

Social capital at work: A case of adapting a Norwegian cooperation model in Russia

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Abstract

The paper examines a process of adapting a Norwegian cooperation model by the local industry in the Russian North. We found that the Russian way to build cooperation, far differently from the Norwegian practice, was characterized by intertwined personal and organizational ties, and by mixed political and business agendas. The empirical case was analyzed with help of a framework combining theories of social capital and Scandinavian institutionalism. On the base of this analysis, we challenge the established view of Russia as a country with low cooperation capacity and provide suggestions on how the Russian cooperation experience can be valuable in the West.

Key words: Russia, industry networks, social capital, Scandinavian institutionalism, translation, editing

1. Introduction

Weak legitimacy or absence of formal institutions still remains a key feature of the Russian business landscape, fostering dependence on informal institutions such as culture and ethics (Puffer & McCarthy, 2011). In particular, Puffer and McCarthy argue that Russian managers tend to rely excessively on informal institutions such as personal networks to conduct business. At best, the international business and management literature views informal networks as a temporary solution for transitional economies. But this mechanism must decline for an economy to move towards an established Western-like market economy (Chakrabarty, 2009). Analysed with help of theories and world views developed in the West, Russia with its networks tends to be understood in terms of inferiority, imbalance or deviation (see for example Crotty, 2006; Ledeneva, 1998, 2009; Puffer, McCarthy, & Boisot, 2010; Rose, 1998). This kind of approach is important for Western practitioners and policy makers who are supposed to cooperate with Russia, but it may limit the opportunity to learn from the Russian experience and extend existing theories of business and management.¹ This paper seeks to contribute to the latter and, in doing so, presents the results of an empirical study of the adoption of a Western cooperation model in Russia. In this case, personal relationships and informal networks played a key role.

The empirical study was implemented in the Murmansk region of the North-West Federal District of Russia. This region is the closest to the giant gas field Shtokman, located on the Russian side of the Barents Sea shelf. Responding to the government's plans to develop Shtokman, in the second half of the 2000s, local companies in Murmansk mobilized in a regional supply industry association. The idea of this association was brought to Russia by Norwegian oil major Statoil, which used a Norwegian industry association as a prototype example for Russia. The local actors in Murmansk played an active role in the association project. Though started with support from Norway, with time this project became self-sufficient and driven by Russian actors in a way quite different from the Norwegian practice. Hence, a project initiated by Norway became a Russian project. An umbrella research

¹ Perhaps this is a reason for the declining frequency (and interest?) of Western publications on Russian business and management, as reported in a review by T. Badaeva, T. (2013). *Management control systems in Russia: review and future directions*. Paper presented at the 7th Conference on Performance Measurement and Management Control.

problem for this study is to understand the following: *How do Russian actors make a project initiated by Norway a Russian project?*

Our analytical approach to the research problem combines elaborations of Scandinavian institutionalism and theory of social capital. Scandinavian institutionalism highlights organizational variation and distinctiveness rather than the isomorphism and standardization manifested by mainstream institutional theory (Boxenbaum & Strangaard Pedersen, 2009). A particular value of this approach for organizational studies is its processual, prejudice-free view on organizing, in contrast to a traditional, structure-oriented view of organization or organizational field (see e.g. Czarniawska, 2008, pp. 6-7). Thus, *our unit of analysis is an organizing process* associated with the implementation of a Norwegian project by Russian actors. Regarding social capital, this concept generally refers to the ability of people to work together in groups and organizations for a common purpose (Fukuyama, 1995, p. 10). A core idea of the social capital theory is that social relationships have value (Putnam, 2000, p. 19). Social capital is assumed to be a critical issue for understanding differences between OECD countries and developing countries (including transitional economies and Russia).² Relating the ideas of social capital and the Scandinavian view on organizing, our research question in its general form is, *how are different forms of social capital manifested in an organizing process in Russia?*

This paper is positioned in the East-West literature on Russia with a twofold contribution. First, our findings suggest that weak formal networks of social capital in Russia present not only challenges but also opportunities for innovative cooperation projects. In this respect, informal networks have a degree of freedom (which is rather absent in the West) to interpret their roles and formalize their relationships and can be used in a dynamic and creative way. This finding challenges the established view of Russia as a society with low cooperative capacity. In addition, we argue that the cooperation experience of Russia can be of value to Western economies. If formal organization in the West comes to a critical

² Refer to, for example, the Social Development Department of the World Bank, which has supported two significant research initiatives to understand, measure and assess the impact of social capital. Both the Social Capital Initiative and the Local Level Institutions Study supported community-focused research in developing countries (Source: World Bank).

point, its repair might require the mobilization of social capital resources in a way similar to what we found in our Russian case.

Before presenting and discussing these findings in more detail, we introduce the reader to our analytical framework, the empirical context and the research methodology used to link our analysis and the data together.

2. Towards an analytical framework

2.1. Social capital

Social capital is concerned with the structure and influence of relationships with and between individuals, organizations and societies (Andriessen & Gubbins, 2009). The concept of social capital has become increasingly popular in a wide range of social science disciplines as it has proved to be a powerful factor explaining actors' relative success in conducting social affairs and gaining access to critical resources (see e.g. Adler & Kwon, 2002, p. 17). Here we focus on two central typologies of the social capital literature which capture important differences between the Western and Russian business landscape. After that, we review the previous literature on social capital in Russia using these two typologies.

Bridging and bonding social capital

According to Putnam (2000), of all the dimensions along which forms of social capital vary, perhaps the most important is the distinction between *bridging* (or inclusive) and *bonding* (or exclusive):

Some forms of social capital are, by choice or necessity, inward looking and then reinforce exclusive identities and homogenous groups...Other networks are outward looking and encompass people across diverse social cleavages. (ibid, p. 22)

Further, Putnam argues that bonding social capital is good for undergirding specific reciprocity and mobilizing solidarity in a group (good for getting by), while bridging networks are better for linking to external assets and for diffusing information (good for getting ahead).

Although both bonding and bridging social capital can serve as background for collective action, they assume different ways of engagement at the level of the individual. In the case of inward-looking (bonding) capital, a special role is played by “a certain set of informal values or norms shared among members of a group that permit cooperation among them” (Fukuyama, 1997). This means that users of bonding capital should be ready to underplay individual goals if they do not match those goals associated with the values and norms accepted in the group. Outward-looking (bridging) capital can be associated with the aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition (Bourdieu, 1986). In this view, users of bridging capital should be ready to tolerate the identities of multiple other actors to get access to the valuable resources they possess.

At the collective level, differences between bonding and bridging social capital can be associated with differences between closure and openness of the network structure. As noted by Gargulio and Benasi (2000), the traditional view of social capital stresses the positive effects of *network closure*—the presence of cohesive ties—in promoting a normative environment that facilitates trust and cooperation between actors (Coleman, 1988, 1990), while structural hole theory (Burt, 1992, 1997) argues that the benefits from social capital stem from the brokerage opportunities created by disperse ties in networks rich with structural holes—that is, by the lack of network closure.

