management frameworks was introduced by Freeman (1984) (Appendix 16). He argues that in order to formulate appropriate stakeholder strategies, a company should analyze stakeholder behavior and find out underlying motives and interests and whether those are in line with the firm’s. Furthermore, it is important to bear in mind that although a firm may adopt general stakeholder
management strategies, it is vital to assess each particular situation and stakeholder individually (Freeman, 1984).

3.3.6.2. Continuous models

Sutterfield, Friday-Stroud and Shivers-Blackwell (2006) develop a cyclical project stakeholder management framework emphasizing the dynamic nature of stakeholder management: stakeholders’ interests, motives, attributes, requirements change over time, as well as those of firm, and the framework should be re-considered continuously. It is therefore vital to monitor changes in the surrounding environment and to change the strategy accordingly (Appendix 17).

Similarly, Karlsen (2002) (Appendix 18) develops a flexible project stakeholder management model with six distinct steps: plan, identify, analyze, communicate, act, follow up. The steps have backwards and forwards links between each other, which means that the project team can come back to the previous step if the circumstances change or any other necessity arises.

3.3.6.3. PMI approach

In terms of practitioner literature, the PMI (2008) does not offer any distinct stakeholder management methodology. However, stakeholder management techniques are introduced in the “Communication” chapter, probably implying that stakeholder management is very much about communication management and public relations. Thus in project communication management framework it is possible to spot five distinct steps: identify stakeholders, plan communications, distribute information, manage stakeholder expectations, report performance (Appendix 19) (PMI, 2008).

We started reviewing project stakeholder management framework with Freeman’s model, and then continued with the continuous models and mentioned the PMI approach. We believe that although Freeman’s framework may be an underlying assumption behind other models, it however needs to be updated due to the changed business environment. A more relevant approach is a continuous one: the company should better monitor its stakeholder environment and adopt a certain methodology or defined steps for stakeholder management.

In this chapter we identified and classified stakeholders and their characteristics, and made an overview of approaches applicable by stakeholders and firms aimed at identifying each other’s motives and influencing each other’s actions and decisions. It is evident that the strategies a company adopts depend to a great extent on its interpretation of surrounding environment and stakeholder attributes and interests. The academic literature describes possible ways to address the stakeholder diversity and complexity, the rest is dependent on the empirical evidence and a variety of soft factors. We believe that one of the key “soft” aspects of stakeholder management during internationalization to a foreign market is cross-cultural management, and we therefore address it as a separate chapter of our literature review.
3.4. CROSS-CULTURAL MANAGEMENT

3.4.1. Culture, cross-cultural management and the linkage with stakeholder management

Many definitions of culture have been formulated over the years (Gelfand, Erez & Aycan, 2007). Hofstede (1994) refers to culture as the “collective programming of the mind which distinguishes the members of one category of people” (Hofstede, 1994, p. 1) – such as nation, ethnic group, social class, profession, type of business, gender, or age - from another. Similarly, Foster (1962) defines the concept of culture as the way in which a group of people lives. Kroeber and Kluckholn (1952) have collected more than 100 definitions of culture before concluding that it consists of patterns shared by the members of a social group, in which the aim of older individuals is the transfer of those patterns to younger individuals. Nonetheless, according to Tylor (1977), each individual, being part of a society, acquires a number of features, such as knowledge, belief, law, customs, habits and capabilities that shape his/her culture. More generally, House, Hanges, Ruiz-Quintanilla, Dorfman, Javidan, Dickson, & Gupta (1999) conceive

“culture as shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives and are transmitted across age generations” (House et al., 1999, p. 13).

However, a number of authors sustain that it is hard to develop an all-purpose definition of culture because, most probably, there is more than one definition which can be widely accepted but, still, there is a lack of a universal meaning (Redding, 1997; Ajiferuke & Boddewyn, 1970; Kraut, 1975).

Thus, culture is the core concept within the cross-cultural management field, which has been defined as the discipline that studies the way people in organizations behave (Burke, 1983). Furthermore, it also trains those people to work in companies, whose stakeholders come from several cultures (Burke, 1983). Nonetheless, culture has been depicted as the dominant factor that causes problems and failures of multinational companies’ expansion abroad (Miroshnik, 2002). Cross-cultural management illustrates and compares organizational behavior of people from an array of countries and cultures in companies in order to improve the relationships among stakeholders, as well as co-operation and interaction among co-workers (Adler, 1983; Miroshnik, 2002). Although cultural features influence both organizational behavior and managerial decisions, generic theories within the cross-cultural management subject that better explain those issues have not been formulated so far (Lim & Firkola, 2000; Bhagat and McQuaid, 1982; Child, 1981). The discipline emerged as an autonomous entity in the 1960s but, just after a decade, critiques on cross-cultural research works arose (Schollhammer, 1969; Lim & Firkola, 2000). Among the reasons why cross-cultural management lacks theoretical models and approaches, some researchers identify the relative youth of the subject, while others point out the absence of a widely accepted definition of culture (Adler, 1983; Sekaran, 1983; Roberts, 1997). In fact, as Roberts (1997) asserts, it is necessary to define the culture first and, consequently, a theory of culture related to cross-cultural management.
3.4.2. Cross-cultural studies

One of the most important studies about cross-cultural management has been conducted by Hofstede who classifies societies according to five different cultural values, which are measured on a 100 points scale (Hofstede, 1980a, 1991, 1994; Schneider & Barsoux, 2003; Jacob, 2005; Rodrigues, 1998; Anbari, Khilkhanova, Romanova, & Umpleby, 2003; Fey, 2005). Hofstede’s five cultural values are widely recognized as: power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity, and Confucian dynamism, or long-term/short-term orientation.

According to Schneider and Barsoux (2003), power distance reflects unequal distribution of power within corporations that a society is willing to accept. Through this value Hofstede (1994) aims to describe the “extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally” (Hofstede, 1994; p. 2). Individuals pertaining to countries with high power distance are characterized by centralized power and strong dependence on superiors and leaders while individuals from low power distance countries are less willing to tolerate centralized power and they expect to be consulted during the decision-making process (Hofstede, 1980b).

Uncertainty avoidance is the second dimension described by Hofstede. It indicates the extent to which societies are able to control uncertain situations (Schneider & Barsoux, 2003), which are described by Hofstede (1994) as those unknown, unpredicted and surprising situations that are different from the usual state of affairs. This dimension tries to explain the level of threat felt by individuals when facing uncertain situations as well as the way they strive to avoid them by introducing formal laws and rules, safety and security measures, absolute truths and refusing unusual ideas and behaviors (Hofstede, 1994; Miroshnik, 2001). In uncertainty avoidance countries, individuals tend to increase the number of safety rules while in uncertainty acceptance countries individuals prefer to have as fewer rules as possible (Hofstede, 1994).

The third Hofstede’s dimension is individualism/collectivism, which measures the level of involvement of people in an organization (Schneider & Barsoux, 2003). According to Hofstede (1994) individualistic societies are characterized by persons whose focus is on defining themselves as individuals more than identifying in a group, as instead happens in collectivistic societies.

The fourth dimension is masculinity/femininity. Miroshnik (2001) defines masculine societies as those societies that emphasize the importance of acquisition of money and material things over relationships among people. On the other hand, feminine societies are those societies, whose focus is on interactions among individuals.

The last dimension described by Hofstede is Confucian dynamism, or long-term/short term orientation, which “refers to the extent to which a culture programs its members to accept delayed gratification of their material, social, and emotional needs” (Anbari et al., 2003). Hofstede (1994) associates to long-term orientation the values of firmness and carefulness whereas short-term orientation is related to respect for both tradition and social obligations. It is important to point out that there is a lack of literature describing the fifth Hofstede’s value, the Confucian dynamism, in Russia and Sweden, so the explanation of that value cannot be represented in our research.

Hofstede (1991) ranks countries on each dimension in order to create two dimension cultural maps. An example of cultural map is shown in Appendix 20. The map correlates uncertainty avoidance with power distance: thus, it is possible to figure out
that societies with high power distance and strong uncertainty avoidance are expected to be more bureaucratic than societies characterized by low power distance and weak uncertainty avoidance, which are more decentralized and less hierarchic (Schneider & Barsoux, 2003). Then, in societies where power distance is low but uncertainty avoidance is high, there is a certain degree of decentralization during the decision-making process but rules and roles are more formal and defined, whereas high power distance and low uncertainty avoidance societies are more paternalistic, and roles and responsibilities are not clearly assigned (Schneider & Barsoux, 2003).

Rodrigues (1998) uses Hofstede’s classification as a tool to underline the influence that cultures have on cross-cultural management, as well as to develop programs for expatriate managers. The author points out the importance of knowing cultural differences when it comes to finding out and applying managerial style that better suits an organization, but he criticizes that classification as it is impossible to create a universally implemented rule or theory (Rodrigues, 1998). In fact, many researchers sustain also that specific situational elements affect individuals’ behavior, and the environment has to be singularly evaluated accordingly with the cultural environment (Rodrigues, 1998; Hickson, Hinings & Schwitter, 1974).

On the other hand, Jacob (2005) points out the increasing importance of other emerging concepts which diminish the contribution of Hofstede’s five value dimensions, considered static and limitative. As Jacob (2005) asserts, cultural diversities exist also within the national boundaries: countries can be culturally heterogeneous and hybridization of management styles and practices may arise. In particular, Jackson (2004) discusses the appearance of two new concepts, cross-convergence and multiculturalism, which are becoming more important as a consequence of the increasing contribution to cross-cultural management that different cultures confer. Jacob (2005) defines cross-convergence as the fusion of “management practices of two or more cultures, so that a practice relevant to a heterogeneous culture can be assembled” (Jacob 2005; p. 522). Similarly, Magala (2005) introduces the idea of hybridization which refers to the implementation of some segment of the management style of one culture to a different culture as it has been proved to be effective. The concept of multiculturalism, in turn, implies the management of sub-cultures within a nation, which has not been taken into account by Hofstede in his classification of societies (Jacob, 2005). This is because the power of some sub-cultures in a society might be as strong as to adopt a certain management style even if it does not fulfill the needs of the majority of the individuals pertaining to that society. Furthermore, Hofstede’s model has been increasingly criticized in its reliability as not reflecting the actual state of affairs; in fact, the study has been undertaken at the end of the 1970s and cultures may have modified (Lowe, 2001; Sondergaard, 2001).

Hampden-Turner and Trompenaars (1994) undertook another study on cross-cultural management identifying seven value dilemmas in order to explain cultural differences. This classification is also useful for managerial purposes to “understand key cultural differences between the approach taken by different nationalities to the process and practice management” (Morden, 1999; p. 26). According to Morden (1999) universalism versus particularism is the first dilemma. It measures the level of bureaucracy that should exist in a society for it to remain reliable and efficient. Second, analyzing versus integrating refers to the necessity for both analysis of managerial concepts and approaches, and their further integration into the environment. Then, individualism versus communitarianism regards the way enterprises involve and motivate their employees, and the individual participation of each of them in the benefit
of the organization they work for. Further, boundary management determines the direction and purpose of the value system. The fifth value, time as sequence versus time as synchronization, discusses the length of time horizon of the company management as well as the speed or synchronization in which things are done. Achieved status versus ascribed status refers to the allocation of status which can be determined by criteria directly related to the company behavior within the market or some other features, such as age, education, length of service, or seniority; finally, the last value is equality versus hierarchy which refers to the level of hierarchy or equality characterizing an organization (Morden, 1999).

Phatak (1986) presents other five values (individualism, informality, materialism, change, and time orientation) that managers should know when dealing with foreign cultures. In particular, the author focuses his investigations on comparing Western and non-Western societies. Thus, for the purpose of our research, Swedes are considered part of Western society as well as North-west Russians, while South-east Russians – as part of non-Western society (Phatak, 1986).

3.4.3. The Russian managerial culture

Managerial culture is an important component that has to be highlighted when organizations aspire to expand their business. Russian cultural features, barriers, and obstacles in relation to Western managerial culture have been deeply discussed by a number of authors. For instance, comparing Russian managers’ behavior with that of their Western Europe counterparts, Schneider and Barsoux (2003) argue that Russians are rarely allowed to take initiative and therefore follow the rules in order to accomplish their tasks. Moreover, Russians are claimed to not associate themselves with the organization they are working in and as a result to not have a long-term orientation towards the organization.

Although Hofstede did not include Russia in its original research, other researchers employ the first four Hofstede’s values to underline the main features which characterize Russian society. Thus, high power distance, high uncertainty avoidance, low individualism, and low gender distinction are the findings that Anbari et al. (2003), Elenkov (1997) and Bollinger (1994) show in their works. Fey (2005) addresses to historical events and periods, such as Communism, as the main reasons why Russian society is characterized by high power distance. Fey (2005) and Elenkov (1997) also relate high uncertainty avoidance and the low level of individualism to the Communist system diffused in the country, which contributed to spreading among people a wish for certainty and security about the future as well as a culture of collectivism. Nonetheless, it is also masculinity which characterizes Russians. In fact, Fey (2005) describes Russians as more masculine because of the weak capability of people to influence someone else’s decisions about the future.

Besides describing Hofstede’s classification, Camiah and Hollinshead (2003) focus their research on the complex relationships among young Russian managers working in a cross-cultural environment and their western expatriate counterparts, who encounter cultural barriers when settling in Russia, language above all. Nonetheless, obstacles are also perceived by Russian managers who face diversities, such as a different orientation to work and national cultural issues. In this regard, previous studies undertaken by Elenkov (1997), show the complexity of the Russian national culture and its difference from the Western one. The same author (1997) also affirms that Russians typically
consider personal relationships and informal connections as important tools that foreign companies should apply to successfully establish a business within their national borders. Accordingly, Conner (1991) underlines the important role that personal relationships play within the Russian society and the strong linkage Russians have with the members of their family, which also influences the way individuals act even in their adult life. This characteristic can be correlated to Phatak’s (1986) individualistic value which has been defined as the extent to which an individual feels free to conduct his/her personal life. Furthermore, Phatak (1986) and Fey (2005) describe Russian attitude towards time: time is considered as an unlimited and never ending resource, so being late is socially tolerable. A high degree of informality also defines the way Russians make business: “it is customary to converse first about unrelated matters before starting the business discussions for which the meeting was arranged” (Miroshnik, 2001; p. 531-532) otherwise negotiations and agreements can be seriously compromised. Nonetheless, according to Phatak (1986), Russians are less materialistic than Western people, and more importance is attributed to nature.

Bollinger (1994) conducted a study of the Russian society, and he identifies three important values that can be taken into consideration. First of all, he focuses on the appropriate management style, which in Russia is autocratic because of both the high power distance and the strong collective attitude that characterize that society. Then, he describes motivation as the extent to which employees are involved in what they are doing, so security and sense of belonging have been considered the strongest motivators for Russian managers. Finally, the author addresses the implicit organizational structure, which is pyramid-shaped, bureaucratic, formal and centralized.

3.4.4. The Swedish managerial culture

A number of authors have focused their investigations on Nordic managerial culture and style, and certain practical characteristics can be easily extracted through the observation of the major cross-cultural studies (Tixier, 1994; Smith, Andersen, Ekelund, Graversen, & Ropo, 2002; Fey, 2005). More precisely, for the purpose of our research, we identify the major features characterizing the Swedish managerial culture. Based on Hostfede’s cultural dimensions (1980, 1994), Fey (2005) and Smith et al. (2002) attribute to Swedes low power distance, moderately low uncertainty avoidance, high individualism and high femininity. The outcomes achieved by Hostfede in his study can be explained by the certain social features that characterize the Swedish society. For instance, the low power distance is addressed to the high level of equality which is part of the Swedish national culture (Fey, 2005). In this regard Smith et al. (2002) affirm that Swedish managers normally consult their subordinates, co-workers and specialists when it comes to decision-making, because decisions are the product of a group process. Thus, the Swedish managerial culture can be considered both participatory and flat: the hierarchical level is weak and employees are encouraged to participate in the decision-making process rather than simply accomplish their tasks (Tixier, 1994). “Swedish management style is characterized as decentralized and democratic. Company organization charts generally have a horizontal structure” (Tixier, 1994; p. 10).

Nonetheless, Hayden and Edwards (2001) underline the high level of independence Swedish managers and employees have within their work environment. Within Swedish companies there is little direct supervision over the employees, and semi-autonomous teams are considered an efficient tool for developing projects. Equally, informal
Managerial style has been widely diffused because it favors the achievement of good managerial results (Hayden & Edwards, 2001).

The Swedish society is also characterized by a moderately low uncertainty avoidance as there is relatively weak reliance on formal rules and norms (Fey, 2005). However, Hayden and Edwards (2001) state that Sweden is characterized by “formality in a culture of equality” (Hayden & Edwards; p. 499) because of the number of regulations on which Swedish rely. High individualism and high feminism are also a typical feature of Swedish society (Hofstede, 1980b, 1994). Thus, Swedish management has been described “as based upon ‘social individualism’” (Smith et al., 2002), which combines the two values identified by Hofstede (1980a; 1994).

### 3.4.5. Differences and similarities between Russian and Swedish managerial culture

For the purpose of our research, we are interested in the comparison of the Russian and Swedish cultural features. In particular, we focus on the differences between the two cultures as well as the similarities that might exist. The Table 1 summarizes the cultural differences between Russia and Sweden according to Hofstede’s model (1980b). The table was developed by Fey (2005) through merging Hofstede’s original study (1980b) and Elenkov’s (1997) study on Russian culture. This is because, as already mentioned in the “the Russian managerial culture” section of this chapter, initially Russia was not included into Hofstede’s classification of societies.

<table>
<thead>
<tr>
<th>Hofstede’s values</th>
<th>Russia</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualism</td>
<td>40</td>
<td>71</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>87</td>
<td>29</td>
</tr>
<tr>
<td>Masculinity</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td>Power distance</td>
<td>89</td>
<td>31</td>
</tr>
</tbody>
</table>

The table shows that Sweden is characterized by high individualism, whereas in Russia it is relatively low. Uncertainty avoidance and power distance are much higher among Russians than Swedes. On the contrary, Sweden has a very low degree of masculinity, while Russia registers a higher degree.

Furthermore, Fey (2005) accompanies his research with a more qualitative evaluation of the differences between Russians and Swedes. First of all, Russians give a lot of importance to personal relationships both in the professional and private life as a consequence of the strong influence familiar linkages have on their everyday life (Conner, 1991; Elenkov, 1997). On the contrary, Swedes are more individualistic (Fey, 2005). Secondly, the perception of time is completely different between the two cultures; Russians are flexible about time, whereas Swedes appreciate punctuality (Fey, 2005; Phatak, 1986). Then, Fey (2005) associates to Swedes certain perfectionism when doing things: they prefer to rely on plans and tactics. This is different from the Russian way: in this case completion of a task relies on experience of people, and planning is considered less important when it comes to performance (Berglund & Löwstedt, 1996).
To sum up, cultural differences play an important role during the internationalization process particularly in stakeholder management. As highlighted above, Russian culture is a very particular one, and it greatly differs from the Western culture (Elenkov, 1997). Consequently, if not prepared well, a Western company may encounter difficulties when penetrating the Russian market, specifically when interacting with both internal and external stakeholders.

3.5. CONCLUSION: conceptual development of the linkage between stakeholder management and cross cultural management within the internationalization process

The conceptual framework that sustains our research is based on the linkage between stakeholder management, cross-cultural management and the process of internationalization of a Swedish company into the Russian market. According to the model developed in Chapter 4, among critical success factors of the retailer internationalization we identify stakeholder management as the one which majorly affected the expansion of IKEA to Russia (Elg et al., 2008). The internationalization process of IKEA has been considered an international project as such. It involved internal and external local stakeholders, whose values, customs, culture and expectations “may differ from those of the focal entrant organization” (Aaltonen, Kujala, Lehtonen, & Ruska, 2010). Stakeholder management theories and approaches have been thus discussed in order to find out what kind of strategy IKEA is applying on the Russian market.

