

An Anthropology of Marketplace Behavior

*Aspects of embeddedness in Norwegian
entrepreneurship in the Baltics*

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Abstract

Based on fieldwork undertaken between 2005 and 2008, this thesis provides an anthropological analysis of cross border Norwegian entrepreneurship in the Baltics in a timeframe that spans from the middle of the 1990s to 2008.

The Baltic states had barely reinstated their independence from the Soviet Union when the Nordic countries, including Norway, began to devise strategies to enter these emerging markets. In the 1990s, the growing Baltic markets, as they were in such close proximity to Norway, were already being referred to in Norwegian public culture as an extended Nordic market. Norwegian entrepreneurship in the Baltics reached its apex in the early 2000s, when manufacturing businesses on the verge of bankruptcy were moved, one by one, from Norwegian villages to the Baltics. The process of relocating manufacturing facilities induced a series of responses and challenges both in the Norwegian villages left behind and in the new locations in the Baltics. This thesis examines the process of relocating the production facilities and small and medium-sized companies from Norway to the Baltics; it analyses the causes, course and implications of the process.

This work also depicts the Baltics as a strategically significant asset for Norwegian businesses. Through its reflection on the political and economic backgrounds of Norway and the Baltics around the end of 1990s and the beginning of twenty-first century, the present work examines the motives and strategies of Norwegian entrepreneurs entering the emerging Baltic market, as well as the readiness of Baltic actors and institutions to welcome them into their fledgling market economy. A special focus is placed on Norwegian business practices and experiences in building contacts within the local business environment and in cooperating with local bureaucrats and company employees in the Baltic states.

The concept of embeddedness serves as a conceptual umbrella in this analysis of entrepreneurial activities. The focus is placed on the relations between the actor and the environment in which s/he operates. An examination is made of both the material

and the nonmaterial costs of doing business and the work explores the values, relations, contexts, perceptions and ideologies in which particular Norwegian and Baltic economic activities are embedded. Without discrediting the significance of economic calculations and social networks (usually posed as the core of embeddedness of economic activity in market societies) in the strategy formation and decision-making process, the present thesis highlights the significance of culturally constructed convictions and the cultural content of social relations in terms of meanings and representations. By viewing the embeddedness of entrepreneurial activities from below, this work provides an explanatory framework from which to explore why each entrepreneurial strategy is adopted and in what circumstances, and analyzes the processes through which an economic system becomes embedded. In embracing an analysis of embeddedness in relation to Norwegian entrepreneurship in the Baltics, the results are based not only on the empirical findings of the present research but also on the research of other anthropologists who have made in-depth studies of Norwegian entrepreneurial activities.

The thesis concludes that it is unproductive and groundless to cultivate a notion of disembodied economies. Each step observed in the cross-border activities of Norwegian entrepreneurs in the Baltics can be traced and linked to multilayered relations and values, political and geographical constellations, imprints of the past and constructions of the future. And precisely because economic and socio-cultural relations are inseparable, anthropological research methods are ideally suited for researching the corporate environment.

Central to this thesis is not only an argument about embedded market behavior; it also presents empirically and theoretically informed reflections on how to conduct anthropological research in a transnational business environment. The research here contains an outline of the development and character of business anthropology. In taking a stand on the significance of participant observation in researching transnational companies and their business environments, the thesis demonstrates how to carry out traditional anthropological fieldwork in international business settings, how and where to grasp this environment and make it tangible, and how to turn the data into something empirical. The methodological approach outlined here suggests that the traditional anthropological toolkit, representing a particularly “deep, extended

and interactive research encounter”(Clifford 1997:187), is vital in the research of transnational business operations in global markets, and that it is possible to grasp globally ongoing dynamics even when staying in a ‘bounded’ field site.

This thesis is a contribution to the field of corporate ethnography and business anthropology and takes its place in a line of anthropological research on the encounters between Western Europe and Eastern Europe business communities.

The Character list

For the reasons of anonymity, the names of persons, companies and places involved in this research have been changed

- NIDA:** Norwegian Industrial Development Agency (Norway)
- Harald Hegstad:** Director of NIDA's international division (Norway)
- Henning Hansen:** Director of NIDA industrial park in Livpils (the Baltics)
- Knut Kløver:** Director and owner of Norwegian company *N-Welding AS*, located at NIDA industrial park in Livpils (the Baltics)
- Petra Liepa:** Director and owner of Norwegian company *Nordic Ltd* (the Baltics), the daughter company of Norwegian *Safe Use AS* (Scandinavia)
- Eva Liepa:** Petra Liepa's sister in law, a powerful state official in the Baltics
- Paal Riise:** Manager of Norwegian company *Safe Use AS* (Scandinavia)
- Ms. Zhukova:** Director of a leading Russian oil company (the Baltics)
- APS:** Agency of Pollution Control, the Baltic governmental institution
- Tore Hauge:** Director and owner of Norwegian company *Norbygg Ltd* at Linava (the Baltics)
- Jurgis Matulis:** Local manager of *Norbygg Ltd*
- Jon Volstad:** Norwegian entrepreneur at Linava (the Baltics)
- Mari Rye:** Norwegian entrepreneur at Linava (the Baltics)
- Helge Hofset:** Director and production manager of Norwegian companies *Solveig Ltd* and *Ingrid Ltd* (the Baltics) – both are daughter companies of Norwegian *Tekstil AS* (Norway)
- Björg Vatne:** Product developer at Norwegian company *Tekstil AS* (Norway)
- Steinar Jensen:** Director of Norwegian company *Telecom Norway AS* (the Baltics)
- Krister Hjellum:** Norwegian entrepreneur in the Baltics
- Ieva Adamaite:** A powerful politician in the Baltics
- Kalvis Mezeckis:** Director of the Baltic state enterprise *Griva* (the Baltics)
- Rūta Volkova:** Lawyer of the Baltic state enterprise *Griva* (the Baltics)

Chapter 1.

An Intentionally Long Prologue. The Corporate Jungle –a 2010 Perspective

I should apologize now to those who had hoped to open this thesis and immediately enter the world of intercultural business ethnography. I will instead open with a general overview of business anthropology rather than giving concrete empirical examples and describing my methodological approaches. Although many of us might find the topic of business both familiar and hardly exotic, in cultural terms, I would still like to share my impressions of how this branch of business anthropology was established and what is specific about it – issues that tend not to be discussed in anthropology study programs in Norway. For precisely this reason I have no difficulty in meeting the requirement put forward by Fredrik Barth, who said that in entering a new field of research, one has to forget the things one knew and become like child again (Barth 1995:10f), a child who knows nothing and absorbs in the self all that happens around – things that he or she perceives to be essential, or insignificant, and where nothing is taken for granted. In confronting this research, I had to explore the business environment as though it was another language, accepting “all its strange sounds, foreign words and difficult cases, and only then could I compare it with my mother tongue and translate from it” (Barth 1995:10).

The metaphor contained in the title of this chapter is borrowed from an article by Jordan and Lambert (2009); it accurately reflects what I felt when starting my research on Norwegian business in the Baltic countries. I will commence this work, then, by focusing less on my groundbreaking experience in the corporate jungle (for that work, see chapter 2) and more on the attempt to outline the activities of anthropologists in a corporate environment. Thus, first I will draw upon my own experience and social science sources to examine the notions of business and industrial anthropology, from a contemporary angle.¹ The second part of this chapter will examine more closely the process of this research in corporate settings – my “way in to a messy, exciting, still-undisciplined terrain” (Jordan and Lambert

¹ Since I began this research in 2005, new work has been published to complement the rather scarce selection of anthropological literature about the world of business and the way it is researched in modern societies (see, for example, Baba 2006, Moeran 2006, Cefkin 2009, Mollona, De Neve and Parry 2009). I have also published discoveries in this field from 2006 onwards (Cimdina 2006, 2009).

2009:97) – and it will also explain the methodology used for the research, which began in 2005.

Before we move to the corporate jungle we need to give a more clear-cut definition of what is meant by this matter-of-fact yet exotic collocation of words, or, in other words, we need to examine what we mean when we say “business anthropology”. The simplest explanations are as follows: one applies anthropological methods and theories when examining business environments and practices, in particular, trade and problem-solving, the formulation of strategies, or plain day-to-day work in organizations and companies in the private sector. One of the most prominent contemporary business anthropologists, Marietta L. Baba, defines business and industry as organized economic activity carried out in order to satisfy basic material needs:

Business and industry are fundamental ways of *organizing economic activity* to meet basic human needs in *modern market societies*.² Business means the buying and selling of goods and services in the marketplace ... while industry refers to organized production of goods and services on a large scale (Baba 2006:1).

Baba points out that these terms (business and industry), when used in an anthropological context, may also refer to one or more of the three major domains of anthropological research and practice in the private sector: 1) the anthropology related to the process of producing goods and services, and the corporate organization in which production takes place; 2) the ethnographically informed design of new products, services and systems for consumers and businesses; and 3) the anthropology related to the behavior of consumers and the marketplace (Baba 2006:1).

Peter Buckley includes in his definition the aspect of profit, namely, the creation of added value and some aspects concerning the organization, its allocation of tasks and obligations, and internal communication:

Business processes are collections of activities which are technologically or managerially linked so that they jointly affect value added. The organization of these processes may be termed the “architecture” of the firm: that is, the allocation of responsibilities amongst individuals and groups and communication between them (Buckley 1998: xvi).

² My emphasis.

He indicates that from the perspective of economists, business behavior and human activity is best explained in terms of the central principle of economic theory: the optimization of individual self-interest or the “*rational, persistent pursuit of self-interest*”³ (Stigley 1976, in Buckley 1998:34).

Anthropologist Fredrik Barth provides a wider conceptualization: not only does he point to profit as the essence of entrepreneurial activity, he also underscores other important aspects such as interpersonal relationships, context, choices and strategies: “Entrepreneurial activity lends itself readily to a description and analysis in terms of such general concepts as *choice, strategy, profit*” (Barth 1972:6). An entrepreneur must initiate and coordinate a number of *interpersonal relationships* to effectuate his enterprise (Barth 1972). To analyze the place of the entrepreneur in a wider context of interaction, it is also necessary to describe the social context he operates within that is, the rest of the community, which is composed of actors who also make choices and pursue strategies (ibid.). Therefore, in Barth’s (1967) analytical approach, the focus is on entrepreneurial activity as a *chain of transactions*⁴ between the entrepreneur and his or her environment.

Even if anthropologists and other ethnography-oriented social scientists have been involved in the business area for a long time now – from the 1930s in the US (Baba 2006; Cefkin 2009) and the 1940s in the UK (Mills 2006, in Cefkin 2009), it is only recently that the area has gained more attention and focus in terms of anthropological practice. Business circles are said to be increasingly using such terms as, for example, ‘corporate ethnography’, ‘industrial ethnography’ and ‘business ethnography’ (Jordan and Lambert 2009).

Francisco Aguilera (1996) discusses what an anthropologist could achieve in the business environment in the second half of the twentieth century. He states that in the 1970s it was not easy to find a company, state agency or public cultural organization that would be willing to avail itself of anthropologists’ services. At that time anthropologists (in the US) were still associated with dusty bones; a PhD in

³ My emphasis.

⁴ My emphasis.

anthropology could be taken to mean that the researcher lacked pragmatism. It was also believed that a company would require anthropologists' services only if their involvement could ensure an immediate change in work arrangements or bring about improvements in the company balance sheet. However, over time Aguilera noticed that changes in the business environment made anthropological theories and approaches to research increasingly useful (Aguilera 1996).

Today we witness a trend that goes against that of the 1970s. Cefkin (2009) and Jordan and Lambert (2009) claim that the heads of enterprises or companies are aware of the benefits generated by anthropologists and wish to recruit specialists from the field. The revival in interest in corporate ethnography manifests itself in terms of demand. Many organizations now recruit anthropologists: they work in factories and hospitals, and on fishing trawlers, and even observe building and engineering staff at work. An increasing number of companies have in-house anthropologists, whose daily routines are described in business media; over the last decade there has been a significant increase in demand for company anthropologists (Cefkin 2009; Jordan and Lambert 2009).

One of the reasons why ethnography in the business environment has become so popular is the appeal of ethnographic methods. At the same time,

corporate ethnography is surrounded by a mystique that draws on romantic ideas of traditional ethnography, the time when anthropologists ventured out to live with undiscovered tribes in the jungles of South America and New Guinea (Jordan and Lambert 2009:109).

But do company decision makers draw immediate parallels between the understanding of "local" culture in terms of small-scale societies and the understanding of a company's customers' culture? Jordan and Lambert claim that they do it readily: "while earlier ethnographies may have served the interests of colonial administrators, corporate ethnography clearly serves the interests of its industrial founders" (ibid.).

It follows from Cefkin (2009), Jordan and Lambert (2009) and Brun-Cottan (2009) that anthropologists today are involved in various companies providing advice to

management, developing projects and carrying out planning, as well as in marketing and sales research agencies that were set up in the 1980s and 1990s and at the beginning of twenty-first century. Companies that offer product and system design services, market research, management and strategic planning, and laboratory development are proud employers of anthropologists. For instance, from the pay lists of such companies as General Motors, Hewlett Packard, Kodak, Motorola, Sun Microsystems, IBM, Yahoo, Google, NASA, and many others, it is clear that they have employed in-house anthropologists (Cefkin 2009). Around 2000, the microchip development company Intel Corporation became known in the field for its large number of in-house anthropologists, some of whom had taken a leading strategic role in the organization. In 2004, Intel Corporation spent around \$5bn on ethnographic research (Johnson 2006, in Brun-Cottan 2009:166). By 2006, they had more than a hundred in-house anthropologists working alongside their engineers (Brun-Cottan 2009).

An anthropological approach is thus commercially positioned as an efficient means by which to better understand both the changing labor market and its new consumers who use the Internet on a daily basis; it also helps explain the influence of various “cultures” (national, ethnic and sub-cultures) on production and consumption networks. Ethnographic research in the field of entrepreneurial activity allows companies to have a better understanding of the socio-cultural context of the markets (Cefkin 2009). However, no matter how solid, topical and flourishing this anthropological boom might seem (especially in the US), we should not discount the problematic aspects, notably, the methodological implications referred to by Jordan and Lambert (2009), Cefkin (2009), Brun-Cottan (2009) and others. But we will come back to those at a later stage.

Admittedly, if I go by my own observations and the literature, I have not been able to ascertain the importance of business anthropology on this side of the Atlantic and, in particular, in Scandinavia and the Baltic countries, where anthropology is based on the British tradition. This was even more the case in 2004, as I started planning my research on Norwegian entrepreneurial activity in the Baltics. Why would

anthropological practices and business opportunities here and there be so different?⁵ A brief outline of business anthropology will help us answer this question and better understand the long journey business anthropology has made from its beginning to the present day.

1.1. The First Business Anthropologists

The term “business anthropology” came into usage only in the 1980s, when anthropologists became full-time non-academic practitioners in niches related to consumer behavior and marketing. Prior to that time, the term “industrial anthropology”, “anthropology of work”, or “applied anthropology in industry” were used more frequently to denote areas of research and practice focused on business-related phenomena (Baba 2006:1).

When Malinowski had just returned from his field research in the Trobriand Islands and laid the foundation stones of the emerging science of anthropology in the UK, in the US, business anthropologists (as yet unknown by that name) were already quite active; it seems astonishing that there is no mention of them in histories of anthropology.⁶ Baba and Hill (2006:1) and Pink (2006:1) provide explorations showing that anthropology is always inextricably bound to its historical and cultural context – meaning that there are important differences in the way the discipline is understood and practiced in different regions.

The rapid industrial revolution in the US at the end of the nineteenth century is an important reason why, along with so-called Native American research, applied anthropology turned into an active industry-based research activity. In Britain, applied anthropology had other priorities. Adam Kuper writes that from the outset British anthropology liked to present itself as a science, which was useful in terms of

⁵ Baba and Hill (2006) indicate that only in the US are there 1) formal academic training programs for distinctively identified applied anthropologists, 2) national and local professional organizations devoted to the application and practice of anthropology, and 3) full-time professional anthropologists working in various roles across occupational fields outside the academy (Baba and Hill 2006:1). In the UK, little postgraduate training in applied anthropology is available. Applied methods are only infrequently taught at the postgraduate level in British universities and many PhD-level anthropologists therefore lack the skills they need to be able to engage successfully with organizations and their research needs (Pink 2006:130).

⁶ This indicates that there are different trends in UK and US anthropology. In Scandinavia and in the Baltic countries anthropology is based on the UK tradition; thus, the information on early business anthropologists on the other side of the Atlantic was unexpected news to me, at least.

administration and organization, and this in a colonial rather than in an industrial or corporate context. The colonial governments and interests were the best prospects for financial support, particularly in the decades before the discipline was granted recognition by the universities (Kuper 1983:100). Baba points out that

the relationship between anthropology and colonial interests is one of the reasons why European anthropologists were slow to adopt applied anthropology as a formal area of research and graduate training in the latter half of the 20th century (Baba 2006:2).

European applied anthropology at the beginning of the twentieth century was associated with colonial interests and therefore became tainted by its lack of political correctness, causing embarrassment for some anthropologists who found themselves linked to colonial purposes. As a result, Baba states,

many European anthropologists threw the “applied baby” out with the bathwater, and application simply was off-limits in many places until the last quarter of the 20th century (Baba 2006:2).

Industrial and business anthropology in both its embryonic form and its subsequent boom is most readily discernible in America. Baba proposes that, to a large extent, the rapid industrial growth of America was based on the theory of the economic man, that is, on the belief that individual employees would respond rationally to economic rewards by increasing their productivity to maximize the reward to themselves. The trick was to find the right incentive sufficient to motivate workers effectively but which must not be so generous as to detract from their profitability (Baba 2006:2). Initially, manufacturers did not have to worry about unions interfering in the optimization of workforce productivity: prior to the 1930s in the US, manufacturing companies did not have industrial unions (ibid.). Over time, however, unions started to emerge and the demands of workers in relation to their rights became more of an issue. One of the methods to avoid unionization was the so-called welfare capitalism approach – an ideology that became central to the future relationship of business and anthropology (Baba 2006:3). This approach was based on the premise that if management treated the workers well and ensured that they were satisfied, labor strife would subside and the unions would not grow stronger. Also, if workers were satisfied with working conditions, they would be as productive as possible.

As Baba notes, the improvement of working conditions to reduce workers' discontent was a primary concern of US manufacturers in the 1920s–1930s, and it was believed that a single variable (for instance, better factory lighting) was sufficient to ensure that employees would be happy with their working conditions. However, a significant confusion arose when it was established – by carrying out various experiments at the Hawthorne plant⁷ (Schwarzman 1993, Wright 1994, Baba 2006) – that work productivity improved not only when the lighting was increased but also when it was so weak as to resemble twilight or moonlight. The prevailing theory⁸ of that time could not explain this anomaly. Repeated experiments showed that productivity was sustained or increased, no matter what the experimenters did to working conditions.⁹ When psychologist Elton Mayo took up the matter he discovered that the workers themselves had developed a distinctive social system that became part and parcel of the production process and clearly enhanced productivity levels. While implementing the Hawthorne project - the most influential behavioral science study of a business enterprise (Schwartzman 1993:5) - the researchers became interested in the relationships among variables in the social system and in what their effects on production might be (Baba 2006:4).

Gradually it was discovered that there was a trend for the workers to band together as a means of defense against anything that might be perceived as a threat and that group work, one's social situation at work and even conditions at home or within the community were tied directly to efficiency. Workers were not motivated solely by pay and their working conditions. Such trends came to be defined as workers' social systems or social organization of the group (Schwartzman 1993:8), and this is when

⁷ The Hawthorne plant was located in western Chicago and in the town of Cicero, Illinois, and served as one of the major supply organizations for the Western Electric Company. The experiments were initiated because Western Electric management was interested in understanding relationships between fatigue and monotony and job satisfaction and dissatisfaction. In 1927, when the study began, there were 29,000 employees at the Hawthorne Works, representing more than 60 nationalities (Schwartzman 1993:5).

⁸ The theory of organization was developed by engineer Frederick W. Taylor. According to Taylor, the activities of both workers and managers should be determined by "scientific" methods – through investigation of the skills and actions needed to perform a given role, careful selection of individual workers and managers based on their ability to perform the role, and detailed instructions that would direct each employee's behavior so that maximum output could be achieved with a minimal input (Baba 2006:2).