Formal and informal networks of social capital

Another typology relates to formal and informal social capital networks that individuals use to produce or allocate goods and services (Rose, 1998). According to Rose, social networks of an informal nature are face-to-face relationships between a limited number of individuals who know each other and are bound together by kinship, friendship and propinquity; networks of a formal nature are relationships between people as members of formal organizations. Interactions in formal networks are bound by

impersonal rules like laws or a corporate code of conduct. Building upon Coleman's (1990) framework, Rose proposes a situational view of social capital: an individual relies on a heterogeneous set of social capital networks (formal, informal or both), depending on the incentives and constraints affecting how things can get done in a given situation. This approach is interesting because it aims at understanding how social capital comes into play when people are confronted with practical issues in specific situations. Will they act through formal or informal networks?

Social capital in Russia

It was foreseeable that the social capital discussion, originating in the West, would move to the countries in the East, of course including Russia—a country of the “hundred friends” and connections (Hayoz & Sergeyev, 2003). As far as West-oriented research on social capital was looking at how social networks can create value, the research on Russia and other postcommunist countries contributed to an understanding of the rather negative sides of social capital (e.g. Crotty, 2006; Ledeneva, 1998; Rose, 1998). According to Vedantam's³ interview with political scientist Robert Putnam, *the* social capital guru, top-down models of governance and resource allocation run counter to everything known about how social capital grows (Amsterdam, 2007). Note that in fairness, there are also a few studies offering rather optimistic views of social capital in Russian regions (Marsh, 2000; Petro, 2001), political networks (Hayoz & Sergeyev, 2003) and networks of entrepreneurs (Batjargal, 2003). In any case, the extant studies are helpful in describing Russia in terms of bridging-bonding and formal-informal typologies of social capital.

By applying Rose's (1995) Hourglass Society model to study the environmental movement and civil society development in Russia, Crotty (2006) shows that preexisting ties allow various groups of Russian actors to generate both bridging and bonding social capital. The problem is that the capital is not directed to development of the civil space linking the interests of elites and ordinary citizens. Situated in either part of the “hourglass”, these two groups remain separated. A clear warning of

³ Shankar Vedantam is a science correspondent for NPR, a multimedia news organization and radio program producer (the interview is retrieved from <http://www.npr.org/people/137765146/shankar-vedantam>).

Crotty's paper is that preexisting social ties can result in the rise of inward-looking interest groups in Russia's third sector, pursuing self-interested behaviour under the banner of democratic ideas. Such inward-looking groups tend to preserve their stocks of social capital, and in the words of Adler and Kwon (2002), the "ties that bind become the ties that blind". Such behaviour is counterproductive to bridging the elite and non-elite groupings and therefore limits development of broader cooperation through third-party organizations.

Overreliance on bonding capital and the limited capacity of bridging capital in Russia also follows from research conceptualizing social capital in terms of trust in others. This type of conceptualization is shared by leading scholars from various disciplines (see review by Delhey, Newton, & Welzel, 2011). As noted by Delhey and colleagues, scholars usually distinguish between two forms of trust in others: *particular trust* (also called thick, or specific) involves a narrow circle of familiar others; *general trust* (also called thin, or generalist) concerns a wider circle of unfamiliar others. While particular trust is associated with bonding social capital, general trust refers to its bridging component. In modern society, which involves daily interactions with strangers, general trust is thought to be more important than particular trust (ibid., p. 786). In terms of general trust, Russia along with other post-communist countries is characterized as a low-trust society (Hayoz & Sergeyev, 2003), a country with trust as a missing resource (Sztompka, 1995) or with low radius of trust (Delhey, et al., 2011) and a country with a lack of minimal trust (Humphrey & Schmitz, 1998).

Furthermore, while Russia is associated with a potential contradiction between informal and formal networks (Ledeneva, 1998, 2009), it is argued that life and the economy in Western countries rest upon a proper balance between formal rules (reinforced by formal organizations) and institutionalized norms of behaviour (manifested in informal rules) for interpersonal interactions (North, 1990, p. 36 cited in Rose 1998). Nationwide reliance on personal or informal networks of social capital has been reported by Rose (1998), who characterized Russia as an "anti-modern society"—a society which is still characterized by organizational failure or the corruption of formal organizations. According to Rose, in such institutional conditions, when formal organizations of state and market do not work properly, individuals can respond by invoking networks that involve informal, diffuse social

cooperation to compensate for social exclusion by formal organizations. In contrast to this pessimistic view, personal networking can be important for fulfilling beneficial functions such as providing safety nets, survival kits and social capital to gain access to influentials who can facilitate business (Ledeneva, 2009). In a recent overview of Russian business and management research, Puffer and McCarthy (2011) argued that Russian managers have relied excessively on personal networks to conduct business due to the void created by the lack of legitimacy of the country's formal institutions. Thus, the presence of personal networks with pre-existing ties (or groups of particular trust) is seen an important feature of the Russian environment. It is expected that even when dealing with new issues, Russian actors may rely on old ties with familiar others.

Summing up the extant findings, social capital in Russia is often emphasized in terms of its bonding rather than bridging component. Furthermore, scholars share a view of a rather parochial mismatch of formal and informal social capital networks. Networks of particularistic reciprocity prevail over networks of generalist reciprocity. For us these studies are important as they point to institutional differences between Russia and the West in terms of social capital. They also locate possible stocks of social capital in Russia and offer approaches to assess its positive and negative effects. In this paper we follow up and further develop these ideas by offering a more dynamic view of social capital. We are interested in understanding how the mismatch between Western and Russian institutions is handled in practice when Western cooperation models are implemented in the Russian context. To do so, we adopt an action-oriented perspective of Scandinavian institutionalism.

2.2. Scandinavian institutionalism

The institutionalist literature that has emerged and developed within Scandinavia is perhaps best described as being concerned with how organizational actors respond to institutional pressure in their everyday practice (Boxenbaum & Strangaard Pedersen, 2009). This view is different from prevailing institutional theory of organization, which often focuses on the structuration of organizational fields and regards institutions as norms of stability being either antecedents (old institutionalism) or results

(new institutionalism) of organizational action (see Czarniawska & Sevón, 1996, pp. 3-5). To Scandinavian institutionalists, new organizational practices emerge from a blend of the actors' intentions and activities associated with institutionalized ideas travelling in time and space. This kind of change is neither planned in advance (as new institutionalism would suggest) nor a result of adapting to institutions taken for granted (as old institutionalism would suggest). Rather, the ideas continuously come into play and can be reflexively addressed by the participating actors to resolve their issues in the situation at hand.

Translation

As noted by Ritvala and Granqvist (2009), Scandinavian institutionalists, by drawing on the notion of *translation* (Latour, 1986), have produced detailed narratives on adaptations of foreign ideas and institutions to local contexts (Czarniawska & Joerges, 1996; Czarniawska & Sevón, 2005; Lindberg & Czarniawska, 2006). The concept of translation refers to the notion that ideas change when they travel from one institutional context to another (Boxenbaum & Strangaard Pedersen, 2009). The translation model stresses the importance of *friction* as the interactive clash between ideas in residence and incoming ideas, leading to the transformation of both (Czarniawska, 2008, p. 88). In this view, friction is a positive element, as actors give new energy to ideas by interactively changing them according to their own frame of reference (*ibid.*).