Moreover, stakeholder management is related to cross-cultural management when it comes to multinational companies’ internationalization (Miroshnik, 2002). For the purpose of our research, cross-cultural management is considered an integrated part of stakeholder management. The environment, in which a business is inserted, and stakeholders, that take part in internationalization, represent important factors that might determine the success or failure of the company expansion in a new market. In other words, both the external and internal cultural setting in which stakeholders are inserted should be continuously monitored by managers because “different cultural environments require different managerial behaviors” (Miroshnik, 2002). In fact, strategies, approaches and structures that fit one cultural environment may not be successful in another (Miroshnik, 2002; Rodrigues, 1998).

Diversities in culture may lead to problems for an international organization but they can also create advantages. Therefore managers have to bear in mind differences among cultures and consider them both an opportunity and a threat (Rodrigues, 1998). According to Miroshnik (2002) major disadvantages caused by cultural diversities can be addressed to the way of thinking, acting, and communicating while, when it comes to creativity, flexibility and expansion of a business, cultural diversities lead to a number of advantages.

Given the importance of stakeholder management in the internationalization projects, there exists a knowledge gap that we will try investigate. More specifically we will try to see the connection between all three elements mentioned in the literature review: internationalization, stakeholder management and cross cultural management using an example of a particular company. We dedicate the next chapter to the analysis of the linkage among internationalization, stakeholder management and cross-cultural management in order to formulate the research questions of our study.
CHAPTER 4: MODELS OF THE RESEARCH STUDY

4.1. INTRODUCTION

In order to have a better understanding of our research project, a number of models were developed. These models portray the pathway of our study, as well as visually represent the direction of the research undertaken.

We start with giving a “big picture” of our study, i.e. where we locate our research among other related matters. As the literature review chapter described the main concepts of internationalization, stakeholder management and cross-cultural management, we would like the readers of this dissertation to have a better distinction between these concepts and see a thread that connects stakeholder management with internationalization and cross-cultural management (Figure 1). We would also like to demonstrate interdependence of the abovementioned concepts.

We then focus on stakeholder management as the main topic of our dissertation, and come up with another model, that expresses what exactly we would like to find out as a result of our research (Figure 2). Thus, we would like to analyze what kind of strategy the global retailer is applying on the Russian market for stakeholder management, whether it is planned or emergent, and whether what was planned differs from what was implemented in practice. Then stakeholder management theory can either be justified or enriched with additional propositions.

Our final model (Figure 8) is actually a tool that is composed of existing theories and models, and that we would like to use in order to analyze the stakeholder environment of the global retailer under investigation, and develop appropriate stakeholder strategies. These strategies, based on theoretical knowledge, will be then compared with what was actually done in practice.

To sum up, the three models will represent the theoretical foundation of our study, help to refine our ideas and formulate the research questions.

4.2. LOCATION MODEL

Figure 1 represents the location model of our study: in it we tried to locate stakeholder management, main topic of our research, among other related matters and show their interdependence. Thus, stakeholder management, together with a number of other independent variables, determines the success of the internationalization process, which therefore is considered a dependent variable. However, the success or failure of stakeholder management is in turn shaped by other factors, cross-cultural management among them. Thus, stakeholder management is dependent on the success of cross-cultural management combined with other variables, and at the same time, together with other matters, it determines the success of the internationalization process. Stakeholder management is thus a dependent variable in terms of cross-cultural management, and an independent variable in terms of internationalization.

Below we will describe the critical success factors of both internationalization and stakeholder management according to the literature, and complement them with our considerations about their practical occurrence during the internationalization process of IKEA into the Russian market.
First of all, the external environment, or context, in which the organization is inserted, plays an important role in the internationalization process because it encompasses all the features configuring the country in which the company aspires to expand. Economic and institutional factors as well as local regulations, laws and taxation system have an impact on the success of the internationalization. In this regard, Roberts (2005) describes the Russian market as a peculiar area for expanding business because rules are extremely bureaucratic and constantly change or contradict each other. Furthermore, customer behavior towards new brands is another environmental factor that should be considered as determining the success of the internationalization process (Roberts, 2005). Russian consumers are generally open to new brands so that IKEA and other retail companies could benefit from it (Karpova, Nelson-Hodges & Tullar, 2007).

A further critical success factor of internationalization is the availability of know-how and unique and adequate resources, which constitute firm’s competitive advantage (Kotha, Rindova & Rothaermel, 2001). In terms of IKEA, the know-how can be its unconventional product concept – cheap, stylish, functional, and of adequate quality – combined with its strong organizational culture and values – openness, “Swedishness”, friendliness (Kling & Goteman, 2003). Other competitive advantages of IKEA, that are difficult to imitate by competitors, are its supplier selection process (Baraldi, 2008), organizational structure and value chain. The unique resources that IKEA might possess include financial funds, as expanding to a new market, building new stores, hiring new personnel, doing advertising campaign require a lot of capital investment; and political resources, since this company is a major Swedish investor into Russia.

In addition, Durand (2007) affirms that the ability to create political and social connections is a critical success factor of the process of internationalization because a strong network of relationships affects the way the company enters a new market and, consequently, the outcomes of the international expansion itself. In this regard IKEA applied a right strategy in that it started doing networking long before it entered the Russian market (Dahlgren, 2010). Moreover, after penetrating the market the company put a stake on personal relationship-building with its partners: suppliers, contractors, government and others (Baraldi, 2008; Ghauri, Tarnovskaya & Elg, 2008).

The brand image and reputation also represent a success factor (Kotha et al., 2001). For instance, to keep a consistent company image IKEA can count on strong organizational culture and uncompromising Code of Conduct, product quality and standardization, development of an effective marketing campaign, reliability of its customer service, and distribution of a well designed catalogue (Roberts, 2005). IKEA’s brand and image are among core values of the company, and IKEA’s success worldwide relies on it to a great extent.
Figure 1. Location model of the study.
Maintaining good image among consumers is impossible without superior design and quality of the items commercialized. Thus, as stated by Dupuis and Dawson (1999), a retailer such as IKEA applies the principle of quality at three different stages of the product life cycle: creation, when each product is designed within the IKEA laboratories in respect with IKEA standards; range, i.e. the requests of each customer segment are met thanks to the design and production of a set of items; and use, which implies that tests to assess the workability and resistance of the products are constantly performed. The experience an organization has in internationalizing its business worldwide is another important asset on which IKEA can rely. Although the organization does not invest many of its resources – time and money - on studies related to internationalization, it is able to successfully expand worldwide by employing managers’ qualitative judgments as well as by keeping the original way of working instead of adapting to each particular market (Dupuis & Dawson, 1999).

Finally, we consider stakeholder management as the major determinant of the international expansion of IKEA to the Russian market (Elg et al., 2008). Thus, not only key stakeholders, such as local government, suppliers and employees, are important players in influencing decisions and negotiations of a foreign company, but also extensive communication among all the actors involved in the internationalization process is required (Bamossy & Brouthers, 1997; Elg et al., 2008).

The model developed shows the influence that some other independent variables have on stakeholder management. Cross-cultural management, performance management and communication management are elements that affect relations with and among stakeholders (FitzPatrick, 1997; Bourne et al., 2003). According to FitzPatrick (1997), communication management is critical in order to identify, understand and manage all the stakeholders who take part in the development of the project. It is also a necessary tool to gain stakeholders support and to keep them constantly informed about the progress of the activities. Performance management represents another component of stakeholder management as monitoring, improvement and acknowledgement of performance have a positive effect on all stakeholder relationships (Bourne et al., 2003).

However, in our study we pay particular attention to cross-cultural management because we believe that whatever internationalization experience an organization might have, local and entrant’s cultures will inevitably collide. Therefore, cultural differences are something to consider on the first place when an organization enters a foreign market. In fact, the knowledge of cultural features and diversities were determinant elements that IKEA management had to know when expanding its business into the Russian market because a deep understanding of both the Russian way of doing business and the Russian national culture could favor the expansion of the Swedish retailer in that country (Elg et al., 2008).

In this subchapter in order to give a “bigger picture” about the research undertaken we tried to locate stakeholder management among other matters that are important for the company’s internationalization, as well as define critical components of stakeholder management. The next subchapters will continue with a more detailed investigation of stakeholder management and present various models that were developed.

4.3 MODEL OF THE RESEARCH

After having defined the pathway of the study, it is important to understand the stakeholder management process applied by a global retailer when internationalizing to
the Russian market. The visual model of the research (Figure 2) helped to formulate more precisely the questions addressed in the study. These are listed as follows:

1) Does the company apply any stakeholder management methodology or strategy? In the corporate headquarters? In Russia in particular?

2) How do everyday real life actions fit or correspond to what is planned? How do real life actions in turn shape the strategy?

3) To what extent strategies applied in practice differ from those suggested by theory?

Figure 2. Model of the research.

The two arrows connecting Stakeholder Management Strategy and Stakeholder Management Actions boxes imply that strategy can determine action and action can in turn affect strategy, and in our research we would like to find out how it works in reality for a particular retailer.

In the real life context it can happen that step two (Stakeholder Management Strategy adopted in the company) does not exist at all. The company can lack people responsible for stakeholder management, or this function can be part of a general manager’s
responsibility. Although it is possible that the company does not have any explicit stakeholder management methodology, the stakeholder management strategy can be emergent, i.e. exercised implicitly and subconscious (Mintzberg, 1994). Factors such as organizational culture and values, personal characteristics of managers may impact the strategy formation and implementation in each particular moment.

While this subchapter has explained more in detail our research implications and questions, as well as how practice fits into theory, the next one will present the theoretical foundation for the stakeholder management framework that we developed.

4.4. THEORIES APPLIED IN THE STAKEHOLDER MANAGEMENT MODEL

Taking into consideration the specifics of the Russian market, we believe that the most suitable models for stakeholder management in the abovementioned market are:

- Rowley’s (1997) network approach
- Power/interest grid (Johnson et al., 2008)
- Frooman’s (1999) resource dependency matrix
- Mitchell et al.’s (1997) typology of stakeholders
- Hofstede’s (1980b, 1994) classification of societies

We consider that elements of these models are clearer and easier to define than elements of other models. Although it is quite difficult to attain real market data about, for example, the centrality of the organization in the network, or possible power of its stakeholders, this information can be assessed using accumulated managerial experience. This confirms the influence of managerial characteristics on general management of the organization, and consequently on stakeholder management (Waldman et al., 2006; Agle et al., 1999; Boesso & Kumar, 2009). Moreover, stakeholder management strategies improve over time, as managers become more familiar with the surrounding environment and stakeholders of the company.

The choice of models can also be supported by our observation, derived from the literature review of stakeholder management literature, that the majority of other approaches are derivatives of the aforementioned models. We would like also to highlight, that the model developed may change after the analysis of primary and secondary data obtained in our research.

Before presenting the stakeholder management model, it is essential to give a brief description of the theories applied in the study. They are explained below.

1) Rowley’s (1997) network approach (Figures 3 and 4). According to this approach the power of organization depends on its position in the network of stakeholders (centrality) and on density of this network. Thus, for example, if an organization holds a peripheral position and the network is not dense, then there is little possibility to influence stakeholders. Similarly, if the organization has a central position and the network is dense, then there is more opportunity to affect behavior of stakeholders.
2) Power/interest matrix (Johnson et al., 2008) (Figure 5). Stakeholder actions may depend to a large extent on the interest they have in the activities/projects of the focal company, and on the ability to influence the actions of the company and the environment around it, that is power. The focal company can use a special tool – power/interest matrix – in order to identify, characterize and classify its stakeholders, and thus be ready to interact with them in the way most favorable for the organization.
3) *Frooman’s (1999) resource dependency matrix* (Figure 6). According to the perceived resource dependency between the focal organization and its stakeholders, Frooman (1999) developed a matrix which outlines possible Stakeholder Management strategies. Thus, by withdrawing or limiting access to resources, whether directly or through a third party, stakeholders can affect the firm’s activities and strategy, and vice versa: the firm can influence its stakeholders.

4) *Mitchell et al. (1997)* developed a *typology of stakeholders* (Figure 7) according to their characteristics: power, urgency and legitimacy. Thus, an organization can assess stakeholder attributes according to the experience and data it possesses, and apply certain strategies for managing particular groups of stakeholders.
5) **Hofstede (1994)** developed one of the most important studies on cross-cultural management. He classified societies according to five different cultural values: power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity and Confucian dynamism. Thanks to these values it is possible to understand how national cultures affect each organization managerial culture as well as the behavior of both managers and employees within organizations. Furthermore, it is also considered as a tool for understanding cultural differences so that better relations with all the stakeholders can be built.

Above we outlined main theories used for the development of stakeholder methodology, that will be used to assess stakeholder management environment of a particular company and develop strategy recommendations. This methodology will be presented in the following subchapter.

### 4.5. STAKEHOLDER MANAGEMENT MODEL

Having analyzed theories related to stakeholder management and having added some other aspects that we consider bottlenecks of stakeholder management, we developed a model (Figure 8) that characterizes the relationship between the company and its stakeholders, and therefore helps to make the most appropriate and suitable strategy choices. Our model is based on the kaleidoscope approach since we believe that this approach best captures the complexity of stakeholder management and relates it to everyday operations of the company. The components of the model are: context in terms of stability of the business environment; power, legitimacy and urgency; resource dependency, cultural differences, interest in the firm’s projects; position in the network and its density; strategy choices in terms of cross-cultural, communication and performance management. Strategy choices in fact correspond to critical success factors of stakeholder management mentioned in the location model of our study (Figure 1).
The components of our stakeholder management framework are discussed below more in detail.

**Context: stability of the business environment.** Context is an important element of stakeholder management, as strategies of the firm are shaped significantly by the external environment. In our framework we regard stability, or dynamics, of the surroundings as a critical attribute of the context in which a company is operating. For example, if the environment is dynamic and it is changing constantly, attributes of the company itself and of its stakeholders may change over time. The firm should therefore be able to constantly monitor its surroundings, and be perceptive and flexible enough to timely adjust its strategies. Its strategies may as well be emergent and will thus depend on a particular situation.

**Resource dependency** variable follows Frooman’s (1999) approach and helps to find out to what extent the company and its stakeholders are dependent on each other in terms of resources. This approach gives a clear picture of how a stakeholder might act towards the organization, or in turn how the organization can channel its resources in order to influence a stakeholder.

**Culture** element takes into consideration the differences in culture and mentality between the focal organization and its stakeholders on the local market. However, in our case-study we do not regard the culture of the country where the focal company comes from, as it is already embedded in the company’s organizational culture. Thus, IKEA is constantly mentioned in the media due to its “Swedishness” (Kling & Goteman, 2003). Cultural gap maybe measured and characterized according to Hofstede’s methodology. (Hofstede, 1994; Rodrigues, 1998).

The **interest** component considers the level of interest a stakeholder may have in a project of the company, and whether the interests of a stakeholder are similar or different from those of the company. Interest in combination with the power of a stakeholder (following the power-interest grid) gives yet another perspective on possible stakeholder actions, and consequently on how these should be managed.

**Network** variable addresses the position, or centrality, of the focal organization in the network and respective to its stakeholders, as well as the density of the network. Thus, for example, if the network is dense and information among stakeholders is shared quickly and easily, then the company should be careful with its actions and try to utilize this situation for its own benefit. This variable follows Rowley’s network approach.

**Power, legitimacy and urgency** described in the approach of Mitchell *et al.* (1997) give another perspective on the typology of stakeholders according to their perceived attributes. It is thus possible to foresee actions of a certain stakeholder according to their aforementioned attributes, and use preventive measures. In detail, **power** highlights the impact that a stakeholder may have over the organization, or the ability to influence the organization’s activities. According to Weber (1947), power is "the probability that one actor within a social relationship would be in a position to carry out his own will despite resistance". **Legitimacy** is defined in terms of whether or not a stakeholder has a legal relation with the organization, by for example signing a juridical contract. **Urgency** in turn can be explained in terms of time-sensitivity and criticality to a stakeholder (Mitchell *et al.*, 1997), and whether an immediate attention should be paid to a stakeholder matter.

Having assessed and described all the variables within the kaleidoscope as well as having analyzed the business environment, it is possible to work out the **Strategy**
 Choices of a company towards its stakeholders. Following the location model that we developed previously, strategy choices imply development of actions in terms of cross-cultural, performance, communication management and other measures.

In the following chapters of the dissertation we will try to apply the model that we developed to the context of IKEA’s operation in Russia, and we will try to find out whether any real-life strategy could be developed out of it, and whether this strategy corresponds to the one applied by IKEA in reality.

Figure 8. Stakeholder management framework.
CHAPTER 5: RESEARCH DESIGN

5.1. INTRODUCTION
This chapter has the objective to clarify the design of our research. In particular, we would like to explain the general purpose of the study as well as the major assumptions behind research decisions. We briefly explain the preconceptions of our study and dedicate a section to the description of the tools adopted to undertake the research. The chapter begins by addressing the purpose of our research.

5.2. PURPOSE OF THE STUDY
The purpose of our research is the analysis of the challenges a multinational retailer (IKEA) faced when internationalizing its business to the Russian market. In particular, we focus on the study of stakeholder management methodologies that encompass major characteristics of stakeholder-company relations. Furthermore, we complement our research by discussing some cross-cultural management issues related to both the Russian and Swedish culture, such as the cultural gap a company like IKEA encounters and overcomes when penetrating a new market. The purpose of our study helped us to identify the research method as well as the type of the information collected.

5.3. RESEARCH PRECONCEPTIONS
A previous knowledge about stakeholder management has been developed during the Strategic Project Management module at Heriot-Watt University in Edinburgh, UK, as well as during the Project Management module at MIP, Politecnico di Milano, Italy, where we were asked to develop projects taking into consideration how key stakeholders were affected by the projects. However, our understanding and knowledge about the topic needed to be improved and enhanced in order to better explain the importance of stakeholder management in the process of internationalization of a retailer. Furthermore, interest in cross-cultural management has been developed during the seminar “Managing Across Cultures” at MIP, Politecnico di Milano, conducted by Dr Raffaella Bossi Fornarini. Because of the lack of knowledge about the company (IKEA), we started our research by investigating the matters related to it. Thus, our research began with a reasonable familiarity with both stakeholder management and cross-cultural management but a less knowledge of the company itself and its process of internationalization. The previous interest showed towards our dissertation topic obviously impacted the depth of our research as well as the way we conducted our study. Moreover, the Russian nationality of one of the authors favored the collection and analysis of the information that was available only in Russian; and her direct knowledge about the country enhanced the reliability of our study. Both authors are attending the joint Masters in Strategic Project Management (European), and will be graduating in January 2011.

5.4. RESEARCH ASSUMPTIONS
The successful history of IKEA in internationalizing its business worldwide described by many researchers within the management literature has lead us to focus our attention
on the internationalization process applied to stakeholder management. Although we did find a lot of reliable and trustful secondary data related to internationalization in the Russian market, our main objective was the analysis of stakeholder management. This aim was also favored by the availability of an array of consistent secondary data and interviews with people working in IKEA. We assume that all the information we have gathered is reliable and relevant for our research, as it comes from certified databases. We can also rely on the experience of the people we directly interviewed. Because of the long waiting time intervening between the preliminary contacts and the interviews, we were able to perform a limited number of interviews that we compensated with the auxiliary usage of secondary data, from which we extracted interviews made to IKEA’s employees previously. The use of secondary data also helped us to triangulate the information that we gathered, thus bringing in more objectivity to our study. In this regard, a deep analysis of the research undertaken by Veronika Tarnovskaya (2007) and Anna Jonsson (2008) within their doctoral dissertations facilitated us to fill the shortage of primary data.

Moreover, because of the increasing attention in literature towards the internalization of Western global retailers, such as IKEA, Auchan and Carrefour, into the emerging markets, we consider Russia a fertile field to investigate (Lorentz et al., 2006). For the sake of our analysis, we consider as key stakeholders affected by the internationalization of IKEA the following market actors: government, suppliers and employees/managers. This is justified by the amount of secondary data we were able to collect, which resulted to be larger for the stakeholders we have abovementioned than for other ones (Table 4 in the Data Set Evaluation section of the Combined Empirical Findings and Data Analysis Chapter shows the relationship among the sources and the information related to each stakeholders they provide).