⁹ This phenomenon is known as the "Hawthorne Effect", meaning that non-experimental variables affect the experimental results -the presence of researchers influences the outcome of the experiment.

the Hawthorne project was joined by anthropologists. Mayo knew that Malinowski and Radcliffe-Brown were researching natural social systems in the field and wished to apply this approach to the Hawthorne project. Thus, W. Lloyd Warner, a student of Radcliffe-Brown, joined in and established industrial and organizational anthropology on the basis of what he did for the project (Baba 2006:5). With Lloyd Warner as a team member, the experiments in 1931 and 1932 were altered in order to observe what the workers actually did on the job, in contrast to what they said they did during interviews.¹⁰ Warner encouraged the researchers to read anthropological theory and to analyze their observational data much as an anthropologist would do in studying a small society such as a band or a tribe (Baba 2006:5).

Baba describes the insight into factory life that was obtained through the anthropologists' presence, which was at odds with the conception of the "economic man"; for example, there were starkly contrasting points of view separating management and the workers, workers' informal standards of a 'fair day's work', and group solidarity among workers and their informal organization. It transpired that the actual patterns of social interaction among the workers contrasted with the formal organization. The finding in the early 1930s that workers were not simply "factors" in production but sentient beings who assigned their own meaning to phenomena and protected their interests was quite a ground-breaking one. Machines could not control the work process and management had to deal with workers who did not respond to "the logic of economic incentives" (Baba 2006:7). Arensberg indicates that new technology had led to boredom and that repetitive work decreased productivity. Thus, the goal of industrial anthropology was to discover the roots of workers' alienation from their work in factories and offices and to provide solutions. One such solution was to create teams of industrial workers with shared tasks; another was to use informal networks as a means to improve morale (Arensberg 1987:65).

On the basis of these findings the Human Relations School was founded. It was based on functional equilibrium theory, which viewed human organizations as integrated social systems with specific structures that interacted to maintain a smoothly operating whole (Baba 2006:7). Within the context of this theory, a conflict between

¹⁰ For more on this experiment, see Schwartzman (1993) and Baba (2006), in an exhaustive article on the development of business anthropology from the end of the nineteenth century to the present day.

management and workers was seen as a pathology reflecting the disruption of an equilibrium state that would adversely affect workers' morale and hamper efficient production (ibid.). The generation of industrial anthropologists of the 1940s–1960s¹¹ undertook a series of important studies of both workers and managers, aiming at discovering factors and forces that could be manipulated to achieve an equilibrium state in the organizational system and to eliminate conflicts. Among these techniques were sociometric measures of human interaction and network and event analysis (Arensberg 1987:61). Arensberg and Chapple (1940), for example, developed recording equipment for measuring the frequency and duration of contact between two persons and the tempo of nonverbal communication. However, the anthropologists did not question the asymmetrical power relations in a company as a key source of conflict; these were taken to be a given (Baba 2006).

The suggestion that anthropologists were active in companies at this time is corroborated by the circumstance that in 1941 a Society for Applied Anthropology was established at Harvard, according to Baba, and some of the founders were industrial anthropologists. At this time, there were paid in-house anthropologists in such large companies as Container Company of America, Inland Steel Container Company, International Business Machines (IBM) and others. Anthropologists produced industrial ethnographies as case studies of an entire company, mainly focusing on human relations within an integrated social system and working with a view to discovering laws of human interaction that could establish the foundation for a science of human behavior (Baba 2006:9). Based on the knowledge gleaned from studies of “primates and other animals” (ibid), they argued that conflict between groups is aggravated because of physical separation and lack of ongoing contact.¹² Another significant finding of the anthropologists of that time was that one cannot fully grasp the processes taking place in a given factory without fully understanding the particular historical, social, economic, technological and political circumstances

¹¹ For example, C. Arensberg, E. Chapple, 1940, *Measuring Human Relations*; C. Arensberg 1955, *Research in Industrial Human Relations*; F. Richardson, 1961, *Talk, Work, and Action: Human Reactions to Organizational Change*.

¹² F. Richardson 1978, *The Elusive Nature of Cooperation and Leadership: Discovering a Primitive Process that Regulates Human Behaviors* provides an example of a key social variable – human contact – discovered by anthropologists through observational methods; he describes how this variable could be used to improve worker–manager relations (Baba 2006:9).

under which the factory operated (Warner and Low 1947). Warner and Low discuss the social roles of the factory in the community and the worker in the factory.

Thus, in the first half of the twentieth century, applied anthropologists in the business and industrial sector in the US analytically applied and discerned concepts that were also familiar to British anthropologists at that time; for instance, “economic man”, “production”, “maximization of profit”, “group solidarity”, “social organization and social structure”, “formal and informal organization” (the actual patterns of social interaction), “power relations” (relations between workers and managers), “prevention and elimination of conflict”, and others. However, in British anthropology these concepts were not researched within the context of the corporate environment. In Britain, although anthropologists had opportunities to engage in applied work in industry around the middle of the twentieth century, they did not take these up, according to Pink, who explains that the colonial legacy of anthropology is fundamental to understanding the historical context of both academic and applied anthropology in Britain (Pink 2006:123).

Mills indicates, however, that there has been an emerging link between anthropology and industry in Britain. He documents a lesser-known series of encounters between anthropologists and industrialists led by British businessman Israel Sieff¹³ in the first half of the twentieth century in Britain (Mills 2002, in Pink 2006:124f). This account illustrates how the relationship between so-called “pure” and applied anthropology developed after the era of applied colonial anthropology¹⁴ (Pink 2006:124). The leading anthropologists at this time were in a position to refuse to adapt their research agendas to meet the needs of industry. Here again, then, the contest between pure and applied anthropology was played out, and the former gained a distinct advantage (Pink 2006:124). Despite some anthropologists’ enthusiasm for the idea that they could provide industrialists with practical advice as to relationships with staff and productivity, the overall message to the industry was that anthropologists’ work was more exploratory; it would produce problems and questions but would not necessarily

¹³ A co-founder of Marks and Spencer, a department-store chain in the UK.

¹⁴ Mills (2002) describes how during these years there were clear tensions between the practical anthropology advocated by Malinowski and the scientific academic anthropology of Radcliffe-Brown and his followers. This emerged as a contest between “pure” and “applied” versions of anthropology played out between personalities and departments (Pink 2006:124).

offer the sets of solutions they required. Interest in this work in the UK subsequently declined, and anthropology and industry went their separate ways (Mills 2002, in Pink 2006:125).

In the US in the 1960s, following a promising start over the previous three decades, the anthropology of industrial organizations entered a prolonged period of decline from which it has only recently begun to emerge (Baba 2006:11). The National Science Foundation was established in the US to stimulate and fund academic research. The US anthropologists could thus research more remote parts of the world and researchers began to emphasize that in order to become a ‘real’ anthropologist they had to carry out fieldwork outside their own society. Those involved in researching their own society, for example, industrial anthropologists, were given “second-class citizen status” (Baba 2006:12), which ultimately pushed many of them out of anthropology and into the business world. Changes in social science theory also took place around this time. Historians of social sciences criticized the industrial anthropologists of the present generation for being too management-centric and too alienated from the working class, thus failing to predict the rising wave of unionization and its theoretical consequences (ibid.).

Just as anthropologists in the UK reacted negatively when their ties to colonial administration received public criticism, so American anthropologists reacted with distaste when they found out that certain agencies of the US government had attempted to engage anthropologists in research that would become part of counter-insurgency programs in the developing world (Baba 2006:13). Multinational corporations were identified as potentially dangerous sponsors. During the 1960s, US multinational corporations were dominant overseas, making inroads into foreign markets and setting up factories in developing countries to curb production costs. Academic anthropologists who were conducting fieldwork in the very places where American business was making investments often saw the negative consequences of industrialization – including increasing poverty, new diseases and the disintegration of traditional social support (Baba 2006:13). Instances of unethical corporate behavior further alienated anthropologists from industry and caused some to begin labeling any work for industry as “unethical” (ibid.). Yet industrialization processes outside the West continued and thrived, alongside cross-border entrepreneurship.

With the century drawing to a close, the global flows of goods, services and information become increasingly stronger and such aspects as communication and consumerism – especially relevant to the corporate environment – became particularly topical. A consensus emerged that for businesses and corporations of the twenty-first century it is essential to establish an international presence. Economists started to speculate that over the first two decades of the twenty-first century most of the world's growth would occur in emerging markets (Cavusgil, Ghauri and Agarwal 2002). Once thought of as backward and low-tech, these regions were seen to be rapidly transforming their economies. Emerging markets, for example, in Asia and Eastern Europe became lucrative targets for corporations, as consumers in these regions gained a sufficient level of income to purchase services and goods offered by multinational companies. Indeed, western companies have become increasingly aware that in order to sell in these markets it is essential to understand their consumers and the ways to reach out to them. It has become equally important to cooperate with businessmen from other countries and to transfer companies to new locations so that costs can be kept down. For western managers struggling to maintain growth, cut costs and launch new products and industries, emerging markets appeared to be an ideal opportunity (Cavusgil, Ghauri and Agarwal 2002). Business in an intercultural context has become an increasingly popular topic both as regards various representatives in the field of communication and organization,¹⁵ and for anthropologists, such as Edward Hall, for instance.

Edward Hall (1973, 1976, 1987) points out a hitherto unnoticed fact that too often business relations suffer because entrepreneurs fail to understand hidden differences between cultures. He underscores that social communication has a fundamental significance in business relations that goes far beyond language and into the nonverbal and contextual aspects of communication:

Any culture is primarily a system for creating, sending, storing and processing information. Communication underlies everything. Although we tend to regard

¹⁵ To name but a few, these include Gert Hofstede's *Culture's Consequences: International Differences in Work-Related Values* (1984) and *Cultures and Organizations: Software of the Mind* (1991); and Fons Trompenaars and Charles Hampden-Turner (1997) *Riding The Waves of Culture: Understanding Diversity in Global Business*.

language as the main channel of communication, research reveals that 80 to 90 percent of information is communicated by other means (Hall and Hall 1987:3).

He further explains that the world of communication is divided into words, material things and behavior and, thus, by studying these in our own and other cultures, we can come to understand human behavior that exists outside the range of peoples' conscious awareness (*ibid.*). Taking this position as his starting point, he attempts to help the business community tackle a growing challenge, namely, to interpret communication processes across cultural boundaries and prevent cross-cultural misunderstandings. Indeed, Hall was a founder of an increasingly popular trend towards ethnographic explorations of business environments and behaviors outside home societies, and of business communication in cross-cultural contexts.

As of the 1980s, American anthropologists re-entered the business world and mainly focused on three research areas: 1) organizational behavior and management, 2) ethnographically informed design of products, services and systems, and 3) consumer behavior and marketing. Nowadays, each of these three areas is fairly well established in the USA, with representation in academic departments of various kinds, a tradition in the scholarly literature, and an active community of practice – including positions in major corporate research laboratories and institutes (Microsoft, Motorola, Xerox) and business functions in consulting firms (Baba 2006:23).¹⁶ It would go beyond the scope of this thesis to give an exhaustive survey of the literature in these three areas here, and it would not contribute to a further understanding of the present research agenda. Therefore, I will refrain from delving into these areas now but will return to essential aspects related to these areas, as far as they are relevant to this research.

The return of anthropologists to the field of business in the US did not happen overnight. Comparing anthropological practice in the business environment in the 1970s with work in the contemporary business world, Aguilera (1996) suggests that the possibilities for an anthropologist then were quite unlike those found today. If in the 1980s anthropologists had to find an enterprise willing to recruit them, then today there is a reverse trend – the enterprises themselves are actively recruiting

¹⁶ The reason I start by focusing on practices conducted primarily by American anthropologists is that these anthropologists to a large extent commenced and dictated the now-global trends of business anthropology.

anthropologists. In the 1980s, to get the enterprise interested in their competence, anthropologists carried out a 2–4 day observation of the enterprise, as well as interviewed all the interested persons; they included diagnostics of the business processes and the social situation. The anthropologist then submitted a report on the data thus collected, usually adding that a data analysis was required. Once the report had been submitted, the plan containing particular measures was agreed upon and the anthropologist was paid to carry out these measures to improve the enterprise climate. The entrepreneurs tended to think that they always knew better, and it was therefore difficult to “sell” anthropological knowledge. To gain a contract with an enterprise, an anthropologist had to immediately demonstrate solid ethnographic knowledge as regards the issues related to productivity processes, social relations and perceptions at the enterprise. Following the submission of the anthropologist’s report, enterprises occasionally accepted free anthropologist expertise on how to improve the operation of the enterprise and then tried to act themselves; they were usually surprised at the truths evident in anthropologists’ observations and would often end up signing contracts with them.

In those days an anthropologist in the business environment tended to use traditional anthropology methods, without much adjustment to the circumstances. The model of social anthropology that encompassed space, time, personnel, principles of interpersonal network formation and principles of group maintenance were simply exported to the business environment. Aguilera (1996) gives a colorful comparison of how he was carrying out fieldwork in a small village in Spain and in a business context where ethnographic aspects showed significant differences from the village but the model as a whole was maintained (Aguilera 1996:737). The analytical components altered as follows:

- Space, time, personnel: what in Spain had been orchards, pastures and cultivated fields became factories or office rooms. The ritualized time and the cyclical change of generations was replaced by the financial year, budgetary cycle and payment days; family ties transformed into corporate relations between men and women, and between recruitment of young staff and the retirement of older ones.
- Principles of interpersonal network formation: the kinship and economic relationships of rural agrarian society became the history of having

worked in the same office in the past, or sharing offices in the present, union affiliation or the 'old school tie' network.

- Principles of group maintenance: religious rites were substituted by business meetings, and the forms of various departments and minutes (Aguilera 1996).

Also at this time, enterprises had to outdo their competitors: they had to be faster, produce more cheaply, to a higher standard and provide user-friendlier products than their competitors. This led to a need to modify business procedures. Although the anthropologist's primary tasks were to a large extent quite similar to those of today, the types of fieldwork carried out by an anthropologist at an enterprise were quite different. From the description given by Aguilera it can be deduced that at the end of the twentieth century the main task of an anthropologist was to train the staff of an enterprise to analyze the processes that took place at said enterprise rather than take the results to the management and inform it about necessary changes at the level of the enterprise, as happens at present. The main method of an anthropologist was observation and the main task to help modify the work arrangements at the enterprise so that the workers themselves could understand how to bring about change to make the organization and its procedures more efficient.

In 1986, notwithstanding the dynamics of business anthropology in the twentieth century, Baba stated, "we stand now much as the discipline stood 50 years ago, needing new centers of influence to speed the fusion of science and practice" (1986:25). In 1988, John F. Sherry Jr. wrote about a "renaissance of anthropological interest in international business" (1988:397). When he looks back at the history of anthropology, he does not deny that anthropologists' interest in business has been discontinuous, and he discusses ways in which the anthropological perspective might be used to enhance the teaching of international business (Sherry 1988). Indeed, he examines ways in which the current interest of anthropologists in business activity is one source of synergy that can be effectively harnessed (Sherry 1988:396). The emergence of the National Association for the Practice of Anthropology in 1984 made it possible for "business anthropologists" to consort in a formal fashion for the first time (Sherry 1988:397). It was apparent in this new society that curriculum development would be a critical task: while each of the anthropology sub-disciplines

had something to say about business practices, none had fielded a tightly integrated module, let alone an entire course devoted to the subject that might serve as a paradigm (ibid.). One cannot but conclude that as recently as a couple of decades ago business anthropology, despite its almost hundred-year-old history as a sub-branch of anthropology, was still in embryonic form.

1.2. Anthropological Practice in Contemporary Enterprise

Although the formative stages of business anthropology as a sub-branch of anthropology (with its supporting study programs) seem to remain somewhat blurred, the research discussed above shows that there is beyond doubt a substantial demand for anthropological expertise in the business environment in the US today. In Britain, too, there is an acute need to deploy anthropology beyond the Academy. Indeed, in 2003, anthropology professor Paul Sillitoe, while investigating why anthropology has become so popular, called for anthropology to “promote its professional identity beyond the Academy” in what he saw as obvious areas for practice – such as development, the media, museums, galleries, intercultural relations and refugee work. He emphasized that students, when making a choice of subject for their studies, are increasingly concerned about obtaining “value for money”, which implies not only a well-taught course but also a qualification that will lead to a well-paid career. However, areas such as banking, law, retailing and management were listed here as having less obvious potential for anthropologists, stating that in these occupations the benefit of anthropological training was less clear (Sillitoe 2003:2). However, Pink (2006) states that applied anthropologists have increasingly found a niche in areas such as the civil service, public and welfare sectors, research, design and development in business, the media industries and legal areas (Pink 2006:126). And although the relationship between applied and academic anthropology in Britain has been in some difficulties from the outset, manifesting itself in the contesting discourses of applied and “pure” anthropology, the twenty-first century has seen increasing support for applied anthropology in Great Britain (Pink 2006:127). For example, in 2003 the Berghahn Books series “Studies in Public and Applied Anthropology” was established specifically to publish volumes that bridge the gap between applied and academic anthropology (ibid.).

Jordan and Lambert (2009), Cefkin (2009) and Brun-Cottan (2009) claim that companies are interested in recruiting ethnographers so that they can raise awareness of work organization, improve efficiency and income, influence customers and employers and the social and cultural environments they inhabit, and create and improve devices and services. The specific training anthropologists receive, their observational skills and analytical capabilities, can help companies to reach their goals. Business anthropologists are often involved in research that relates to organizations and workplaces, consumer culture and brand names, and the use of computers and exploration of information and communication technologies, which includes the interface between human beings and computers, a company's working culture and the formation of a professional culture. Anthropologists in companies or enterprises often work as advisors to entrepreneurial structures and they research areas such as development of the organization and management consulting. Anthropologists' work often involves the task of providing knowledge, for instance, by explaining why certain products or services enjoy increased demand. Anthropologists cooperate with product designers and market researchers in that they help them to understand the needs, grounds, habits and socio-cultural context of potential users. An ethnographer has to understand the daily routine, must be able to rectify erroneous explanations or aspects that have not been noticed, and should also be able to reveal the specific cultural significance of certain aspects of social practice in the area.

Today, what is being produced by enterprises is important but so is the way in which this is achieved – this too belongs to the realm of anthropological investigation. Customers and purchasers are increasingly keen on buying relations; this enhances selling, and procedures that have to do with the presenting or packaging of the service (Cefkin 2009). Brun-Cottan (2009) identifies the multifaceted possibilities that anthropological research promises to companies that have not yet been exposed to ethnographic work, namely, the potential to

- show that people say one thing but in fact do the opposite;
- investigate cultural norms (e.g., a notion of the beautiful in various cultures);
- identify unexpected needs and shortcomings;
- identify the potential of products and services;

- show that small things can carry great weight;
- explain abstract beliefs;
- help track down and understand the needs of purchasers, customers and workers, as well as identify competitors and partners (Brun-Cottan 2009).

Indeed, it might be said that the role of anthropologists in companies around the world has increased in scope but the potential and real gains from anthropological work have not always been understood and appreciated. This is especially the case in post-socialist societies and also in Scandinavia, where I have not noticed the trends outlined here. It is worth mentioning, however, that some anthropologists have founded their enterprises in Oslo, Copenhagen and Stockholm¹⁷ and, among other areas, they have been active in the field of marketing. Still, it remains the case that much applied anthropology is not published in academic journals or books in Scandinavia or Britain (Pink 2006:130), and its practitioners seldom participate in anthropological debate.

1.3.Methodological Challenges in Corporate Ethnography

The popularity and demand that business anthropology and anthropologists have been enjoying have also presented the branch with difficult tests and trials: for instance, the usefulness of long-established anthropological research methods has been doubted. The peculiarities of anthropological fieldwork and the specific features of the international business environment have triggered a reconsideration of traditional anthropological methods and to what extent they are applicable to research on international business. To satisfy this demand, anthropological methods might need to be adapted in such a way as to get an immediate result in a short timeframe. Only in exceptional cases a study might last several months or even a year. In fact, the length of research for corporate projects spans from a couple of days to a couple of weeks, which means that traditional ethnography methods might need to be adapted to the new circumstances. To a certain extent, methods have always been adapted to circumstances but now, with the advent of new technologies, the process is being

¹⁷ AnthroFokus (Denmark), Glocals (Denmark), Human Culture (Denmark), CultureIT (Oslo), Rett Øst Kulturrådgivning (Oslo), Kulturell dialog (Oslo), Splitvision Business Anthropology (Stockholm), KulturDialog (Stockholm).

accelerated. Ethnographers no longer use paper and a pencil but digital technologies; thus, the research methods have changed,¹⁸ as well as the presentation of the ethnographic observations and information that have been obtained (e.g., video ethnography and PowerPoint presentations).