A process of translation often happens through imitating others (Hedmo, Sahlin-Andersson, & Wedlin, 2005). This happens because actors (people, groups, organizations, cities, even countries) tend to imitate those they want to resemble, or, in other words, that they consider successful. As noted by Hedmo and colleagues, the results of imitation may be quite different from the imitated model because what is being transferred from one setting to another is not an idea or a practice as such but rather accounts and materializations of a certain idea or practice (p. 195). These accounts and materializations are made by subjective actors in contexts different from the original ones. In the view of Scandinavian institutionalists, this kind of work can be understood as innovation as it is always complemented by unintended consequences and unique solutions. Actors participating in this work,

often both the imitators and the imitated ones, are called *editors* (Sahlin-Andersson, 1996). According to Sahlin-Andersson, editors are purposeful actors contributing to the local implementation of the ideas and working to decouple old and new models by applying them to different situations.

Focusing on the work of editors is a promising approach to understanding how Western ideas are translated into the Russian context. For the sake of this research, we are interested in understanding whether and how social capital becomes a part of their work.

2.3. Analytical framework

Our analytical framework (figure 1) is designed to investigate translation of a foreign cooperation model from one institutional context to another. Institutional differences between the contexts are viewed in terms of social capital. The foreign (Norwegian or Western) context is associated with a prevalence of bridging social capital and a proper balance between formal and informal networks. On the other side, the local context (Russia) where the model is implemented is associated with a prevalence of bonding social capital and a potential contradiction between formal and informal networks. Translating the foreign model in the local context is done by editors—individual actors, be they persons, groups or organizations. Translating/editing work happens around friction points where the foreign idea clashes with local ideas in residence. This clash happens due to institutional differences. We assume that implementing a foreign idea or a model is a cooperative process involving various actors with resources. To facilitate cooperation, the editors have to find pragmatic solutions. In a network perspective, the actors' resources can be accessed through either bridging or bonding social capital, or both. At the same time, cooperative action is possible through either formal or informal networks, or both.

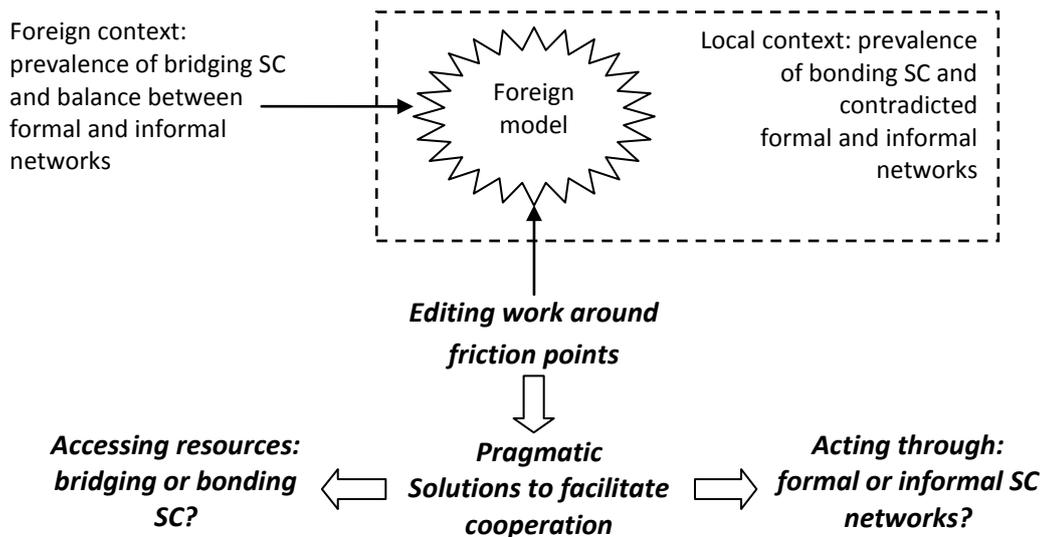


Figure 1. Analytical framework: translating a foreign model in a local context.

Based on this framework, a detailed version of our research question is as follows: *How are different forms of social capital manifested in the editing work associated with translating a foreign model in a local context?* Now, it is time to introduce the reader to the context where the translation happened.

3. The empirical context

3.1. Murmansk region, its industry and economy⁴

The Murmansk region is a part of the North-West Federal District of Russia. The region is located on the Kola Peninsula, above the Polar Circle, and extends 405 km from north to south and 536 km from east to west. The region borders Finland to the west, Norway to the north-west, and the Republic of Karelia (another region of the North-West Federal District of Russia) to the south. The region adjoins

⁴ Material in this section is a compilation of information from the following sources: online newspaper *Komsomolskaya Pravda* (retrieved from <http://murmansk.kp.ru/daily/25997.4/2925130/>), Russian Federate State Statistics Service (www.gks.ru), Government of the Murmansk Region (retrieved from <http://www.gov-murman.ru/region/index.php>), the Institute of Marine Research (Norway, <https://www.imr.no>), the Barents Euro-Arctic Council (<http://www.beac.st/english/Barents-Euro-Arctic-Council>) and the US Department of Commerce – National Trade Data Bank (retrieved from <http://fas.org/nuke/guide/russia/industry/docs/mark0241.htm>).

the Barents and the White Sea respectively on the north and the east. About 300,000 inhabitants (nearly 50 percent of the total population) reside in the town of Murmansk. Besides Murmansk there are 12 smaller towns, most of them built during the 1930s in relation to the development of local deposits of natural resources.

Murmansk has traditionally been an export-oriented region with an economy based on the rich natural resources of the Kola Peninsula and the Barents Sea. The primary exports of the region are nonferrous metals, mineral raw materials and food products (mostly fish) and agricultural products. The Murmansk economy is dominated by the industrial sector, which accounts for about 90 percent of the region's revenues. The primary industries in the Murmansk region are mining and metallurgy, along with fishing, power generation and shipping. Around 10 of the region's major companies represent 90 percent of the region's total production outcome. While some of these companies are owned by the Russian state, the others were privatized by commercial groups developed in Russia after the disintegration of the Soviet Union. Regarding regional small and medium-sized businesses, during the 2000s, their number was around 10,000. Most of them were engaged in trade, construction, real estate and manufacturing industries and operated mainly in the local market.

3.2. New prospects and challenges

Since the early 2000s, the Russian government has planned the development of the giant Shtokman gas field, located in the Barents Sea.⁵ Murmansk-based companies were then ambivalent. They were glad for new business opportunities coming to their area, but at the same time, they were afraid of competition with more experienced and larger suppliers from outside. Most of the local companies operating in the regional market had no experience participating in such complex projects as Shtokman. At the same time, their technical profile was very different from what is normally required in offshore projects. In the mid-2000s, a Norwegian petroleum company, Statoil, then competing for a

⁵ Petroleum resources, including offshore fields in the Russian North, have been a priority area in the Russian energy policy since the beginning of the 2000s (see, e.g., the Energy Strategy of Russia up to 2020, approved in 2003, and the Energy Strategy of Russia up to 2030, approved in 2009, retrieved from [http://www.energystrategy.ru/projects/docs/ES-2030_\(Eng\).pdf](http://www.energystrategy.ru/projects/docs/ES-2030_(Eng).pdf)).

share in Shtokman, started a cooperation program with the Murmansk region aimed at developing the local industrial potential. Statoil possessed a solid background from developing the Norwegian continental shelf since the 1970s and wanted to use it in Russia. According to StatoilHydro⁶, not more than 50 Russian companies in both Murmansk and Arkhangelsk (another Russian region, located further east from Murmansk) could be regarded at that time as potential suppliers to Shtokman. By contrast, in the Rogaland region of Norway, there are more than 500 companies supplying products and services to the petroleum industry.