We also assume that not only stakeholder management is a key factor of internationalization, but also cross-cultural management is closely linked to it. In fact, knowledge and understanding of cultural diversities between the Russian and Swedish cultures are determinant for the success of IKEA’s expansion to the Russian market. What is more, according to Kling & Goteman (2003) it is assumed that Swedish culture is the reflection of the IKEA organizational culture so that when describing the Swedish culture we automatically refer to the company’s organizational culture as well. The IKEA organizational culture and its strong values represent a cornerstone of the company, and they have not changed considerably from the time of its foundation (Dahlgren, 2010). Therefore, we assume that no major difference in stakeholder management occurred during the entire period of expansion to Russia.

5.5 TYPE OF RESEARCH DESIGN AND RESEARCH APPROACH

We decided to conduct an exploratory study which allowed us to clearly define our research questions. We applied a qualitative and non-positivistic research design through which an interpretative approach to data has been adopted. In this way, it is possible to evaluate the occurrence of events within their context, and the subjective analysis that individuals address to different situations can be performed (Remenyi et al., 2005).
Table 2 developed by Marshall and Rossman (1995) matches the research questions we formulated with the strategies we were supposed to adopt in order to develop our study. Furthermore, it also constitutes a tool we used in order to identify the evidence-collection techniques. As soon as we defined the research questions which are explained in the Research Model section of Chapter 4 of this thesis, we chose the research strategy. The design type of our research is a case study which gives a holistic perspective of the research we undertake. In particular, the deliberate use of a single case study is justified by the availability of a well-formulated theory which can be validated, challenged, or enlarged (Remenyi et al., 2005).

Table 2. Matching research questions with strategy. Adapted from Marshall and Rossman, 1995.

<table>
<thead>
<tr>
<th>Purpose of the study</th>
<th>Research question</th>
<th>Research strategy</th>
<th>Evidence collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploratory:</td>
<td>Does the company apply any stakeholder management methodology or strategy? In the corporate headquarters? In Russia in particular?</td>
<td>Case study</td>
<td>Participant observation</td>
</tr>
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<td></td>
<td>How do everyday real life actions fit or correspond to what is planned? How do real life actions in turn shape the strategy?</td>
<td>Field study</td>
<td>Semi-structured interviewing</td>
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<tr>
<td></td>
<td>To what extent strategies applied in practice differ from those suggested by theory?</td>
<td>Elite interviewing</td>
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Once we defined the strategy of our research, we chose the way in which data will be collected and analyzed. As Figure 9 shows, there are many methods of data collection that can be adopted when developing a case study. We chose interviewing as the approach that best satisfies the needs of our study (De Vaus, 2001). In particular, for two main reasons we decided to undertake focused open-ended semi-structured interviews, in which the respondents were asked to answer mainly the same type of questions. First of all, because of the time limit for interviewing each respondent (one hour each), we considered more efficient to have a standardized set of questions, as it speeded up the interview process. Secondly, once we collected all the data, we could compare and analyze it in a faster and easier way. However, we have also created a set of tailored questions according to the role of the interviewee within the organization and her/his relation to the key stakeholders (for instance, when interviewing the Human Resource Director, we generated questions about employees and managers).

Due to time constraint, we also supported our investigations with information and data extracted from a vast array of secondary sources. This also favored the triangulation of data and increased the level of accuracy and objectiveness of our study. In the search of literature for the review we tried to be as systematic as possible and to use as many different sources as possible – both academic and practitioner. In particular, for the purpose of our review we made the most out of multiple databases and information sources (such as Emerald, EBSCOhost, JSTOR, Google Scholar), as well as original books borrowed from the university library. In order to identify the most influential scholars in the area of interest, we examined reference sections of different works, as well as turned to journal ranking and cited reference search. Our review was conducted using key words, authors’ names and existing meta-analysis.
To sum up, the research approach can be summarized in eight steps: literature review, formulation of research questions, definition of the research strategy, definition of the method of data collection, interviewing, data collection, elaboration and analysis of the outcomes, development of conclusions and recommendations.

5.6 UNIT OF ANALYSIS AND SAMPLE CHARACTERISTICS

The unit of analysis in our study is management of key stakeholders by IKEA, due to their importance for the success of the internationalization in Russia. In order to have a clearer profile of the people to interview we firstly identified the key stakeholder groups to be considered in our study. According to the wide availability of secondary data we found during our initial research, we considered key the following stakeholders: government, suppliers and employees/managers. Thus, sample of our research are all those individuals who deal with the key stakeholders. Consequently, we identified the possible respondents for our interviews according to role and position occupied within the organization, overall experience on stakeholder management and internationalization, and degree of relation with stakeholders. The ideal candidate for the interview is then an employee/manager with implicit or explicit experience of stakeholder management during the internationalization process in the Russian market.

As abovementioned, open-ended semi-structured interviews have been chosen as the most optimal approach because, on the one hand, they help the respondent to have a clear picture of the research study. On the other hand, they facilitate the extrapolation of the critical information needed to answer the research questions (Remenyi et al., 2005). As stated by Sturges and Hanrahan (2004), a qualitative research usually relies on face-to-face interviews. However, telephone interviews are also widely used and are considered an acceptable method of data collection (Sturges & Hanrahan, 2004) for a number of reasons. First, they allow to access hard-to-reach respondents, such as people who are difficult to meet in person because of their reluctance and/or time or geographical constraints (Sturges & Hanrahan, 2004). Then, they are also cost- and time- effective (Sturges & Hanrahan, 2004): the physical achievement of our respondents would have had a significant cost in terms of money and time. However, it is possible to identify some disadvantages about making telephone interviews: nonverbal communication as well as the behavior of the respondents cannot be seen (Creswell, 1994). According to Sturges & Hanrahan (2004, p. 115), although the “lack of visual cues reduces the ability of the researcher to determine how involved the respondent is”, “the telephone does not preclude such an assessment” (Sturges & Hanrahan, 2004, p. 115).

The interview guide of our study is composed of 14 to 17 questions which have been formulated after undertaking the literature review and examining previous interviews by other researchers (Tarnovskaya, 2007). The questions have been subdivided into categories: first of all, there are two introductory questions; then, two questions relate to internationalization; five questions refer to stakeholder management; three questions address cross-cultural management; and, finally, from two to five “tailored questions” were formulated according to the capacity of the respondent within the organization (Appendix 21). We tried to establish preliminary contacts with people connected to the organization by handing out a Cover Letter sent through email in which we explained the purpose of our study (Appendix 22). A follow-up of 12 people has been done but just five of them were available for the interview. Thus, we had four phone interviews and one face-to-face interview one hour long each.
The five respondents covered different capacity within the organization. Respondent one was a Programme Manager at IKEA Services at the time of the expansion phase of the company to the Russian market. She could provide a consistent amount of information regarding government and suppliers while little information was given about employees, Ingvar Kamprad and other stakeholders. Respondent two is the Managing Director of IKEA Torg in Russia. He was involved in the set-up of IKEA in Russia in the 1998 and covered the capacity of Human Resource Director in Russia from 2001 to 2009. He mainly gave us information about employees but he also could answer in a very detailed way questions related to government, suppliers and other stakeholders due to his deep knowledge of IKEA’s operation on the Russian market. Respondent three is a technician who has been working for IKEA for seven months. As he constantly deals with suppliers, he could give us extensive information related to them and moderately little data regarding other stakeholders. Respondent four is Operations Manager at IKEA Retail in Moscow since 2008. She provided information about local government and suppliers but little data could have been gathered about all other stakeholders. Finally, respondent five is Suppliers Manager at IKEA Retail in Russia. He has two years of experience within the organization and he mainly provided information about suppliers. He also had knowledge about government, employees and customers.

5.7 ETHICAL ISSUES

Some ethical considerations must be mentioned in order to justify the actions undertaken by the authors during the collection of data, coming from both primary and secondary sources. First of all, in order to ensure the respect of the privacy and guarantee confidentiality of the information given by the respondents of the interviews, we created a cover letter in which it has been explicitly mentioned that all the information will be treated with discretion and for academic purposes only. Moreover, none of the names of the respondents have been quoted in this paper without their permission.

We also referenced all the material we used when writing this paper. This is because the acknowledgement of all the primary and secondary sources is very important for the reliability of a research. Thus, we ensure that all the efforts have been made to carefully quote and reference the secondary data coming from consistent sources, such as books, academic journal articles and academic materials.

5.8 CONCLUSIONS

To sum up, Table 3 shows the summary of the Research Methodology and Design approaches, which we have described in Chapter 2 and 5 of this thesis. The visual representation of these approaches allows the reader to have a big picture of the tools we adopted in order to answer our research questions and achieve our research objective. Thus, the next step of our research is the discussion of empirical findings and analysis of data collected.
<table>
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</tr>
<tr>
<td><strong>Ontological consideration</strong></td>
<td>Subjectivism (Constructivism)</td>
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<tr>
<td><strong>Research approach</strong></td>
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<td><strong>Purpose of the study</strong></td>
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<td><strong>Method</strong></td>
<td>Qualitative data analysis</td>
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<td><strong>Data collection</strong></td>
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<td><strong>Type of interview</strong></td>
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6.1. INTRODUCTION

In this chapter we systemize and analyze the information that was gained both from primary and secondary sources, and compare strategies used by the retailer in practice to those suggested by theory. The chapter begins with listing and describing different information sources that were used in the study, and proceeds with the explanation of the IKEA network. We then address what approach IKEA used towards its stakeholders in real life by evaluating the data provided by the respondents during interviews and complementing it with the secondary data found in the literature and corporate materials.

Next, we apply the Kaleidoscope model, which was developed in Chapter 4, and try to come up with strategies according to theoretical propositions. We then compare theoretical recommendations with strategies that were used by IKEA in reality. This allows us to make a conclusion about how well practice matches to theory and to discuss the differences between the theoretical findings and the data gathered from practice.

Due to the limitation of space and time, we focus on the study of only three key stakeholders and on a brief analysis of other stakeholders related to IKEA’s internationalization in Russia.

6.2. DATA ANALYSIS

In order to illustrate the primary and secondary sources that we used, we developed a table in which the contribution of each source has been outlined (Table 4). There, we listed the stakeholders related to the internationalization process of IKEA in Russia, and used the symbol “X” when the source could provide consistent information about a particular stakeholder. If the source provided no data about the stakeholder, we used the symbol “Ø”.

Table 4. Review of the literature about IKEA.

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<td>Respondent 4</td>
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**Secondary data – Literature**

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**Secondary data – Corporate Materials**

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**Summary**

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CH = corporate Headquarters; IK = Ingvar Kamprad; GO = government; SU = suppliers; EM = employees; CU = customers; NGO = non-governmental organizations; ME = media.

As abovementioned in the Research Assumptions section of Chapter 5, our research is focused on the analysis of IKEA Russia’s management strategies towards three key stakeholders: government, employees and suppliers. The reasons behind this approach are explained as follows.

(i) The respondents of our interviews mentioned government, employees and suppliers as critical actors of the internationalization process of IKEA to Russia.

(ii) The secondary data points out the relative importance of these stakeholders.
From a quantitative point of view, Table 4 reveals that the number of mentioning is higher for those key stakeholders than the others involved in the internationalization process.

Although customers as stakeholders were also mentioned a significant number of times, we do not describe their influence in detail. This is because our respondents referred to them as the “least problematic” among IKEA Russia’s stakeholders (Respondent 2).

In order to stay more focused, in our research we are addressing only local employees, suppliers and government related to IKEA Russia’s operations. Thus, for example, we cover only personnel, both Russian and foreign, that is employed in IKEA Russia’s business units. We are examining suppliers located in Russia, and government of the Russian Federation (however interaction with government representatives could take place either inside or outside Russia).

The primary sources of information (people that possess knowledge about IKEA’s operations in Russia) were described more in detail in the Research Design Chapter. Here, we would like just to highlight their particular importance for our research: they were the sources of invaluable insider information and helped to verify our research findings. Exceptionally important for us was conversation with the Respondent Three, who acts as the Managing Director of one of IKEA Russia’s business units and participated in IKEA’s expansion to Russia from the very beginning. He described in detail the business processes applied in Russia.

Among the secondary sources we paid particular attention to the doctoral dissertations by Tarnovskaya (2007) and Jonsson (2008), as works by them comprised a great deal of data and analysis related to IKEA. Although their theses were devoted to market driving and knowledge sharing in IKEA respectively, they managed to conduct a big number of open-ended semi-structured interviews and undertake an extensive analysis of IKEA’s penetration of three different markets, Russia among them. Their works were thus useful for creating a general understanding of IKEA’s internationalizing strategy, as well as for being an excellent source of secondary data about IKEA’s penetration of the Russian market.

Another secondary data source that is worth mentioning is the book written by the ex-CEO of IKEA Russia, Lennart Dahlgren. His book includes memories of about a decade of his work in Russia (from 1998 till 2006), as well as his opinions and interpretations of the events that happened during that time. Having held a highly ranking position, Mr Dahlgren had a broad insight into what was happening in reality during IKEA’s internationalization to Russia. His practitioner point of view, together with conducted interviews, therefore, triangulated the theoretical knowledge that we gained from articles and books.

Another important source of data for our research was various corporate materials: these gave us information related to IKEA’s business performance, code of conduct, values and culture.
6.3. THE IKEA STAKEHOLDER NETWORK

In order to succeed in a new market it is important for a foreign entrant to do networking with different market players. During its expansion process IKEA utilized networking extensively and at different levels, and it was one of the critical success factors of the Russian market penetration. While the present chapter deals with strategies used for particular stakeholders (suppliers, employees, government, and others), this particular subchapter will provide an overall description of the IKEA’s network and of the stakeholder management approach applied.

We start discussion about IKEA’s stakeholder network by presenting the structure of the IKEA group of companies. As can be seen from Figure 10, IKEA itself has a rather complex structure and a significant number of internal stakeholders. Thus, apart from managing local stakeholders at the market where the retailer is internationalizing, it has to pay enough attention and monitor the internal stakeholders.

![Figure 10. Structure of the IKEA group of companies. Adapted from: Jonsson, 2008; p.105.](image)

During internationalization to the Russian market, IKEA had to deal with a great number of stakeholders, such as: federal and local government, individual politicians, media, suppliers, employees, customers, international political institutions and interest
groups, local non-governmental associations etc (Elg et al., 2008). The scheme of the complex interactions among stakeholders is presented in Figure 11.

Stakeholder networking was different at different stages of internationalization and at different levels of authority. During the initiation (search and project) phase, contacts at the global and macro level had more significance. These included such political and social players, as: international political organizations and associations, local and federal authorities, media (Elg et al., 2008). Thus, IKEA tried to make contacts in Russia at the high level during Ingvar Kamprad’s first visits to Moscow, as well as tried to influence customs fees during meetings with Russian officials in Brussels (Dahlgren, 2010). The picture is different during the establishment phase: social and business networks at macro and micro level become more critical for the company’s success. These networks cover suppliers, personnel, community and media. The significance of political network decreases, although it is still demanded by organization (Elg et al., 2008).

The interplay of relationships in different networks at different levels and during different entry phases is presented in Figure 12 below.
According to one of the respondents, due to the complex internal structure of IKEA, the company applies mainly internal stakeholder management methodology, which focuses on the analysis of the interplay between IKEA’s business units. Unfortunately, we were not able to get access to a more detailed framework of internal stakeholder management. Respondent 1:

“There are different legal entities [inside IKEA Group]. Even though everything is part of the IKEA family, they are completely different. And in most of the things you do within IKEA, you need to consider all those different companies, different functions, and this makes it very complex.”

In terms of external stakeholder management, when internationalizing to a new market, the retailer applies an approach that is based on profound research about the country’s business environment, market actors, and feasibility of operation there. According to one of our respondents, IKEA subdivides countries into clusters with similar characteristics: consumer behavior patterns, business practices and culture, political system, stability of the environment. Then the company conducts a thorough research, develops a certain penetration strategy and, if it is successful, replicates it for other countries within the cluster (Respondent 1).

Nevertheless, IKEA did not apply any particular strategy when entering the Russian market. On the contrary, the feasibility studies had a negative assessment of the market. It was the owner of the company, Ingvar Kamprad, who insisted on penetrating the market (Respondent 1). According to him, the strategy was chosen intuitively and it turned out to be successful (Tarnovskaya, 2007).

Having described the relationship between IKEA and its network of stakeholders, we will turn to the description of different approaches applied by IKEA in practice towards its key stakeholders on the Russian market, and compare them with theoretical propositions.
6.4. STAKEHOLDER MANAGEMENT STRATEGIES APPLIED IN PRACTICE

After having analyzed secondary and primary data, we could extract different strategies applied by IKEA towards its stakeholders in practice. Strategies of IKEA towards its three key stakeholders are described below.

6.4.1. Government

Under government we understand the Russian authorities at different levels, including low, middle and high level politicians both in the federal center and regions. For simplicity of perception we do not differentiate between these: our aim is to give a general picture of IKEA’s interaction with different kind of authorities.

Secondary data sources possess very scarce information about interaction of IKEA with the Russian authorities due to the “sensitivity” of this matter. However, it was possible to track IKEA’s approach towards the government from the media publications, personal interviewing and some practitioner secondary sources (such as memories of the ex-CEO of IKEA Russia). Thus, main strategies used by IKEA include: personal relationship building, lobbying, face-to-face meetings at different levels, discussions with politicians, different kinds of cooperation and knowledge transfer with authorities.

Interaction of IKEA with the Russian government representatives started a decade before the first shop was open. Thus, during early visits of Ingvar Kamprad to Moscow in the end of 1980s and in the beginning of 1990s, the first contacts were established (Dahlgren, 2010). At that time the retailer was putting emphasis on building personal relations with the Russian government representatives. The relationship building took place at different levels: both at low and middle levels, i.e. meetings with officials and different politicians, as well as on a high level, i.e. meeting of the CEO of the IKEA Group Anders Dahlvig with the Russian prime minister Vladimir Putin at the investment forum in Sochi in 2009 (Borgstrom, 2010). According to Elg et al. (2008) some time before that also the founder of IKEA Ingvar Kamprad had a meeting with Mr Putin in order to discuss customs regulations.

According to evidence (Dahlgren, 2010; Borgstrom, 2010), the main challenge related to personal relations is that responsible persons in the government, particularly in the middle and low level, were changing quite often. Consequently, after having established a good contact and agreed upon an important matter, the arrangement could have been cancelled or forgotten as soon as a new person arrived (Dahlgren, 2010). In this case networking and relationship-building should have started from scratch. One of the respondents illustrated this by saying that as soon as the mayor of Moscow changed in the end of September 2010, some previous arrangements were cancelled by the newly appointed head of the city. Thus, the retailer agreed with the ex-mayor Luzhkov to build an exit to the IKEA shop from one of the highways in Moscow. However, this decision was cancelled by Sobyanin, the new mayor of Moscow (Borgstrom, 2010).

Another technique utilized by IKEA in order to influence decision-making of the Russian politicians is lobbying. One of the respondents noticed: “We try to show that they need to change the system”. Taking into consideration that until one year ago IKEA was the biggest investor into the Russian economy among the companies not related to the oil and gas industry, the respondent argues that the “government listens to IKEA and even asks for opinion”. IKEA participates in various business associations:
American Business Association and European Business Association, and therefore unites with other large companies in the effort to influence decision-making and improve business environment. In contrast, IKEA does not utilize the services of the Swedish Trade Council, Swedish Embassy and similar organizations due to the fact that these are focused mainly on the support of the small and medium-sized businesses. Among matters most commonly discussed by IKEA with Russian government representatives are: general investment climate, customs matters, visa and work-permit related issues.

IKEA Russia is successful in establishing close relationships with some kinds of authorities through close cooperation and willingness to exchange knowledge and best practices. Thus, Dahlgren (2010) explains that IKEA’s Distribution Center in Moscow was one of the first ones in Russia to apply the new ways of document processing, and later became the All-Russia training center of the State Customs Committee of the Russian Federation. Another example of collaboration is that IKEA works with federal and local authorities in order to secure that wood manufacturers use legal ways of forestry procurement (Elg et al., 2008; IKEA, 2009).