British social anthropology has always largely been defined by its fieldwork method – long-term ethnographic fieldwork – derived from the tradition established by Malinowski and his students (Pink 2006:129). Sarah Pink states that many anthropologists have taken on board the need for new approaches appropriate to new global and local contexts (see the following chapter for more on this issue). She shows that the work of anthropologists employed in the UK, for example, in the Ministry of Defence, the Civil Service and the Department for Higher Education, is unlikely to involve actual fieldwork; instead, they produce work that is anthropologically informed, interpret statistical data and use a range of quantitative and qualitative methods (Pink 2006:126). Anthropologists employed in industry appear to have more opportunities to carry out fieldwork; however, much of their work takes place in interdisciplinary teams and many of their tasks might involve management and other roles that would be informed by anthropology rather than being anthropological in themselves (Pink 2006:127).

Jordan and Lambert (2009) do not deny that by trying to please the business community the basic methods of anthropology are threatened, and they suggest that corporate anthropologists should consider the possibility of using economic methods and strategies that are single-target oriented rather than long-term in-depth methods to achieve results appropriate to a particular situation. The same could also be applied when a narrow range of issues needs to be examined, for instance, when a new product has to be evaluated. In such cases, traditional data collection in an ergonomics laboratory, or a survey of users, is replaced by a set of observations of customers as they employ the tool in their accustomed home or work environment. A short-term approach often ensures that the company gets the data it needs to solve a problem, especially when researchers knows what they are looking for and when the questions

¹⁸ E.g. cybernetics and video surveillance, that allows for the direct and continuous observation of workers so that they eventually forget that they are being observed; it also registers the production flow and identifies weaknesses. An example of such a computerized surveillance system is provided by Jordan and Lambert (2009) in a case study in a microchip factory in Malaysia.

are correctly formulated from the outset. Short-term ethnography can reveal details and corroborate the assumptions a company may have made but, in order to discover unknown systems, relations and connections, long-term ethnography is required. Short-term ethnography entails the use of methods conducive to rapid, structured data collection, such as focus groups and structured interviews, rather than questions asked *in situ*, or shallow versions of shadowing rather than deep participant observation (Jordan and Lambert 2009:126).

As mentioned above, in the 1950s, British industrialists requested support from British anthropologists to deal with such issues as staff relations and corporate productivity. But anthropologists were quite skeptical about this and responded that anthropology was an exploratory discipline and thus could not be used for anything as concrete as recommendations to businesses. As we now see, the understanding of anthropologists as to their competence in the corporate environment has evolved significantly.

In a corporate environment an ethnographer has to face many challenges and difficulties. Unlike research in an academic environment, which is mostly initiated by the researcher, corporate projects are initiated by the corporate decision-maker, “usually a person high in the hierarchy believing, for unknown reasons, that an ethnographic study could help the company achieve certain objectives” (Jordan and Lambert 2009:99). This means that there are certain limits on the topic and objective, the methods to be used, the duration of the study, and the funding, and the ethnographer has to stick to these limits. When engaging in negotiations, neither the ethnographer nor the businessman quite knows what they want from the other; both parties only gradually find out what they could usefully achieve by means of their cooperation, what should be considered a success and what would equate to failure. This is a general feature of corporate work, which is based on indirect confirmation that there is a lack of common understanding and a belief that such an understanding could be achieved during the course of the study. Although corporate anthropologists tend to refer to concrete objectives and clear results that need to be achieved (for instance, increase in production capacity by 20%), at least initially the company often has no idea about what it wishes to receive from the ethnographer (Jordan and Lambert 2009). More often than not, however, when a corporate ethnography study is

commissioned the management of the company assures the anthropologist that they need not worry about the *return on investment*, emphasizing that corporate ethnography is a research project and as such need not bring about an immediate yield. Nevertheless, an experienced anthropologist knows that when the results of the study are examined, at the earliest opportunity the question of how this is going to influence the company balance sheet is certain to arise (ibid.).

When getting involved in corporate studies the ethnographer must realize that unlike the situation in academic research projects, where negotiations about funding are over and done with as soon as the project is confirmed, in the corporate world things are more complicated. If a corporate study is funded by the company, it is often the case that the objectives established at the outset, in management talks, over the course of time change radically. Unlike academic research, where the objectives are clear and the work is given the green light as soon as the project is confirmed, the situation is quite different in corporate studies. Corporate ethnographers have to change the objectives from time to time and to discuss repeatedly what the whole project is about. If the researcher is not quite sure about the objectives set by the company and the benefits to be derived from the study, neither the researcher nor the company tend to be willing to admit this. An experienced anthropologist knows that this is already the case at the outset of the project. It is precisely because of these unclear and changing objectives that a large part of the information that has been collected as potentially useful ends up being left unused.

Corporate ethnography is further complicated by issues of business/enterprise confidentiality. An ethnographer needs to consider a scenario of what might happen when data cannot be obtained in the same way as in traditional research. Significance is also attributed to an anthropologist's linguistic proficiency. In the Malaysian study carried out by Jordan and Lambert (2009), discussed above, interviews could only be conducted if the employees spoke English, for example. The situation was further complicated by the fact that some information was restricted and company rules stipulated that it was forbidden to directly interview employees without mediation by accompanying personnel.

Among other things, Jordan and Lambert (2009) conclude that the most important task of an anthropologist working in a company is to know and understand the types of questions that need answering. The anthropologist will be able to work out the best method for getting these answers in particular circumstances. Once it is known what sort of data is needed, it is possible to decide on what methods and approaches to use. Ethnographers must bear in mind that any situation could admit the co-existence of several truths and that there are ways and means of discovering them. This means that they should not accept the ideas of the funding enterprise as self-evident values per se but they should rather be regarded as a target-oriented reflection (Brun-Cottan 2009). Jordan and Lambert also suggest that when starting off a study they should not blindly follow the official version of the company but rather use ethnographic methods to obtain a deep understanding of what really happens there and what the employees do.

The short-term nature of much applied anthropology fieldwork has led to questions of whether this is “real” ethnography and anthropology (Pink 2006:129). Some have argued that short-term projects are often based on long-term experience in the field they are working in or that, because their work is informed by anthropological principles and questions, it is, no doubt, anthropological (ibid.). Such argument suggests that defining anthropology by its method might no longer be suitable in the contemporary global context, whether academic or applied (Pink 2006:129).

There are diverging opinions among anthropologists as to the question of whether corporate ethnography should be carried out exclusively by anthropologists, or whether the task could also be done by other representatives in the field of social sciences. The main advantages of anthropology discussed by Aguilera (1996) include participant observation, ethnographic method and multi-level analysis, which provide a more complete understanding of the data. He believes that anthropologists are more helpful in analyzing the meaning of the words used by informants than representatives of other disciplines, which are more reliant on other types of data collection and analysis. On the one hand, Brun-Cottan (2009) thinks that the anthropologists involved in corporate studies are not making full use of their potential and thus risk turning anthropology into a commodity for the masses –a consumer good where it is only important to use such methods as guarantee immediate results. In her opinion, if anthropology gives up its ontological basis because of the pressure and need to be

efficient, anthropologists will jeopardize the particular skills and visions that make anthropology unique. These skills include the identification, description and presentation of various communities. To fine-tune such skills, an anthropologist needs time and space for the special vigilance they have been taught. On the other hand, Jordan and Lambert (2009) suggest that anthropologists should be aware of the implications that have emerged by dint of the activity of corporate ethnographers, namely, by virtue of the fact that they prefer situation-adapted short-term methods to long-term in-depth ones. To a large extent, it can be said that it is up to every anthropologist to decide whether (or not) to take part in corporate ethnography and of which methods they should avail themselves.

Jordan (2009), like Cefkin (2009), sees the great demand for ethnography in the business environment as something that could engender the birth of a hybrid discipline that would open up new possibilities and creative approaches and, at the same time, challenge older and more rigid anthropological procedures and methods. The development of this new discipline is at the same time influenced by new modern technologies and the research opportunities they provide, as well as the sponsors of the anthropological projects, that is, the employers and entrepreneurs who are interested in subjecting their companies and plans to an ethnographic study. This is where research in academic and in corporate anthropology goes quite separate ways. Therefore, it seems necessary to conclude that this could lead to certain limitations: a narrowing of the ethnographic method, a downgrading of the focus of the research, and a reduction of both the topic and the time available for the work involved.

1.4. Conclusion of the Prologue

Although in twenty-first century the involvement of anthropologists in the corporate environment has become frequent, in both the applied and the academic fields, the role of an anthropologist in the business environment and in its research is still unclear, ambivalent, polysemous and subject to the ethnographical set-up, approach and objectives of the sponsor, that is, the entrepreneur. It is the sponsor who decides on the rules of the game, and its results are conditional upon his/her assessment. The professional duty and responsibility of an anthropologist requires impartiality: without taking sides with the sponsor or the informants, anthropologists must protect against

the implications of the anthropological in-depth analysis. Great importance in the anthropologist–sponsor and anthropologist–informant relations is attached to the question of positioning, both initially and over the duration of the project. Anthropologists’ challenges in the business environment have to do with this positioning and also with socio-cultural, individual, investigative and methodological limitations and their ability to overcome or reconfigure them. Time will show whether the project of “business anthropology” is going to be viable or whether it will come to be regarded as simply the new latest toy for emerging capitalists. Or perhaps business anthropology will turn into a lucrative anthropology business?

The opinions of anthropologists diverge as to whether their involvement in various corporate ethnographies could bring about the loss of the unique character of anthropology because the circumstances of business ethnography are such as to impede anthropologists ability to be critical, to work to the full or to openly use their skills. There are tangible concerns about the risk that anthropology could become too commercialized if it attempts to apply only such ethnographic methods as provide instant results. If the issue is seen in this light, corporate ethnography could be carried out by any representative of the social sciences, as long as only short-term methods are used. Researchers disagree over whether the job can only be carried out by anthropologists, or whether it could be managed by any staff trained in ethnographic methods. On the other hand, anthropologists advocate that the researcher can identify the method best suited to the task, or adapt it to particular needs, so that problems are solved and entrepreneurial activity promoted. The anthropological knowledge, capabilities and skills used in ethnography constitute a large investment in the entrepreneurial sector, and its potential is not fully understood by all entrepreneurs.

The objective for this prologue has been to outline how anthropologists made their entry into the business sector and also to provide an insight into business anthropology, its character and history. During my own studies of anthropology I had heard nothing about these aspects. This chapter was written in 2010,¹⁹ and looks at

¹⁹ For professional and family reasons, including a leave for child care, I had to take a break of several years from actively writing this thesis. But this pause, which has left some mental scars, has also had its bright side. Today I possess a much fuller understanding of what business anthropology specifically means than back in 2005, when I started this PhD project. It might seem, of course, that after such a lengthy research project, it would be strange if it were otherwise. Yet, I also found this more

specific features of business from a contemporary point of view. The following chapter is written from the perspective of events taking place in 2005, when I had only just started my research; as far as its application to business goes, this early work was created in a *tabula rasa*; I was unacquainted with Pink's reflections (2006), and work by Cefkin (2009), Jordan and Lambert (2009), Brun-Cottan (2009) and Baba (2006) on anthropological methods in the corporate field. During undergraduate and postgraduate studies in anthropology, nobody had taught us about the specificity of this environment and the methods and theoretical insights used there. Conversely, I was well acquainted with the requirements of carrying out traditional Malinowskian fieldwork and I was determined to fully use this knowledge in my research of cross-border entrepreneurship, namely, Norwegian companies in the Baltics. Have I fared well? Did the business environment limit my use of traditional anthropology methods and their usefulness for research? Were the traditional fieldwork instruments sufficient? Did I feel that the traditional anthropological methods were "endangered" or insufficient to work in an international business environment, or, quite the opposite, did I feel that they were significant and advantageous? These matters will be discussed in chapter two.

From my own experience (and that related by colleagues in Scandinavia), formal training in field research methods is seldom given in anthropology departments. Gupta and Ferguson (1997) point to a similar situation in America. Students, as in my own case, usually receive little guidance in the selection of field research sites, and most often are left with stories about field research in its traditional form, as mandatory reading lists of virtually all anthropology students feature Malinowski's *Argonauts of the Western Pacific* and other classical monographs, such as Chagnon's *Yanomamo*. Every graduate anthropology student can imagine the process of traditional anthropological field research in traditional settings, but how to practically make use of this methodology in non-traditional settings is far from clear.

comprehensive approach through business anthropology books that have been published more recently, i.e., since 2005. In the meantime I have also developed a study course in International Business Anthropology at the University of Latvia.

1.5. The Structure of the Thesis

Having outlined the development and character of business anthropology, it is the task of this section to discuss the structure of the thesis. Chapter 2 will demonstrate how to carry out traditional anthropological fieldwork in an international business environment. To be more specific, this chapter will describe and discuss my methodological approach to Norwegian entrepreneurship in the Baltics at the turn of twentieth to twenty-first century. Fieldwork in Norwegian companies (see character list, page 11) was carried out from 2005 and 2007. However, the more general experience of Norwegian entrepreneurs in the Baltics addressed here is reflected in a timeframe that spans from the middle of 1990s to 2008 – depending on when each of the companies entered the Baltics.

Articles by Brun-Cottan (2009), Cefkin (2009), Jordan and Lambert (2009) and Baba (2006) take anthropological work in a corporate environment almost for granted; this was not my experience in 2005. The success story of business anthropology presented in the previous section has not happened in Scandinavia, to say nothing of the Baltics, where social anthropology itself only started developing at the beginning of the twenty-first century²⁰ (Cimdiņa 2010). In 2005, I had only a vague idea of what business anthropology was about. I had made the decision to use all the anthropology methods I knew to research the business environment and its actors but I had not acquired sufficient knowledge as to how and where to grasp this environment and make it tangible, nor how to turn the data into something empirical. When one speaks of working in the field, or *going* into the field, one draws on mental images of a distinct place with an inside and an outside, reached by practices of physical movement (Clifford 1997:187). Going to the “field” suggests a trip to a place that is agrarian, pastoral, or maybe even “wild”; it implies a place that is perhaps cultivated, but that does not stray too far from nature (Gupta and Ferguson 1997). What stands metaphorically opposed to work in the field is work in industrial places: in laboratories, in offices, in factories, in urban settings – in short, in civilized spaces that have lost their connection with nature (Gupta and Ferguson 1997:8). One of the basic arguments advanced by anthropologists when discussing the need to make the

²⁰ The first Anthropology MA program in Latvia was opened in 2007, the first BA program in 2009, when the anthropologists who had studied abroad (myself included) gradually started returning home, eager to build up anthropology in Latvia.

traditional fieldwork methods more flexible, is globalization and its related “flux and fluidity” processes (Eriksen 2007:1f). Chapter 2, then, will show, through empirical evidence, that the traditional anthropological toolkit, representing a particularly deep, extended and interactive research encounter, is vital in the research of transnational business operations in the global age, and that it is possible to grasp globally ongoing dynamics even when staying in a “bounded” field site. This choice of methodological approach reflects a desire to avoid expending further effort on theorizing business practice as an end in itself rather than on the “practice of practice in doing ethnography” (Evens and Handelman 2006a:6).

Chapter 3 focuses on the concept and the term ‘embeddedness’ – its origins and significance for the philosophy of science and for social sciences in general, and for anthropology in particular. Discussing with remarkable scholars of social sciences, this chapter argues that economic activities as in premarket so in market societies are embedded in social institutions. However, the work here will emphasize that there is little room for what anthropologists call “culture” (Wilk and Cligget 2007) in the use of embeddedness approach in the analysis of market societies: it limits itself to an explanation of the social dimension of an economic system in the form of networks, neglecting such factors as culture, power and geography (Sonnino 2007). It seldom takes into adequate consideration the process through which an economic system becomes embedded. Throughout the following chapters (particularly 5, 6 and 7), the concept of embeddedness will serve as a conceptual umbrella in the analysis of Norwegian entrepreneurial activities in the Baltics, showing that transnational market operations are embedded in social relations in the same way as they are embedded in political ideologies – they form the deepest strata of cultural values and experiences that shape us as human beings. In viewing embeddedness from below, this work provides an explanatory framework from which to explore, for example, why each strategy is adopted, and in what circumstances.

Chapter 4 introduces the political and economic backgrounds of Norway and the Baltics at the end of 1990s and the beginning of twenty-first century. Insight into such context is vital as it provides an understanding of the motives and strategies of Norwegian entrepreneurs entering the emerging Baltic market as well as the readiness of the local Baltic actors and institutions in welcoming Norwegian investors into their

fledgling market economy. Such insight also provides a broader understanding of both regions' political and ideological strategies in relation to the expanding Nordic market.

Chapter 5 views social networks as the core of the embeddedness of economic activity in market societies. However, without discrediting the significance of networks in entrepreneurial operations, this chapter highlights the cultural content of social relations in which economic processes are embedded in terms of meanings and representations. The empirical work here depicts two strategies of Norwegian industrial entrepreneurs in entering the Baltic market. Analysis in the following two chapters (6 and 7) to a great extent is based on these empirical cases.

The most embracing analysis of aspects of embeddedness in relation to Norwegian cross-border entrepreneurship in the Baltics is provided in chapter 6. The general findings and conclusions in this chapter are based not only on the empirical findings of the present research but also on the research of other anthropologists who have made in-depth studies of Norwegian entrepreneurial activities. While analyzing the framework of embeddedness of Norwegian and Baltic business actors, the focus here is placed on the relations between the actor and environment in which s/he operates, keeping in mind that the rest of the community that entrepreneurs operate within is composed of actors who also make choices and pursue strategies (Barth 1972). The analysis will examine both the material and nonmaterial costs of doing business and will explore the values, relations, contexts, perceptions and ideologies in which particular Norwegian and Baltic economic activities are embedded.

The final chapter discusses the locus of the *Baltics* as a strategically significant asset for Norwegian businesses, and shows how the Baltic market is being constructed in Norwegian public culture, market-related policies and everyday talks. Images of the Baltic market will not be analyzed merely as discourse, however. Attention is paid here to the concrete social and economic practices that give rise to the production of these images.

The thesis concludes with a short epilogue, the intention of which is to emphasize once more that the socio-cultural world is present in its entirety in every

entrepreneurial action. Based on the research, this thesis concludes that it is not productive to set apart economic and socio-cultural practices and to cultivate a notion of disembedded economies. Analyzing aspects of embeddedness in Norwegian cross-border entrepreneurship in the Baltics, there was nothing to be observed that resembled a disembedded economic action: each entrepreneurial step taken could be traced and linked to multilayered relations and values, political and geographical constellations, imprints of the past and constructions of the future. And precisely because economic and socio-cultural relations are inseparable, anthropological research methods are ideally suited for researching the “corporate jungle” in contemporary, global market economies.

Chapter 2.

A Whole Year to Study a Few Cases?

2.1. Research Methodology: A 2005 Perspective

When in 2005 I told my colleagues in the International Marketing Department²¹ of my intention to spend the following year in the Baltics doing field research for my PhD, they were quite shocked at the idea. Although my contract provided for more than a year of research activities, it was not easy to convince my head of department that I needed a year off for field research to complete my study on Norwegian businesses in the Baltic states.²² “A whole year? What are you going to do there? Do you mean you need a whole year to study a few cases?” was the response from my department. Rumor started to spread that I had a boyfriend in the Baltics and that this was the actual reason for my plan to stay there for so long. Others were taken aback by my impertinence in formally requesting such a long period of time off work. Obviously, I should not have been surprised at this attitude, knowing that the approach I had planned was contrary to traditional methods of economic science, which aims to become abstracted from detail, to discard the peripheral, to provide a simple account of essential elements, to build simplified systems and to ignore the fact that economic activity is embedded within a framework of social and political institutions and that cultural factors can be key determinants of economic performance (Buckley 1998). The outcome-oriented economists found it difficult to understand how a process-oriented research methodology could be useful or necessary: “The dynamic steps through which particular outcomes [of research] may or may not be reached and through which social relations are reshaped” (Ray 2006:1) did not seem comprehensible to them.

It was difficult for me as the only anthropologist in the department to convince economics colleagues and superiors about the importance of long-term field research

²¹ This thesis was produced on the basis of trilateral agreement among the Social Anthropology Department of the University of Bergen, the International Marketing Department of Aalesund University College, and myself. Aalesund provided financial support for the implementation of doctoral research and in return I lectured on International Marketing and Intercultural Understanding at Aalesund.