3.3. Regional association: A Norwegian model to Russia

The overall goal of Statoil's initiative in Murmansk was to assist local companies on their way to becoming qualified *suppliers*⁷ of products and services related to the development of the offshore projects. In particular, Statoil wanted to assist small and medium business enterprises to improve their competence and not least to protect their rights and common interests. This initiative was implemented according to the Memorandum of Understanding in Technical and Economic Cooperation between the Government of the Murmansk Region and Statoil ASA (signed on August 18, 2005) and resulted in the establishment of a regional industry association (hereafter Association). As a prototype model for the Association in Murmansk, Statoil used Petro Arctic—an association involved in offshore development in the Norwegian part of the Barents Sea and headquartered in Hammerfest (the city closest to the Snow White gas field on the Norwegian continental shelf). Petro Arctic was established by Statoil and other oil companies in 1997 as a membership organization for local firms willing to be involved in the petroleum projects. By the mid-2000s Petro Arctic had about 400 members, including local, regional, national and international companies from various segments of the supply industry.

⁶ After the merger of Statoil and the Oil and Gas Division of Norsk Hydro in 2007, StatoilHydro was the name of the joint company until fall 2009. Since then the name has been changed to Statoil (source: Statoil). Norsk Hydro also competed for a share in the Shtokman project and prior to the merger with Statoil had its own cooperation program with the Russian industry.

⁷ The petroleum production industry has many levels ranging from petroleum companies and their main contractors down to various suppliers—subcontractors supplying products and services to both the offshore and onshore part of a project.

The development of such third-party organizations as Petro Arctic in the north can be seen as a natural continuation of the development of the Norwegian continental shelf already started in its southern part in the 1970s–1990s. This development has proceeded through dialogue between multiple groups, such as central and regional authorities, foreign and domestic businesses and local SMEs. Regarding the Murmansk region, in the early 2000s, it had no third-party organization ready to direct the whole mass of the local companies towards larger projects. However, as reported by Kamayeva (2000), two NGOs for business had existed there since early 1990s. They assisted their members in the search for business partners and established links between member companies.

Soon after the formal establishment of the Association in 2006, around 60 local companies became members. The framework conditions of the Association were in many ways dependent on changes in the Russian oil and gas regimes related to strategic projects like Shtokman (Mineev, 2011, pp. 313-317). In the summer of 2006, the Russian state company Gazprom, responsible for the Shtokman development, rejected all offers from foreign bidders⁸ and announced that it was going to develop the field alone, and foreign companies could be involved in the future only as co-investors, not as operators. Gazprom's decision created for Statoil a question mark on the whole idea of the Association. However, Statoil decided not to stop supporting the then nearly established Association. In 2007, a new round of Shtokman negotiations was initiated, and Gazprom chose Statoil and French oil major Total as partners for the development of the Shtokman field infrastructure. Optimism for potential suppliers from Murmansk was then growing due to more concrete plans for the development of Shtokman by the project owners, who established a special purpose company, Shtokman Development AG (SDAG). The Association developed a close cooperation with SDAG, but in 2010, due to the global uncertainty of the gas market, SDAG decided to postpone the main investment decision about Shtokman.⁹ However, the Association did not dissolve but became quite active in directing its members towards other large projects coming to the Russian Arctic, such as, for example, the national project Murmansk Transportation Hub.

⁸ Besides Norwegian companies Statoil and Hydro, on the short list of bidders were Total (France), Chevron and Conoco Phillips (both United States).

⁹ Since then this decision has been postponed several times and still had not been made by the time of the submission of this paper.

By 2010, the Association had about 240 members coming from other Russian regions besides Murmansk and even from other countries, such as Norway, Finland, France and the United States, and representing various segments of the industry. Formally, it looked similar to Petro Arctic, but in practice, it developed much differently from its Norwegian prototype. The political climate around Shtokman was not the only reason for the difference. As reported below in this paper, essential differences were brought up by local actors in the Murmansk region of Russia.

4. Research approach, data collection and analysis

4.1. Approach

The study applies a qualitative research approach. With qualitative methodology comes an acknowledgment that the field itself is not just part of the empirical world but is shaped by the theoretical interests of the researcher (Ahrens & Chapman, 2006, p. 820). This means that to understand social reality, which is emergent, subjectively created, and objectified through human interaction (Chua, 1986, p. 615), a researcher needs to develop an interpretation, or a way of knowing the field. The interpretation is not pre-given. The practice of doing qualitative studies involves an ongoing reflection on the data and its positioning against different theories such that the data can contribute to and develop further the chosen research questions (Ahrens & Chapman, 2006). In our case, data collection was not guided by any specific theory but focused on interactions of various actors involved in the implementation of the Norwegian model in Russia. Our theoretical research question to analyse activities of the Russian actors by combining Scandinavian institutional theory with theory of social capital came as a result of an ongoing reflection on the rich data we collected. This kind of approach can be qualified as *reflexive interpretation* (Alvesson & Sköldbberg, 2009, p. 271), meaning that one mode of thought is continuously confronted by another. In this fashion, various theoretical perspectives were compared with each other and with the data coming from the empirical setting of the Murmansk industry. The state of knowing the field changed as the theories were

considered and discarded on the way towards the analytical framework presented in section 2. Some additional data were collected afterwards to better illustrate concepts included in the framework.

4.2. Data collection

Access to the data was enabled by the authors' participation in several research and development projects related to the supply industry of North-West Russia during 2006–2011. During these years we became acquainted with many people involved in the development of the supply industry, leaders of local companies and representatives of the petroleum industry, as well as Norwegian and Russian analysts working for either oil companies or research institutions. The data were obtained from various sources, including document materials (such as internal and public documents from the website of the Association) and presentations and informal talks from about 30 conferences and seminars related to industrial development in the Barents region (in which either or both of us participated during the period 2006–2011). During these years we also visited several companies in the Murmansk region and could then observe their normal work. This data, including documents, informal talks and observations, was particularly useful to understand both the historical aspects of the industry and its socio-cultural context.

Furthermore, to develop a more detailed account of the Association, we focused on its development through 2005–2011. One of the authors carried out semi-structured and open-ended interviews with representatives of local supply companies, members of the Association, its director, and a state official, a former member of the working group for the development of the Association. To get a broader view, he interviewed several Russian and Norwegian political and business analysts familiar with the Association. He also conducted semi-structured interviews with six representatives of Statoil who were at different times involved in the development of the Association. In total 22 interviews were carried out with 20 individuals in 2007–2011.

4.3. Data analysis

The obtained data were analysed in the following way. First, we constructed a historical account of the Association and identified key actors involved in its development from both the Norwegian and the Russian side. The history was divided in three phases: (1) Starting up with support from Norway (2005–2007), (2) Preparing for self-sufficiency (2008–2009) and (3) Running self-sufficiently (since 2010). Although the Norwegian actors played an important role by providing both methodological and financial support in phase 1, their goal was not to lead the Association but to pass this role to a competent third party in Russia. Thus, a lot of work was done to make the Association a self-sufficient project to be taken over by its members (phase 2). Phase 3 is associated with independency of the Association—since 2010 it has become a totally Russian project.