According to Borgström (2010), in general IKEA sees great potential in developing business in Russia; however some time ago the company had to slow down its investments to Russia due to bureaucracy-related problems. Thus, two IKEA stores are ready, but cannot be open due to the absence of papers or permissions (Bush, 2009; Borgström, 2010). Although some journalists (Bush, 2009) make hasty conclusions that IKEA is about to stop its expansion and investment into Russia, this argument is denied by one of the highly-ranked respondents during the interview.

### 6.4.2. Suppliers

Under suppliers we understand IKEA’s partners in Russia, which manufacture goods for IKEA’s stores. In the beginning of discussion about IKEA’s strategies towards suppliers we will give a bigger picture of how work with suppliers is generally organized by the IKEA Group. This is important for understanding, because the same system is applied at a smaller scale in Russia.

![Image of IKEA and its Industrial Network](image)

**Figure 13. IKEA and its Industrial Network. Source: Baraldi, 2008; p.100.**

The relationships between IKEA and its suppliers are visually portrayed on Figure 13. This figure shows the whole Industrial Network of IKEA Group and the important role that suppliers play in it. Thus, the Network is exceptionally complex; it comprises
around 1300 direct suppliers, about 10000 sub-suppliers, spread over 60 countries, as well as a big number of logistic partners (Baraldi, 2008). IKEA of Sweden holds the central position in this network, having the function of overall coordination of product development, procurement, distribution and marketing (Baraldi, 2008).

The relations of IKEA with its network are special in that the company stretches its influence as far upstream the value chain as possible, thus ensuring quality and compatibility with the code of conduct not only of its direct suppliers’, but also of their partners, or sub-suppliers. Moreover, interaction between the retailer and some of its direct suppliers is so close that they develop the products and technologies together, which also indicates the long-term orientation, mutual trust and commitment nurtured by IKEA and its partners (Baraldi, 2008). The retailer influences its suppliers to adopt technological advancements and changes in their production and delivery processes, sometimes even to re-configure their whole business system and rethink their mission and values (Ghauri et al., 2008). With all that, IKEA’s network of suppliers is heterogeneous due to the fact that IKEA would like its suppliers not to wholly depend on it and interact with other clients in order to learn from them (Baraldi, 2008).

Figure 14. IKEA’s Ladder Model for Supplier Interactions and IT/Logistics Capabilities. Source: Baraldi, 2008; p. 109.

A specific code of conduct “The IKEA Way on Purchasing Home Furnishing Products” (IWAY) regulates relationships of IKEA with its suppliers, more specifically it covers such matters as “legal issues, working conditions, prevention of child labor, external environment and forestry management” (Ghauri et al., 2008; p. 508). The IWAY represents a four level Staircase Model and defines minimum requirements for its prospective suppliers, as well as what subsequent levels imply (Appendix 23) (IKEA, 2002). This model covers such aspects as social and working conditions, environmental
requirements, wood procurement and forestry treatment. Each consecutive level implies improvement of these aspects, a better match to IKEA’s Code of Conduct and consequently closer interaction with the company.

Baraldi (2008) mentions the Ladder Model for Supplier Interactions and IT/Logistics Capabilities used by IKEA (Figure 14). Thus, cooperation of IKEA with its suppliers starts from the lowest level, named “Call-Off”, where suppliers are faced with minimum requirements and are given one month to deliver products. Then as suppliers show desire to improve and develop, as well as start to share IKEA’s values, they can be promoted to the level two, i.e. Order-Point-Distribution-Center, which has stricter requirements. The highest level of integration and collaboration between IKEA and its suppliers is Vendor-Managed Inventory: suppliers get access to IKEA’s stock data and become responsible for managing IKEA’s inventories and forecasting sales (Baraldi, 2008).

IKEA started to build its supplier network in Russia in the beginning of 1980s: it was the owner of the company, Ingvar Kamprad, to establish the first contacts (Ghauri et al., 2008). The search and selection of suppliers has always been on-going, due to certain difficulties experienced with suppliers in Russia: their management style does not always correspond to IKEA’s Code of Conduct, and they do not always share IKEA’s values and long-term orientation. Thus, according to Borgstrom (2010), the biggest issue with suppliers was not the lack of quality or delivery time precision, but the fact that most Russian managers were not satisfied with the conditions IKEA offered, more specifically with the low price of contracts. Furthermore, certain pressures were experienced from the side of professional furniture associations and manufacturers due to the increased market competition (Dahlgren, 2010).

Table 5. Snapshot of the Russian suppliers. Adapted from: Tarnovskaya, 2007; p.194.

<table>
<thead>
<tr>
<th>Characteristics of suppliers</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of suppliers (2008)</td>
<td>Approx. 50</td>
</tr>
<tr>
<td>Major materials/industries</td>
<td>Solid wood, ceramics, upholstery, textile</td>
</tr>
<tr>
<td>Relative output for IKEA</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Level of development</td>
<td>Rather low</td>
</tr>
<tr>
<td>Goals for the country</td>
<td>Developing suppliers to become internationally competitive. Fighting the illegal environmental practices.</td>
</tr>
</tbody>
</table>

Therefore, paradoxically, Russia, which is rich in natural resources, supplies less than 1% of relative IKEA output (Tarnovskaya, 2007). Moreover, as according to Borgstrom (2010), about 70% of goods sold in IKEA Russian stores are imported from abroad, and only 30% are produced in Russia. Table 5 presents a snapshot of the Russian suppliers of IKEA (adapted from Tarnovskaya, 2007).

Nevertheless, there are a number of successful examples of cooperation between IKEA and its Russian suppliers (Ghauri et al., 2008). In these cases the strategies used by IKEA included:
• Building personal relations
• Active involvement in different matters of partner’s production, supply, sometimes even human resource management (HRM)
• Involvement of higher level managers (like Ingvar Kamprad) in building supplier network
• Extensive exchange of the norms and standards in accordance with the code of conduct
• Explaining vision and key core values
• Training at Swedwood and IKEA of Sweden
• Knowledge, resources and technology exchange
• Financial investments

As a result, the majority of suppliers increased their production standards and improved working conditions and safety. Furthermore, due to the knowledge exchange, suppliers had the opportunity to apply new technology and environmentally friendly materials, utilize IKEA’s expertise in flat-pack production and delivery, adopt quality testing and control processes, participate in trainings, get access to the global network of suppliers and even obtain IKEA’s financial support (Ghauri et al., 2008). Apart from that, the suppliers had “soft” benefits from cooperation with IKEA such as “improved image among existing customers, increased attractiveness for new customers, addition of new products to the range, improved competitiveness”, and even factory’s recognition in Europe as IKEA’s supplier (Ghauri et al., 2008).

There were, however, those dissatisfied with IKEA. Thus the reasons for dissatisfaction included: IKEA’s pricing and HR policy, IKEA’s practice of staff rotation and lack of mutual understanding and trust because of it, unwillingness of IKEA to take into account the existing industry norms and standards adopted by the supplier, perceived inefficiency of auditors’ visits, IKEA’s trainings not adjusted to suppliers’ real needs and conditions (Ghauri et al., 2008).

Based on the case-study research of a number of Russian suppliers, Ghauri et al. (2008) suggested some recommendations for IKEA. Firstly, according to them, managers should be more perceptive of the local conditions, norms and regulations under which suppliers operate. Secondly, it is recommended that IKEA’s approach towards different suppliers is more customized according to suppliers’ peculiarities, needs and opportunities. Thirdly, IKEA should appreciate more and utilize various competences and resources offered by their partners, such as local contacts and knowledge (Ghauri et al., 2008).

“As the network approach suggests (Hadjikhani and Ghauri, 2001; Hakansson and Johanson, 1992) the exchange of resources was most crucial. It especially stressed product technologies, materials, knowledge of production process, quality issues, capital and lease of equipment. Among the least effective ones were training and global network of partners. Those resources were under-used because suppliers perceived difficulties to adjust them to local conditions. Among the local suppliers’ resources, the most eagerly shared with IKEA were knowledge of the local market, local technologies,
contacts and capital. Still, they were not always fully used by IKEA. For example, local contacts and local industry norms and standards were frequently under-used by the retailer leading to a certain lack of local cultural sensitivity. It might be summarised that a retailer was “driving” its suppliers via personal bonding, share of ideas, principles and technology, using the code of conduct as guidelines while the suppliers were trying to make this strategy more locally sensitive via local knowledge and contacts.” (Ghauri et al., 2008; p. 514)

To sum up, IKEA’s approach towards its network of suppliers is similar in different markets; moreover it did not change substantially over time. Thus, according to strategies applied in real case studies (Ghauri et al., 2008), the retailer adopts the same supplier selection and development guidelines in Russia as in other markets The major goals of IKEA are still: “low costs, reasonable quality, appealing designs, and adequate product functionality” (Baraldi, 2008; p.100), that can be achieved only through close interaction with its suppliers.

6.4.3. Employees

Under employees we understand all personnel employed in the IKEA Russia business units: Russian nationals as well as foreigners. We start the discussion about employees by briefly describing the global approach of IKEA towards its co-workers, and then we narrow down to strategies of IKEA Russia towards its employees.

At the international level IKEA uses certain corporate guidelines in order to communicate its employees and partners the expected line of behavior. For example, the IWAY Code of Conduct regulates general conditions applied to working at IKEA, such as exclusion of forced and bonded work and child labor; fair working hours, wages and benefits; safety and health at work; prohibition of any kind of discrimination, punishment or abuse (IKEA, 2002). The similar policy is expected to be adopted by IKEA’s co-workers when communicating with their colleagues, clients, external partners. Moreover, these conditions apply not only to IKEA itself, but also to its suppliers. Tarnovskaya (2007) argues that the IWAY Code of Conduct is also an important information source about IKEA’s culture and values:

“Many respondents mentioned the cultural manifest IKEA Way as a valuable source of cultural information and training material for newly employed staff at IKEA.” (Tarnovskaya, 2007; p. 126)

Except for IWAY, the retailer uses other ways to communicate its employees the company’s values and culture and, consequently, to shape their behavior. For example, there are a number of corporate materials, such as “The IKEA Symbols”, that covers corporate language, dress code and other aspects of the daily life of staff; the “Read Me” corporate newspaper; document “Our Human Resource Idea”, which addresses employees’ rights and responsibilities at each stage of their career at IKEA, as well as Intranet. The list of IKEA’s values is presented in Appendix 24.

Tarnovskaya (2007) tries to explain what the “The IKEA Symbols” imply and how they are linked with general corporate values:
“It is explained that the common dress-code at IKEA is “personal”, which shows “who you really are” and the common language is the “tone of simplicity”, which reflects honesty and straightforwardness.” (Tarnovskaya, 2007; p. 126)

Apart from corporate materials, the retailer organizes visits to the places where IKEA took its start – Småland and Älmhult (Tarnovskaya, 2007). This is done in order to preserve and pass to employees the company’s history, traditions and culture, and to make employees understand, feel and see with their own eyes what “Swedishness” really is. Moreover, IKEA tries “to export” its Swedish employees to locations other than Sweden in order to transfer and exemplify “Swedishness” through them. The Swedes are thus acting as “ambassadors of culture and values” (Tarnovskaya, 2007). IKEA organizes a lot of trainings aimed at development of professional skills, as well as competences that are critical for IKEA: teamwork, leadership, efficiency etc.

In fact, thanks to the rapid growth and internationalization of IKEA, importance of its guidelines and trainings is very high. The IKEA concept and success are grounded on its unique and strong organizational culture and values, and the company is doing its best in order to preserve this culture internationally. By applying guidelines, issuing corporate materials, conducting trainings and visits, IKEA tries to communicate its culture “to its multi-cultural staff across 35 countries with more than 30 different languages, which has become increasingly challenging” (Tarnovskaya, 2007; p. 127).

Apart from that, IKEA tries to be a good working place in that it provides a comfortable working environment (support and respect of colleagues and managers), good working conditions and gives its employees good possibilities for development (transfers between different departments and countries, participation in the development of other employees’ and company in general) (Tarnovskaya, 2007). IKEA consistently uses both internal and external communications in order to advertise itself as an employer. Thus, while externally IKEA gives more preference to the printed media, internally it utilizes the “Open IKEA” web-site available for all employees (Tarnovskaya, 2007).

IKEA utilizes a special approach for personnel recruitment, development and reward. Recruitment is value-based, thus the employer is more interested in personal qualities of a prospective worker, rather than in his/her education and work experience. For example, job descriptions put more emphasis to values rather than skills, and during the selection process candidates are faced with value-related questions in order to track their behavior patterns (Tarnovskaya, 2007). Moreover, the compensation packages that candidates are offered put accent to development opportunities and fringe benefits, such as educational courses, possibility to attend gym, social security etc. Development in IKEA is organized in accordance with special programs and tools, such as “Open IKEA”, “Mobility”, “Diversity”, “Work and Life Balance” etc. Reward is linked to the employees’ fulfillment of corporate values. In general, the relationship of IKEA with its employees can be characterized as a partnership (Tarnovskaya, 2007).

Recruitment in Russia started before the opening of the first IKEA store, in the end of 1990s. First, around 25 internal employees from Swedish and German offices were transferred, and 75 Russian persons were hired. Then, a more extensive vacancy fair took place in order to hire about 450 new employees for the brand-new store (Dahlgren, 2010). After that, a special training course was organized for all the newcomers: the best IKEA employees from different countries world-over were invited to Moscow to help conduct it (Dahlgren, 2010).
According to Tarnovskaya (2007) first steps of IKEA on the Russian HR market were intuitive: managers had rather general information about that market, such as average wages and cost of living. Due to the rapid development of the country, this information soon became outdated, and IKEA applied its usual approach of “learning by doing”. Recruitment, development, reward, organizational culture, values and everyday life were exercised in IKEA Russia according to the retailer’s global standards and recommendations, and only minor adjustments were made due to the specificity of the local culture. Tarnovskaya (2007) presents a summary of the characteristics of a Russian employee as opposed to a typical IKEA employee (Table 6).

<table>
<thead>
<tr>
<th>Russian employee</th>
<th>Typical IKEA employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambitious</td>
<td>Motivated, taking initiative</td>
</tr>
<tr>
<td>Rather inefficient</td>
<td>Efficient (long-sighted)</td>
</tr>
<tr>
<td>Academic learning preferred</td>
<td>Work-based learning</td>
</tr>
<tr>
<td>Individualistic people</td>
<td>Family thinking</td>
</tr>
<tr>
<td>Money orientation</td>
<td>Development and growth orientation</td>
</tr>
<tr>
<td>Status associated with job title</td>
<td>Status is not valid</td>
</tr>
<tr>
<td>Respect for authority</td>
<td>Respect for an individual irrespective the title</td>
</tr>
<tr>
<td>Respect for older people</td>
<td>Respect for all ages</td>
</tr>
<tr>
<td>Formal behavior</td>
<td>Informal behavior</td>
</tr>
<tr>
<td>Secretiveness; tendency for keeping knowledge for oneself</td>
<td>Openness; sharing of knowledge</td>
</tr>
</tbody>
</table>

Recruitment in Russia emphasized IKEA values and “soft benefits” from working in IKEA, which is very different from the usual formal qualifications-based approach and accent on salary. (Tarnovskaya, 2007).

The general compensation strategy of the company towards its employees is to keep the salary on the general market level, and emphasize non-monetary advantages instead. Thus, in Russia the recruitment managers highlight the possibility to take free educational courses, attend gym with a discount, have cost of lunches and transport expenses covered by the company (Tarnovskaya, 2007). “The respondents commented also that education and training were much appreciated by Russian staff, most of them attending some courses at work” (Tarnovskaya, 2007; p. 183).

Staff development in Russia included a number of activities, such as: cultural trainings, educational videos about IKEA’s history, trainings about IKEA’s competences and values (Tarnovskaya, 2007). IKEA Russia, however, does not organize visits to Småland and Älmhult anymore, because they do not have a big number of newcomers and because they are cost conscious (Respondent 2). The company favors those employees who gradually developed their career in IKEA: from a trainee to a full-time worker to a deputy to a manager. IKEA Russia tried to bring in expatriates in order to teach local employees the IKEA way of doing things.
The focus in Russia was very much “to bring in seniors with considerable knowledge”, who were “showing examples by doing”, “transferring the knowledge practically” and “pushing the staff” (Interview with HR Manager, Moscow in Tarnovskaya, 2007; p. 184).

The approach towards employees in Russia was rather coercive: they had to “un-learn” everything taught before, were “pushed” to develop new skills and competences (teamwork, responsibility-taking, mobility), were rewarded according to their team’s success and not individual achievements, were pressed to move between different positions and different stores (Tarnovskaya, 2007). Thus, as it can be seen that IKEA grants good working conditions, but it is also a demanding employer.

According to interviews conducted, IKEA made a big difference in Russia as an employer in that it had a positive attitude towards its workers and did not practice power and authority in order to control the workers as it is normally done in other Russian companies. Instead, IKEA’s managers tried to win respect and trust of the local colleagues (Tarnovskaya, 2010). A summary of strategies applied by IKEA Russia towards its local employees, as compared to the global strategies, is presented in Table 7 below.

<table>
<thead>
<tr>
<th>Table 7. IKEA’s strategies towards employees: Global vs Local.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy eventually applied in Russia</td>
</tr>
<tr>
<td>Corporate guidelines (IWAY)</td>
</tr>
<tr>
<td>Other corporate materials</td>
</tr>
<tr>
<td>- The IKEA Symbols</td>
</tr>
<tr>
<td>- “Read Me” newspaper</td>
</tr>
<tr>
<td>- “Our Human Resource Idea”</td>
</tr>
<tr>
<td>Visits to Småland and Älmhult</td>
</tr>
<tr>
<td>Visits to other IKEA’s specialized facilities (like Swedwood, suppliers’ premises etc.)</td>
</tr>
<tr>
<td>“Export” of Swedes (expatriates)</td>
</tr>
<tr>
<td>Trainings</td>
</tr>
<tr>
<td>- IKEA history and values</td>
</tr>
<tr>
<td>- IKEA competences</td>
</tr>
<tr>
<td>- Professional skills</td>
</tr>
<tr>
<td>Comfortable working environment (support &amp; respect, warm &amp; inspiring atmosphere)</td>
</tr>
<tr>
<td>Good working conditions (average salary + different benefits)</td>
</tr>
<tr>
<td>X (emphasis on trainings about history, values and culture; emphasis on development of such skills as teamwork, efficiency, leadership, mobility, responsibility-taking)</td>
</tr>
<tr>
<td>X (emphasis on free educational courses and subsidized work-out sessions)</td>
</tr>
</tbody>
</table>
As can be seen from the Table 7, IKEA Russia applied strategies that are used in IKEA offices world-wide, with some adjustments for the local culture. This is confirmed during interviewing: according to Respondent 2, IKEA Russia tries to hire persons “with a Scandinavian mentality” and does a lot of training. Furthermore, personnel of IKEA Russia are truly international: they have about 170 expats from 50 to 70 different national backgrounds (Borgstrom, 2010). When talking about whether or not it is challenging for expatriates to work in Russia and with Russians, Respondent 2 comments:

“When we offer a placement in Russia, we bring our foreign employees to Russia for a pre-visit, so that they could decide whether they want to work there or not. 95% of everyone who comes to Russia decides to stay.”

To sum up, IKEA Russia does apply a specific approach towards its employees, and it goes in line with the company’s global strategy and values. The following strategies are among the most effective ones applied in Russia: various corporate guidelines, trainings, reception of expatriates, comfortable working environment, good working conditions, possibilities for development.

### 6.5. STAKEHOLDER MANAGEMENT STRATEGIES AS SUGGESTED BY THEORY

Having analyzed primary and secondary data we developed a table (Table 8) characterizing different features of IKEA Russia’s stakeholders as according to our theoretical model, which was initially presented in Chapter 4. In this chapter we try to apply relevant theory of stakeholder management to a particular case-study and to generate suitable strategies. Below we present the table derived from the Kaleidoscope approach presented earlier. We use the table because we believe that it is less space consuming and easier to present and interpret. Single stakeholders will be analyzed individually in subsequent chapters.
### Table 8. Properties of different stakeholders of IKEA.