²² For reasons of anonymity, all names of persons, companies and places involved in this research have been changed.

in anthropology and that it was indispensable for the completion of my project. After a month of negotiations I succeeded in persuading my head of department to agree to my trip, but only for half a year initially. “It’s only on the trial,” the head of department said, “so that I don’t have to make excuses to my colleagues. When the half year is over, we will give you an extension – if you have not managed to collect the necessary data in that time.” However strange this attitude might seem to an anthropologist it did not really shock me. During the first year that I had spent as the only anthropologist in a department of international marketing, teaching intercultural understanding to business students, I had a feeling that I was perceived as a representative of a marginal field who might tell students something about what people eat in this or that country and what manners they practice.

Such an attitude would be unthinkable in a department of anthropology, but the fact that the work of an anthropologist could be so misunderstood in another field is one of the reasons for writing this comprehensive chapter on methodology. Another reason for this comprehensive approach was the range of thoughts that occurred to me during my research into the ways in which traditional fieldwork in anthropology should be carried out when researching business practices in a modern urban environment. The contrast between traditional anthropological methods and economists’ viewpoints on how to conduct research led me to question, reflexively and epistemologically, how to constitute field research in business settings and how to position myself within it.

Thus, this chapter includes a discussion on the suitability of anthropologists’ competence and methods for researching transnational, global and large-scale realities. It includes what I told my economics colleagues to win their support for my field research, about the meaning of field research for anthropologists and anthropology, and about how suited a traditionally trained anthropologist is for grasping complex modern realities and discovering ways to navigate in such field locations. Finally, this section looks at how and why anthropologists should bother about economics and entrepreneurship when there are thousands of economists who already carry out research in this area.

Besides presenting my own fieldwork material from Norwegian business activities in the Baltics, and my efforts to approach this by using participant observation, this work

will also look at approaches taken by Gluckman (1958) and Tsing (2005) as significant examples of how to approach macro anthropology grounded in practice (Evens and Handelman 2006a) and the realities of shifting locations. Discussions by, for example, Gupta and Ferguson (1997), Lien and Melhuus (2007), Passaro (1997), Evens and Handelman (2006a, 2006b), Norman (2006), Tsing (2005), and Clifford (1997) on the character of fieldwork as the main anthropological method will form the theoretical base of this chapter.

Fieldwork makes a “real anthropologist”

All graduate students in social or cultural anthropology know that it is fieldwork that makes a “real anthropologist”, and that truly anthropological knowledge is widely understood to be “based” on fieldwork (Gupta and Ferguson 1997). Through the idea of “the field” anthropological work is distinguished from work in related disciplines such as history, sociology, political science, religious studies, literature, and especially cultural studies. The difference between anthropology and these other disciplines lies less in the topics studied than in the distinctive method anthropologists employ, namely, fieldwork based on participant observation (Gupta and Ferguson 1997:2).

The famous photograph of Malinowski’s tent pitched in the midst of a Trobriand village, and the photograph of Margaret Mead leaning intently towards a Balinese mother and baby, have long served as potent images of anthropological fieldwork (Clifford 1997). “Exotic” fieldwork pursued over a continuous period of at least a year has, for some time now, set the norm against which other practices are judged (*ibid.*). So essential is fieldwork in anthropology that no grant proposals that do not specify a workable field site are being funded (Passaro 1997); people recognized as anthropologists are critically defined by having done something close enough to “real fieldwork” (Clifford 1997).

A major factor in the distinction of anthropology, and what may be referred to as its scientific practices, is the stress that anthropology places on the empirical and the ethnographic (Kapferer 2007:81). Perhaps the single most important dimension of the anthropological ethnographic emphasis is the primacy given to the ethnographic over

the conceptual, interpretational or the abstract theoretical (ibid.). According to Kapferer (2007), this anthropological insistence was born of the Enlightenment with its imperative that scientific knowledge should be based on direct, unmediated empirical engagement with the phenomena in question.

The central role of fieldwork in anthropology has been emphasized in innumerable articles and books, for example, Jenkins (1994), Emerson, Fretz and Shaw (1995), Nielsen (1996), Clifford (1997), Gupta and Ferguson (1997), Passaro (1997), Tsing (2005), Evens and Handelman (2006a), Kapferer (2007) and Lien and Melhuus (2007). But it also has been suggested that the world being described by ethnographers has changed dramatically without a corresponding shift in disciplinary practice since fieldwork became hegemonic in anthropology (Gupta and Ferguson 1997:3).

Anthropology, like the other social sciences, is in a state of constant change and development; definitions of relevant facts, preoccupations, and questions and answers change all the time (Wilk and Cligget 2007:1). Presently, the range of topics anthropology can study and the array of theoretical perspectives it can deploy are immense (Clifford 1997:192). The mobility of people, things and ideas implies that relations between people and places have become an issue of concern (Lien and Melhuus 2007) and the “definition” of home is being fundamentally questioned (Clifford 1997). Contemporary political, cultural and economic conditions bring new pressures and opportunities to anthropology. In this context academic anthropology struggles to reinvent its traditions under new circumstances (Clifford 1997:192). Indeed, there are increasing doubts about the adequacy of traditional ethnographic methods and concepts for dealing with the intellectual and political challenges of the contemporary world (Clifford 1997; Gupta and Ferguson 1997; Passaro 1997; Tsing 2005; Lien and Melhuus 2007). Concerns about the lack of fit between the problem raised by a mobile, changing, globalizing world, on the one hand, and the resources provided by a method originally developed for studying supposedly small-scale societies, on the other (Gupta and Ferguson 1997: 3) have been evident in anthropology in various expressions, not only in relation to research of transnational corporate encounters.

If ethnography was originally designed for small communities, how one carries out an ethnographic study of global connections becomes an important issue. Norman (2006) attempts to explore the implications of circumscribing a “field” in time and space and the shifting relationships that develop with informants. Gupta and Ferguson (1997) attempt to redefine the “trademark” fieldwork not as having time-honored commitments to the local but as paying attention to social, cultural and political locations and a willingness to realign their own location while building epistemological and political links with other locations. They suggest that such location work is central to many of the most innovative reconceptualizations of anthropological fieldwork practices in recent years. Passaro (1997) points out that although explicit reference to primitive natives has generally disappeared from anthropological discourse, the conceptions of “the field” that constituted and defined those natives persist. She observes that the world viewed by anthropologists is still broken up into “areas” and “sites” sanctioned for study, peopled with those who might no longer be exotic but who are still coherent Peoples and necessary Others (Passaro 1997:148). She states that because “the field” functions as the master symbol of the discipline, even when nontraditional field sites are admitted into the canon of anthropology, we nonetheless continue to inflect them with a host of assumptions generated by a colonial worldview (Passaro 1997:148).

In terms of what elements constitute fieldwork, Clifford (1997) clarifies the role of travel, physical displacement and temporary dwelling away from home, by looking at how the notions of travel, boundary, co-residence, interaction, inside and outside, which have defined the field and proper fieldwork, are being challenged and reworked in contemporary anthropology. He shows how definite spatial practices, patterns of dwelling and traveling have constituted fieldwork in anthropology. He also argues that the “disciplining of fieldwork, of its sites, routes, temporalities and embodied practices, has been critical in maintaining the identity of socio-cultural anthropology” (Clifford 1997:216). Notions of community insides and outsides, homes and abroad, fields and metropolis, are increasingly challenged by post-exotic, decolonized trends (Clifford 1997: 186). It is much less clear today what counts as acceptable fieldwork.

Therefore, concerns about the relevance of traditional anthropological methodology exist not only as regards research in the field of international business, as was

observed in chapter 1, but also as regards research of contemporary life – in its changing, dynamic, multifaceted, fast and transnational aspects. International business is just one facet of this life that is difficult to grasp.

Ethnographic fieldwork is at the core of the anthropological discipline and there are hundreds of monographs depicting anthropologists in their field sites, entering distant communities, living in mountain villages, sitting around the fireplace with “natives”, watching women preparing food and so on. But few and far between are those describing precisely how fieldwork should be carried out in non-traditional settings. As far as my own research was able to ascertain, no books or courses on the main anthropological method provide insight into how to conduct fieldwork in, for example, factories or the business environment of a large metropolis. How to enter this kind of field? How to dwell there? What exactly, except travelling and dwelling, are we talking about when we invoke anthropological fieldwork in less traditional settings? When we speak of working *in* the field, or *going* into the field, we draw on mental images of a distinct place with an inside and outside, reached by practices of physical movement (Clifford 1997:187).

My Fieldwork: Entering the Corporate Jungle

Like most young people, I assume, I started my anthropology studies (in 1998) with the hope of conducting a traditional village study in some mountain community (and I still have that dream). But when I started my PhD research in 2005 my previous competencies, the funding possibilities available and my practical, rational nature guided me to a closer and more complex community. The Baltic countries became my field site and the Norwegian entrepreneurs there became the main object of interest. The relatively non-exotic character of the Baltics and its closeness to Scandinavia did not prevent me from entertaining my dreams of the “field”, though, nor did it spoil my plans for this trip to my chosen field site.

According to most of the monographs I had read, field research starts with the arrival at the field site, a search for suitable informants, or at least local contacts, and the hospitality or incomprehension of the indigenous people as they welcome the anthropologist. Had I not already started preparing for my field research a few months

before leaving Norway for the Baltics, the scene of my arrival in Riga in December 2005 might even have been comic. If I had been seeking informants in the crowded Riga airport or, in the following days, going from company to company in Riga and later in Vilnius, it would probably have become a somewhat awkward operation. However, my fieldwork had begun a few months before my flight to Riga. Through local Norwegian acquaintances I was introduced to a man called Harald Hegstad who for several years had been establishing Scandinavian industrial parks in Eastern Europe, including the Baltic states. Since he was an upper-level manager, he could not tell me much about the real experience of Norwegian entrepreneurs in the Baltics, but he gave me an overview of the Norwegian industries located there with which he was familiar. This helpful information formed my starting point.

During the following month, repeated telephone calls were made from my office at Ålesund to the top managers of the ten industrial companies recommended to me by Harald, of which I found six to be suitable for my project. Of these, four did not mind being engaged in further conversations with me. Visits to these four companies and the “remains” of their plants in Norway gave me a clearer picture of what to look for in the Baltics. I conducted three-hour long informal interviews with each of the four executives, and under their guidance visited their plants in Norway, which to a large extent housed only the design, administrative and sales units. These interviews gave me a rough idea of the motives for moving the Norwegian production units and subsidiary companies to the Baltics, as well as the information I needed to locate them in that area. It transpired that these subsidiary companies were located mostly in Latvia and Lithuania, which is why these two countries became the main field site for my research. Although I am fully aware of differences between these countries, I do not differentiate between them in my thesis, but rather designate them with the common toponym ‘the Baltics’. I have two good reasons for doing so: firstly, my key informants – Norwegian entrepreneurs in the Baltics – when talking about business in the Baltics did not differentiate between Latvia and Lithuania.²³ Secondly, this approach helped to ensure the anonymity of my informants. Thus, even before leaving for the Baltics, I knew what companies and plants I was going to visit there.

²³ See chapter 4.

In order to make production as inexpensive as possible, the Norwegian plants in the Baltics were not located in the capital cities. The further from Riga and Vilnius they were situated, the cheaper the labor costs and required outlay for premises and land. I spent the first months of my fieldwork visiting various Norwegian production units scattered across the Baltics, making inquiries about their motives, experiences and challenges in the Baltic market. When I called one of the directors of a Norwegian plant in the Baltics, which Harald Hegstad had recommended, to arrange a visit to his plant in the town of Līvīpils, he gave me the following answer: “Well, next Thursday I will be there and at 12 o’clock I might have a couple of hours free”. That Thursday, director Knut Kløver gave me a warm welcome, bought me a lunch at the company’s canteen, introduced me to his closest colleagues and proudly showed off his offices and the hangars where welding operations were at full capacity. He also generously devoted at least a couple of hours to answering my questions.

“Well, that is what we do here; I hope you will find at least something of this useful for your work”, Knut said hospitably at around 6 pm, when the workday at the plant was about to end. A bit confused, I realized that he was preparing to see me off to his car and say goodbye, but I had scarcely begun my observation and involvement. I asked for permission to stay at his plant longer, explaining that anthropologists conduct their studies by observing at the site for longer periods of time. He replied kindly, “We do not have any apartments here. It is just production and offices, as you have seen. But if you do not have a place to stay I can give you a number of a friend who owns an apartment building in the city. He will definitely help you, if you mention my name”.

I explained that I had a place to stay, indicating that my intention was to stay longer at the plant and conduct more substantial observations. Knut looked a bit confused:

Observe? What exactly? I already showed and told you everything. Apart from that, nothing much is going on here. The workday is over in an hour and everything will be closed. Everybody’s going home, except the security. As you saw, they are just welding and casting metal, nothing else, and I only turn up here once a month to control the situation. But sure, if there is something more you are wondering about you can come back here any time (Knut Kløver, 2005).

Unsure about my prospects for further research at the factory, but nevertheless satisfied with what I had accomplished that day, I returned to the apartment I had rented just outside the capital city and spent the remainder of the evening making notes of my impressions, as every “real” anthropologist is supposed to do at the end of the day during fieldwork. The following day I transcribed the interviews I had recorded onto a minidisk. A couple of days later, I called Knut again, saying I wanted to make another visit. Knut was in Norway, but told me to go to Livpils if I wanted to do so. When I arrived, the office was closed and there was no one in sight, except the security guard who inquired rather unkindly about the purpose of my visit. It was apparently not possible to gain access to the hangars; however, after pleading at length I persuaded one of the security guards to let me into the anteroom of the hangar, though I was barred from going any further. Casting, grinding, sawing, welding, sparks, heat and gray smoke swirled in the air. The flashlight of my camera interrupted the workers who were surrounded by sparks and metal dust. Due to the deafening noise I did not even hear the production manager who, irritated by my appearance there, showed me to the door. I realized that interviews, conversations, involvement, observation or dwelling were out of question in such noisy and, as the production manager pointed out, dangerous conditions.

I returned to the canteen and waited for the lunch hour when workers, blackened with soot, quickly formed a queue at the counter. Leaning over huge portions of warm, aromatic meals they ate hurriedly and then one after another exited the canteen to have a quick smoke before returning to work. The canteen and its backyard where the workers gathered for a five-minute pause in the afternoon was the only place I could hope to have a brief conversation with them. During the 30-minute break given for lunch the workers could only stand in the line and have their meals, but I could not keep myself from approaching some of them. I introduced myself to the workers, but they, without showing any particular interest in me, responded quite indifferently: “The management is not here right now. Knut will be back in three weeks, come then and ask him. We only weld and cannot tell you anything about the business”. The canteen was soon empty again and I was left alone with my cup of coffee.

I spent the following couple of months planning and making similar visits to other Norwegian industrial units in the Baltics. The Norwegian companies I visited were

welcoming and did not spare time for my inquiries. I was shown around factories, even allowed to take part in meetings, and invited to dinner and lunch. Each of these visits lasted for a working day. When approximately four months of my fieldwork had passed I realized that although I had conducted about 54 in-depth interviews with Norwegian entrepreneurs in the Baltics, something essential was missing. Although the interviews at all the companies and industrial units were unstructured and open-ended, the information obtained was quite similar across the board – polite answers, exact information about figures, budgets and profits, and opinions about politics and the situation with the workforce in the Baltics compared to and in Norway.

Throughout these interviews and from hundreds of pages of business reports and press releases I had not acquired a single meaningful insight into the practice, namely the business operations, of these companies, their challenges, their manner of doing business and the ways in which they had chosen particular strategies in a foreign country. I had many transcribed pages concerning the experiences of these companies but the practice itself remained unclear to me. My superiors in the International Marketing Department in Norway believed that 54 in-depth interviews and about 20 company visits was more than enough for a PhD project (I was required to send monthly field research reports to prove that I was actually doing something useful in the Baltics), but I felt that this data was far from sufficient for a *thick description* of Norwegian entrepreneurship in the Baltics.

Did I ask the wrong questions? Did I talk to the wrong people? Why had my field research been unsuccessful in terms of acquiring the necessary data? How should I proceed?

Can Corporate Encounters be Expressed in Words?

Was it possible to express in words the segments of experience I was trying to get from factory workers and managers, if the answers to my questions were so concise and so short? “We’re just welding” was the typical answer I heard from the workers. How to grasp the practice and where to find challenges and daily life interactions at an industrial company? I recalled an article by Hanne Müller (2004) in *Norsk Antropologisk Tidsskrift* on learning based on practice; I tried to draw some parallels.

If a welder learns to weld almost speechlessly, how could he be expected to describe his work with words? Hanne Müller (2004) writes that the only words used to train welders are such phrases as “here”, “like this”, or “count up to three before you move the electrode”. The position of the arms and hands is also corrected and the teacher taps the apprentice on a shoulder to turn his body so that it takes the correct position. Müller claims that non-verbal knowledge is as precise as the theoretical form and it meets the needs of the welder who has to work so that particular objectives and results are achieved. The welding needs to be of a certain length and it should not have pores. If pores are discernable, the welding is not suitable. Nobody explains what exactly should be seen through the welding glasses. Only when the instructor had taken over the welding could Müller see, by means of the glasses, that there are nuances and variations in the mass that had to be welded – it reminded her of what happens when milk or water reaches boiling point. This particular association helped her understand when exactly it was that the electrode needed to be moved on. Only then could she express in words what she had to see in order to weld successfully. When a bubble appeared and it started expanding towards the right, she had to move the electrode. When she asked the instructor if her formulation was correct he nodded to confirm but added: “Yes but we don’t usually put it like that”. Thus, Hanne Müller demonstrates that there is a sort of tacit knowledge that has to do with associative images and these images are accordingly linked with the individual experience of a particular person. I realized that the noise, heat and sparks were preventing me from gaining access not only to the experience of factory workers but also to their tacit knowledge; I became aware that I had to change my data collection methodology. I needed to learn by participating and experiencing, not by asking.

I did not choose to follow Hanne Müller’s approach, however. Admittedly, by learning to weld I would have gained easier access to factory workers and also a better understanding of the specific nature of their work, their routine and their relations with the management, but I would still not gain – working on a Norwegian factory floor – a broad enough insight into the formation of company strategies and aspects of intercultural interaction that constituted the focus of my main interest. To be more specific: how do Norwegian entrepreneurs or manufacturers operate in the Baltic market? How are their strategies formed, and what are they based upon? Where does the perception that the strategies are based upon come from? What are the

challenges of Norwegian managers in the Baltics and how do these challenges show in their practices? Unlike in Norway, factory managers in the Baltics avoid working on the factory floor in boiler suits; therefore, the time I might invest in welding and infiltrating a welder's team would not be worthwhile, compared to the data obtained and their respective use.

Furthermore, my general strategy was to take advantage of whatever opportunities might arise as to informal interaction with workers and managers. As I saw issues emerging, I crosschecked what I heard with other people in the company, always bearing in mind that there are multiple truths to be discovered. At the same time, I was desperate to find another method, which would bring me more empirical data because interviews, company visits and business reports did not provide me with sufficiently detailed answers to satisfy my research needs. How to carry out extensive participant observation in a company or industrial unit? The question remained open. Indeed, I had already understood that a year spent in a hangar would not take me very far.

Although my resource books in anthropological methodology did not recommend such an alternative, I decided to apply for a job in a Norwegian company. In fact, I saw it as the only opportunity of getting closer to the everyday business operations of Norwegian managers in the Baltics, to observe how company-level decisions were taken. I had to experience it by "being there", by taking part in the company's routine in a particular enterprise area. It took me a month to find a company, *Nordic Ltd*, which would agree to recruit me for a part-time position for half a year, having been fully informed about my research intentions. *Nordic Ltd* had just entered the Baltic market and my duty was to help it complete this process: that is, I was to help it find partners and customers and introduce its products first in the Baltics, and later, when feasible, in Russia. The fact that *Nordic Ltd* was not an industrial enterprise did not mean that I stopped research into Norwegian factories – I will return to this in chapter 4. For the sake of methodological brevity, I will postpone until then the analysis of the observations I made in those factories.