In the next step, we identified the main challenges experienced by Russian actors throughout the “takeover” of the Association. For us these challenges were observable indicators of *frictions in the editing process*. Two friction points were distinguished: an *interpretation dilemma* during phase 1, since the Russian actors had conflicting perceptions of the Association idea (friction point 1), and a *self-sufficiency dilemma* during phases 2 and 3, when it was unclear whether the Association should follow the suggestions of the Norwegian partners or elaborate its own solution for self-sufficiency (friction point 2).

Furthermore, we provide an account of cooperative activities implemented by the Russian actors in relation to friction points 1 and 2. At the aggregate level, these activities are characterized as *mobilizing the local stakeholders* in the Murmansk region and motivating them for cooperation, *building strategic consortia* among the members of the Association and *integrating the Association with external stakeholders*. The cooperative activities, relational in nature, served for us as areas where we could observe *social capital at work* (or manifesting social capital, according to the research question). The development phases of the association, friction points and cooperative activities are mapped together in table 1.

Table 1. Development of the Association, friction points and cooperative activities

Development Phases	Phase 1: 2005–2007	Phase 2: 2008–2009	Phase 3: 2010–ongoing
	Starting up with support from Norway	Preparing for self-sufficiency	Running self-sufficiently
Friction Points	Interpretation dilemma: What is this Association about?	Self-sufficiency dilemma: Ready-made or own solution?	
Cooperative activities	Mobilizing local stakeholders	Building strategic consortia Integrating with external stakeholders	

Further analysis of the data focused on the question of how the Russian actors elaborated pragmatic solutions to facilitate cooperation. The pragmatic solutions were analysed in terms of two relational activities: *obtaining cohesiveness* and *managing diversity*. The former is associated with bonding social capital, while the latter is about bridging social capital. These two types of activities were examined in relation to each friction point and then assessed with view of acting through both formal and informal (social capital) networks. A more detailed account of our findings is provided in the next section.

5. Findings: How do Russian actors make a project initiated by Norway a Russian project?

5.1. Friction point 1: The interpretation dilemma

The Association project was a part of the Statoil's Corporate Social Responsibility Program for the north-west of Russia. From the Russian side, the project was supervised by the regional government of Murmansk (Industry and Transport and Energy Ministry), the Union of Industrialists and

Entrepreneurs of the Murmansk region and the Northern Chamber of Commerce and Industry. To develop the Association, a working group was established and included representatives from both sides. A Russian director for the Association was assigned by the regional government. This person, then the vice president of the Union of Industrialists and Entrepreneurs, was well esteemed both among regional officials and in the business community. An industry expert (mentor) from Statoil was placed in the Association office to help the director in the starting-up phase for one year in 2006–2007. While the Norwegian party took the role of advisor, the Russian partners were supposed to implement the work:

[The] main driving force should be that this was a Russian initiative. Russians had to take ownership in the initiative and decide on how to develop the Association. (Project manager of Statoil's supplier program in 2005–2007)

A prototype was the Petro Arctic network model from Norway, which is maintained and financed by the members. . . . We shared our experience and helped to develop strategy for the association, website layout, and methods for recruiting members, newsletter and magazine, programs for seminars and B2B meetings. . . . The [Russian] director had to develop [it] all himself, had to learn how to do it . . . [as a] diplomatic mentor and confident director. (Mentor from Statoil, placed in the office of the Association in 2006–2007)

Statoil's decision to give the Russian partners "free hand" in developing the Association was important for getting local support for the project. However, it created a sort of enigma for the Russian side. Such projects in Norway normally assume cooperation between various groups, such as regional government, small and medium-sized companies and larger companies of different types, as well as companies from outside the region. Often this involves international cooperation. Such diversity is probably related to the complexity of oil and gas projects. Naturally, planning the Association involved many groups in Murmansk too. But then some disagreements took place. For most of the local actors, such a project was unfamiliar, and they lacked experience in this kind of cooperation.

Unique broker

Some disagreements took place among the regional administration officials. They saw differently the opportunities and challenges the Association could bring. While some people were sceptical of cooperation with a large Western company (as it pursued its own interests), others saw this as a potential source of regional income. In addition, it was unclear how to organize cooperation with business. The Association director played a key role as a broker. He personally met and negotiated with all the involved parties to resolve the issues. He kept explaining that the Association was a Russian project crucial for the development of the Murmansk region. As he described this himself:

In the beginning it was difficult to explain to people that it was a Russian association for business, not a Norwegian one. The last argument was used by some oppositionists to show that the project was not valuable for Russia. Also, they suggested not including foreign companies as members.

I, with all my weight, personally negotiated with decision makers and refuted the oppositionists. . . . In the development of the Association, it was important to maintain transparency and publicity.

The director's negotiation work was supported by the leader of the Association working group:

The governor was positive to Statoil's offer and signed the memorandum of understanding, but when practical work started, some problems occurred. . . . Then suggestions for concrete actions originated from below. . . . When concrete persons and last names appeared in the action plans, there were some tensions at the level of top officials. . . . I had to explain to people that we should have been active but not wait for sponsorships and actions from Statoil. This was hard to understand for some high officials. Maybe it is our old habit, *izhdivenchestvo*—they [Statoil] need [it], and they will do it. . . . So negotiating work was done in the corridors of power to save the idea and put it on the right track. (Administration official, leader of the Association working group in 2006)

Regarding local industry, quite a few (50–60) companies joined the Association during its starting-up phase. At that time, most of them did not play an active role in the Association. The idea was unfamiliar and not clear enough for them as well:

Small and medium-sized Russian companies were eager to become members. However, their visions were limited and not long-term market oriented. That was a surprise. (Mentor from Statoil, placed in the office of the Association in 2006–2007)

Personal relations with and high respect for the director was important for the local companies. When asked about their motivation to join the Association in 2006, directors from several companies mentioned that they could not know in advance what the Association would be. But they felt that it was worth joining as they personally knew and trusted its director. In other words, a personal invitation from the Association director was itself a motivator to join. He could find the right approach to everybody and he was listened to: “Somebody may disagree with him, but clearly everybody here respects him very much” (paraphrase from an informal discussion with an employee of Murmansk State Technical University). Both the previous ties and brokerage skills of the Association director were critical during the take-off of the Association. After all, a good working atmosphere in the Association was achieved:

We had solid support from the governor’s office, both locally and at the political level. They communicated with the central government in Moscow, presented for them our cooperation and got approval. . . . Then we [Statoil’s project managers] did not need to contact Moscow. (Project manager of the Statoil’s supplier program in 2005–2007)

We really had a good time together and enjoyed our working meetings with the Statoil experts. . . . The Association was developed in an atmosphere of friendship and creativity; team spirit was important. (Director of the Association)

Local patriotism

The local companies perceived the Association as an opportunity to protect their interest against larger and more experienced companies from outside. It seems that this shared fear was also an important factor motivating them for cohesive cooperation:

The association and its consortia are for local companies to defend their region. (Director of a small construction engineering company, member of the Association)

It was a good idea to join forces with local companies. For us it was a chance to ensure that money does not pass by Murmansk companies. . . . We do not want to be just small workers for bigger firms from outside Russia. (Director of another small construction engineering company, member of the Association)

We can see that the reaction of the local companies to new, upcoming projects is that they unite in groups, including the Association and its consortia. (Director of the Association)

The fear of external newcomers was not without reason. As the Association director indicated in the interview, he had to dispute with representatives of a Gazprom structure company related to Shtokman:

They came to Murmansk and directly met some local companies. Clearly, this created a lot of trouble here. . . . I had to meet them and ask them to stop doing so. (Director of the Association)

As he further explained, this kind of direct selection would create unfavourable conditions for local subcontractors since they were too small and separated. At the same time, the process was not transparent to others. Thus, for outsiders the Association was positioned as an entrance door to the local market. As for local companies, the Association made them more conscious about their shared identity with the Murmansk region.