<table>
<thead>
<tr>
<th>Variable</th>
<th>CH</th>
<th>IK</th>
<th>GO</th>
<th>SU</th>
<th>EM</th>
<th>CU</th>
<th>NGO</th>
<th>ME</th>
<th>MAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position (centrality) of IR towards stakeholders</td>
<td>M</td>
<td>M/L</td>
<td>M/L</td>
<td>M</td>
<td>H</td>
<td>H</td>
<td>M</td>
<td>M</td>
<td>M/H</td>
</tr>
<tr>
<td>Density of network</td>
<td>M</td>
<td>H</td>
<td>M</td>
<td>M/L</td>
<td>H</td>
<td>L/M</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Power of stakeholders towards IR</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>M/L</td>
<td>M/L</td>
<td>L/M</td>
<td>L</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Legitimacy of stakeholders towards IR</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>M</td>
<td>M</td>
<td>L</td>
<td>L</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Urgency of stakeholders towards IR</td>
<td>M</td>
<td>M/H</td>
<td>M/H</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>M/H</td>
<td></td>
</tr>
<tr>
<td>Interest of stakeholders in IR’s projects</td>
<td>H</td>
<td>H</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>L</td>
<td>M</td>
<td>M</td>
<td>M/H</td>
</tr>
<tr>
<td>Resource dependency of a stakeholder over IR</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>H</td>
<td>L</td>
<td>M/L</td>
<td>M/L</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Resource dependency of the IR over stakeholders</td>
<td>H</td>
<td>M</td>
<td>H</td>
<td>M</td>
<td>H</td>
<td>M/L</td>
<td>M/L</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td>Cultural gap</td>
<td>L</td>
<td>L</td>
<td>H</td>
<td>M</td>
<td>H</td>
<td>L</td>
<td>M</td>
<td>M</td>
<td>M/L</td>
</tr>
</tbody>
</table>

IR = IKEA Russia; CH = corporate Headquarters; GO = government; SU = suppliers; EM = employees; CU = customers; NGO = non-governmental organizations; ME = media; MAN = management. H = high; M = medium; L = low.

#### 6.5.1. Government

The analysis of the relations between IKEA Russia and local authorities is presented in the Table 9 below and discussed thereafter.

### Table 9. Characteristics of relations between IKEA Russia and local government.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Ranking</th>
<th>Characteristic of the Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position (centrality) of IR towards stakeholders</td>
<td>M/L</td>
<td>IKEA Russia does not have central position towards the government. The retailer is rather on the periphery.</td>
</tr>
<tr>
<td>Density of network</td>
<td>M</td>
<td>The network has medium-density. Market actors are not very close to each other, but they can start to cooperate and communicate if necessary.</td>
</tr>
</tbody>
</table>

Strategies as suggested by theory

Subordinate / Compromiser
<table>
<thead>
<tr>
<th>Variable</th>
<th>Ranking</th>
<th>Characteristic of the Relationship</th>
<th>Strategies as suggested by theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power of stakeholders towards IR</td>
<td>H</td>
<td>Government is definitely powerful towards IKEA Russia.</td>
<td></td>
</tr>
<tr>
<td>Legitimacy of stakeholders towards IR</td>
<td>H</td>
<td>Government is legitimate in that it grants different permissions and legally regulates the activities of the company.</td>
<td>Definitive stakeholder</td>
</tr>
<tr>
<td>Urgency of stakeholders towards IR</td>
<td>M/H</td>
<td>In normal conditions government does not have urgency towards IKEA. In critical situations it may be very urgent.</td>
<td></td>
</tr>
<tr>
<td>Interest of stakeholders in IR’s projects</td>
<td>M</td>
<td>Government representatives are not highly interested in the activities of the company, unless its interests are concerned</td>
<td>Key player</td>
</tr>
<tr>
<td>Resource dependency of a stakeholder over IR</td>
<td>M</td>
<td>Government is dependent on IKEA in terms of foreign investments and exchange of technology.</td>
<td>Direct/withholding (stakeholder power)</td>
</tr>
<tr>
<td>Resource dependency of the IR over stakeholders</td>
<td>H</td>
<td>Stakeholder is dependent on the &quot;administrative&quot; resource that the government possesses: permissions, licenses, and other regulations.</td>
<td></td>
</tr>
<tr>
<td>Cultural gap</td>
<td>H</td>
<td>High cultural gap between informal and efficient Swedish managers and bureaucratic and very formal Russian authorities.</td>
<td></td>
</tr>
<tr>
<td>Context</td>
<td></td>
<td>Very unstable. Government representatives change all the time.</td>
<td></td>
</tr>
</tbody>
</table>

According to Rowley’s (1997) Network Concept, IKEA does not possess central position in relation to the Russian (both national and regional) authorities. However the stakeholder network is rather dense with many players inserted into it. Therefore, the retailer might adopt the subordinate role. This implies that, according to theory, the company is not able to influence the stakeholder; but it may have some relative power depending on its access to information. Thus, while most often IKEA has to “accept established norms and comply with its stakeholders' expectations” (Rowley, 1997; p. 904), in some situations the retailer may negotiate and have a more compromiser role due to its relative power and access to information flows.

Government is powerful and legitimate over IKEA in that it issues permissions and various regulations, which IKEA has to comply with. Furthermore, IKEA is bounded with government by contractual obligations, taxation, customs etc. In terms of urgency, normally, the authorities would not create any urgent situations, however if it is in their interest they may do so. Moreover, when it comes to local government, their personnel turnover rate is quite high, and a new person may create an unfavorable situation, and thus urgency. Therefore, government is a definitive stakeholder, which should be constantly monitored and satisfied.
According to the power-interest grid, Government is a key player in that it has both high interest and power over the organization. Therefore, the retailer should pay maximum attention to maintaining good relations with authorities at different levels.

In terms of resources, the government is dependent on IKEA in terms of investments and technology transfer. IKEA used to be one of the biggest foreign investors into the Russian economy over several consecutive years. On the other hand, IKEA is dependent on authorities in that they regulate the business environment and possess the so-called administrative resource. Therefore, the influence strategies of the stakeholder may vary from direct/usage to direct/withholding: the government can try to straightforwardly affect the company’s projects either by withdrawing or limiting the required resources.

The cultural gap is quite high due to the fact that Swedish management style and Russian governance style differ significantly. While Russians are formal and bureaucratic, Swedes are informal and more efficient.

The context under which the company operates is instable, in that the employee turnover rate in the government is rather high and the responsible persons may change often. This implies that IKEA has to constantly supervise the situation and adjust its strategies.

6.5.2. Suppliers

This subchapter covers the relationship between IKEA Russia and its Russian suppliers from the theoretical perspective. Having analyzed primary and secondary data, it was possible to apply this knowledge to theoretical model developed in Chapter 4.

Table 10. Characteristics of relations between IKEA Russia and local suppliers.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Ranking of IKEA</th>
<th>Characteristic of the Relationship</th>
<th>Strategies as suggested by theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position (centrality) of IR towards stakeholders</td>
<td>M</td>
<td>Most stakeholders have peripheral position in IKEA’s network, while IKEA has a more central position.</td>
<td>Compromiser/commander</td>
</tr>
<tr>
<td>Density of network</td>
<td>M/L</td>
<td>The network is relatively dense due to a big number of other suppliers, contractors and IKEA units. Small suppliers, however, are positioned in the periphery of the Network and are not linked to many other actors.</td>
<td></td>
</tr>
<tr>
<td>Power of stakeholders towards IR</td>
<td>M/L</td>
<td>Different suppliers may have different power over IKEA: the big ones may be quite powerful, while the small ones do not possess any power.</td>
<td>Dominant / discretionary stakeholder</td>
</tr>
<tr>
<td>Legitimacy of stakeholders towards IR</td>
<td>M</td>
<td>Existing suppliers are legitimate actors in that they are binded in relation to IKEA with contractual obligations and rights.</td>
<td></td>
</tr>
<tr>
<td>Urgency of stakeholders towards IR</td>
<td>L</td>
<td>The majority of suppliers are not urgent.</td>
<td></td>
</tr>
<tr>
<td>Variable</td>
<td>Ranking of IKEA</td>
<td>Characteristic of the Relationship</td>
<td>Strategies as suggested by theory</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-----------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Interest of stakeholders in IR’s projects</td>
<td>M</td>
<td>Suppliers have interest in IKEA’s projects as long as they have favorable contracts and opportunities for development.</td>
<td>Key players / Keep informed</td>
</tr>
<tr>
<td>Resource dependency of a stakeholder over IR</td>
<td>M</td>
<td>Some suppliers are dependent on IKEA in terms of technological exchange and financial support.</td>
<td>Direct / usage (high interdependence)</td>
</tr>
<tr>
<td>Resource dependency of the IR over stakeholders</td>
<td>M</td>
<td>IKEA is also dependent on local suppliers because they ensure low prices for its products.</td>
<td></td>
</tr>
<tr>
<td>Cultural gap</td>
<td>M</td>
<td>Russian vs Swedish management style</td>
<td>Attentive and sensitive</td>
</tr>
<tr>
<td>Context</td>
<td></td>
<td>Relatively stable, however subject to changing. On-going process of supplier selection and evaluation.</td>
<td>Preventive approach</td>
</tr>
</tbody>
</table>

Taking into consideration the Industrial Network of IKEA (Baraldi, 2008), it is possible to conclude that the majority of IKEA’s suppliers do not hold a central position in the network, whereas IKEA has a rather central position. Moreover, the network is relatively dense as it comprises a considerable number of other suppliers, contractors, partners, and IKEA units. Therefore, according to Rowley (1997), the position of IKEA towards its suppliers should be *compromiser*. This implies that from the one side “stakeholders are able to constrain the focal firm”, however from the other side “a focal firm is able to resist stakeholder pressures” (Rowley, 1997; p. 901). However, if the supplier is small, then its position in the Network is even more peripheral, and in this case IKEA can apply the *commander* strategy with power balance shifted in its favor (Rowley, 1997).

The power that suppliers may possess is relative to their size. For example, big powerful suppliers may have influence over IKEA, while small suppliers have low power over the retailer. All the suppliers are legitimate because their relations with IKEA are legally shaped with contracts. The level of urgency is dependent on each particular situation, however, assuming that in normal conditions no force-major is expected, we consider it as low. Therefore, the majority of IKEA Russia’s suppliers will range from *dominant to discretionary* (Mitchell et al., 1997). This implies that big powerful stakeholders can become definitive in case there is some urgency, and can affect IKEA. Discretionary stakeholders, however, have little possibility to influence the focal organization.

In terms of interest, we suppose that all the suppliers are interested in the projects of IKEA as long as they get good contracts and various opportunities for business development, and as long as these projects are related to them. Therefore, following the characteristics of power given in the previous paragraph, the suppliers will range from *key players to keep informed* in the power-interest matrix (Johnson et al., 2008).

In terms of resource dependency, we believe that the majority of IKEA’s suppliers are dependent on it in terms of resources, expertise and technology it possesses. IKEA in
turn is dependent on local suppliers in terms of the knowledge of the local market and contacts. It also relies on its suppliers, from the point of view that IKEA needs continuous supply of products with reasonable price and quality, and not many Russian suppliers can guarantee it. Therefore, the resource relationship between IKEA and its suppliers can be characterized as “high interdependence” and the influence strategy adopted can be direct/usage (Frooman, 1999).

In terms of cultural gap between suppliers and IKEA managers, it is expressed in different management styles and different time orientation, so a strategy of IKEA here would be to carefully manage it and to be perceptive to its partner’s needs.

In terms of the context, interaction between IKEA and its suppliers is dependent on overall economic, political and social environment in Russia. It is therefore rather stable, but subject to change. IKEA’s approach here might be a preventive one: tracking changes in the external environment and taking them into consideration when interacting with its suppliers.

To sum up, according to theoretical framework, the strategy of IKEA towards its suppliers should range from dominant to compromising. With some smaller suppliers it can dictate its conditions, while with bigger suppliers the retailer should be more attentive, more sensitive to their needs and ready to compromise.

6.5.3. Employees

This subchapter covers the theoretical perspective over IKEA’s employees. The characteristic of the relationship between IKEA Russia and its employees is presented in the Table 11 below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Ranking of IKEA</th>
<th>Characteristic of the Relationship</th>
<th>Strategies as suggested by theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position (centrality) of IR towards stakeholders</td>
<td>H</td>
<td>Central</td>
<td>Compromiser</td>
</tr>
<tr>
<td>Density of network</td>
<td>H</td>
<td>High density due to a big number of employees that communicate daily</td>
<td></td>
</tr>
<tr>
<td>Power of stakeholders towards IR</td>
<td>M/L</td>
<td>Individual stakeholders do not have much power over the FO, however they can become powerful if they unite</td>
<td></td>
</tr>
<tr>
<td>Legitimacy of stakeholders towards IR</td>
<td>M</td>
<td>Employees are legitimate stakeholders in that they have contractual relationships with the FO</td>
<td>Dominant / discretionary stakeholder</td>
</tr>
<tr>
<td>Urgency of stakeholders towards IR</td>
<td>L</td>
<td>Under normal conditions employees are not urgent stakeholders</td>
<td></td>
</tr>
<tr>
<td>Interest of stakeholders in IR’s projects</td>
<td>M</td>
<td>Employees have interest in IKEA’s projects as long as they have secure and comfortable working conditions with reasonable pay and benefits</td>
<td></td>
</tr>
<tr>
<td>Variable</td>
<td>Ranking of IKEA</td>
<td>Characteristic of the Relationship</td>
<td>Strategies as suggested by theory</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>-----------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Resource dependency of a stakeholder over IR</td>
<td>H</td>
<td>Employees are highly dependent on IKEA in terms of financial resources, knowledge, professional and personal development.</td>
<td>Direct / usage (high interdependence)</td>
</tr>
<tr>
<td>Resource dependency of the IR over stakeholders</td>
<td>M</td>
<td>IKEA is dependent on its employees to a smaller extent, however it cannot achieve its goals without its personnel.</td>
<td></td>
</tr>
<tr>
<td>Cultural gap</td>
<td>H</td>
<td>A lot of differences between Russian and Swedish management style and values.</td>
<td>Trainings</td>
</tr>
<tr>
<td>Context</td>
<td></td>
<td>Relatively stable.</td>
<td>Monitor</td>
</tr>
</tbody>
</table>

The network of IKEA’s employees is quite dense as it comprises a big number of employees that are communicating with each other daily. However, the majority of co-workers, except for managers, have a peripheral position towards IKEA, while IKEA itself holds a central position. Following the network density-centrality concept (Rowley, 1997), IKEA Russia should accept a compromiser strategy towards its employees: try to keep employees satisfied, try to balance their requests and the firm’s possibilities, achieve a mutually satisfactory environment, avoid situations when employees can unite against the company.

In terms of the power-legitimacy-urgency approach, the co-workers possess medium to low power because they can hardly influence the organization individually, however they can have substantial power if they unite. Furthermore, employees are legitimate stakeholders in that they have contractual relationships with IKEA Russia. Urgency is a dynamic concept, and under normal conditions employees cannot be characterized as urgent. Therefore, generally, personnel range from being discretionary to dominant, depending on whether they are regarded individually or in groups. Thus, discretionary stakeholders normally cannot exercise much pressure over managers and are quite harmless. They are normally recipients of the Corporate Social Responsibility (CSR) (Rowley, 1997). Dominant stakeholders tend to receive more managerial attention, as they have more possibility to influence the company. IKEA Russia should also monitor the environment and avoid critical situations (and thus urgency): in this case employees can unite and become definitive stakeholders, possessing power, urgency and legitimacy. They can thus substantially affect the company’s projects and plans in their favor.

Following Frooman’s (1999) resource dependency theory, IKEA and its employees are dependent on each other, and therefore the approach applied by the retailer should be direct / usage. More in detail, the personnel are dependent on their employer in terms of salary and other “soft” resources, such as possibility to develop through trainings, free courses, rotation etc. The retailer, on the other hand, is less dependent on its employees as theoretically it is always possible to hire another person. However, taking into consideration that hiring and “bringing up” a truly IKEA employee is time- and resource-consuming matter, the company would not prefer to do it. Moreover, traditionally the most important resource of any company is its human resource: with needed expertise, knowledge and experience. Therefore, we consider that IKEA is
dependent on its employees as well. The direct/usage approach implies that both IKEA and its employees can try to influence each other in a straightforward manner by negotiating; they will not practice withdrawing of resources.

The cultural gap between employees can be quite visible because the Russian management style differs significantly from the Swedish one. Thus, for example, Russian employees may be used to a more formal and authoritative style of management, and they can experience cultural shock when they come across informal Swedish managers. Moreover, Swedish, and therefore IKEA’s, cultural values differ considerably from the Russian ones. In this case managers should be ready to manage this diversity by hiring people with appropriate characteristics and conducting trainings.

The context in which expatriate managers and local employees interact is rather stable, as it is possible to foresee background and behavior patterns of an average Russian person. However, taking the general social and economic situation in Russia, managers should monitor the environment against any social tensions that can affect their workforce.

To sum up, according to theory, the general strategy that can be applied by IKEA towards its employees is to create a mutually satisfactory environment and negotiate if any tensions arise.

6.6. OTHER STAKEHOLDERS

6.6.1 The founder: Ingvar Kamprad

Although IKEA has become a global organization composed of many other companies, its founder, Ingvar Kamprad, keeps on playing an important role when it comes to decision-making. Thus, in the particular case of the internationalization process to Russia, he has used all his power in order to let this happen (Borgstrom, 2010; Respondent 1). According to Ghauri et al. (2008) the first relationships with Russian suppliers began in the 1980s thanks to the close contacts between Kamprad and Soviet Union officials, which provided invaluable contribution to the expansion of IKEA in that market more than a decade after. Jonsson (2005) and Elg et al. (2008) sustain that it was mainly Kamprad’s own vision that affected both the choice of the market and expansion into it. However, part of the management was not supporting the idea because of issues related to the feasibility of IKEA’s operations in Russia and turbulence of the business environment (Borgstrom, 2010). Kamprad’s vision was related to the hypothesis according to which “since a lot of people live in Moscow at least one store was considered likely to succeed without any survey giving that type of information” (Jonsson, 2005). However, although some problems arose, IKEA’s founder did not turn to abandon that market; and operations in Russia are still regarded positively (Borgstrom, 2010).

From our findings, Kamprad’s position is considered to be of primary importance as he takes an active part in the discussion of the issues with the Russian counterparts. For instance, Elg et al. (2008) reveal that IKEA’s founder discussed in person with President Putin issues related to customs regulations and IKEA’s plan to invest in stores and Russian suppliers. This can be considered a successful strategy of the company that is in line with the Russian culture in which personal relationships are a very important tool to do business (Conner, 1991; Elenkov, 1997). Ingvar Kamprad is also an important figure for IKEA organizational culture itself (BusinessWeek, 2005; Jonsson & Kalling,
He focuses on knowledge sharing among employees as it represents a competitive advantage for the company, as well as an efficient way for IKEA to be cost-efficient (Jonsson & Kalling, 2006). Nonetheless, he also pays attention to all the employees working within the organization in order to create a sense of togetherness and adherence to the IKEA’s practices (Arnold, 2002).

To briefly sum up, Table 12 shows that Ingvar Kamprad, as a stakeholder of the internationalization process of IKEA in Russia, is placed in a moderately central position within a high density network. He exercises strong power over the whole company management during the decision-making process, having also high legitimacy and urgency. Mr Kamprad has a high level of interest in the success of internationalization to the Russian market, because it can create profit, new business opportunities, enlargement of the retailer’s activities, and achievement of the retailer’s goals. The expansion of IKEA to Russia comes from his personal vision and aspiration which contributes to the increased interest towards this undertaking. In terms of local knowledge, contacts and fulfillment of the company’s goals, Ingvar Kamprad moderately depends on IKEA Russia. Similarly, the company also depends on him in a moderate way. Furthermore, there is no cultural gap because both IKEA’s founder and IKEA Russia’s managers are Swedes.