2.2.The Company as a Field Site: Sia Nordic Ltd

The mother company of *Nordic Ltd* was called *Safe Use AS* and was established in Norway at the start of the 1990s. Today, the head office has moved within Scandinavia and it is said to be one of Europe's largest and most experienced companies for the development of products for the registration, documentation and management of dangerous waste and chemical substances. *Nordic Ltd* entered the Baltic market in 2005 and was established and managed by Petra Liepa. Petra was a middle-aged Norwegian, an in-law of a powerful Baltic family. She had taken the surname of her in-laws, *Liepa*, which was the name she used in everyday business operations in the Baltics. 'My name is Petra Liepa; I'm married to the Liepa family', she always stated when introducing herself. Her mother-in-law was a well-known state official in the Baltics. Petra had a partner agreement with *Safe Use AS* that implied that *Nordic Ltd* would work from the Baltics searching for partners and clients there, who, when identified, would be visited in the community by *Safe Use AS* representatives. *Nordic Ltd* would receive 25 percent of the profits from all products sold.

The timing for entrance into the Baltic market could not be better. First, the niche within which *Nordic Ltd* operated was new and free of competitors. Secondly, the products and services they offered were in the process of being imposed by law. Although there had been earlier regulations regarding management and documentation of dangerous waste in the Baltic countries, by 2006 a common regulation for all European Union countries was in the process of being worked out. Entitled REACH, this was a new European Union regulatory framework for the Registration, Evaluation and Authorization of Chemicals, the management of dangerous waste included. REACH was to provide a comprehensive reform of the manufacturing, marketing, import and use of chemical substances, and was expected to improve health and the environment while safeguarding innovation and competitiveness.

REACH was also an example of better regulation as it simplified EU legislation on chemicals by replacing 40 existing pieces of legislation with a single system for all chemicals. Once in force, REACH would require the registration, over a period of 11

years, of some 30,000 chemical substances, in a process that would fill information gaps on substance hazards and identify appropriate risk management measures to ensure safe use. The onus would be on industry to generate the data required and to identify the measures needed to manage the risks. The first REACH obligation would come into force from 1 June 2008.

By using *Nordic Ltd* and *Safe Use AS* products, industries could easily meet the requirements of REACH legislation as the products offered went hand in hand with this legislation – this was the advantage of *Safe Use AS* in Scandinavia. When an official relationship with *Nordic Ltd* was established, based in the Baltics, the assumption of *Safe Use AS* was that this advantage would also be evident in the Baltic states, which were now members of the European Union and thus subject to its legislation.

My job was to help *Nordic Ltd* in the entrance process of introducing their product to Baltic customers. My competence turned out to be quite useful since I had knowledge of locally spoken languages, local acquaintances and an understanding of Baltic and Norwegian settings and mentality.

Nordic Ltd wanted to make their entrance into the Baltic market with the support of powerful local authorities. Petra aimed to acquire a solid reputation in the Baltic market from the very start and wanted to make it look like her company was recommended by the authorities. Initially, a Local Development Agency (LDA) was used for this purpose. The LDA helped us to get in touch with potential local partners and allowed us to use their conference rooms for meetings. Petra perceived this support as good advertising for her company. And, indeed, the good reputation of the LDA was significant. When invited to a meeting by the unknown *Nordic Ltd*, operating in an unknown niche, local companies I got in touch with seemed reluctant at first. When it was mentioned that the LDA would also be participating in the meeting and that the meeting itself would take place at Development Agency premises, most of the local companies agreed to the meetings.

After a while, however, *Nordic Ltd* concluded that the operations of the LDA were too polite, not pushy enough and, hence, ineffective. Local company representatives brought flowers and gifts to the Agency and it became increasingly obvious that

establishing good relations with the LDA was more important for local companies than the negotiations with *Nordic Ltd*. For Petra, as director of *Nordic Ltd*, such an attitude was unacceptable. When two months had passed without a single agreement achieved, she exclaimed, with a certain level of arrogance,

We are a serious Scandinavian company, operating on a global basis. This is not what we need. We have to think about profit, efficiency ... but, obviously, for them efficiency is not an option; they just have to report how many meetings they have participated in (Petra Liepa, 2006).

So we took up the reins ourselves: I continued to look for potential local partners and clients without assistance.

At Ms Zhukova's Office

Instead of advertising via the internet or other mass media, *Nordic Ltd* chose to take the initiative to visit large and successful enterprises. The goal was to find one well-known enterprise that could afford our product and to use that enterprise as a trustworthy reference in further local marketing operations. Petra worked at the networking, actively using her local surname and relations among her husband's famous family. "My uncle-in-law, my sister-in-law, my mother-in-law", she constantly repeated to her conversation partners.

"I have good news. My sister in law [Eva Liepa] has arranged a meeting for us with Ms Zhukova", she told me at one point. "We just have to ask her how her dogs are doing, and she will soften and serve her best cognac to us. Friday at 3 pm in her office. Is it not well done? We have to call Paal Riise [the manager of *Safe Use AS* in Scandinavia] immediately", she said, smiling proudly.

Ms Zhukova was a director of a leading Russian oil company. Such business magnates would not usually waste their time on matters and people of little importance. An appointment with her seemed like a success in itself. That Friday at 1 pm Petra and I left for the airport to pick up Paal Riise who had just arrived from Scandinavia; we were prepared for a promising meeting. Together we drove to Zhukova's office at the address I had been given by Petra's sister-in-law. Beforehand, I had tried to find the location on the internet, but without any success. After half an

hour driving out of the city center, we were finally on the right street, or rather road. It did not look as though there would be any offices here: there were no buildings, no numbers. The territory we passed had forest on both sides and a nearly 2-meter high concrete wall with barbed wire entangled on the top. A gateway in the wall was open and reluctantly I drove in. After 200 meters there was another gateway with a barrier and armed security guards. They gave us a sharp look, but no questions were asked. “We have an appointment with Ms Zhukova”, I stated in the local language. “Zhukova is not here at the moment”, the guard answered in Russian. “Could we wait for her then, since we have an appointment?” I asked. It was apparent that he did not understand what I said, so I repeated it in Russian. He opened the barrier, waved us in and pointed to an unoccupied parking place among black, shiny, dark-windowed jeeps and BMWs.

We went into the building, up a marble staircase and entered a reception area. Attractive almost model-like women gave us sharp looks. “My name is Petra Liepa; I am from the Liepa family, Eva’s sister-in-law. We have a meeting with Ms Zhukova”, Petra said, loudly and confidently. The young women seemed confused. I tried to break the uncomfortable silence by saying in the local language: “Good day; we are here for a meeting with Ms Zhukova. Miss Eva Liepa has arranged a meeting for us with her at 4 o’clock”. No one seemed to have understood, so I repeated it in Russian.

We were told in Russian that Zhukova had left an hour ago and that they did not know anything about our appointment. Petra and Paal did not understand Russian. Prepared for the meeting, dressed up and carrying nice briefcases, they were looking forward to the meeting with great expectations. I did not wish to insult Petra, who had bragged about this meeting with a Russian business magnate, and about the good cognac, to her Norwegian partners for a long time; I could not just announce that there was no meeting planned today. The Norwegians, who had come to the Baltics specifically for this meeting, were looking at me, expecting an explanation, but I just said I had to clarify something.

The women at reception called Ms Zhukova and got confirmation that she was not expecting anyone and was not coming back to the office that day. I felt silly. The Norwegian delegation was standing by, hopeful; they were prepared for the meeting and did not understand what was going on as we were speaking in Russian. Petra had bragged so much about her local connections and the invitation to this important meeting that I could not embarrass her by telling everyone that no one was expecting us. I begged the receptionists to call Zhukova once more. They dialed her number and gave the phone to me. It was apparent that Zhukova did not know about our appointment. I explained the situation and mentioned the Liepa family, begging her to send someone else from her company to meet us. She called the vice-director and asked if he had some time for us; luckily he was available. I told Paal and Petra that Zhukova had apologized for having to leave to deal with some vital matters and that we would be having a meeting with the vice-director of her company instead. We were shown to the vice-director's office.

The office was joined with a meeting room. We sat down on a solid, leather couch. Massive polished wooden furniture, paintings in golden frames, a crystal chandelier, a marble table and marble windowsills formed the stiff interior of the office. The atmosphere was so formal that the otherwise vivacious Norwegians sat stock still. Two men dressed in suits entered, formally, without a sign of a smile. We shook hands and introduced ourselves. The vice-director introduced himself in Russian. I had scarcely begun to translate when I was interrupted by him and told that his lawyer, who was standing next to him – not I – would assist at the meeting and do the translating from English to Russian and from Russian to English.

Since the Norwegians believed that they were invited to the meeting, they expected a warmer reception and more interested hosts. The Russians, on their part, were in a hurry and did not understand what this was all about. Therefore, the question “who are you and how can we help” seemed quite awkward to Petra and Paal. Paal started to present his company and the software solutions it offered, and then skipped to the legislative matters:

In 2008 your national regulations for registration of chemicals and dangerous waste will be replaced by one common EU regulation. In accordance with

European Union legislation, all companies that have chemicals as a part of their business, processes, manufacturing, etc., are obligated to have MSDS available for all personnel who will be in contact with the given chemical. A MSDS is a document which has to be updated continuously, according to the new legislation (Paal Riise, 2006).

The Russian lawyer translated and simultaneously consulted his boss, the vice-director, providing him with answers without translating everything Paal had said. When Paal had spoken for some five minutes, the lawyer-interpreter requested a pause, in order to relate to the company vice-director what had been said. Further discussion took place in Russian, between the vice-director and the lawyer-interpreter, without involving the Norwegians or provision of a translation. I understand Russian, but I was given an indirect hint that their mutual discussion was not to be translated to the visitors.

“They are too ‘green’, some kind of environment protectionists. I do not understand what they are doing here”, said the vice-director to the lawyer.

“Have we ever documented dangerous waste? Is legislation really as strict as they say?” the vice director asked.

“No, we have managed without all this stuff”, answered the lawyer.

“This could be a real drag to the business”, said the vice-director.

“Right”, affirmed the lawyer.

“Do we need it now?” asked the vice-director.

“We can manage without”, answered the lawyer.

“Are we going to get involved in this?” continued the vice-director.

“No”, answered the lawyer with certainty.

“Then we can finish up”, concluded the vice-director, muttering below his breath.

None of this was translated to the Norwegians. The lawyer of Ms Zhukova’s company turned to us again and said:

You see this is an oil company. We are not producing any chemicals here, so these dangerous waste issues you are talking about do not actually apply to us. You should talk to other kinds of enterprises, but honestly, I do not think you will succeed with this. My advice is – be careful with lobbying your interests.

I tried to explain that they had misunderstood, that we had nothing to do with the green movement or the control of dangerous waste, that we were not executing any kind of controls, just offering solutions for documenting chemicals and dangerous waste. But I was politely ignored. They pretended that the conversation between themselves had not taken place, and indeed it was not meant for our ears. We exchanged business cards and were seen to the door. Petra's story about Zhukova's dogs and expensive cognac remained an idea only of how the meeting might have proceeded had we been expected, welcome and useful to their business.

It seems almost unnecessary to observe how shocked Petra and Paal were about the outcome of the hoped-for meeting. Later, it transpired that Eva Liepa and Ms Zhukova had had a conversation before our meeting. Why did no one at Zhukova's company know about the meeting that had been arranged? Perhaps Zhukova wanted to hide the connection, since she was not quite sure who Petra and Paal were. Or perhaps she made the appointment only for the sake of her relationship with Eva Liepa, but wanted to hide it from her colleagues because she foresaw that we could be perceived as an obstacle to their business.

The attitude of Zhukova's vice-director was as follows: as long as we can avoid the regulations, we will do so. Petra and Paal were associated with control and with the Green movement, and thus taken for an obstacle to their business. We were given a direct message not to destroy their business and there were no signs of a wish for further collaboration. Convinced that personal networks alone would not secure a solid ground for cooperation with the local partners, Petra decided to turn to local state institutions.

The Agency of Pollution Control (APC)

The state institution, the Agency of Pollution Control (APC), showed an interest in the products and services offered by *Nordic Ltd*, simultaneously admitting that such products would be too expensive for them. Nevertheless, they wanted to cooperate with us and suggested a seminar could be co-organized at which *Nordic Ltd* could inform a wide range of Baltic companies and organizations about their products and intentions. Pollution controllers from the chemical industry would be the target group

of the seminar. Petra liked the idea and began to organize the seminar a couple of weeks later.

To the mother company *Safe Use AS* Petra presented the *APC* as an influential governmental actor; she wanted to give the impression that cooperation with the *APC* was a successful marketing strategy. It looked as though she needed to convince colleagues in Scandinavia about her success and decisions: that she was doing well in the Baltics, that her business was developing, that she was a part of important networks, and that moving to the Baltics was the right thing to do. She did not want to be associated with those Norwegians who were on the receiving end of a disdainful attitude because they had moved their business to the Baltic region. Among many of her fellow citizens the region was still associated with the idea of the “wild west in the east” and Scandinavians operating there were associated with fortune hunters and adventurers.²⁴

The seminar was to be held on 5 May 2006. Responsibilities for preparatory activities were delegated between the *APC* and *Nordic Ltd* as shown below.

No	APC	Nordic Ltd/ Safe Use AS	Dead-line	Completed
1	Book the conference hall		5.4.06	8.4.06
2	Draw up the list of participants		7.4.06	7.4.06
3		Create a description of <i>Safe Use AS</i> and <i>Nordic Ltd</i> and agenda suggestions for the seminar	7.4.06	19.4.06
4		Translate the description of both companies and the agenda for the seminar from Norwegian to the local language and send the translations to the <i>APC</i>	8.4.06	19.4.06
5		Send to the <i>APC</i> a list of those companies <i>Nordic Ltd</i> wants to invite to the seminar	7.4.06	19.4.06

²⁴ For more about perceptions of the Baltic region, see chapters 4 and 6.

6	Complete invitations and agenda for the seminar in the local language		8.4.06	21.4.06
7		Translate invitations and agenda for the seminar into English	9.4.06	22.4.06
8	Post the invitations to the selected companies and organizations		10.4.06	24.4.06
9	Register the invited companies and organizations who wish to participate in the seminar		28.4.06	5.5.06
10	Send the opening speech of the APC director to <i>Nordic Ltd</i>		29.4.06	28.4.06
11		Send seminar presentations to the APC	29.4.06	4.5.06
12		Make 100 folders with presentations and seminar materials	2.4.06	5.5.06
14	Cover 50% of the total seminar expenses	Cover 50% of the total seminar expenses	5.5.06	5.5.06

Table 1. Delegation of responsibilities when organizing the *Nordic Ltd* seminar in May 2006.

I was appointed as a translator, coordinator and contact for all the parties involved. The organization of the seminar did not go very smoothly, however. The ways in which the *APC* and *Nordic Ltd* worked turned out to differ to quite an extent, as did their expectations of the event in question. *Nordic Ltd* expected the seminar to be held on a grand scale, in a five-star hotel with an audience of serious business actors. They expected efficiency from the organizers and that they would make a profit, as well as establishing cooperation with new partners as a logical outcome of the seminar.

The first hold-up was caused by *Safe Use AS*. Description of their company and their suggestions for the agenda (item 3 in table 1) were sent two weeks late to the *APC*. As soon as the description and agenda were ready I translated the text and forwarded it to

the *APC*. Thus, the *APC* could complete the invitations and post them only on 24 April – two weeks later than planned – with 1 May as the final date for registration.

By 2 May only one third of the invited participants had responded and registered for the seminar. Since many recipients had not received the invitations by the final date of registration, Petra started to accuse the *APC* of sabotage, claiming that invitations had not been sent out on purpose, to prevent *Nordic Ltd*'s entrance into the Baltic market. My reminder about the delays caused by *Safe Use AS*, which led to the delay in posting the invitations, did not help. At that moment, Petra noticed that her Latvian surname was not on the participant list, only her Norwegian one. "What is wrong with these people? Can't they even write my surname correctly?" she burst out in anger. She believed that her local surname, which indicates belongingness to important networks, would have helped in advertising the seminar. Stress levels were running high at this point: there were complaints, yelling, and there was also much shouting back and forth. It was too late to call off the seminar, but to hold it in a half-empty conference hall would be the worst advertising campaign ever, according to Petra. "Paal is coming down here [from Scandinavia] expecting many participants and what he will see?" Petra worried. To resolve the situation I proposed to call all the invited participants myself to check whether they had got their invitation and whether they were going to attend the seminar on 5 May. I ensured that by 4 May all the participants had received invitations and nearly all of them expressed an interest in taking part. There were no signs of sabotage from the *APC*; most had not called to sign up simply because the registration date had already passed.

On 5 May, almost 70 percent of the invited participants showed up. The conference room the *APC* had hired was on the basement floor of a two-star hotel, a little way outside the city center. For the *APC* it seemed to be good enough, but Petra was not satisfied with the choice.

"Is this a kind of secret, underground activity?" Petra asked me. "This is definitely not good commercially for us. As if we could not afford better!" It was obvious that the parties had different perceptions of what 'a high standard' of event looked like. Contrary to Western enterprises, Baltic state institutions were used to more modest environments.

“Where is the media and where are the journalists?” was the next question from Petra. She had asked me to prepare a press release about the seminar to inform the mass media about the event, and to inform the local population, companies and authorities about *Nordic Ltd* products for the registration and management of dangerous waste. Since the niche *Nordic Ltd* operated within was unexploited in the Baltics, Petra perceived the seminar to be not only a marketing campaign for their product but also an information campaign about the newest EU legislation, which would be beneficial for their product.

During the seminar it became increasingly obvious that the *APC* and *Nordic Ltd* had different intentions and expectations. As a mediator between parties I had to listen to the various complaints and often felt paralyzed at not being able to satisfy the wishes of both parties. I had not been able to fulfill Petra’s orders because the *APC*, as the official seminar organizer, had objected to them. In fact, I had written the press release as Petra wished and completed a list of 40 recipients from among various Baltic media. As a matter of good practice I had informed the *APC* about the intention to publish it, but in return got a clear message that I should not inform the media. The *APC* representative wrote:

This issue at the APC is strongly regulated, namely, info of that kind should be submitted for the APC general director’s approval ... As a state institution we are not allowed to advertise the production of a private enterprise. For us it is essential that pollution controllers participate in the seminar. We are financed by the Baltic Environment Foundation and the seminar is being organized within the framework of the project “*Training and competition promotion for environment experts*”. Business representatives are driven to promote cooperation, not as the primary target group of the seminar. It might seem complicated, but, as a state institution, we have to report on each seminar and keep to the guidelines (APC representative, 2006).

In other words, as a state-owned company the *APC* was not allowed to lobby on behalf of a private company, nor was it supposed to organize a seminar in this way. Petra wondered – and never got an answer – why then did the *APC* want to organize the seminar in the first place?

The list of participants for the seminar was drawn up by the *APC* (item 2 in table 1). While *Nordic Ltd* wanted to have participants representing as broad a spectrum of potential partners and clients as possible, the *APC* made sure that the seminar conformed to the interests of pollution controllers and was correlated with the *APC* guidelines. Any form of official advertising for private enterprise could look like corruption and therefore could not be permitted.

Despite an inefficient registration process (item 9 in table 1), there were almost no free seats in the conference hall. The audience consisted of local people, mostly from the regions. They sneaked quietly into the conference hall, as if trying to enter unseen. Well dressed, self-confident and smiling, Petra was standing at the door welcoming delegates and shaking hands with everyone. However, seemingly feeling lowly and insecure of themselves, most of the guests became confused, and took a step back as if trying to avoid this mode of communication. English was obviously a problem for most of them. Petra commented, “It looks like there are few self-confident people here. Hard to believe that there could be enterprise managers here, or at least someone with the ability to take decisions”.

A Seminar, or the Hidden Advertising Campaign

The seminar was opened by the vice-director of the *APC*. He gave a presentation about Baltic legislation in the field of environmental protection, dangerous waste and dangerous chemical substances. He also informed the audience about MSDS²⁵ requirements, which varied from source to source within a country depending on national laws and provisions. The floor was then given to Paal Riise. While presenting *Safe Use AS* products, he also referred to the upcoming EU legislation in the respective area, namely the REACH²⁶ regulation discussed above, which would replace the existing national provisions in this area. He then emphasized that their software had been developed to document chemical substances and waste compliance with all the requirements of the new regulation and other legislative provisions. With

²⁵ A **Material Safety Data Sheet** is a form containing data about the properties of a particular substance. MSDSs are widely used for cataloguing information on chemicals, chemical compounds, and chemical mixtures. MSDS may include instructions for safe use and potential hazards associated with a particular material or product (http://en.wikipedia.org/wiki/Material_safety_data_sheet accessed 05.06.2011.)