5.2. Friction point 2: The self-sufficiency dilemma

When Statoil started to lessen its methodical and financial involvement, the Russian partners had to find methods for the self-sufficient development of the Association. The members then started to implement their own entrepreneurial initiatives, using the Association as a platform. One of the activities was a consortium (hereafter the Consortium), which was founded in 2008 by the nine largest construction companies in the region. This was actually dissimilar to the practice of the Norwegian suppliers' associations like Petro Arctic. Such associations in Norway normally do not include commercial substructures but leave their arrangements to the members. The Norwegian partners were not active in the practical work with the Consortium. They believed that such substructures would move the Association from an open towards a closed network structure. Rather, the suggestion from the Norwegian partners was to develop services that various members would be willing to pay for (for example, seminar fees and competency development programs). Another suggestion from the Norwegian side was to merge the Association with a similar one developed by that time in Arkhangelsk—another city where Statoil had a cooperation with the local industry. However, directors in both Murmansk and Arkhangelsk abandoned this suggestion. They argued that a distance of more than 1,000 km between the two regions and the specificity of the local markets were a huge obstacle for cooperation. As stated by the Association director in Murmansk, meaning that the Russian partners would decide for themselves:

Statoil wanted us to be more commercial. But commercialization leads to independency

[from Statoil]

In 2010 Statoil stopped financing the Association and became an ordinary member. Although the membership fees were raised, most of the members did not leave the Association. The Consortium was not the only initiative of the Association, but it played an important role in securing self-sufficiency of the Association for its local members. In the rest of this section we therefore focus our attention on the Consortium.

Soviet pride and friendship networks

By 2010 the Consortium included about 40 local companies (from both industrial and civil construction sectors). Nine key regional companies, who founded the Consortium, had entered its Council. The directors of these companies had important commonalities. Most of them were energetic middle-aged men with professional backgrounds from the industry, even going back to the centralized Soviet system. Although today they are leaders of commercial companies, many of them are educated engineers or technicians with about 20–30 years of experience working in the construction industry in the Murmansk region. Their Soviet industry background seemed to be an important element to secure the coherence of their actions:

Vertically-integrated companies, such as those in the Soviet Union, are very important in the construction industry for combining resources and having responsibility for the whole process. Otherwise, nobody is responsible for anything. (Director of a member company, hereafter Director B)

We had it all in the Soviet Union [coordination between organizations in the same industry] . . . but then this was a planned economy with no market. Now we try to rebuild the cooperation again, although in new conditions. (Director of a member company, hereafter Director C)

Signs of the Soviet past associated with hierarchical power structures were present in the official memorandum of the Consortium. The memorandum differentiated between the decision-making rights of the Council members (nine founding companies) and the ordinary members. One of the board members commented on this (Director D):

To understand the difference between the rights of the board companies and the others, one may refer to the difference between majority and minority shareholders in an open joint stock company. All may contribute to decisions, but in accordance with their shares.

The strategic decisions (for example, participation in a tender) were made by the Council, and then they were distributed down to the member companies. None of the ordinary members interviewed

indicated feelings of oppression from being limited in their rights. It seems that the ordinary members trusted the board, and the board could rely on the ordinary members:

The board companies are making decisions; they stand for their subcontractors. Otherwise, if 40 people participate in the meeting, it would be like a bazaar, but not decision making.

(Director B)

The Consortium was more a network of persons than one of organizations. But these persons addressed each other as strong leaders, able to mobilize their organizations. Director B commented in this respect:

If we [directors] manage to come to an agreement with one another, then we would be able to secure cooperation between the employees of our companies.

We can always sit down and talk together. . . . Surely we will come to an agreement about how to share a project.

The next quote illustrates the importance of personal ties, a shared feeling of local patriotism and a sort of nostalgia about the past:

Young businessmen think in different categories than we do: they want to conquer the market. But we want to develop our region. . . . We will cooperate with a young newcomer if, for example, he comes to us and says that he helps his father or uncle, who has vast experience in the construction industry, to contribute to the Murmansk region. . . . No matter what company they are from, old and well-esteemed specialists [with Soviet industry background] are always listened to with respect at our meetings. (Director C).

It seems that personal ties, even friendship, were an important element binding the Consortium leaders together. They knew one another quite well, and this was important for their willingness to share risks and join resources in new projects:

We meet regularly on different occasions and share information. . . . We have all known each other for many years, and we are specialists; at the same time, we are leaders of the companies and friends taking responsibility for each other.

However, some fear and appreciation of internal competition were also evident in the interviews:

We still do not know exactly if we would have to share or compete . . . but if we compete, we would like to do it in a civilized way. (Director C)

In this setting everybody was known and visible and could check on everybody else. In such transparent conditions, it is rational to be cooperative. For example, Director B mentioned in an interview:

The Murmansk and Kola region is a small place with only one road coming in. . . . Once anybody enters it, we know all about what happens to him. . . . You can cheat only once. . . . People understand that it is much better to be a good player and take responsibility.

Being unsure of the market situation but believing in personal relations, the Consortium members attempted to create an informal and friendly atmosphere of trust. This seemed to be a favourable condition for relatively fast decision making. However, not everybody but only well-known and high-esteemed individuals could be included in the cooperation. Less well-known people were not excluded, but the Consortium board decided to give newcomers trial orders—small construction works to see whether they could be later trusted for larger works, where many parties can be dependent on each other:

We have to check out strange partners coming in with exploratory contracts. . . . Not every company is trustworthy. A couple companies have already been pushed out. (Director D)

While the Consortium included around 40 members in 2010, other companies working in the local construction market (more than 200 smaller companies) were out of scope of this cooperation. Some of them did not even know about the Consortium. Moreover, at least some of them appeared lost, as can be seen in an interview with a technical director of a company that was not a member of the Consortium:

We and many other construction companies do not cooperate because there is nobody showing us how to do it, and we lack leaders. . . . As for the Association and the

Consortium, it is like a club which is not open for everybody. . . . I do not even know what they do there.

In addition, this informant mentioned that he had two brothers who also worked in the construction industry in Murmansk, but they did not cooperate (although to him this would have been natural). Thus, the role of the Consortium in the development of the whole region was a bit questionable. On the one hand, it positioned itself as a regional actor and enjoyed political and informational support from the authorities. On the other hand, some companies were not a part of the preparation for the large projects coming into region. The Consortium was a strong network of influential people, but at the same time, it was not completely open for everybody.