Table 12. Characteristics of relations between IKEA Russia and Ingvar Kamprad.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Ranking</th>
<th>Characteristic of the Relationship</th>
<th>Strategies as suggested by theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position (centrality) of IR towards stakeholders</td>
<td>M/L</td>
<td>Ingvar Kamprad has a central position towards IKEA Russia as he is important figure in IKEA and still determines many strategic matters. IKEA Russia has therefore a less central position.</td>
<td>Compromiser/Subordinate</td>
</tr>
<tr>
<td>Density of network</td>
<td>H</td>
<td>High network density. Actors communicate between each other extensively.</td>
<td></td>
</tr>
<tr>
<td>Power of stakeholders towards IR</td>
<td>H</td>
<td>The power of the sponsor is very strong as the decision to invest in the expansion to Russia comes directly from him.</td>
<td></td>
</tr>
<tr>
<td>Legitimacy of stakeholders towards IR</td>
<td>H</td>
<td>High legitimacy exists as it is the founder of the organization.</td>
<td>Dominate/Definitive stakeholder</td>
</tr>
<tr>
<td>Urgency of stakeholders towards IR</td>
<td>M/H</td>
<td>Attention to the stakeholder matters should be promptly answered.</td>
<td></td>
</tr>
<tr>
<td>Interest of stakeholders in IR’s projects</td>
<td>H</td>
<td>IKEA’s founder has a strong interest towards the success of IKEA expansion to Russia as it comes from his personal vision and willing.</td>
<td>Key player</td>
</tr>
<tr>
<td>Resource dependency of a stakeholder over IR</td>
<td>M</td>
<td>Ingvar Kamprad depends on IKEA Russia in terms of local knowledge and contacts and fulfillment of the company’s goals.</td>
<td>Direct/Usage (High interdependence)</td>
</tr>
<tr>
<td>Variable</td>
<td>Ranking</td>
<td>Characteristic of the Relationship</td>
<td>Strategies as suggested by theory</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>---------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Resource dependency of the IR over stakeholders</td>
<td>M</td>
<td>IKEA Russia depends on Ingvar as he is the ambassador of the retailer’s interests and demands.</td>
<td></td>
</tr>
<tr>
<td>Cultural gap</td>
<td>L</td>
<td>Ingvar Kamprad and IKEA Russia’s managers are Swedes, therefore no cultural gap exists.</td>
<td></td>
</tr>
<tr>
<td>Context</td>
<td></td>
<td>Stable environment</td>
<td></td>
</tr>
</tbody>
</table>

Ingvar Kamprad is therefore a **definite** stakeholder, or a **key player**, and the strategy towards him, as suggested by theory, should be **compromise**.

### 6.6.2 Corporate Headquarters

Under Corporate Headquarters we understand a group of companies that own IKEA business units, IKEA concept and brand name. The main role of the Headquarters is that they exercise the overall control of operations, strategy development, and preserve the IKEA concept.

According to Borgstrom (2010), as well as Respondent 1 of our interviews, in the beginning some representatives of the Corporate Headquarters have opposed the decision of Ingvar Kamprad to expand to Russia, due to the possible occurrence of major issues which could undermine the success of the operations.

Table 13 shows the main characteristics of the corporate stakeholder in relation to IKEA Russia, as suggested by theory. From our findings, we suppose that this stakeholder has a high centrality position in respect to IKEA Russia (which consequently has a medium centrality in the network), and is inserted in the network of the moderately high density. This is due to the existence of many business units within the network, which can interact among each other, access and control the information flow. Power and legitimacy of the corporate headquarters are high whereas the urgency is considered moderate. Due to the elevated responsibility of the corporate headquarters towards the entire organization, their interests are also high. In terms of resources, the corporate headquarters is moderately dependent on IKEA Russia in terms of profits, expansion, local knowledge and contacts, and achievement of goals. IKEA Russia, in turn, is highly dependent over the corporate headquarters in terms of general coordination of the business activities. The cultural gap is low because the majority of the management in both Corporate Headquarters and IKEA Russia are Swedes.
Table 13. Characteristics of relations between IKEA Russia and Corporate Headquarters.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Ranking</th>
<th>Characteristic of the Relationship</th>
<th>Strategies as suggested by theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position (centrality) of IR towards stakeholders</td>
<td>M</td>
<td>Corporate Headquarters have a central position towards IKEA Russia. In turn, IKEA Russia is positioned less centrally.</td>
<td>Compromiser/ Subordinate</td>
</tr>
<tr>
<td>Density of network</td>
<td>M</td>
<td>The Network is rather dense as different companies within the Network can communicate and have access to the information flow.</td>
<td></td>
</tr>
<tr>
<td>Power of stakeholders towards IR</td>
<td>H</td>
<td>Corporate Headquarters has high power towards IKEA Russia in that it can influence its projects.</td>
<td>Dominant / Definitive</td>
</tr>
<tr>
<td>Legitimacy of stakeholders towards IR</td>
<td>H</td>
<td>Corporate Headquarters is by all means a legitimate stakeholder.</td>
<td></td>
</tr>
<tr>
<td>Urgency of stakeholders towards IR</td>
<td>M</td>
<td>Under normal conditions Corporate Headquarters is not an urgent stakeholder, but it has the power to attract attention when needed.</td>
<td></td>
</tr>
<tr>
<td>Interest of stakeholders in IR’s projects</td>
<td>H</td>
<td>Corporate Headquarters are interested in the projects of IKEA Russia.</td>
<td>Key players</td>
</tr>
<tr>
<td>Resource dependency of a stakeholder over IR</td>
<td>M</td>
<td>Corporate Headquarters depends on IKEA Russia in terms of profitability, expansion, fulfillment of goals.</td>
<td>Direct withholding or usage</td>
</tr>
<tr>
<td>Resource dependency of the IR over stakeholders</td>
<td>H</td>
<td>IKEA Russia depends on Corporate Headquarters in that the latter supports the activity of the former in terms of overall coordination of supply and other resources, strategy and goal formulation etc.</td>
<td></td>
</tr>
<tr>
<td>Cultural gap</td>
<td>L</td>
<td>Cultural gap is minimal, as the majority of management in both CH and IR are Swedes.</td>
<td></td>
</tr>
<tr>
<td>Context</td>
<td></td>
<td>Quite stable. CH and IR cooperate in order to achieve IKEA’s goals in the best way.</td>
<td></td>
</tr>
</tbody>
</table>

Corporate Headquarters is a key player, or definite stakeholder, of the IKEA Russia project. Possible strategies applied towards the Corporate Headquarters are situated on a continuum between subordinate and compromise.

6.6.3 Customers
Under customers we understand those people who make purchases in IKEA Russia stores.
Since the opening of the first IKEA store in 2000, Russian population positively welcomed IKEA’s products (Bush, 2009). Among the reasons why the Swedish company was having success in that market, Respondent 3 identifies the good combination of price and quality, the availability of well-designed and functional items, and the affordable price of the products. Table 14 describes the main characteristics of IKEA’s Russian customers which are mostly middle aged, coupled, with one or two kinds and, most importantly, cost-conscious.

Table 14. Snapshot of Russian customers. Adapted from: Tarnovskaya, 2007; p. 214.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Russian customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographics</td>
<td>Mostly middle aged</td>
</tr>
<tr>
<td>Life situation</td>
<td>50-60 m² apartments with several generations living together</td>
</tr>
<tr>
<td>Typical IKEA customer</td>
<td>A couple with 1-2 kids</td>
</tr>
<tr>
<td>Major priorities</td>
<td>Electronics, cars, trips abroad</td>
</tr>
<tr>
<td>The “heart of the home”</td>
<td>Kitchen</td>
</tr>
<tr>
<td>Furnishing style</td>
<td>Massive, brown, glossy, heavy, expensive; an interest in the modern style among younger customers</td>
</tr>
<tr>
<td>Initial brand awareness of IKEA</td>
<td>Low</td>
</tr>
<tr>
<td>Knowledge of DIY concept</td>
<td>Low</td>
</tr>
<tr>
<td>Average purchase at IKEA</td>
<td>30 dollars</td>
</tr>
</tbody>
</table>

The Russian consumers are also quite unpredictable because of the presence of some Western competitors on the market. All the respondents of our interviews agree that Russian customers are among the easiest market actors in terms of stakeholder management, and Jonsson (2005) sustains also that the role they had within the internationalization process was limited. This can be justified by the general openness of Russians towards new retail brands and labels which has contributed to rapid expansion of IKEA on that market (Graham, 2005). Nonetheless, the company can count on a strong organizational culture which is highly customer-oriented (IKEA Sustainability Report, 2009). Shopping at IKEA is considered a pleasurable experience, and both customers and visitors of the stores suddenly perceive that the way IKEA does business is different from that of its competitors’ (Kling & Goteman, 2003). Being a global retailer, IKEA has not adapted its products to the specific needs of the Russian customers; however, this characteristic has not negatively impacted its sales or pace of market penetration.

Thus, it is possible to conclude that customers occupy a peripheral position whereas IKEA is positioned more centrally within the network. The network density is moderately low: although it consists of an elevated number of customers, they do not communicate much among themselves and therefore cannot control the flow of information. Customers’ power is also quite moderate when they are considered as
singular individuals, however, they may become more powerful if united into groups. Dynamism and interest of consumers towards the organization is low because of their capability to switch to other retailers. On the one hand, customers do no depend on IKEA; but on the other hand IKEA Russia highly depends on its customers as a main source of income. Finally, cultural diversities have not represented a relevant issue affecting the expansion of IKEA to Russia, however a quite dynamic environment characterizes the Russian market. Table 15 summarizes the characteristics between Russian customers and IKEA Russia in relation to the strategies suggested by theory.

Table 15. Characteristics of relations between IKEA Russia and local customers.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Ranking</th>
<th>Characteristic of the Relationship</th>
<th>Strategies as suggested by theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position (centrality) of IR towards stakeholders</td>
<td>H</td>
<td>IKEA is positioned more centrally than its customers. Individual customers have a peripheral position.</td>
<td>Commander/ Compromiser</td>
</tr>
<tr>
<td>Density of network</td>
<td>L/M</td>
<td>Moderately low density of the network, consisting of an elevated number of customers. Under normal conditions these customers do not communicate much between each other. However in a critical situation they can unite into groups and facilitate information flow.</td>
<td>Discretionary/ Dominant stakeholder</td>
</tr>
<tr>
<td>Power of stakeholders towards IR</td>
<td>L/M</td>
<td>Individual customers have little power over IKEA and can’t influence IKEA’s projects much. Though united into groups customers may exercise influence.</td>
<td>Discretionary/ Dominant stakeholder</td>
</tr>
<tr>
<td>Legitimacy of stakeholders towards IR</td>
<td>M</td>
<td>Customers don’t have a direct legitimate relation to IKEA. However legitimacy still exists because acquisition in Russia is regarded as a contract between the vendor and its client.</td>
<td>Discretionary/ Dominant stakeholder</td>
</tr>
<tr>
<td>Urgency of stakeholders towards IR</td>
<td>L</td>
<td>Under normal conditions customers are not dynamic. However in a critical situation they can unite and demand more attention to their needs.</td>
<td>Minimal effort/ Keep satisfied</td>
</tr>
<tr>
<td>Interest of stakeholders in IR’s projects</td>
<td>L</td>
<td>Customers’ interest is low because of the possibility to switch towards other retailers.</td>
<td>Direct/ withholding (stakeholder power)</td>
</tr>
<tr>
<td>Resource dependency of a stakeholder over IR</td>
<td>L</td>
<td>Customers do not depend on IKEA Russia</td>
<td>Direct/ withholding (stakeholder power)</td>
</tr>
</tbody>
</table>
According to Network theory, Power-Urgency-Legitimacy approach and Power-Interest grid, the retailer does not formally depend on its customers: they neither have a formal power, nor much interest in the company’s operations. However, looking to the resource dependency approach, it becomes clear that the company cannot survive without customers: the financial resources for organization’s survival and development come from them. Therefore the strategy applied towards customers will be close to compromising.

### 6.6.4 Others

Non-governmental organizations and media are just minor stakeholders of IKEA. The IKEA Sustainability Report (2009) lists all the key non-governmental organizations (NGOs), with which IKEA collaborates in order to create a sustainable environment. In particular, interesting for our study is the retailer’s co-operation with Greenpeace Russia, Siberian Environmental Centre, and Global Forest and Trade Network, whose focus is on the study of sustainable forestry and the promotion of initiatives to defeat illegal loggings and improve forestry management. This is exceptionally important for IKEA as Russia is its second wood supplier country (IKEA Sustainability Report, 2009). NGOs do not occupy a central position and their power is quite weak as well as their interests.

IKEA tries to create strong relationships with media by introducing and explaining the IKEA values and organizational philosophy. This has favored the creation of a positive image of the company among the Russian society (Elg et al., 2008). In fact, “the media was an especially significant social actor by presenting IKEA’s various activities on the new markets in a positive way” (Elg et al., 2008; p. 690). They cannot be considered key stakeholders but they represent a useful tool for the company expansion and affirmation in the Russian market (Borgstrom, 2010).
6.7. GAP BETWEEN THEORY AND PRACTICE.

Analysis of primary and secondary data revealed that, although IKEA did research about Russia before internationalizing there, it was not very useful: end of 1990s was very turbulent due to the financial crisis. Therefore, most of the information gathered was not reliable (Dahlgren, 2010), and managers had to act according to circumstances. They therefore did not use any particular stakeholder management methodology or pre-defined strategy when entering the Russian market. The things have not changed 12 years later, according to Respondent 2:

“We build our strategy according to common sense. You need to know what you are doing. You need to have flexibility within the limits. We first act and then adjust.”

Therefore, even now stakeholder management practices are emergent and depend on the situation rather than on particular framework. This makes sense taking into consideration that the business environment in Russia is dynamic, and relations with the government, which is one of the key stakeholders of IKEA Russia, are very challenging. Moreover, the “limits”, the respondent is referring to, is organizational culture, values and Code of Conduct, which in this case act in place of guidelines. Taking into consideration that managers of IKEA Russia are expatriates with significant internationalization experience on other markets (Tarnovskaya, 2007; Dahlgren, 2010), their accumulated experience contributed to find the right approach for the Russian stakeholders.

Therefore, the strategies, applied in practice by IKEA Russia and described in the previous chapter, were based on the “common sense”. It is thus surprising to find out that these strategies are very close to those suggested by theory. Comparison of the strategies applied in practice and suggested by theory is presented below in Table 16 and discussed in subsequent subchapters.

Table 16. Stakeholder management strategies of IKEA Russia: comparison of theory and practice.
<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Practice</th>
<th>Theory</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Building personal relationships at different levels through personal meetings and group discussions. Cooperating with the government in terms of knowledge and experience exchange. Lobbying interests through participating in Business Associations.</td>
<td>Government is a definitive stakeholder and a key player, which possesses critical resources for IKEA’s development. Strategy applied: <em>compromiser/subordinate</em>.</td>
<td>Due to the fact that IKEA used to be the biggest foreign investor into the Russian economy (outside oil &amp; gas sector), it managed not only to compromise with the government, but also to lobby some of its interests. IKEA has a certain weight, and some politicians listen to the retailer’s opinion. However in some local cases, IKEA is still in the vulnerable position and has to adapt to some of the governmental decisions.</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Building personal relations at different levels. Active participation in partner’s production, supply, HRM. Exchange of knowledge, resources and technology. Financial investments. Introduction of norms and standards in accordance with the Code of Conduct. Explanation of vision and key core values. Different kinds of trainings. New relationship principles (cooperative &amp; long-term).</td>
<td>According to the suppliers’ size and recognition on the local market, IKEA’s strategy will range from <em>compromiser</em> to <em>commander</em>.</td>
<td>Due to IKEA’s culture and values, the retailer adopts a “fair” approach: the interaction with suppliers brings mutual benefit. Loyal suppliers for IKEA and improvements for suppliers. IKEA does not <em>command</em> its suppliers because it is against the company’s culture, and neither <em>compromises</em>, because it will not bring the desired result (good quality with low price, production facilities according to the Code of Conduct).</td>
</tr>
<tr>
<td>Employees</td>
<td>Usage of corporate guidelines and materials. Trainings (history, values, traditions, competences, professional skills). Educational visits. Multicultural environment, “export” of Swedes. Comfortable working atmosphere. Good working conditions. Possibilities for development. Value-based recruitment system.</td>
<td>The company and its employees are highly interdependent; therefore the strategy applied towards employees should be <em>compromiser</em>.</td>
<td>In reality IKEA does more than just compromising: it creates exceptional working conditions and working atmosphere. Moreover, IKEA extensively educates its employees.</td>
</tr>
</tbody>
</table>
IKEA Russia’s strategy towards the local government is very close to the one suggested by theory, i.e. range from compromising to being a subordinate. Although IKEA Russia tries to build good relations with different kinds of authorities and influence the situation by uniting with other companies, in most cases it has to adapt to governmental decisions. Respondent 2:

“You have to adapt. You don’t have to like everything. You have to try to change the situation in the long-term.”

Nevertheless, in some particular cases IKEA manages to achieve more than just adapting or compromising. Due to the fact that until recently it used to be one of the biggest foreign investors in Russia (outside oil and gas industry) it actually has weight in political and business circles. Thus, in the beginning of its operations in Russia, IKEA was able to influence the decision about customs fees in its favor (Dahlgren, 2010). IKEA’s strategy towards Russian authorities is focused on the long run and shaped by its organizational culture and the Code of Conduct. The theoretical approach as a whole is applicable, but it is not precise in the turbulent environment.

Relationships of IKEA Russia with its suppliers depend on their size and position at the local market. With any kind of suppliers IKEA tries to conduct a mutually-beneficial dialogue by demanding high quality and low prices in return for long-term contracts, investments and expertise sharing. IKEA never opts to command its suppliers, as suggested by theory, because this approach is against its culture and values. According to evidence, IKEA would like its suppliers to be relatively independent from it (Borgstrom, 2010), in particular not to depend on the retailer for more than 50% (Baraldi, 2008).

A compromising strategy is more suitable for IKEA when dealing with Russian suppliers, however compromising is limited by the corporate guidelines such as IWAY Code of Conduct, which regulates the minimum social and working conditions that an IKEA supplier should adopt. According to Baraldi (2008), IKEA prefers close collaboration with its suppliers in that they develop together new products and technologies, and are therefore focused on long-term cooperation. Theoretical proposition in this case is close to reality; however it misses out IKEA’s strong organizational culture and values.

IKEA’s approach towards employees is also the reflection of the company’s values and culture. Thus, the retailer tries to create good working conditions and a highly comfortable working environment. IKEA’s real strategy goes beyond the “compromiser” approach suggested by theory.

In terms of stakeholders other than government, suppliers and employees, IKEA’s approach is very close to theoretical suggestions, but is modified according to the organizational culture and values. Thus, IKEA has a responsible attitude towards customers and it will never adopt a commander strategy. Moreover, although Ingvar Kamprad and Corporate Headquarters are dominant stakeholders, or key players, the strategy adopted is rather a collaborative one.

On the whole strategies suggested by theory are close to the ones applied in practice. However, the real-life strategies are more flexible and fit for the environment, as managers make decisions according to circumstances and within IKEA’s Code of Conduct. Thus, theoretical framework is not very precise in the dynamic business
environment, and it does not take into consideration the company’s organizational culture. Moreover, in the changing business environment it is important to adopt fast decision-making, while theoretical framework takes time to develop and analyze.

6.8. CONCLUSION

In this chapter we conducted a review of strategies adopted by IKEA Russia towards its main stakeholders. Our investigation was based on a number of semi-structured interviews conducted with persons related to IKEA’s operation on the Russian market, as well as secondary data.

Thus, IKEA uses a proactive approach towards the Russian authorities by building personal relationships, cooperating with the government in terms of knowledge and experience exchange, lobbying interests through meetings at different levels and through participating in Business Associations. In terms of suppliers, IKEA applies supplier development through transfer of the industry best practices and expertise, financial investment, trainings, personal relationship-building, improvement of suppliers’ social and working standards. IKEA Russia takes care of its employees by conducting various trainings (about retailer’s culture, value, critical competences, professional skills), employing a special approach for personnel recruitment, reward and development, creating good working conditions and comfortable working environment.

In order to develop stakeholder management strategies, based on academic perspective, we applied a theoretical model, developed earlier. Thus, according to theory, IKEA should apply an approach, placed on a continuum from subordinate to compromiser, towards the Russian authorities. Apart from the government, other definitive stakeholders include Ingvar Kamprad and Corporate Headquarters. Both employees and suppliers are mostly discretionary stakeholders (but can easily become dominant), and therefore the strategy applied by IKEA towards them should be mostly compromiser.