²⁶ A new European Union regulatory framework for the Registration, Evaluation, Authorisation and Restriction of Chemical substances; it includes the management of dangerous waste.

true enthusiasm Paal Riise expounded:

In accordance with European Union legislation, all companies which have chemicals as a part of their business, processes or manufacturing, are obligated to have MSDS available for all personnel who will be in contact with the given chemical ... According to the legislation all MSDSs shall have a revision date printed. Every second year the legislation for exposure limits changes, and as a consequence of that all MSDSs have to be revised based on the latest legislation ... The formal importer of the product and the producer of the product are responsible for checking that MSDSs are in accordance with the latest legislation ... The EU legislation and the fact that we are a part of a universal system ... makes us all responsible for the environment and the future for not only ourselves but also our children and our grandchildren. We can contribute in this process to fulfill the given regulations regarding handling of chemicals and dangerous waste (Paal Riise, 2006).

The idea Paal was trying to send out to the audience was as follows: since the new REACH regulations included the Baltic region, the solutions offered by *Safe Use AS* and *Nordic Ltd* had to be put into use. He repeatedly highlighted the fact that their software solutions complied with the law. Given that the Baltic states are subject to EU regulations, Paal believed that he would find a good market for his products there. Solutions of this kind were novel in the Baltic market and would make everyday operations in every company easier, notably in those that day in day out worked with chemicals, including schools in their chemistry classes, hospitals with hundreds of liters of medicines and disinfecting liquids, pharmaceutical companies, paint factories, oil refineries or industries working with dangerous substances. To back up what he was saying, Paal mentioned one of the leading paint manufacturers in Norway, which spent over 10 million Norwegian crowns to get to grips with the new REACH regulations.

“How much do your solutions cost?” was the very first question from the audience to Paal.

“Well, I would not like to start by naming numbers. The price always depends on each specific situation”, Paal answered.

“Just approximate”, the inquirer did not give up.

After thinking a while, Paal said, “Solutions for one substance cost 1500 Norwegian crowns”.

People started to do the calculation and their faces expressed indignation. Trying to back out of an awkward situation, Paal continued, “It is because it takes three hours for our chemists to work out one solution. So you pay no more than the cost of three hours’ work”. But Paal’s words met only surprised looks. “1500 crowns for 3 hours’

work!” an older lady exclaimed. “Then our chemists would have to work 20 hours to afford that!” People started to chatter; Paal looked worried. I explained to him that such a price seems unreasonably high in the Baltics. I suggested that perhaps he should mention that for their Baltic clients they could make an adjusted offer. But he chose not to mention anything.

“Are there any more questions”, I asked the audience in order to switch to another subject.

“Well, let’s see first whether we really will be affected by the REACH regulations. Regulations have not been that strict so far”, commented a representative of a Baltic pharmaceutical industry.

“If it is not completely clear yet when this REACH will be enforced, then, I suppose, it will take a while till the first inspections are carried out”, added his colleague.

“How much is the penalty we have to pay if you find some imperfections in our management of dangerous waste?” asked one participant to the APC vice-director.

“Are there going to be changes regarding these penalties as well?” asked another.

The local companies were concerned about how to avoid the upcoming regulations. The best solution for them seemed to be to avoid them as long as possible. The *Nordic Ltd* product was perceived as an expense for the company and the audience members clearly viewed their relationship to the EU with a certain ambivalence. Whether the Baltic region really would have to obey EU regulations was taken to be unclear. After the presentation, one of the participants came up to me and said quietly:

You see – for our entrepreneurs it is much cheaper to pay the penalty once, twice or even four times, than to buy these expensive solutions you are talking about. Besides, we are being inspected only once a year and have never had any penalties so far.

There had been a similar attitude at Ms Zhukova’s, where we were even warned not to destroy her business. *Nordic Ltd* and *Safe Use AS* were being associated with control and regulations, but in fact they had nothing to do with control. Petra and Paal were only trying to sell software solutions for documenting dangerous waste and chemicals, but by continuously quoting and referring to “the latest legislation”, they nearly scared away their potential clients.

At the seminar I met also Eva Liepa and found out that Ms Zhukova had called her after our visit. It turned out that she *had* known of our meeting, but she perceived us

as a drag to her business and therefore chose not to meet us. “Why are you so tense? When there is a real need, then we will go deeper into this. No need to stir up trouble now”, Ms Zhukova had told Eva. Eva later tried to explain to Petra and Paal why their marketing strategy was a failure:

For the time being, the solutions you are trying to sell are just an expense. As long as the registration of chemical substances is not mandatory no one will care. You have chosen the totally wrong target group. It is more lucrative to the *APC* to penalize the companies that fail to fulfill MSDS requirements. As a state institution, the *APC* cannot afford your product. Remember that Latvia and Lithuania are low-cost countries. Did you notice the *APC* vice-director’s reaction when I mentioned that I had invited representatives from the Green Party and City Council? He did not like it. Guess why. You should have organized the seminar for the Green party and City Council – they would have been interested in preserving the environment and they would have been able to influence legislation to your advantage (Eva Liepa, 2006).

Apparently it was Eva who convinced Petra that the *APC* did not distribute the seminar invitations on time in order to sabotage the entrance of *Nordic Ltd* into the Baltic states. But these suspicions of sabotage were inaccurate. When making telephone calls to remind people to sign up for the seminar, I discovered that all the people on the guest list had received the invitation. However, it is plausible that such sabotage might have been commonplace, since Eva was so sure about it. The *APC* was actually doing its best to get the seminar underway, and it was well prepared; its objectives just happened to be different from those of *Nordic Ltd*. When the seminar was over, an *APC* representative collected the remaining handouts and sighed with relief. Turning to a colleague, the representative said: “Anyway, it’s good we managed to organize the seminar in time”. It transpired that the objective of the *APC* was to make proper use of the funding allocated to pollution control training projects. The allocated amounts would expire and be withdrawn unless used by 12 May 2006. Organizing the seminar in collaboration with *Nordic Ltd* was convenient, since the grant rules stipulated that the training needed to involve some international experts. *Nordic Ltd* was an international company that possessed expertise of sorts because its staff was well acquainted with the most recent legislative developments in the area of waste and registration and the documentation of chemical substances. Such a seminar would perfectly fit into the *APC* annual report into the use of the grant allocated to the training of pollution controllers. Thus, as far as the *APC* was concerned, the seminar was not market-oriented right from the outset. *Nordic Ltd* did not have any idea about

this because it did not choose to critically evaluate why the *APC* was so willing to cooperate. As Barth (1972) writes, one needs to pay a lot of heed to the context and environment in which a businessperson operates – this context consists of interrelations and actors that present their own strategies, and bear in mind their own profit; failure to assess and understand this context can lead to the failure of the overall company strategy. Why was it that the *APC* disliked the presence of the Green Party and the City Council representatives? Perhaps Eva was right in saying that for the *APC* it was more convenient to levy fines than to foster a marketing campaign aimed at achieving a better waste documentation system. Or perhaps the *APC* as a state institution was afraid of being accused of advertising the services of private enterprises. Although the press release I prepared about the seminar was not published to prevent this kind of situation, it is beyond doubt that during the seminar *Nordic Ltd* advertised its products and services directly, thus breaching the rules laid down for a state-organized seminar.

For the *APC* the impression it made on the audience was not a crucial factor: the entrepreneurs from the private sector already knew the *APC*, and the rest of the audience was made up of their colleagues, who were of course well acquainted with its operations. It had done its duty to train and inform pollution controllers about recent developments in their field. Unlike *Nordic Ltd*, the *APC* expected neither profit nor other benefit from the seminar. For the *APC* it was simply a grant-funded seminar that needed to be duly accounted for to the providers of the grant. What *Nordic Ltd* expected from the seminar was an impressive market entry, good marketing, profit, efficiency, and the potential to create networks and partnerships for further operations in the Baltic states. Petra hoped that her cooperation with the state institution would introduce *Nordic Ltd* to local customers and partners in a trusted and prestigious context. But the state official Eva Liepa disagreed:

You should have thought about who you chose to cooperate with from the very beginning. It is apparent that you chose the wrong way to enter this market. You should have started from the other end, not with the users and consumers, but with the decision makers and authorities.

Eva was alluding to lobbying:

Invite people who can influence the situation so that the services you are offering become compulsory. Use the available networks, powerful politicians in the right departments, the Green Party. When legislation is changed so that it is advantageous for you, then you can start to earn money. This should be your goal for the next seminar – with a different kind of audience. I can advise you about the right people (Eva Liepa, 2006).

Petra thought this was good advice and opened her planner at once to set the date for the next seminar. She was eager to succeed and ready to use any influential people prepared to assist; she expected to gain a lot by using others' acquaintances. She did not even question why the *APC* or someone else should be interested in helping. Petra expected a lot of input from the Local Development Agency, as she had from the *APC*, but did not think in terms of reciprocity.

Paal was reticent about Eva's advice. He did not agree with her lobbying plan, but in her presence did not want to state this out loud. When Eva and Petra left, he said:

I understand that one can gain a lot by using influential networks here, but I am not sure that is the way we should proceed. I am not comfortable with her [Eva's] reasoning. If I had good contacts with politicians in Norway, it would not even enter my head to ask them to change the legislation for the sake of my business, or to ask for influence of other kinds. Serious companies should care for the environment and their workers, in the Baltic states too, and our product is necessary for them. We have to work so that they choose us, no matter what politicians say (Paal Riise, 2006).

But the potential customers in the Baltics failed to see what could be gained from the services offered by *Nordic Ltd*. When the audience repeatedly asked what profit could be made by using *Nordic Ltd* software solutions, Paal gave indirect, evasive answers because the software was not conceived as profit oriented:

You should intensify preparatory activities so that you are ready to fulfill the legal requirements when REACH regulations come into force. Detailed guidance and specific IT tools are currently being developed to make the transition to the new system as easy as possible. *Nordic Ltd* software solutions can ensure a comprehensive flow of information about the risks of substances to industry in general and also to consumers. We strongly encourage companies to switch to safer alternatives. By doing so they would promote ethical and socially responsible business (Paal Riise, 2006).

The gain was neither tangible, nor profit bearing. The benefit was gained in terms of health and the environment, as well as in terms of enterprises in the form of improved consumer confidence in chemicals; these benefits were expected to outweigh the

increased costs for companies. *Nordic Ltd* and *Safe Use AS* were attempting to market not only their services and solutions, but also a Norwegian mentality, their relationship to the law and sense of responsibility – the Norwegian way of thinking. Their perception was that people in the Baltic states, under similar circumstances, would act in the same way as Norwegians. Theoretically, circumstances in the Baltics were becoming similar: as members of the EU the Baltic states were subordinate to the same regulations regarding dangerous waste and chemicals as Sweden and Norway, being connected by EU regulations through the EEA agreement. But looking at this from the local actors' perspective, the circumstances were rather different.

Drawback or Advantage? Interpretation of the Law in the Context of International Entrepreneurship

The most important finding while carrying out fieldwork at *Nordic Ltd* concerned the insufficiency of interview as a methodological tool in business research. It was clear that interviews alone could not provide an especially rich insight into what was going on in a company, how its representatives were going about reaching their goals and why they failed or succeeded in their strategies. Likewise, using economic methods and research strategies that were single-target oriented rather than long-term in-depth methods in order to please the business community (Jordan and Lambert 2009), or adapting anthropological methods in other ways to get an immediate result in a short time (ibid), was simply not going to provide the insights and answers I was searching for. It was through participant observation and the access this provided to the multi-layered “truths” and meanings in which such transactions were embedded that I could acquire an understanding of how *Nordic Ltd* strived to enter the Baltic market and why their entrance into the Baltic market failed. The most serious mistakes *Nordic Ltd* made while marketing itself in the Baltics were its excessive reliance on the importance of law and on the prestige of the state institution and its failure to understand why the *APC* was willing to cooperate. After all, state institutions in the Baltics were not especially prestigious and did not enjoy such trust and high esteem as they did in Norway (see chapter 5 for further discussion of this). Baltic businessmen turned out to be less law-abiding and more short-term oriented than their Norwegian counterparts. The Norwegian company also failed because of their style and perception of the local society. By announcing that the situation in the Baltic states was similar to that of Norway 30 years ago, they were making a case for themselves

as being more advanced. They truly believed that they were in a position to share their experiences with the Baltic businesspeople and teach them what was right and how things should be done. However, their constant reference to the law brought about unpleasant associations with Big Brother, which seemed inappropriate in the Baltics. Besides, the price of the product was too high for a country used to low costs. When the conference audience heard how much they would have to pay for the software in question, their already-limited interest was lost completely. As for assistance from local authorities that had been expected areas of networking and (hidden) advertising, the expectations of *Nordic Ltd* fell flat, because the company was not itself oriented towards reciprocity. Instead of expressing gratitude with cognac or flowers, at least to the *APC* people for providing networking assistance, which would have been polite in the Baltics, the Scandinavians made jokes about them.

When both cases are considered, we can see that Petra was quick to understand the particularities of the local business environment, that is to say, the benefits that could be gained from good contacts with influential Baltic people. She was, however, unable to use this finding to her full advantage because she did not position herself in such a way that her partners could understand why it could be useful and profitable to cooperate with her. Petra soon realized that the right local surname could help her in her business operations far more than her reputation as Norwegian businesswoman. She claimed quite emphatically that she was of local kin but even a decent local surname is of no help when you ignore the rules of reciprocity. *Nordic Ltd* expected others to do the most important part of the job for them, believing that the LDA and the *APC* would work hard in order to establish partnerships and networks on their behalf. What the *APC* received as reward was arrogance and an inconsiderate attitude: *Safe Use AS* delayed information that made organizing the seminar even more difficult, led to late participant registration and resulted in Petra accusing the *APC* of sabotage.

The Norwegians were misunderstood; they talked about legislation too much, believing that by exaggerating the role of legislation the marketing process would go more smoothly. But as a representative of the Local Development Agency observed, "If it works in the law-abiding Scandinavia, it would necessarily fail in the Baltics". This statement highlights the very different perceptions in Norway and the Baltics of

the nature of the state (see chapter 6). The role of perception in creating business strategy will be discussed further in the following chapters.

The company's attempts to enter the Baltic markets give us some food for thought about the importance or relevance of laws and provisions in international business practice. To what extent are they shaping and influencing the ways perception, practices and strategies are formed? The following chapters will return to this issue, but having given such a detailed description of the case it is necessary to look not only at the challenges of data collection but also at the content of the cases, although I will come back to these matters in chapter 6.

Norwegians are known as conscientious, law-abiding people, who value the common good; they also perceive themselves as such. This can be concluded not only from the case outlined here but also from the vast selection of sources available on Norwegian society (Archetti 1984; Sørhaug 1984; Gullestad 1992; Hodne 1994 Lien et al. 2001, for instance). That *Nordic Ltd* overstated the significance of law in international business and, possibly, the differences in the ways legislation is perceived in the Baltics and Norway, are significant reasons why they failed to conquer the Baltic markets. The Norwegian company believed that the upcoming REACH legislation was its greatest asset – its trump card to play during its advertising campaign in the Baltics, because the services they offered were fully in line with the requirements of the REACH regulations. To clarify this somewhat, by using their software solutions any company could be certain of full compliance with all the requirements of REACH. Besides, at that time there were no other companies working in that market niche. Even if there was still more than a year to go before REACH legislation would need to be implemented, Norwegian companies had already started to prepare for the upcoming modifications to the law, that is to say, to consider what these modifications would mean to the activities of their businesses and to calculate what needed to be altered or adapted so that every single activity would meet the new REACH requirements. Therefore, the Norwegians, in promoting their software in the Baltic markets, took the legal provision as an undisputed advantage in their international business plans. They were unaware that over-emphatic references to the role of law would be such a significant obstacle.

In 2006, the Baltic states had been an EU Member state for two years; however, Baltic businesspeople were not sure whether they would fall under the scope of application of EU law. Once they were certain that the Baltics would have to comply with REACH regulations, they started mulling over ways to evade the provisions; they began to calculate whether it would not be cheaper to pay a fine for failure to meet the standards rather than invest money to safely meet the new statutory requirements in a timely manner. Thus, Baltic entrepreneurs failed to see why they would need the services and software of *Nordic Ltd* – all the more so at such an exorbitant cost – because their calculations showed that the fine they would have to pay would be much smaller than the software investment to ensure that the REACH requirements were met. The repetitive references to the law, and the high cost of a product that was not even intended to bring about immediate profit, made the entrepreneurs lose any interest in it. The locals saw in the Norwegians the envoys of a monitoring institution and were happy to see them leave. They did not want any closer interaction with their guests, not least, perhaps, because virtually all would have had something to hide either from the work inspectorate or the environment agency inspectors.

2.3. The Field as a Site or Fieldwork as Practice?

Examples have been provided here of the diverse approaches to data gathering used during this fieldwork. I have attempted to include in this chapter some analytical remarks showing how I reached the conclusion that an interview is an insufficient instrument for understanding the ways entrepreneurs act and develop strategies. Having carried out participant observation at *Nordic Ltd*, I carried out similar fieldwork in another Norwegian company managed by Krister Hjellum (see chapter 7) in the Baltics, which lasted until the end of the research year 2006.

When the year of fieldwork was over I could state with certainty that I had carried out a period of valid fieldwork, which I would not have felt I could have said after the first four months spent going around industrial parks, reading companies' yearly reports, recording many interviews and occasionally trying to observe workers on the factory floor. While working in *Nordic Ltd* I was truly involved in the everyday activities of the company; I was present and obtained answers to my questions – not

as shortcuts, through interviews but by carrying out particular duties and sorting out all kinds of major and minor problems faced by the Norwegians in the Baltic market.

My fieldwork was both spatial (shorter, multiple visits to industrial parks) and, later, more extensive, wherever and whenever I was with *Nordic Ltd* representatives. I often visited different places within a particular scale in the areas of the Baltics in which Norwegian production units were located. For logistical reasons, these units were located within 100 kilometers of large ports and airports. The scale of my field site was determined by the location of the particular company. I returned to transcribe interviews and jot down my field notes (and sleep) in an apartment I rented in a suburb of the capital. Similar practices can be found in Jordan and Lambert (2009) in the description of fieldwork at a Costa Rican factory – after spending a couple of days at the factory, Jordan retreated to her own house for the rest of the week.

Intensive work for *Nordic Ltd* (at that time it did not have its head office yet) at various locations gave me an opportunity to participate in different social situations, and to closely observe and analyze the problems the company was facing. Thus, the starting point for my research was a particular social situation rather than a place. A social situation can be characterized as a collection of events that the analyst may construe as connected with one another, which take place in a relatively restricted time span (Mitchell 2006). Both social situations – the meeting at Ms Zhukova's company and the seminar organized by the *APC* – were not just happening in a physical sense, that is, in the office of Zhukova's vice-director and in the conference room. The events that led to the meeting and to the *APC* seminar, *and* the encounters that actually took place, *as well as* the reactions triggered by the meeting and the seminar, were part and parcel of the said social situations. Each of those situations, in which I observed and participated, had a prehistory and a future. By so defining a social situation and by taking it as a starting point in a similar manner to Gluckman (1958) and Mitchell (2006), I was free of concerns about the extent to which the methods of anthropological fieldwork could be applied and implemented in the contemporary modern and global reality where bounded locations have ceased to exist. Even being in a bounded location, that is, in the sense of a confined area, *in one place*, the analysis of the given situation led me to other places and other events. The situation starts before you get into it, the parties involved bring their own experiences,

notions and sense of responsibility, their own social and cultural backgrounds, pasts, intentions, interests and future objectives. By exploring all these complex phenomena, a situational analysis links the micro and macro levels, as well as the local, “glocal” and global levels. In a similar way, Gluckman (1958)²⁷ demonstrates how understanding is achieved through a situational analysis: even an apparently bounded field can give as deep an insight into macro structures and large-scale processes as situational analysis can in shifting locations. Gluckman states that social situations constitute a large part of the raw material for an anthropologist – that is, the events observed. From these events and their interrelationship in a particular society he deduced the abstract social structure, relationships and institutions of that society (Gluckman 1958:2).