Putting business and politics together

The director of the Association played an active role in the Consortium as facilitator. The first meetings of the Consortium were held in the office of the Association. Only members of the Association could become members of the Consortium. This also secured the Association solid political support as the Consortium was a part of the agenda of the Association board. That board included high-ranked government officials. After a change of governor in Murmansk in 2009, even higher-ranking officials than before received places on the Association board, thus securing solid political support. According to the Association director, the new governor, who previously occupied a top position in the federal government in Moscow, was interested in cooperation with the Association:

Soon after a new governor arrived in Murmansk, I attended a meeting with him. This confirms the importance of the Association. The governor was interested in identifying all “healthy” initiatives in Murmansk and contributing to further development.

Later on, in 2010, the director of the Association was appointed as advisor for the new governor to coordinate the development of oil and gas and infrastructure projects in the region. In 2013, and after

the time of this research, the director was assigned as a deputy governor of the Murmansk region (by then a new governor had been assigned in the Murmansk region); then he left the director's position and became the chairman of the Association.

The appearance of high-ranking officials on the Association board has always been considered a valuable achievement and presented in press releases and news about the Association on its website and in local media. In this way the Association acquired strong political support. One of the sound achievements of the Association was the possibility to receive reimbursement from the regional funds up to 50 percent of a member's expenses related to the implementation of ISO 9000 management quality standards, which is crucial for oil and gas-related projects. Another important accomplishment was the development of links with external stakeholders, such as Shtokman Development Company (SDAG), Gazprom, other petroleum companies and main contractors. If the Association had not been a regional project, supported by the local government, it would have found it difficult to achieve inclusion as a cooperative partner in the local content policy of SDAG. The Consortium was then actively positioned towards SDAG, which participated in technical consultations with the Association in Murmansk.

Figure 2 illustrates the relations that had developed around the Association and Consortium by 2010.¹⁰ By then the Consortium Council was planning to establish a joint company, "little SDAG," as they themselves characterized it, meaning that it would be a project management company. The Association board approved this decision, and it was decided that the Association would be one of the founders of the new company.¹¹ At the same time, several representatives of the Consortium Council, including the directors of the largest construction company (the lead company for joint projects), were elected onto the board of the Association. A representative of the local office of SDAG (deputy) was also invited to join the board of the Association. Figure 2 illustrates that the Association network was

¹⁰ This figure is made as a result of the analysis of press releases of the Association, reports from the board and member meetings, and news published on the Association's website.

¹¹ Later on, after this research was implemented, the joint company was established, but we did not follow its development and ownership structure. We assume it could be subject to changes while the company was materialized, but the Shtokman project was subject to changes and postponement. Here we exemplify only how the Russian actors mobilized their relationships when they addressed the challenge to develop a self-sufficient cooperation.

put together by means of both formal organizational and formal personal ties. While the main broker in this cooperation was, of course, the dedicated director of the Association, several other persons can be characterized as mediators. The mediators represented other organizations, such as the local government, parliament and SDAG, in the board of the Association. Local company actors—directors of nine founding Consortium companies—were integrated into this network. The network structure included both political and business actors and to some extent mixed them up (for example, through the board of the Association). The network presented in figure 2 should not be regarded as a fixed structure, as the Association was still an ongoing project. Rather, figure 2 should be viewed as a snapshot of the Association when it was concerned with the self-sufficiency dilemma.

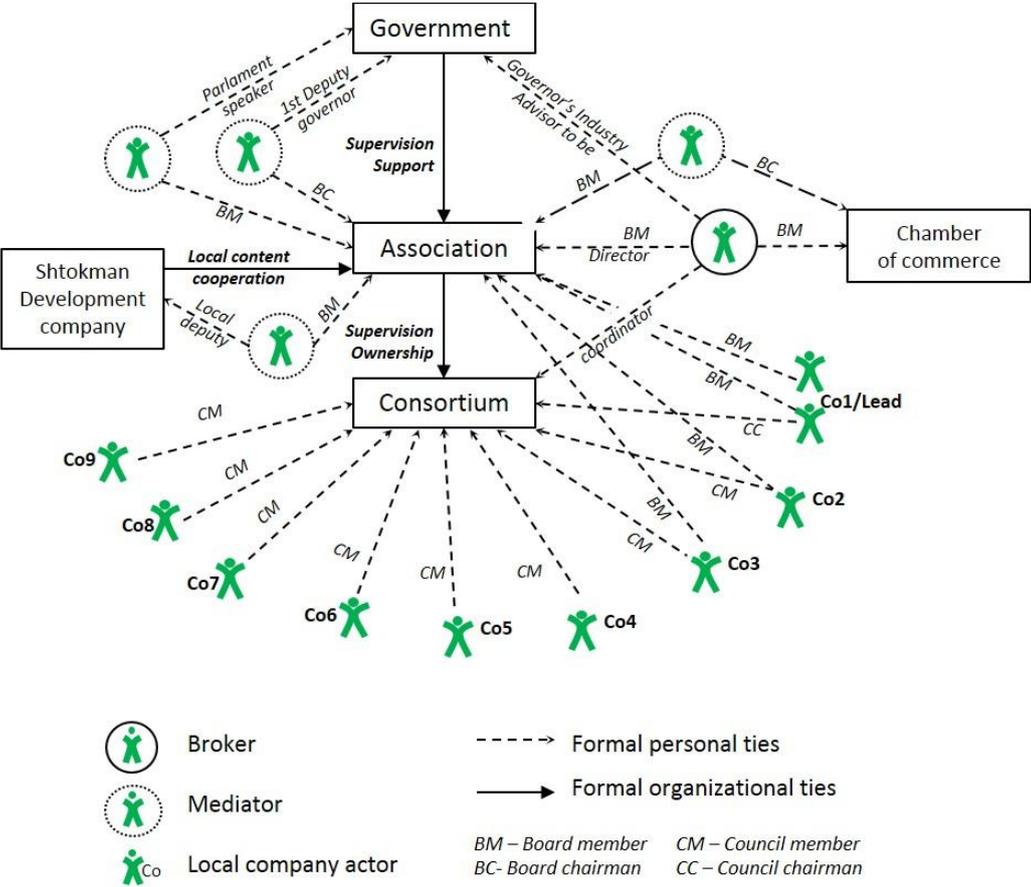


Figure 2. Relations around the Association as of 2010.

5.3. Summary of the findings

The findings are summarized in figure 3. The development of the Association proceeded through work around two friction points: the interpretation dilemma and the self-sufficiency dilemma. At each of these points, the Russian actors had to address two relational problems: managing diversity and obtaining cohesiveness. The first problem is associated with bridging social capital, while the second one is about bonding social capital. Diversity of interests and opinions around the interpretation dilemma was managed by the unique broker. Later on, when dealing with the self-sufficiency dilemma, diversity was managed via new organizational forms (such as the Consortium and board of the Association) which connected both political and business actors. Cohesiveness of cooperative action was achieved through shared local patriotism when dealing with the interpretation dilemma, and through shared identity through the Soviet past and friendship networks.

Friction point Relational problem	<i>Interpretation dilemma: Norwegian or Russian project?</i>	<i>Self-sufficiency dilemma: Ready-made or own solution?</i>
<i>Managing diversity (bridging SC)</i>	Unique broker	Putting together politics and business
<i>Obtaining cohesiveness (bonding SC)</i>	Building upon local patriotism	Building upon Soviet proud and friendship

Figure 3. Summary of the findings.