Taking into consideration, that stakeholder management strategy of IKEA Russia is emergent and does not follow any particular guidelines, except corporate Code of Conduct and similar documents, it is interesting to see that real life strategy is close to theoretical propositions. However, the theoretical suggestions do not offer customized solutions and are rather general and rigid, which is not applicable for the turbulent business environment. Moreover, any theoretical framework takes time to analyze and apply, which is also a disadvantage when surroundings are changing fast.
CHAPTER 7 – CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION
This chapter briefly summarizes the findings of our research and the conclusions that we drew out of it. The study has been undertaken with the purpose to analyze stakeholder strategies and practices applied by a global retailer when internationalizing to Russia, and whether these strategies are in accordance with theoretical propositions. Thus, we begin the chapter by answering the research questions that were formulated at the beginning of our study. Consequently, we provide some recommendations and list the main limitations of the research. We conclude by suggesting the possible future research directions.

7.2 INTERPRETATION OF THE RESEARCH QUESTIONS
The stakeholder management strategy applied by IKEA during internationalizing to Russia has been analyzed by following the research questions, which were put forward in the beginning of this study. These questions are answered as follows.

(1) *Does the company apply any stakeholder management methodology or strategy? In the corporate headquarters? In Russia in particular?*

According to one of respondents, The IKEA Group applies both internal and external stakeholder management frameworks. The former one is utilized in order to coordinate interaction and increase efficiency of the internal business units and companies within the IKEA network. The latter implies conducting of a thorough research about different countries, clustering them according to stakeholder similarities (customer behavior, government relations, suppliers, employees, business environment, and political system) and developing an internationalizing strategy which can be replicated in other cases.

However, in terms of Russia, due to the turbulent business environment and economic crisis during the year of IKEA’s entry to the Russian market, IKEA has never had any explicit stakeholder management strategy. Nevertheless, interaction with stakeholders is effective and consistent due to utilization of corporate guidelines and Code of Conduct. These guidelines cover different spheres of the company’s life and in the end determine the way it interacts with its stakeholders. Moreover, stakeholder management strategies depend heavily on the company’s unique and strong organizational culture and values.

Thus, the main strategies applied by IKEA towards its three key stakeholders are described briefly as follows. IKEA closely collaborates with its suppliers by investing in their development, exchanging technology and best practices, conducting trainings, improving their working conditions. It is, however, also a demanding customer in that its partners should comply with IKEA’s Code of Conduct. In terms of the employees, IKEA utilizes different kinds of trainings, developmental programmes, alternative compensation package, global career opportunities. IKEA is, consequently, a demanding employer in that its personnel should not only possess good professional skills but also share organizational culture and values. Government is considered to be
one of the most challenging stakeholders. The approach adopted by IKEA is adaptation, flexibility and trying to influence the situation in the long run. In this regard IKEA applies personal relationship-building through meetings at different levels, knowledge and experience exchange with the authorities, lobbying, participation in various Business Associations.

(2) **How do everyday real life actions fit or correspond to what is planned? How do real life actions in turn shape the strategy?**

According to Respondents, IKEA Russia does not plan its stakeholder management strategy, and interaction with stakeholders is done out of “common sense”. In fact, stakeholder management is shaped by existing business environment and local culture, and limited by organizational Code of Conduct. Therefore it is possible to claim, that although IKEA Russia’s stakeholder management strategy is emergent, it is pre-determined by organizational culture and corporate guidelines. IKEA Russia did minimum adaptation of the organizational culture for the local one.

(3) **To what extent strategies applied in practice differ from those suggested by theory?**

Strategies applied in practice out of common sense, i.e. without any stakeholder management framework in place, were surprisingly close to those suggested by theory. The only flaw of the theoretical approach is that it cannot reflect all the complexity of the business environment, organizational culture and local culture. Moreover, in the turbulent business environment that characterizes Russia, hardly any theoretical framework can be effective. This is because the market is too dynamic and unpredictable. The actions of certain market players, especially of the authorities’ representatives, can sometimes be too difficult to foresee. In this case, the company should adapt, accumulate experience and weight on the local market, and try to change the business environment in the long term. The best approach for the managers working in Russia would be to try to monitor the environment, try to understand the local culture, and to be flexible.

### 7.3 RECOMMENDATIONS

So far IKEA has been quite successful in stakeholder management on the Russian market. This success is a function of a lot of specific factors: organizational culture and values, rich experience of internationalization to other countries, experienced managers, the size of the company, overall weight that the company has due to its investments, support and authority of the company’s founder. This implies that stakeholder management approach applied by IKEA in Russia and described in the previous chapter, is not necessarily relevant for another company. The main conclusion out of IKEA’s experience is that a company, penetrating the Russian market, should adequately assess its possibilities and the market conjuncture, accumulate experience, focus on personal relationship-building and be consistent in its practices.
Experience of IKEA on the Russian market has not been flawless. After having reviewed stakeholder management practices of IKEA and after having answered the research questions, we were able to develop some recommendations for IKEA in Russia.

1. Strong organizational culture makes the company a bit rigid in relation to some of its stakeholders. Although one of the respondents claims that IKEA Russia is “flexible within the limits”, the company should probably be more attentive to the local culture and to the needs of some of its stakeholders. Thus, for example, one of the suppliers was dissatisfied with IKEA’s practice of staff rotation because this implied impossibility to build mutual trust and understanding.

2. IKEA’s managers should develop a better understanding of local conditions under which their partners operate and in which their employees live, as well as of local regulations, standards and norms.

3. IKEA should not overlook various competences and resources offered by its stakeholders, i.e. contacts and existing competences of employees; suppliers’ expertise, knowledge of local standards and network.

4. IKEA should customize its human resource management practices for the peculiarities and needs of local employees. Thus, one of the co-workers was dissatisfied with the amount of work and not adequate appraisal and feedback from the company (Tarnovskaya, 2007).

7.4 LIMITATIONS OF THE STUDY
The study has a number of limitations, most significant of which are discussed as follows:

1. Due to the interpretive and exploratory nature of the study, our findings are partly based on the opinions of the people interviewed. However we tried to triangulate this data with secondary sources and previous interviews undertaken by other researchers.

2. As we could not get significant access to the company, we performed a relatively small number of interviews. Thus, it may be useful to undertake a further research involving a higher number of respondents in order to better scrutinize stakeholder management practices of IKEA on the Russian market.

3. The research strategy adopted (a single case study) may not be representative and useful for other companies penetrating the Russian market. However taking into consideration that IKEA Russia’s business is rather diversified (retailing, production and real estate development) we believe that the findings of our
research might be interesting for other practitioners, academicians and/or the company itself.

(4) The present study is cross-sectional in that it focuses on recent stakeholder management practices and strategies of IKEA in Russia. Although we do not analyze the performance of the company over time, we believe that stakeholder management approach of IKEA Russia did not change considerably due to the specifics of the company.

7.5 POSSIBLE FUTURE RESEARCH DIRECTIONS
The limitations identified above open the ground for the development of further research related to the topic investigated. Thus, it would be interesting to gather a higher amount of primary data by conducting more interviews with different market actors. In particular, opinions and knowledge of more people directly involved in the IKEA internationalization on the Russian market would enhance the reliability as well as the depth of the study. Apart from that, a longitudinal analysis can be conducted, in order to track the development of stakeholder management practices in Russia over time.

Furthermore, it can be useful to expand the study from one singular case-study to multiple case-studies, involving other foreign companies from the retail sector. This way a wider picture of stakeholder management practices applied in Russia may be provided. Moreover, companies not pertaining to the retail sector can also be investigated.
REFERENCES


APPENDIXES


<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures on nonfoods in total, % of all household expenditures</th>
<th>Expenditures on furniture and other household goods, % of total expenditures</th>
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<tr>
<td>1995</td>
<td>36,8</td>
<td>4,2</td>
</tr>
<tr>
<td>2000</td>
<td>39,8</td>
<td>5,2</td>
</tr>
<tr>
<td>2005</td>
<td>50,4</td>
<td>8,2</td>
</tr>
<tr>
<td>2006</td>
<td>51,7</td>
<td>8,2</td>
</tr>
<tr>
<td>2007</td>
<td>55,8</td>
<td>8,4</td>
</tr>
<tr>
<td>2008</td>
<td>54,9</td>
<td>8,9</td>
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</table>
### APPENDIX 2. Review of the key stakeholder literature.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Stakeholder definition and classification</th>
<th>Stakeholder characteristics</th>
<th>Stakeholders’ influence strategies (applied by stakeholders)</th>
<th>Analysis of stakeholders. Interpretation of the environment.</th>
<th>Stakeholder management strategies (applied by companies)</th>
<th>Stakeholder management frameworks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weber, 1947</td>
<td></td>
<td>Legitimacy and power are distinct attributes that can combine to create authority but that can exist independently as well</td>
<td></td>
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<tr>
<td>Stanford memo, 1963</td>
<td>&quot;Those groups without whose support the organization would cease to exist&quot; (cited in Freeman &amp; Reed, 1983, and Freeman, 1994).</td>
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<tr>
<td>Etzioni, 1964; Clarkson, 1995</td>
<td></td>
<td>Types of power: coercive, utilitarian, and normative</td>
<td></td>
<td></td>
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<tr>
<td>Davis, 1973</td>
<td></td>
<td>Distinguishes between legitimate and illegitimate power</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Vogel, 1978</td>
<td></td>
<td>Focused on such strategies as proxy resolutions and boycotts</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freeman &amp; Reed, 1983</td>
<td></td>
<td>Types of power: formal, economic, and political</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authors</td>
<td>Stakeholder definition and classification</td>
<td>Stakeholder characteristics</td>
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<td>Stakeholder management frameworks</td>
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<tr>
<td>Freeman, 1984</td>
<td>Give broad definition of a stakeholder as an individual or group who &quot;can affect or is affected by the achievement of the organization’s objectives“</td>
<td></td>
<td></td>
<td></td>
<td>Framework based on analysis of stakeholder behavior, finding out underlying motives and interests and how these differ from the firm’s.</td>
<td></td>
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<tr>
<td>Cleland, 1985</td>
<td>Stakeholders are those “…who have a vested interest in the outcome of the project.”</td>
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<tr>
<td>Freeman &amp; Reed, 1983; Bowie, 1988; Naïsi, 1995</td>
<td>Stakeholders as groups or individuals necessary for the firm’s survival</td>
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<td>Daft and Weick, 1984</td>
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<tr>
<td>Cornell &amp; Shapiro, 1987; Evan &amp; Freeman, 1988; Hill &amp; Jones, 1992</td>
<td>Stakeholders as claimants or contract-holders of the firm</td>
<td></td>
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<td>Corlett, 1989; Shipp, 1987</td>
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<tr>
<td>Alkhafaji, 1989; Langtry, 1994</td>
<td>Stakeholders as “groups to whom the corporation is responsible”</td>
<td></td>
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<tr>
<td>Authors</td>
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<tr>
<td>Carroll, 1989</td>
<td>Generic vs. specific</td>
<td>Suggested that the degree of stakeholder power can be measured in terms of budget, staff, amount of and source of funding</td>
<td></td>
<td></td>
<td>Typology of strategies: acquiesce (habit, imitate, comply), compromise (balance, pacify, bargain), avoid (conceal, buffer, escape), defy (dismiss, challenge, attack), manipulate (co-opt, influence, control).</td>
<td></td>
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<tr>
<td>Oliver, 1991</td>
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<tr>
<td>Thompson et al., 1991;</td>
<td>Define stakeholders as groups “in relationship with an organization”</td>
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<td>Brenner, 1993</td>
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<td>Paul &amp; Lydenberg, 1992</td>
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<tr>
<td>Freeman, 1994; Wicks et al., 1994</td>
<td>Stakeholders as moral claimants</td>
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<td>Authors</td>
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<tr>
<td>Fredrick et al., 1992; Wood, 1994</td>
<td></td>
<td>Various categorization schemes for stakeholder interests: concrete vs. symbolic, economic vs. social, and local vs. domestic vs. international</td>
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<td>Davis &amp; Thompson, 1994</td>
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<td>Mentioned stockholder resolutions</td>
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<td>Davidson et al., 1995</td>
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<td>Examination of divestitures</td>
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<td>Clarkson, 1994</td>
<td>Stakeholders as voluntary vs. involuntary risk bearers.</td>
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<td>Cleland, 1998; Clarkson, 1995</td>
<td>Primary vs. secondary</td>
<td></td>
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<tr>
<td>Mitchell et al., 1997</td>
<td>Give differentiation between narrow and broad views towards stakeholders.</td>
<td>Stakeholder salience can be identified by possession of urgency, legitimacy, and power. Stakeholder attributes change over time.</td>
<td></td>
<td>Managerial actions depend on their perceptions of the attributes of stakeholders (in terms of power, legitimacy &amp; urgency)</td>
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</tr>
<tr>
<td>Authors</td>
<td>Stakeholder definition and classification</td>
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<tr>
<td>Julius, 1997</td>
<td>The notion “stake” and “stakeholder” originated in the early dates of the United States, when settlers were invited to ‘stake’ their claims for territory by “marking out their land with posts or stakes” (Julius, 1997, p. 454)</td>
<td>Stakeholder attributes, expectations and interests are subject to modification with the pace of time, changes in the market environment and accelerating globalization processes.</td>
<td></td>
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<tr>
<td>Smith &amp; Cooper-Martin, 1997</td>
<td></td>
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<tr>
<td>Rowley, 1997</td>
<td>Management action and choice is a function of stakeholder influences</td>
<td>Applied network approach and identified stakeholder power in terms of network density and centrality of organization in it.</td>
<td></td>
<td></td>
<td>Typology of firm behavior in terms of resistance to stakeholder actions: commander, compromiser, subordinate and solitarian.</td>
<td></td>
</tr>
<tr>
<td>Eden &amp; Ackermann, 1998</td>
<td></td>
<td></td>
<td>Developed classification of stakeholders (players, subjects, context setters, crowd) and suggest to use stakeholder diagrams to identify influence flow between stakeholders.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authors</td>
<td>Stakeholder definition and classification</td>
<td>Stakeholder characteristics</td>
<td>Stakeholders’ influence strategies (applied by stakeholders)</td>
<td>Analysis of stakeholders. Interpretation of the environment.</td>
<td>Stakeholder management strategies (applied by companies)</td>
<td>Stakeholder management frameworks</td>
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<tr>
<td>Frooman, 1999</td>
<td>Resource interdependence as an important attribute of stakeholder-managerial relationships.</td>
<td>Typology of influence strategies: direct withholding, indirect withholding, direct usage, and indirect usage</td>
<td>Typology of influence strategies: direct withholding, indirect withholding, direct usage, and indirect usage</td>
<td>Stakeholder classification: active opposition, passive opposition, not committed, active support, passive support.</td>
<td>Stakeholder classification: active opposition, passive opposition, not committed, active support, passive support.</td>
<td>Stakeholder classification: active opposition, passive opposition, not committed, active support, passive support.</td>
</tr>
<tr>
<td>McElroy &amp; Mills, 2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Stakeholder classification: active opposition, passive opposition, not committed, active support, passive support.</td>
<td>Stakeholder classification: active opposition, passive opposition, not committed, active support, passive support.</td>
</tr>
<tr>
<td>Karlsen, 2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Develops a flexible project stakeholder management model with six distinct steps: plan, identify, analyze, communicate, act, follow up.</td>
<td>Develops a flexible project stakeholder management model with six distinct steps: plan, identify, analyze, communicate, act, follow up.</td>
</tr>
<tr>
<td>Authors</td>
<td>Stakeholder definition and classification</td>
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<tr>
<td>Rowley &amp; Moldoveanu, 2003</td>
<td></td>
<td>Stakeholder action is dependent on a threefold perspective: interest-based, identity-based, and degree of overlap among stakeholder groups.</td>
<td>Strategy towards stakeholders may depend on how a company perceives their interests, identity and overlap.</td>
<td></td>
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</tr>
<tr>
<td>Cova &amp; Salle, 2005</td>
<td>Business actors vs non-business actors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bourne &amp; Walker, 2005</td>
<td></td>
<td></td>
<td>Developed Stakeholder Circle model. By applying probability-impact analysis developed stakeholder vested interest intensity index.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sutterfield et al., 2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cyclical project stakeholder management framework, consists of nine on-going steps.</td>
</tr>
<tr>
<td>Waldman et al., 2006</td>
<td></td>
<td></td>
<td>Decision-making is influenced by: demographic, economic, cultural, leadership factors and other characteristics and values of managers.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authors</td>
<td>Stakeholder definition and classification</td>
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<tr>
<td>Floricel &amp; Miller, 2001; Flyvbjerg et al., 2003; Söderholm, 2008</td>
<td></td>
<td></td>
<td>Project environment is too complex, dynamic and uncertain</td>
<td></td>
<td></td>
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<tr>
<td>Johnson et al., 2008; Bryson, 2004</td>
<td></td>
<td></td>
<td>Stakeholder mapping: power/interest matrix.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PMI, 2008</td>
<td></td>
<td></td>
<td>Environment is comprehensible, analyzable and predictable.</td>
<td>Mentions such tools as: Power/Interest matrix, Will-Skill model, Power/Influence matrix, Influence/Impact matrix, and Salience model. For stakeholder analysis purposes a stakeholder register is proposed.</td>
<td>Mentions project communication management framework with five distinct steps: identify stakeholders, plan communications, distribute information, manage stakeholder expectations, report performance.</td>
<td></td>
</tr>
<tr>
<td>Agle et al., 1999; Boesso &amp; Kumar, 2009</td>
<td></td>
<td></td>
<td>Leaders imprint their firms with their own values.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aaltonen and Sivonen, 2009</td>
<td></td>
<td></td>
<td></td>
<td>Typology of response strategies to stakeholder pressures: adaptation, compromising, avoidance, dismissal, influence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authors</td>
<td>Stakeholder definition and classification</td>
<td>Stakeholder characteristics</td>
<td>Stakeholders’ influence strategies (applied by stakeholders)</td>
<td>Analysis of stakeholders. Interpretation of the environment.</td>
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<tr>
<td>Aaltonen (2010)</td>
<td>Internal vs external</td>
<td></td>
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</tr>
</tbody>
</table>
APPENDIX 3. Definition of stakeholders. Source: Mitchell et al., 1997; p.858

<table>
<thead>
<tr>
<th>Source</th>
<th>Stake</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanford memo, 1963</td>
<td>&quot;those groups without whose support the organization would cease to exist&quot; (cited in Freeman &amp; Reel, 1985, and Freeman, 1984)</td>
</tr>
<tr>
<td>Rhenman, 1964</td>
<td>&quot;are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence&quot; (cited in Nasi, 1995)</td>
</tr>
<tr>
<td>Ahlstedt &amp; Jahnukainen, 1971</td>
<td>&quot;driven by their own interests and goals are participants in a firm, and thus depending on it and whom for its sake the firm is depending&quot; (cited in Nasi, 1985)</td>
</tr>
<tr>
<td>Freeman &amp; Reed, 1983: 91</td>
<td>Wide: &quot;can affect the achievement of an organization’s objectives or who is affected by the achievement of an organization’s objectives”</td>
</tr>
<tr>
<td>Freeman, 1984: 46</td>
<td>Narrow: “on which the organization is dependent for its continued survival”</td>
</tr>
<tr>
<td>Freeman &amp; Gilbert, 1987: 297</td>
<td>&quot;can affect or is affected by the achievement of the organization’s objectives”</td>
</tr>
<tr>
<td>Cornell &amp; Shapiro, 1987: 5</td>
<td>&quot;can affect or is affected by a business”</td>
</tr>
<tr>
<td>Evan &amp; Freeman, 1988: 75-76</td>
<td>“claimants” who have “contracts”</td>
</tr>
<tr>
<td>Evan &amp; Freeman, 1988: 79</td>
<td>&quot;have a stake in or claim on the firm”</td>
</tr>
<tr>
<td>Bowie, 1988: 112, n. 2</td>
<td>&quot;benefit from or are harmed by, and whose rights are violated or respected by, corporate actions”</td>
</tr>
<tr>
<td>Alkhafaji, 1989: 36</td>
<td>&quot;without whose support the organization would cease to exist”</td>
</tr>
<tr>
<td>Carroll, 1989: 57</td>
<td>&quot;groups to whom the corporation is responsible”</td>
</tr>
<tr>
<td>Freeman &amp; Evan, 1990</td>
<td>&quot;asserts to have one or more of these kinds of stakes”—“ranging from an interest to a right (legal or moral) to ownership or legal title to the company’s assets or property”</td>
</tr>
<tr>
<td>Thompson et al., 1991: 209</td>
<td>contract holders</td>
</tr>
<tr>
<td>Savage et al., 1991: 61</td>
<td>in “relationship with an organization”</td>
</tr>
<tr>
<td>Hill &amp; Jones, 1992: 133</td>
<td>&quot;have an interest in the actions of an organization and ... the ability to influence it”</td>
</tr>
<tr>
<td>Brenner, 1993: 205</td>
<td>&quot;constituents who have a legitimate claim on the firm ... established through the existence of an exchange relationship” who supply “the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements)”</td>
</tr>
<tr>
<td>Carroll, 1993: 60</td>
<td>&quot;having some legitimate, non-trivial relationship with an organization [such as] exchange transactions, action impacts, and moral responsibilities”</td>
</tr>
<tr>
<td>Freeman, 1994: 415</td>
<td>&quot;asserts to have one or more of the kinds of stakes in business”—“may be affected or affect ...”</td>
</tr>
<tr>
<td>Wicks et al., 1994: 483</td>
<td>participants in “the human process of joint value creation”</td>
</tr>
<tr>
<td>Langtry, 1994: 433</td>
<td>&quot;interact with and give meaning and definition to the corporation”</td>
</tr>
<tr>
<td>Starik, 1994: 90</td>
<td>the firm is significantly responsible for their well-being, or they hold a moral or legal claim on the firm</td>
</tr>
<tr>
<td>Clarkson, 1994: 5</td>
<td>&quot;can and are making their actual stakes known”—“are or might be influenced by, or are or potentially are influencers of, some organization”</td>
</tr>
<tr>
<td>Clarkson, 1995: 106</td>
<td>&quot;bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm” or “are placed at risk as a result of a firm’s activities”</td>
</tr>
<tr>
<td>Nasi, 1995: 19</td>
<td>&quot;have, or claim, ownership, rights, or interests in a corporation and its activities”</td>
</tr>
<tr>
<td>Brenner, 1995: 76, n. 1</td>
<td>&quot;interact with the firm and thus make its operation possible”</td>
</tr>
<tr>
<td>Donaldson &amp; Preston, 1995: 85</td>
<td>&quot;are or which could impact or be impacted by the firm/organization”</td>
</tr>
<tr>
<td></td>
<td>&quot;persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity”</td>
</tr>
</tbody>
</table>
Source: Mitchell et al., 1997; pp. 860-862.