Let us look at one event at a physically “bounded location” – meeting Ms Zhukova’s vice director – and apply situational analysis to it. This event brings us far beyond the physical borders of the situation. It provides an insight into Norwegian and Slavic business cultures and their notions of how to do business and with whom to cooperate. It reveals attitudes towards legislation, the state, environmental protection and safety at work for employees. It also points to the growing influence of the EU on the new member states (the Baltics became a member states in 2004) and to the efforts to harmonize legislation within the EU (to replace the existing 40 pieces of legislation by a single framework for chemicals). The situation reveals what Norwegians and Baltic residents think about the processes in the EU structures, and also about the systems that are in place to monitor and record operations involving hazardous waste by 2008 and thereafter. It also reveals something of the attitude of the Russians residing in the Baltics vis-à-vis local national languages and the State, and the importance and strength of local networks. Each of these ‘leads’ can be untangled further and exposed in the light of new events that are related to a given situation. By unraveling the situation step by step, we get an analytical picture in which micro and macro levels are simultaneously represented, which allows us to understand both the mysterious business meeting and the processes in which

²⁷ A textbook example of a social situation used as an analytical tool is Gluckman’s “Analysis of a Social Situation in Modern Zululand” 1935 (1958). The article deals with the events surrounding the ceremonial opening of the first bridge in Zululand, built under the new schemes for local development. In the analysis of social situations, some restricted sets of events are analyzed to show how general principles of social organization emerge in a particular context.

entrepreneurial strategies are developed. Situation analysis allows us to trace threads of influence in different directions, thus reflecting both micro and macro dynamics and the “glocalness” of the specific situation.

As stated earlier, there is a tendency in contemporary research in the field to encourage an anthropology that is focused on “shifting locations” rather than “bounded fields”. Gupta and Ferguson (1997) indicate that anthropology appears determined to give up its old ideas of territorially fixed communities and stable localized cultures, to understand an interconnected world in which people, objects, and ideas are rapidly shifting and refusing to stay in one place (Gupta and Ferguson 1997:4). Lien and Melhuus (2007) suggest that the twentieth-century assumption in social anthropology that social and cultural life could (and should) be studied *in one place* at a time, which implies a proliferation of firmly localized ethnographic accounts documenting almost infinite cultural variation within the human species, has changed. Thus, endeavors to decentralize the field as *a natural practice of dwelling* have more recently become commonplace (Clifford 1997, Gupta and Ferguson 1997, Tsing 2005, Lien and Melhuus 2007). For example, most contributors in Lien and Melhuus (2007) deliberately decenter the notion of the field as a locally bounded unit. Their volume reflects a shared effort to revitalize the ethnographic method in order to grasp global, transnational processes.

In my view, in discussions about how appropriate it is to carry out traditional fieldwork while researching modern realities, too much attention is given to discussions of “travelling” and “leaving home”, of going to “another place”; this pays insufficient attention to the tool of participant observation, which constitutes a foundation of anthropological method. When the suitability of fieldwork to modern realities is discussed, why should one focus on “travelling from home” and on the field site rather than on participant observation? Is it because of the “tyranny of the moment” (Eriksen 2001b) that anthropologists are willing to work quickly? This indirectly tallies with arguments about the weaknesses of the methods of traditional anthropology when applied to research in the field of international business transactions that take place in large-scale society.

To whatever extent anthropological topics and field sites may change, whether they

are in bounded or shifting locations, at home or far away, it is possible and indeed crucial to use participant observation as a basic anthropological method in our changing world – including in the corporate environment. Interviews can give hints and suggestions, but not a deep understanding about the essence of practice. In practice, the person reveals him/herself far more than during an interview. It might be misleading to base conclusions solely on the answers received during interviews, for what people do and what they *say* they do may be rather different (Holy and Stuchlik 1983). When I asked managers of Norwegian industries about the challenges they faced when entering the Baltic market, they typically responded, “It went quite well. I cannot remember any particular challenges, except for some problems with local bureaucracy.” While I was working for *Nordic Ltd*, I was able to observe the difficulties the Norwegian, Latvian, Lithuanian and Russian entrepreneurs faced on a daily basis when they tried to reach a common understanding on how to do business. These were not minor problems, quite the contrary – they usually prevented deals – but the entrepreneurs themselves do not reflect upon this in the way an anthropologist would like them to.

According to Passaro (1997:148), the delineation of a culture area presupposes the specific kind of Otherness to be found there; a similar idea is discussed by Gupta and Ferguson (1997) and Clifford (1997). However, statements about the quest for otherness in the field sites can also seem exaggerated. In my fieldwork I was not seeking to find otherness, but to comprehend the growing tendency since the year 2000 to transfer business from Scandinavia to the Baltic states. I wanted to see through the eyes of the anthropologist this practical business world, which for me, until then, had been an unknown sphere. Similarly, it is not the search for otherness that is the goal in the ethnographies of Lien and Melhuus (2007) and Tsing (2005). Putting a sufficient distance between the researcher and the research object, which from time to time has been the precondition for successful fieldwork, should not be equated to a quest for otherness. Even when the ethnographer is positioned as an insider, a “native” or “indigenous” anthropologist in his or her community, some distance taking and translation of differences (not in the sense of a quest for or construction of Otherness) will be a part of the research, analysis and writing. No one can be an insider to all sectors of a community, after all, as indicated in the research of Gupta and Ferguson (1997).

It is not (and it should not be) the distance, duration of travel or the seeming otherness of the research objects that determine the compliance of the fieldwork site to traditional standards. In tracking anthropology's changing relation to travels to more distant or nearer places, it is useful to think of the "field" as a practice rather than a place. Thinking of the field as practice allows us to apply the traditional anthropological method in untraditional field sites (like factories and among business actors and in continuously changing surroundings); it allows us not to be bounded in one place, but in several places (such as being with company representatives, wherever it may be).

Similarly, it is not distance that determines how an anthropologist will typically enter the field – the scene described in most traditional anthropological monographs. Instead, we can focus on entering the field as a process and a practice, not as a site. Fieldwork may start (as in my own case) before going to the physical field location, and this implies communication and interaction with people rather than entering a physical site. In recent discussions about anthropological methods there has been too much focus on the field as a site instead of fieldwork as practice. The focus should rather be on anthropological fieldwork as participant observation, which means a particularly "deep, extended and interactive research encounter" (Clifford 1997:187).

2.4. "Glocal" Situations in "Glocal" Field Sites

One of the basic arguments advanced by anthropologists when discussing the need to make traditional fieldwork methods (within the scope of "Malinowskian" standards) more flexible, is that of globalization and its related *flux* and *fluidity* processes (Eriksen 2007:1f). It is said that one cannot grasp globally ongoing dynamics if staying in a bounded field site. But is this really the case?

Lien and Melhuus suggest that it is precisely the lack of empirically grounded research, with detailed descriptions and careful contextualization of the social phenomena under study, that makes much of the social science literature on globalization appear shallow and over determined (Lien and Melhuus 2007:xi). They point out that the term globalization becomes a fetishized entity in itself, multi-

referential and increasingly disconnected from the empirical reality it purports to describe. Referring to Eriksen (2003:5), Lien and Melhuus note that statements about fluidity and flux may be accurate at a macro level, but tend to be less relevant at the level of experience. Thus, the transformative potential of global process cannot be assumed, but needs to be discovered repeatedly (2007:xi).

The followers of the Manchester School also write about the inadequacies inherent in the reflection of practice in anthropology and express their concern that practice is reduced to narrative, and ritual practice is reduced to the said of a story (Evens and Handelman 2006a:7), but “the saying always exceeds the said, however coherent, meaningful, and efficacious the later, and practice is primarily in the saying” (ibid.). According to Evens and Handelman, more effort is expended on theorizing practice as an end in itself than on the practice of practice in doing ethnography (Evens and Handelman 2006a:6). The theorizing of theory and the theorizing of practice have taken up an increasing amount of space in anthropology at the expense of the kind of detailed ethnographies that enabled the fruitful formulations of situational analyses and extended cases (ibid.). Ironically, and simultaneous with a growing concern about insufficiency in the reflection of ethnographical practice, there are discussions on adapting fieldwork to the expressions of globalization, for example, in replacing long-term fieldwork in a bounded location by short-term, de-centered field periods, repeated visits and interviews, the use of the internet, cybernetics, reports, and analyses by mass media.

While emphasizing that anthropologists are especially well equipped to research global processes, Lien and Melhuus suggest that in order to extend the benefits of the anthropological approach (open-ended and inductive, insisting on the “natives” point of view and a socially embedded understanding of social life) to studies of how people deal with transnational flows, mobilities and shifting scales, “we need to let go of the anthropological truism that the field is synonymous with a local, bounded unit” (Melhuus and Lien 2007: xi). The notion of multi-sited ethnography is suggested, then, as a way of escaping the bounded nature or boundedness of the traditional notion of the field, embracing instead a mapping of complex spaces into which fieldwork literally moves. Even if this suggestion were in line with my own understanding about the research of events and situations by means of participant

observation, I would still not want to underestimate the potential of traditional fieldwork in the so-called bounded location. The boundedness to which, for instance, Lien and Melhuus point can be “opened-up” by means of a thorough analysis of the situation. Besides, is it not that case that the boundedness of traditional fieldwork is exaggerated?

There is a certain irony in the fact that the ethnography most often mentioned as the benchmark of anthropology as the synchronous study of small-scale, isolated village-based society (that is, the opposite of the study of transnational connections), offers a key to an approach to globalization (Eriksen 2007:5). Eriksen refers to Malinowski’s *Argonauts* here and indicates that the Trobriands (who became incarnate of the model of the primitive society) have turned out to be just one of the so-called primitive “bounded” societies where commerce played a major role. Kula trade turns out to be even more encompassing than initially believed (in Malinowski’s account), stretching not only across the Coral Sea, but far into the highlands of New Guinea (Amselle 2000, in Eriksen 2007:5).

Gluckman’s fieldwork (widely perceived as eminently traditional) in Northern Zululand from 1936 to 1938 was not carried out in only one place but in a dispersed manner, sometimes within a range of 13 to 22 or more miles when particular events needed to be inspected (like the opening of the bridge in Nongoma). Gluckman lived 13 miles from Nongoma in the Deputy Chief’s homestead and, moving from one place to another, observed different situations and events. In virtually every situation he discovered so many inter-relationships with other events and situations that it was difficult to perceive them as bounded. Could we call Gluckman’s fieldwork multi-sited, given that it contained a thorough description of several events that were linked by Gluckman’s “presence as an observer but which occurred in different parts of Northern Zululand and involved different groups of people” (Gluckman 1958: 8)? Even though the concept of multi-sitedness had not yet been described at the time, the practice shows that it de facto existed.

The implications and advantages of Gluckman's well-grounded situational analyses and the extended case method²⁸ are manifold, extending to matters of ethnographic observation and analysis, to situational flow between the local and the global, to the ontological nature of social life, to reflexive and activist anthropology, and more (Evens and Handelman 2006a:8). Gluckman's approach implies that the complex events he refers to as "social situations", within which the actions of the individuals and groups involved take place, are seen as a reflection of the complexity of social structure (Kempny 2006:193). Gluckman's situational analysis is a useful tool to show how macro processes are reflected in individual actions (ibid.). The extended case and situational analysis have from their beginning been cognate with complexity in social ordering, with the non-linearity of open-ended social fields, and with recursivity among levels of social ordering (Evens and Handelman 2006b:223). Evens (2006:59f) explains that situational analysis means to produce a scientific picture of social life but to do so by showing this life as it is lived. It confronts us with the social dynamic itself, that consummate aspect of social reality, which ultimately cannot be captured by 'the said', at least not with the terminological fixity of logical and rational language.

Thus, the situation analysis proposed by the Manchester School turns out to be a useful contemporary methodology: by using participant observation in *one location*, we may perceive and reflect both local (in fact glocal) life in its *ethnographic present* and the *fluidity and flux* of the contemporary world, regardless of the fact that such anthropological *presentism* and *localism* have been criticized for being of limited value as a basis from which to pursue an understanding of global processes and transnational flows (e.g., Gupta and Ferguson 1997). The followers of the Manchester School seem to have been years ahead of their time in formulating a methodological and theoretical question of crucial importance to anthropology today.

²⁸ I limit myself to situational analysis here, although the extended case method be an even better way to show the *manifestation of macro anthropology grounded in practice* (Evens and Handelman 2006a:6). Gluckman drew an important distinction among what he called "apt illustrations", "social situations", and "extended case studies". The distinction between the first two is one of the degree of complexity of the events described. The distinction between social situations and extended cases is partly one of even more complexity, but it is also one of the duration of time spanning the events described (Mitchell 2006).

A more up-to-date example of how to carry out fieldwork in the global age is presented by Tsing in her ethnography on the destruction of rainforest in Indonesia where, in the 1980s and 1990s, capitalists' interests reshaped the landscape through legal and illegal entrepreneurship. Her work *Friction* is a useful example of how analysis of the local can be "located inside the world of globalization's struggles and passions" (Tsing 2005:270).

Tsing focuses on zones of potentially productive cultural friction that arise from encounters and interactions between agents with dissimilar expectations, motivations, aspirations and interests. They reappear in new places with changing events (Tsing 2005). The only ways she can conceive of by which to study them consist of the "patchwork" and the "haphazard" (Tsing2005: xi). Tsing admits that the result of such research may not be traditional ethnography, but she shows that it can be deeply ethnographic in the sense of drawing from the learning experiences of the ethnographer. Tsing self-critically admits:

my project stretches and changes the practice of ethnography. As I reach to describe global connections, my ethnography necessarily diverges from the holism of a more familiar model, in which each anecdote or custom forms a scrap in a large, unified pattern (Tsing 2005: 271).

She uses ethnographic fragments to interrupt stories of national histories, and by using these fragments she asks us to pay attention to details. Through fragments presented in depth she manages to give the reader a more nuanced understanding of global connections. Following global connections out of Kalimantan, she finds herself exploring other sites, including powerful centers of finance, science and policy (ibid.).

Her method of "patchwork" and "haphazard" studies resemble the above-mentioned types of fieldwork that are decentered, multi-local and made up of repeated shorter visits. But no matter how "patchwork" and "haphazard" the field study may be, she demonstrates the essential importance and irreplaceability of participant observation in fieldwork. She depicts the process of her ethnographic learning in the Meratus Mountains. She describes how she discovered that even the forest landscape is social. Originally she entered the Meratus forest "with the eyes of the naturalist" (Tsing 2005: xi), admiring the diversity of species and forest views from many mountain

ridges. Only by carrying out participant observation, namely, by walking and working with Meratus Dayaks, did she learn to see the forest differently. What the forest Dayaks showed her was a terrain of personal biography and community history. Individuals and households tracked their histories in the forests:

house posts resprouted into trees; forest trees growing back from old swiddens; fruits and rattans were planted in the growing forest ... People read the landscape for its social as well as its natural stories" (ibid.).

Without participant observation approach such revelations, most probably, would not be possible. No interview would lead to such revelations. I will take the liberty of drawing an analogy with my own field experience. To me, the business environment was like an unexplored forest, but by participating in it with the eyes of the ethnographer I discovered it as social. Business is all about human interaction, perception and communication; indeed, the business landscape is first and foremost social in nature.

One of Tsing's basic ideas is that anthropological fieldwork (perhaps not quite in its traditional sense but definitely in the sense of participant observation in "patchwork" form) can reflect global connections. Global connections are everywhere – capitalism, science and politics all depend on them (Tsing 2005:1). In this sense, there are no bounded localities: every locality and situation is *glocal* – a part of the global.

2.5.Conclusion: The Essence of Fieldwork and its Practical Application

In the discussion presented here of (traditional) fieldwork as a basic anthropological tool used to analyze international business and glocality, this chapter has become much more comprehensive than initially intended.

When I started my fieldwork in 2005 I was concerned with whether traditional fieldwork as the basic anthropological method would be appropriate for my transnational and non-traditional research object, namely, Norwegian entrepreneurship in the Baltics. But after reading Sherry (1995), Gupta and Ferguson (1997), Clifford (1997) and Passaro (1997) during the fieldwork, and Gluckman

(1958), Tsing (2005), Evens (2006), Evens and Handelman (2006a, 2006b), Kempny (2006), Mitchell (2006), Norman (2006) and Lien and Melhuus (2007) while writing this chapter, I realized that such thoughts and even a reconstruction of the fieldwork tradition is already well underway in anthropological practice. All these anthropologists have discussed anthropological approaches to the field as a locally defined unit, as representing a project of scale making and delineation of a field. They have also been concerned with how such *arbitrariness of scale and location* (Lien and Melhuus 2007), especially in a transnational, global age, can be translated into an ethnographic method. A common conclusion throughout their work (albeit with individual nuances) is that we need to de-center the notion of the “field” as a locally bounded unit, exploring instead the field as a “network of localities”, that is inherently multi-local or even trans-local (Hannerz 2003, in Melhuus and Lien 2007: xii).

Testing this assumption of the inadequacy of traditional fieldwork to modern reality contra my field experience gave me the opportunity to understand more fully the above-mentioned indications, as well as the means to question them. Visiting Norwegian industrial units in the Baltics and working at *Nordic Ltd* reflected different ways of “circumscribing a field” (Norman 2006: 229) and forming a unit of analysis. The ethnography in both cases concerned similar issues, but the method and approach used (interviews and repeated shorter visits contra participating observation) provided very different insights. It took me four months to learn by experience that open-ended interviews and short repeated visits are not enough to understand the phenomena in question. I am thankful, therefore, for having received permission to extend my fieldwork in order to change the method fundamentally and thus come to a solid conviction about the signification of traditional fieldwork (in the sense of participating observation) in the work of the anthropologist in the global, transnational, contemporary large-scale world.

Mere questions cannot provide answers that mirror practice, for “saying always exceeds the said” (Evens and Handelman 2006a:7). Although my colleague economists felt that 54 qualitative unstructured in-depth interviews were more than enough for a PhD project, it was not enough for a truly anthropological approach. Instead of trying to take shortcuts by asking questions of my informants, I tried to participate and observe the practice in order to find the answers myself. Such

observation is possible not only in ‘tent-in-the-village’ settings but also in transnational everyday business life, if one finds a way to participate in it.

As Norman observes (2006:228), the experiences of fieldwork open up an awareness of the uncertainties inherent in social life and the contradictions inherent in being a social person. This process of coming to know through experience requires time; therefore, some months might not be enough to carry out fieldwork in so-called traditional communities or in those employing modern technologies. When fieldwork is brief or unfocused, the complexity of uncertainty may well slip from analytical view (ibid.). Trust is the keyword in informant and researcher relationships and it takes time to gain and consolidate trust. The ethnographic emphasis on time and trust as key elements in the study of social life ensures a validity that is difficult to achieve through other methods (Lien and Melhuus 2007: xi).

As to arbitrariness of scale and bounded location, situational analysis is proposed here as an analytic tool to be used to avoid such issues. By calling to mind the situational analysis established by Gluckman and the Manchester School, I would like to remind readers that it is a useful tool: by studying severe events and situations, and by showing relations in-between as well as in a glocal context, it thus reveals the particular situation from both the micro and macro levels.

This is not to suggest that there is something inherently wrong in the alternative approach proposed by most of the above-mentioned anthropologists, namely, as a means of following connections, associations and putative relationships in the multi-sided field. In today’s flux and flow realities this is not only understandable but also necessary (as long as we hold on to participant observation). Still, even working under contemporary conditions, we have to know how to outline research borders. However much we would like to follow connections and putative relations, we would not be able to physically trace the *Kula trade*, which stretches not only across the Coral Sea, but also far into the highlands of New Guinea.

Clifford (1997:215) asks, what, if anything, is left of the injunction to travel, to get out of the house, to “enter the field”, to dwell, to interact intensively in a (relatively) unfamiliar context. I would say much is left, if we do not equate fieldwork to mere

traveling to some place, but to the practice of participant observation. My fieldwork experience, Tsing's (2005) monograph and the ethnographies collected by Lien and Melhuus (2007) brilliantly demonstrate qualitative fieldwork practice in our changing and transnational world, comprising both traveling and participant observation.

The fact that the anthropologist studies his/her own communities in addition to mountain villages at the other end of the world does not mean that participant observation has been lessened or challenged. Participant observation should be the essence of fieldwork, not traveling and being located in an exotic place. Therefore, the present thesis justifies the field as practice (not site), and the site as work (not place), and proposes the viewing of fieldwork not as a "spatial practice of intensive dwelling" (Clifford 1997:190), but as intensive participant observation. This approach allows traditional anthropological fieldwork to be carried out smoothly in both international and glocal business environments.