Organizational and interpersonal relationships in the Association had been intertwined since the very beginning (due to strong previous ties) and became even more diffuse when organizational structures around the Association were formalized but still depended on interpersonal relations. This interaction helped the Russian actors to both manage diversity and obtain cohesiveness, but at the same time, we can observe signs of a closed network structure.

6. Discussion

The research question of this paper was, *how are different forms of social capital manifested in the editing work associated with translating a foreign (Norwegian) model in a local (Russian) context?* Our findings suggest that both bonding and bridging social capital were present in the translation process and that action took place both through informal and formal networks. Focusing on the process of editing work (Sahlin-Andersson 1996) allowed us to see how the different forms of social capital came into play and interacted with each other. The translated Norwegian model proved workable in its home context, which was rich with bridging social capital and *structural holes* (Burt 1992) between established formal organizations. To implement such a model, the Russian actors had to build bridging social capital and establish links between various formal organizations and groups who previously did not cooperate in this way. Bridging capital was built out of bonding capital with the help of informal social capital networks. Bonding social capital then manifested in terms of a shared feeling of local patriotism, values related to the Soviet past and norms of reciprocity and friendship. These sources of bonding capital were consciously addressed by the members of the Association. This exemplifies that social capital becomes a workable resource when its bearers start to consciously address it.

The driving force for the formal social capital network developed around the Association was not formal organizations, which, as it normally happens in the West, build their networks with the help of people (boundary spanners or brokers) representing them. Instead, the driving force was informal network of people centred on a unique broker, who translated their relations to new organizational forms, such as the board of the Association and the Consortium. Speaking in terms of our analytical framework, various types of bonding social capital manifested in the process of translation, which resulted in more bridging social capital. The Association network (presented in figure 2) linked together various actors, both individual and organizational ones. Dependence on bonding capital seemed to have lessened due to formalization of personal ties. Thus, informal networks were partially translated into formal ones.

Our study reveals several paradoxes around the Association network. There we find the coexistence of cooperation ideas from the modern West and the Soviet past, complex interlinks between business and politics, simultaneous closure and openness of the network cooperation and a combination of hierarchical and flat organizational structures. The adopted theoretical perspective of translation/editing made such observations possible. In the process of translating, or organizing, such paradoxes constantly appear because the process is associated with frictions. Conflicting issues emerge but cannot be completely resolved. Only temporary (or hybrid-type) solutions are found. According to Sahlin-Andersson (1996), *editors* work to decouple old and new models by applying them to different situations. Making a project initiated by Norway a “Russian project” was an act of translation, or *institutional work* (Lawrence, Suddaby, and Leca 2009), where the Russian actors consciously addressed their exposure to various institutional orders. When the legitimacy of action in relation to one order was challenged, reference to another one made the cooperation possible. For example, when the international background of the project was questioned by some sceptics (local officials), the editors worked to construct an image of the Association as a Russian project and made reference to local values, such as protecting the regional industrial potential. At the same time, convincing the regional administration to engage in an open-minded cooperation, and therefore break with the culture of particularistic trust, was possible when reference was made to best practices from Norway, a country successful in solving similar issues. Sometimes the lack of a formal institutional framework was compensated for by personal relationships. Then, inspiration came from *cultural-cognitive institutions* (Scott 2008, 56-59) such as values of friendship (particularistic reciprocity) and a shared identity of the Soviet past.

A potential theoretical contribution of this paper is related to viewing social capital as an integrative part of editing work or, more generally, an organizing process. This is different from the mainstream literature in the field of organization. There, most of the studies are interested in measuring the level of social capital and its effects on organizational performance (see for example Leana and Pil 2006). A specific condition of our research is that social capital is rather an analytical layer (to describe editing) than an empirical object open for measurement. This approach allows an understanding of how people

look for unique solutions rather than follow norms of *appropriateness logics* (March and Olsen 2004) - “what a person like me would do in a situation like that.” Such appropriateness in contemporary Russia, in Rose’s (1998) terms, would be to turn to anti-modern behaviour and bend formal organization while coping with standard life situations. In contrast, looking at an unknown situation associated with institutional conflicts and dilemmas, our study highlighted the ability of the Russian actors to innovate and build platform for cooperation in new industrial projects.

7. Conclusions

The general purpose of this paper was to explore how Russian actors made a project initiated by Norway a Russian project. Although Norway and Russia are neighbours geographically, they have a long *institutional distance* (Dikova 2012) in between, as Western economies and transitional economies typically do. In this respect, this paper highlights how fundamental differences between West and East are managed in practice. Seen through the action-oriented perspective of Scandinavian institutionalism, the implementation of the Norwegian model in Russia was about managing frictions between institutions attached to the model and the local institutions in Russia. The institutional differences were conceptualized with help of theory of social capital.

Our findings offer new insight to the literature claiming that personal networks and pre-existing ties play a crucial role in cooperation processes in Russia (Puffer and McCarthy 2011; Crotty 2006; Ledeneva 2009; Rose 1998; Hayoz and Sergeyev 2003; Puffer, McCarthy, and Boisot 2010). While pre-existing ties and groups of bonding social capital were seen by Crotty (2006) as a reason for failure of third-party organizations, our case highlighted a third-party project (The Association) successfully bridging various groups, although lack of initial bridging ties and formal social capital networks was compensated by pre-existing ties and personal networks. It looks like more concrete business issues, such as preparation for an industrial project as in our case, may provide a more conducive ground for organizing bridging activities in Russia than rather abstract ideas of civicness such as environmentalism as in Crotty’s case. Furthermore, as suggested by Ledeneva (2009), in the

long run, informal tactics compromise the chance of reaching strategic goals of modernization in Russia because they among other things undermine the fundamental principle of separation of powers. In our study, the Association became a place where the power of various actors was consolidated in one effort. However, such a consolidation was important as it constituted a regional bottom-up initiative.

Our study provides a twofold contribution in response to the call from Puffer and McCarthy (2011) for further development of both *a theory of Russian management* and *a Russian theory of management*. The first part of the call is about new ways to understand Russia. Here we have demonstrated that Russian actors have cooperative capacity in spite of short supply of bridging social capital and weak formal networks. This capacity is associated with networks of bonding social capital, which becomes a resource when consciously addressed by the participants. To formalize their relationships, Russian actors can utilize a degree of freedom which is absent in the West (due to highly institutionalized relationships). While in our Russian case cohesiveness of action and access to diverse resources was achieved though mixing business and politics, in the West there is no legitimate room for such cooperation. The second part of the call has to do with learning from the Russian experience. Overreliance on bridging social capital and formal organizations in the West can be unfavourable. In today's growing complexity of formal organization, particularistic trust, associated with bonding social capital, is diminishing. However, if formal organization comes to a critical point, its repair will require cohesive action associated with higher risks, responsibilities and interventions. In this case the experience of Russia is valuable. There, when faced with critical issues, groups of bonding capital can be centers for more responsibility and collective action.

We see further potential of action-oriented studies of social capital both outside and inside Russia. At present, the whole Arctic is considered a future resource base where local communities experience pressure from the extractive industry. In this respect we invite more studies of rural contexts under external pressure. Another research opportunity would be to explore in more detail how the Soviet administrative heritage is manifested in management and business practices of contemporary Russia.

Is this a path dependency and disadvantage (e.g. Dixon, Meyer, and Day 2007) or a source of inspiration for the future as we found in our case?

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