A Relationship Exists
The firm and stakeholder are in relationship:
Thompson et al., 1991: 209—in "relationship with an organization"
Brenner, 1993: 205—"having some legitimate, non-trivial relationship with an
organization [such as] exchange transactions, action impacts, and moral
responsibilities"
Freeman, 1994: 415—participants in "the human process of joint value creation"
Wicks et al., 1994: 483—"interact with and give meaning and definition to the
corporation"

The stakeholder exercises voice with respect to the firm:
Starik, 1994: 90—"can and are making their actual stakes known"—"are or might be
influenced by, or are or potentially are influencers of, some organization"

Power Dependence: Stakeholder Dominant
The firm is dependent on the stakeholder:
Stanford memo, 1963—"those groups without whose support the organization would
cease to exist" (cited in Freeman & Reed, 1983, and Freeman, 1984)
Freeman & Reed, 1983: 91—Narrow: "on which the organization is dependent for its
continued survival"
Bowie, 1988: 112, n. 2—"without whose support the organization would cease to exist"
Nasi, 1995: 19—"interact with the firm and thus make its operation possible"

The stakeholder has power over the firm:
Freeman, 1984: 46—"can affect or is affected by the achievement of the organization’s
objectives"
Freeman & Gilbert, 1987: 397—"can affect or is affected by a business"
Savage et al., 1991: 61—"have an interest in the actions of an organization and . . . the
ability to influence it"
Carroll, 1993: 60—"asserts to have one or more of the kinds of stakes in business"—may
be affected or affect . . .
Starik, 1994: 90—"can and are making their actual stakes known"—"are or might be
influenced by, or are or potentially are influencers of, some organization"
Brenner, 1995: 76, n. 1—"are or which could impact or be impacted by the
firm/organization"

Power Dependence: Firm Dominant
The stakeholder is dependent on the firm:
Langtry, 1994: 433—the firm is significantly responsible for their well-being, or they hold
a moral or legal claim on the firm

The firm has power over the stakeholder:
Freeman & Reed, 1983: 91—Wide: "can affect the achievement of an organization’s
objectives or who is affected by the achievement of an organization’s objectives"
Freeman, 1984: 46—"can affect or is affected by the achievement of the organization’s
objectives"
Freeman & Gilbert, 1987: 397—"can affect or is affected by a business"
Carroll, 1993: 60—"asserts to have one or more of the kinds of stakes in business"—may
be affected or affect . . .
Starik, 1994: 90—"can and are making their actual stakes known"—"are or might be influenced by, or are or potentially are influencers of, some organization"
Brenner, 1995: 76, n. 1.—"are or which could impact or be impacted by the firm/organization"

Mutual Power-Dependence Relationship
The firm and stakeholder are mutually dependent:
Rhenman, 1964—"are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence" (cited in Näsi, 1995)
Ahlstedt & Jahnukainen, 1971—"driven by their own interests and goals are participants in a firm, and thus depending on it and whom for its sake the firm is depending" (cited in Näsi, 1995)

Basis for Legitimacy of Relationship
The firm and stakeholder are in contractual relationship:
Cornell & Shapiro, 1987: 5—"claimants" who have "contracts"
Carroll, 1989: 57—"asserts to have one or more of these kinds of stakes"—"ranging from an interest to a right (legal or moral) to ownership or legal title to the company’s assets or property"
Freeman & Evan, 1990—contract holders
Hill & Jones, 1992: 133—"constituents who have a legitimate claim on the firm . . . established through the existence of an exchange relationship" who supply "the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements)"

The stakeholder has a claim on the firm:
Evan & Freeman, 1988: 75–76—"have a stake in or claim on the firm"
Alkhataji, 1989: 36—"groups to whom the corporation is responsible"
Carroll, 1989: 57—"asserts to have one or more of these kinds of stakes"—"ranging from an interest to a right (legal or moral) to ownership or legal title to the company’s assets or property"
Hill & Jones, 1992: 133—"constituents who have a legitimate claim on the firm . . . established through the existence of an exchange relationship" who supply "the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements)"
Langtry, 1994: 433—the firm is significantly responsible for their well-being, or they hold a moral or legal claim on the firm
Clarkson, 1995: 106—"have, or claim, ownership, rights, or interests in a corporation and its activities"

The stakeholder has something at risk:
Clarkson, 1994: 5—"bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm" or "are placed at risk as a result of a firm’s activities"

The stakeholder has a moral claim on the firm:
Evan & Freeman, 1988: 79—"benefit from or are harmed by, and whose rights are violated or respected by, corporate actions"
Carroll, 1989: 57—"asserts to have one or more of these kinds of stakes"—"ranging from an interest to a right (legal or moral) to ownership or legal title to the company’s assets or property"
Langtry, 1994: 433—the firm is significantly responsible for their well-being, or they hold a moral or legal claim on the firm
Clarkson, 1995: 106—"have, or claim, ownership, rights, or interests in a corporation and its activities"
Donaldson & Preston, 1995: 85—"identified through the actual or potential harms and benefits that they experience or anticipate experiencing as a result of the firm’s actions or inactions"

Stakeholder Interests—Legitimacy Not Implied
The stakeholder has an interest in the firm:
Carroll, 1989: 57—"asserts to have one or more of these kinds of stakes"—"ranging from an interest to a right (legal or moral) to ownership or legal title to the company’s assets or property"
Savage et al., 1991: 61—"have an interest in the actions of an organization and ... have the ability to influence it"
Carroll, 1993: 60—"asserts to have one or more of the kinds of stakes in business"—may be affected or affect ... Clarkson, 1995: 106—"have, or claim, ownership, rights, or interests in a corporation and its activities"


Is the stakeholder dependent on the firm?

<table>
<thead>
<tr>
<th></th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the firm dependent on the stakeholder?</td>
<td>Low interdependence</td>
<td>Firm power</td>
</tr>
<tr>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>Stakeholder power</td>
<td>High interdependence</td>
</tr>
</tbody>
</table>


Is the stakeholder dependent on the firm?

<table>
<thead>
<tr>
<th></th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the firm dependent on the stakeholder?</td>
<td>Indirect/withholding</td>
<td>Indirect/usage</td>
</tr>
<tr>
<td>No</td>
<td>(low interdependence)</td>
<td>(firm power)</td>
</tr>
<tr>
<td>Yes</td>
<td>Direct/withholding</td>
<td>Direct/usage (high</td>
</tr>
<tr>
<td></td>
<td>(stakeholder power)</td>
<td>interdependence)</td>
</tr>
</tbody>
</table>
APPENDIX 9. Styles of stakeholder management. Source: Mattingly & Greening, 2002

![Diagram of Styles of Stakeholder Management]

- **Outcome orientation**
  - **Distributive**
  - **Intergrative**
  - **Direct**
  - COERCION
  - COLLABORATION
  - **Indirect**
  - SUBVERSION
  - MEDIATION

---


![Diagram of Typology of Interpretation Models]

- **Unanalyzable**
  - **ASSUMPTIONS ABOUT ENVIRONMENT**
  - UNDIRECTED VIEWING
    - Constrained interpretations.
    - Nonroutine, informal data.
    - Hunch, rumor, chance opportunities.
  - ENACTING
    - Experimentation, testing, coercion, invent environment.
    - Learn by doing.

- **Analyzable**
  - CONDITIONED VIEWING
    - Interprets with traditional boundaries. Passive detection.
    - Routine, formal data.
  - DISCOVERING
    - Formal search. Questioning, surveys, data gathering.
    - Active detection.

---

ORGANIZATIONAL INTRUSIVENESS
APPENDIX 11. Stakeholder mapping.

Figure 15. Power/interest matrix. Source: Johnson et al., 2008; p.156.

Figure 16. Power/predictability matrix. Source: Newcombe, 2003; p.844.

Figure 17. Power/Dynamism matrix.
Figure 18. Importance/Position on project matrix. Source: Nutt & Backoff, 1992; Bryson, 1995.

Figure 19. Motivation/Skills matrix.
Figure 20. Power/Influence matrix.

Figure 21. Impact/Influence matrix.
Figure 22. Project stakeholder categories. Source: Karlsen, 2002; p.24; Savage et al., 1991; p.65.

Figure 23. Stakeholder management strategies. Source: Karlsen, 2002; p.24; Savage et al., 1991; p.65.
Figure 24. Generic Stakeholder Strategies. Source: Freeman, 1984.

Figure 25. Problem-Frame Stakeholder map. Source: Anderson, Bryson & Crosby, 1999.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Stakeholder Interest(s) in the Project</th>
<th>Assessment of Impact</th>
<th>Potential Strategies for Gaining Support or Reducing Obstacles</th>
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<table>
<thead>
<tr>
<th>Strategies</th>
<th>Tactics</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquiesce</td>
<td>Habit</td>
<td>Following invisible, taken-for-granted norms</td>
</tr>
<tr>
<td></td>
<td>Imitate</td>
<td>Mimicking institutional models</td>
</tr>
<tr>
<td></td>
<td>Comply</td>
<td>Obeying rules and accepting norms</td>
</tr>
<tr>
<td></td>
<td>Balance</td>
<td>Balancing the expectations of multiple constituents</td>
</tr>
<tr>
<td>Compromise</td>
<td>Pacify</td>
<td>Placating and accommodating institutional elements</td>
</tr>
<tr>
<td></td>
<td>Bargain</td>
<td>Negotiating with institutional stakeholders</td>
</tr>
<tr>
<td></td>
<td>Conceal</td>
<td>Disguising nonconformity</td>
</tr>
<tr>
<td>Avoid</td>
<td>Buffer</td>
<td>Loosening institutional attachments</td>
</tr>
<tr>
<td></td>
<td>Escape</td>
<td>Changing goals, activities, or domains</td>
</tr>
<tr>
<td>Defy</td>
<td>Dismiss</td>
<td>Ignoring explicit norms and values</td>
</tr>
<tr>
<td></td>
<td>Challenge</td>
<td>Contesting rules and requirements</td>
</tr>
<tr>
<td></td>
<td>Attack</td>
<td>Assauling the sources of institutional pressure</td>
</tr>
<tr>
<td>Manipulate</td>
<td>Co-opt</td>
<td>Importing influential constituents</td>
</tr>
<tr>
<td></td>
<td>Influence</td>
<td>Shaping values and criteria</td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>Dominating institutional constituents and processes</td>
</tr>
</tbody>
</table>


<table>
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<tr>
<th>Density of the Stakeholder Network</th>
<th>Centrality of the Focal Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Compromiser</td>
<td>Subordinate</td>
</tr>
<tr>
<td>Commander</td>
<td>Solitarian</td>
</tr>
</tbody>
</table>

![Project Stakeholder Management Strategy Framework](image)


![Project Stakeholder Management Process](image)

Key

ARA: Arab-speaking countries (Egypt, Lebanon, Libya, Kuwait, Iraq, Saudi Arabia, United Arab Emirates)

ARG: Argentina

AUL: Australia

AUT: Austria

BEL: Belgium

BRA: Brazil

CAN: Canada

CHL: Chile

COL: Columbia

COS: Costa Rica

DEN: Denmark

EAF: East Africa
(Kenya, Ethiopia, Tanzania, Zambia)

EQU: Ecuador

FIN: Finland

FRA: France

GBR: Great Britain

GER: West Germany (formerly)

GRE: Greece

GUA: Guatemala

HOK: Hong Kong

IDO: Indonesia

IND: India

IRA: Iran

IRE: Ireland (Republic of)

ISR: Israel

ITA: Italy

JAM: Jamaica

JPN: Japan

KOR: South Korea

MAL: Malaysia

MEX: Mexico

NET: Netherlands

NOR: Norway

NZL: New Zealand

PAK: Pakistan

PAN: Panama

PER: Peru

PHI: Philippines

POR: Portugal

SAR: South Africa

SAL: Salvador

SIN: Singapore

SPA: Spain

SWE: Sweden

TAI: Taiwan

THA: Thailand

TUR: Turkey

URY: Uruguay

USA: United States

VEN: Venezuela

WAF: West Africa
(Nigeria, Ghana, Sierra Leone)

YUG: Yugoslavia (formerly)
APPENDIX 21. Interview guide.

Stakeholder management on the Russian market

INTRODUCTORY QUESTIONS:
How long have you been working in IKEA? In what capacity?
Do you have any relation to IKEA’s operation on the Russian market? During what time period?

SPECIFIC QUESTIONS:
1. To your opinion, was IKEA successful on the Russian market? Why?
2. What is the state of affairs right now? Why?
3. Has IKEA ever encountered problems when dealing with stakeholders on the Russian market? If yes, how were these problems resolved?

Under stakeholders we understand:
   a. Corporate headquarters
   b. Management of IKEA Russia
   c. Employees of IKEA Russia
      i. Russians
      ii. Foreigns
   d. Local suppliers of IKEA Russia
   e. Local contractors of IKEA Russia
   f. Customers of IKEA Russia
   g. Authorities / government
      i. Russian
      ii. Swedish
   h. Non-governmental associations
      i. Russian
      ii. Foreign (of another country)
   i. Media
   j. Other, please specify
4. According to your experience, has IKEA ever implemented any stakeholder management strategy? Use any guidelines for dealing with any kind of stakeholders?
   a. Which stakeholders?
   b. During what time-period?
   c. What were the strategy/guidelines about?
   d. Were they implemented in practice?
   e. Did they concern Russian market specifically?

5. With what kind of stakeholder(s) have you been dealing / are you dealing? How did you build your communication with them, and was it successful? Why?

6. Did your communication with these stakeholders change over time?

7. Which stakeholder was most difficult to deal with? Why?
   a. For IKEA Russia in general
   b. For you in particular

8. Which stakeholder was the easiest to deal with? Why?

9. Did you feel any effect from the differences in cultures and mentality? If yes, can you specify?

10. In your opinion, how much cultural differences have affected the expansion of IKEA into the Russian market? Could you identify the main barriers and difficulties your organization faced when dealing with stakeholders?

11. Which are the main cultural diversities you perceive between the Swedish and the Russian culture?
APPENDIX 22. Cover letter sent to the potential respondents of the interview.

Stakeholder management in a multicultural environment: a case study of a global retailer (IKEA) entering the Russian market

Ms Dinar Izmaylova, Umeå University, Sweden
Ms Federica Zuccon, Umeå University, Sweden

18th November 2010

Dear Sir/Madam,

We are two international postgraduate students doing a joint Masters Programme in Strategic Project Management at Heriot-Watt University (UK), MIP Politecnico di Milano (Italy) and Umeå University (Sweden). We are in our final term and currently writing our dissertation. Our topic is Stakeholder Management in a Multicultural Environment: a case study of a global retailer (IKEA) entering the Russian market.

Our research aims to analyze the challenges that IKEA faced when internationalizing its business to the Russian market. In particular, focus of our study is on stakeholder management as it represents a critical success factor of the internationalization process.

We have studied what has been written about IKEA’s internationalization in Russia, but wish to learn more deeply from the people who implemented it. We would very much appreciate a meeting with one or more people in the organization for a brief interview regarding our dissertation topic. We estimate that each interview should take not more than 1 hour and the number of questions we are going to address with you is around 10. All information provided will be treated with extreme confidentiality and used for academic purpose only. No quotes will be attributed to an individual unless previously authorized. Our dissertation is due by early January, so interviews between now and early December would be very much appreciated.

We would like to thank you in advance for your consideration and the time you might be willing to dedicate to us. For any doubt regarding the reliability of our study we reference Dr. Nils Wählin, University Lecturer, Umeå University, who is in charge of the supervision of our dissertation. You can also contact us by e-mail or phone.

Dr Nils Wählin, Universitetslektor, ph: 0016 99 8666 41, e-mail: nils.wahl@udu.ume.se.
Ms Dinar Izmaylova, ph: 0046 73 3182112, e-mail: din@uni@student.ume.se.
Ms Federica Zuccon, ph: 0046 72 2021566, e-mail: frz@uni@student.ume.se.

We look forward to receiving your response.

Sincerely,

Dinar Izmaylova & Federica Zuccon

MSPME Master Students
APPENDIX 23. IKEA’s Staircase Model. Source: IWAY, 2002; p.2.

Level 1
Start-up requirements and action plan to achieve level 2

Level 2
Fulfilment of minimum requirements, IWAY Standard

Level 3
Fulfilment of IKEA level 3 standards

Level 4
Fulfilment of official standards, 3rd party certificate

ISO 14001

4SEA
Supplier Environmental Assurance

Action plan to achieve level 2

Outside Environment

No forced/bonded, child labour

Social and Working Conditions

No wood from intact natural forests or high conservation forests unless certified according to a level 4 standard recognised by IKEA

Wooden Merchandise

IWAY Forestry Requirement

4WOOD Wood procurement and forestry

4SWC Social and Working Conditions

Future official standards recognised by IKEA

FSC
or other well managed forests certified according to an official standard recognised by IKEA
APPENDIX 24. IKEA’s values.
Source: “Recruitment through our values” (the corporate materials) cited in Tarnovskaya, 2007; p. 127.

- Togetherness and Enthusiasm
- Constant desire for renewal
- Cost-consciousness
- Willingness to accept and delegate responsibility
- Humbleness and will power
- Simplicity
- Leadership by example
- Daring to be different
- Striving to meet the reality
- No fear of making mistakes