I will not yet confirm the views of Cefkin (2009), Brun-Cottan (2009) and Jordan and Lambert (2009) (see chapter 1), according to whose work a change in anthropological territory and environment inevitably leads to the need to change and adapt traditional anthropology methods to the particular circumstances of the new area of research, in this case, research into the business environment. My own research chimes with that of these scholars in that the work of a business anthropologist is bound to be different from that carried out in an academic environment: that is, an anthropologist will face many challenges and problems in businesses, and there would be differences not only in the positioning of the researcher in relation to the research but also in the conditions, topic of study, circumstances, objectives, their volatility and dynamics, the work environment, the availability of information, time management and other limits as set by the commissioner and sponsor of the project. All such factors would be different – and all these factors make research more difficult and have an impact on both the study and its final results. But has not adapting to the work environment always been part and parcel of any fieldwork? An anthropologist who works in the business environment, just like an anthropologist who researches the social organization of the Baktamans, or conflicts in Yanomamo society, has to be alert all the time, able to adapt, to accept changes and, if need be, restructure the study

because, as I mentioned at the beginning of this chapter, referring to Ray (2006), the anthropologist's work is not outcome-oriented, it is oriented towards the dynamic steps through which particular outcomes may or may not be reached and through which social relations are reshaped and discovered.

Chapter 3.

Conceptualizing the Embeddedness of Economic Actions

The case of *Nordic Ltd* in the previous chapter was described with the purpose of highlighting methodological aspects of research into international business. However, when describing and explicating a research method we unavoidably immerse ourselves not only in the empirical part of the research but also, indirectly, in the theoretical principles concerning the social character of economic activity.

Thus, in the preceding chapter, we have already encountered (albeit obliquely) part of Lienhardt's notion (1985) of "rabbit-size" theory,²⁹ and a fuller picture of the theoretical framework of this study will be provided in the present chapter. The first section will review the umbrella concept through the frame and shelter of which to examine aspects of Norwegian entrepreneurship in the Baltics, namely, the notion of embeddedness – its origin, substance and significance for the philosophy of science and for social sciences in general, and for anthropology in particular.

The second section of this chapter and the start of chapter 4 will examine how it is possible to see and "feel" the embeddedness of business activity in social institutions, both as it is dealt with by other researchers and as I intend to deal with it here. Besides analyzing the use of social networks in entrepreneurial activities, this work will show that entrepreneurs' practices are embedded in the deepest strata of the values and experiences that shape us as human beings.

"The social world is present in its entirety in every 'economic' action", according to Bourdieu (2005:3). The originator of such a socio-cultural approach to economics was Polanyi (1957) who, by introducing the term and the concept of embeddedness, emphasized the way economies are embedded in society and culture. But while Polanyi argued that all non-market economies are embedded in social and kinship relations and institutions, he tended to see the market economy as disembedded.

²⁹ Godfrey Lienhardt (1985) noted that a good monograph in anthropology should be like a stew containing elephant-size empiricism and rabbit-size theory, but that it should be cooked in such a way that the taste of rabbit could be discerned in each mouthful.

That economic behavior is heavily embedded in social relations in premarket societies, and that it has become more autonomous with modernization, is depicted by Granovetter (1985) as a common view among social scientists. This view sees the economy as an increasingly separate, differentiated sphere in contemporary society, with economic transactions no longer defined by social or kinship obligations, but by rational calculations of individual gain (Garsten and de Montoya 2004).

Although the concept of embeddedness is not uncommon in the social sciences, finding a definition can prove problematic. The lexical meaning of the word suggests how the concept might be used in the social sciences, but such a stochastic approach would be less than satisfactory here. The concept of embeddedness joins a handful of other social science concepts, such as social capital and identity, whose rapid proliferation across fields has outstripped analysts' abilities to keep track of increasingly polyvalent meanings (Krippner and Alvarez 2007:2). According to Krippner and Alvarez (*ibid.*), embeddedness may be the most dramatic example of this phenomenon. What does the concept of embeddedness mean, however? It is a recognizable term, but would we consider it to be one of the key notions of the social sciences? Or, rather, is it a marginal term from a specific scientific field?

Dictionaries of anthropology, sociology, economy and philosophy, such as those written by Barfield (1999), Abercrombie, Hill and Turner (1994), Black (2003) and Honderich (2005), do not contain the term embeddedness. Neither does the dictionary of English (Hornby 1992), nor the literature on cross-cultural management (Holden 2002; Schneider and Barsoux 2003; Trompenaars and Hampden-Turner 1998). I did not find explicit use of the term embeddedness when browsing through diverse theoretical books in anthropology (Eriksen 2001; Barnard 2006; Ensminger 2002) or writings on emerging economies (Cavusgil, Ghauri and Agarwal 2002; Cohen and Dannhaeuser 2002).

A deeper search of the literature on economic sociology revealed that embeddedness over the last fifteen years has served as the crucial counter-concept used by economic sociologists to mark a distinctive approach to the understanding of economic processes (Granovetter 1985; Lie 1991; Krippner 2001; Beckert 2003; Krippner et al.

2004; Krippner and Alvarez 2007). The definition offered by sociologist Beckert is as follows:

Embeddedness refers to the social, cultural, political, and cognitive structuration of decisions in economic contexts. It points to the indissoluble connection of the actor with his or her social surrounding (Beckert 2003:769).

Polanyi, who at various times and in various contexts is referred to as a historian, economist, anthropologist, economic anthropologist and economic historian, first invoked the term in his writings completed in the middle of the last century (*The Great Transformation*, 1944). Polanyi is remembered today as the originator of substantivism, a cultural approach to economics, which emphasized the way pre-market economies are embedded in society and culture. Polanyi's central thesis was that while previous economic arrangements were "embedded" in social relations, in capitalism, the situation was reversed – social relations were defined by economic relations. In Polanyi's view, in the sweep of human history, the rules of reciprocity, redistribution and communal obligations occurred more frequently than market relations, but capitalism destroyed them irreversibly. The "great transformation" of the industrial revolution changed all modes of interaction. While Polanyi argues that all economies are embedded and enmeshed in social relations and institutions, he tended to see the market economy as disembedded.

Polanyi's division in separating the formal and substantive meanings of economy echoes the evolutionist thoughts of Maine and Tonnies. In the nature of things, the development from embedded to disembedded economies is a matter of degree, and the distinction between the two is fundamental to the understanding of modern society (Polanyi 1968b), thus bringing out dimensions of economic change, development or transformation.

It was not until Granovetter's (1985) work that the term embeddedness took so firm root, that it initiated what amounted to a minor revolution in economic sociology. As Swedberg notes, "If one ... were to choose one single year as the birth date for New Economic Sociology, it would be 1985, since this was the year ... when an article"³⁰

³⁰ This of course refers to M. Granovetter's (1985) article.

appeared that was soon to become the most popular article of all contemporary economic sociology” (in Krippner 2001:775).

Conversely, in the indexes of anthropology theory books, the term embeddedness is rarely present, although conceptualization of the economic and the social is the core of economic anthropology. A question arises, then, about whether the notion of embeddedness is so embedded in anthropological thought that it does not require explicit conceptualization and terminology? If so, how do anthropologists conceptualize the relationship between the socio-cultural and the economic?

Thus, the aim of this chapter is to trace the origins of both the concept and the term embeddedness and to discuss their use in the social sciences from Ancient Greek times to the present day. By differentiating the concept from the term, the chapter focuses on their respective origins, meaning, use and the critical discussions related to them in both social sciences and philosophy. Although in defining embeddedness it might seem artificial to separate the concept from the term, I chose to do so to reflect on the origins of the term, which are more recent than the concept of embeddedness, which can be traced as far back as Ancient Greek philosophy and which touches upon fundamental philosophical issues relating to human nature.

By concept, I mean a traditional linguistic meaning of *concept*, namely, the semantic content of a linguistic sign, based on de Saussure’s sign model.³¹ By *term* I mean a word or compound words generally used in specific scientific contexts, in the sense of terminology.

Embeddedness is associated mostly with the substantivist school in anthropology, and is especially identified with the work of Karl Polanyi; with critics of neoclassical economy; with Granovetter’s economic sociology; and with the idea of the moral economy. It has also some obvious relation to Marxist thought and to fundamental philosophical questions of human nature.

³¹ A sign – for instance, a word – gets its meaning only in relation to or in contrast with other signs in a system of signs.

3.1.Embeddedness at the Crossroads of the Substantivist–Formalist Debate

The need to examine all areas of human activity as a whole has long been stressed by anthropologists; in fact, it has been an important aim from the outset of modern anthropology, namely, from Malinowski onwards, who declared:

An ethnographer who sets out to study only religion, or only technology, or only social organization cuts out an artificial field for inquiry, and he will be seriously handicapped in his work (Malinowski 1984:11).

He describes the preconditions for carrying out fieldwork so that the society in question is fully understood, and emphasizes the interaction and indivisibility of areas of social life, including the economy. In *Argonauts of the Western Pacific* (1922), a cornerstone of anthropological thought, Malinowski demonstrates how the laws of supply and demand in exchange among Trobriands were modified by social relationships. He showed the interrelation between social and economic relations as inseparable in the *Kula* and in the Trobriand chieftainship. Indeed, he reflected upon the embeddedness of economic practices in social relations, although without using the term itself.

The fact that social and economic lives are inseparable is reflected in subsequent developments of anthropology, in particular, in the branch of economic anthropology – the most salient expression of which initially was the so-called formalist–substantivist debate. Rumblings of this debate can already be heard in Malinowski's (1922) critique of Western economics in his studies of the economy of the Trobriand Islands. The ongoing debate about whether Western economic tools can be used for the study of 'primitive' economies lasted until the 1960s. Economic anthropologists argued with economists because the former saw the latter as ethnocentric and narrow minded, as ignorant of the importance of culture in shaping economic behavior (Wilk and Cligget 2007). Thus, economists and economic anthropologists engaged in debate, through which economic anthropology as a subdiscipline was at least partly created.

Scholars in the field of social sciences agree that Polanyi opened this debate – either deliberately or accidentally. In “The Economy as Instituted Process” (Polanyi 1968b: 139) he defined two meanings of the term ‘economic’: *formal* – meaning rational decision making, which refers to formal economics; and *substantive* – meaning the material act of making a living, which refers to its interchange with man’s natural and social environment, insofar as this results in supplying him/her with the means of material want-satisfaction (ibid.). Polanyi states that the two root meanings of ‘economic’ have nothing in common: “the laws of the one are those of the mind; the laws of the other are those of nature” (Polanyi 1968b:140). According to Polanyi, only in the historical development of the modern Western world have the two come to have the same meaning, for only in modern capitalism has the economic (substantive) system fused with rational economic (formal) logic to maximize individual self-interest. Only capitalism institutionalizes formal principles through the medium of the marketplace and the flow of money (Wilk and Cligget 2007). But studying societies, social scientists are faced with a great variety of institutions other than markets, in which livelihoods are embedded (Polanyi 1968b). Polanyi’s proposition is that only the substantive meaning of economic is capable of yielding the concepts required by the social sciences for an investigation of all the empirical economies of the past and present. Such economies cannot be approached with analytical methods derived from a form of economy that is dependent upon the presence of specific market elements. The human economy, he observes, “is embedded and enmeshed in institutions, economic and non-economic” (Polanyi 1968b:148). Significantly, he added,

the inclusion of the non-economic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions or the availability of tools and machines themselves that lighten the tool of labor (ibid.).

According to Polanyi, in modern capitalism the economy is *embedded* in the institution of the marketplace. But in the economic systems of other cultures the economy is embedded in other social institutions and operates on different principles from the market. In some cultures the economy may be part of kinship relations, whereas in other places religious institutions may organize the economy (Wilk and Cligget 2007). Polanyi observes that economies that are not built around market principles, are not focused on the logic of individual choice, which is the basis of

modern Western economic science. To study these other societies we need other principles, he states, and these will depend on how the substantive economy of making a living is organized in each place; in contrast, the modern market economy, in which all things are disembodied from their social conditions of production, is best understood through formal economics (Gudeman 2001). Polanyi concludes that economics should therefore seek to find out how the economy is embedded in the matrix of different societies. He remains one of the most cogent critics of neoclassical economics (Lie 1991).

Formalists, in their turn, turned their attention towards universal economic *behavior*, focusing on decision making and choice. They set out to demonstrate that classic tools of economics could be useful in a series of case studies and that they could be applied to noncapitalist economies. They wanted to demystify non-Western economic behavior, to show that people are rational. Formalists preached that there was reason and rationality behind a lot of behavior that seemed strange to outsiders; you just had to understand more about the environment people lived in so that you could see what their resources and constraints were. At that point their behavior could be viewed as logical and understandable, even by the strict rules of Western economics. Wilk and Cligget point out that the problem was not with Western economic science but with economists' ignorance about the real circumstances that framed people's lives (Wilk and Cligget 2007:11).

After mutual counterattacks, the debate gradually fizzled out without a convincing winner or mutual understanding because, as Wilk and Cligget state, the parties were for the most part arguing past each other, avoiding the fundamental issues. The strongest formalist proposition was that the economic rationality of the maximizing individual was to be found in all societies, in all kinds of behavior. The strongest substantivist position, represented chiefly by Polanyi, was that the economy is a type of human activity, embedded in different social institutions in different kinds of societies (Wilk and Cligget 2007:12).

3.2.The Duality of Human Nature

An analogy can be drawn between these issues of formalist and substantivist debates and those that run deeply in the Western philosophical tradition from the time of the Enlightenment. Wilk and Cligget (2007) remind us that economics began in Europe as the study of moral philosophy. The fundamental questions here concerned the origins of selfishness and altruism (for example, are humans self-interested or altruistic? Are people naturally prone to place their own needs above the needs of others and to take what they want at expense of others?) and were not uncommon in economic philosophy at a time when it was emerging as separate from theology and moral philosophy. Thomas Hobbes's (1588–1679) position was that people are naturally prone to place their own needs above the needs of others and therefore have to be forced into working together for the common good. It would be overdone to say that he held the view that the only motive for human action was self-interest, but he did mean that most people care primarily for themselves, and that children are born as concerned only with themselves, but with appropriate education and training they might come to be concerned with others (Honderich 2005:394). Opposing Hobbes's notions would be the idea that there is an inherent moral sense in people that leads them to naturally care for each other, and that therefore people need no coercion in order to cooperate.

Is selfishness a response to the 'natural' state of man and altruism (namely, putting another's interests above one's own) caused by something artificial? Early moral philosophers such as Hobbes and Rousseau (1712–1778) were interested in the so-called primitive people, or the "State of Nature", because they perceived that primitive people represented a natural state. When Hobbes said that savages' lives were "solitary, poor, nasty, brutish, and short" (Honderich 2005:395), he was arguing that the only way to guarantee long-term preservation was to give up their state of nature and create a stable society with a firm government that would enforce cooperation and peace. Rousseau's depiction of the "noble savage", with a pure and untainted human nature (Honderich 2005:402), living naturally in a state of peace and prosperity, was an argument against the need for the coercive nation state, since he argued that harmony came naturally to man.

Economics, in the hands of Adam Smith, followed Hobbes rather than Rousseau, and accepted that human beings are essentially selfish. Many of the fundamental concerns of economics can be traced back to Smith and, with these concerns, many basic concepts have the same root. According to Smithian thought, the explanation of human behavior is to be found in “the rational, persistent pursuit of self-interest” (Stigler 1976, in Buckley and Chapman 1998:34). It has remained a central tenet of economic theory that the optimization of self-interest best explains human behavior (Buckley and Chapman 1998) and even altruism may well turn out to be in one’s own best interest.

Where the utilitarians saw an opportunity for healthy competition arising from their attempts to look after their self-interest, other social philosophers such as Emile Durkheim (1858–1917) saw intolerance and eternal discontent. Just like the early anthropologists, he placed importance on society as an interactive whole:

economic functions are not their own justification ... they constitute one of the organs of social life, and that social life is above all a harmonious community of endeavors, a communion of minds and wills working towards the same end ... If industry can only be productive by disturbing that peace and unleashing warfare, then it is not worth the cost (Durkheim 1958:16).

Durkheim’s idea that the economy is rooted in and is subject to society in general keeps resurfacing in the anthropology of the economy. On this, Polanyi based the concept of substantivism in his history of the economy. Durkheim never accepted the premise of “the rational, persistent pursuit of self-interest”, beginning a disagreement that is partly responsible for the emergence of sociology as a field distinct from economics (Wilk and Cligget 2007). Sociology, in the hands of Auguste Comte and Durkheim, assumed that human beings are naturally social, that we cooperate and make sacrifices because it is a part of our social nature, not because we selfishly calculate the results of our actions – that is, people often think like unique individuals, but when taken in large numbers, people fall into groups and are willing to fight and die for their families, tribes and nations (ibid.).

Differences of opinion developed among sociologists, however, about the exact means by which humans maintained their solidarity and altruism towards one another.

Durkheim stressed the encompassing nature of social groups, stating that people were kept in line by group pressure, by their desire to conform, and by their fear of consequences. But Max Weber (1864–1920), for example, thought that an individual's moral imagination had much more of an effect than social pressure. All people, according to Weber, learn a set of moral precepts as they grow up in a particular setting and religion. Their ability to be social and to cooperate altruistically is a product of that moral imprint. Anthropologists, with their notion of culture as a system of learned and shared behavior, have tended to draw on both Durkheim and Weber (Wilk and Cligget 2007).

3.3.The Twofold Economy

Reflections on the duality of human nature had already been expressed by Aristotle (384 BC–322 BC), however, who, by drawing a distinction between value in use and exchange value in the first book of *Politics*, outlined an early distinction between two economic terrains. Man was presented by Aristotle as naturally self-sufficient, but commercial trade was presented as the unnatural urge of money making. The notion of two economic terrains appears in the distinct exchange types described by Aristotle, ranging from the natural and desirable to the unnatural and objectionable:

Of everything which we possess there are two uses: ...one is the proper and the other improper ... He who gives a shoe in exchange for money or food to him who wants one, does indeed use the shoe as a shoe, but this is not its proper or primary purpose, for a shoe is not made to be an object of barter (Aristotle 2008:41).

According to Aristotle, barter, the direct non-monetary exchange of commodities, is natural because it satisfies the natural requirement of sufficiency – the necessities of life and nothing more. In an exchange that involves transferring goods between households mediated by money each participant starts and ends with use value, of which he approves, but the item is not being used in its natural aim or function because it was not made to be exchanged. In retail trade a person buys in order to sell at a profit. Retail trade is concerned with getting a sum of money rather than acquiring something that is needed. Whereas Aristotle views household management as necessary, honorable and as having a natural terminus, he is skeptical about retail

trade because it has no natural terminus and is only concerned with getting a sum of money. Aristotle observes that exchange value is essentially a quantitative matter that has no limit of its own; he states that it is from the existence of wealth as exchange value that we derive the idea that wealth is unlimited. Usury is depicted by Aristotle as the most hated sort of exchange – exchange that makes a gain out of money itself, and not from the natural object of it. He condemns the lending of money at interest as the most unnatural mode of acquisition (Barnes 1984).

Aristotle has a positive attitude towards the economic activities that are embedded in the subsistence needs of human nature. His criticism targets the economic terrain that is directed at wealth getting in the sense of money making. He blames money – the unnatural terminus – for people’s unlimited desires for riches. Aristotle thought that when a man pursued wealth in the form of exchange value he would undermine the proper and moral use of his human capacities. He shows how economy comes to reflect the duality of human nature, and how the material side of a human intersects with the spiritual one when it comes to economy.

Adam Smith also distinguished between value in use and value in exchange in his first book, *Wealth of Nations* (1776):

The things which have the greatest value in use have frequently little or no value in exchange; and, on the contrary, those which have the greatest value in exchange have frequently little or no value in use ... Nothing is more useful than water: but ... scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it (Smith 1976 [1776]:33).

Smith showed that prices or exchange rates in the market did not directly correspond to use values. He provided an answer to this seeming paradox by advancing a complex theory of labor value to explain exchange rates (Gudeman 2001).

When distinguishing between value in use and value in exchange Smith did not directly refer to Aristotle. But Marx’s theory of surplus value represents an elaboration of Aristotle’s distinction between use and exchange value (Gudeman 2001). Marx declared, “exchange value ... refers to the quantitative proportion in which use-values of one sort are exchanged for those of another sort” (Marx, in Gregory 1982:11). Gregory points out that Marx’s great advance over his

predecessors was to see that exchange value was a historically specific property of the commodity, which presupposed certain social conditions for its existence.

Maillassoux (1972) argues that Marx formulated the idea that economic systems are always embedded in social formations and that these formations fall into an evolutionary range of “types”, or modes of production. He also states that he did so long before Polanyi. Like the substantivists, Marx also thought that the modern economics was ethnocentric, that its way of looking at the world was determined by the capitalist system in which economists lived. Economics provided only an illusion that people were able to make choices in a free market; in reality, according to Marx, they were in chains everywhere (Cligget and Wilk 2007).

Outlining the complex ways in which terrains of community and market have been invoked in the long discourse on the economy, Gudeman (2001) shows that in the nineteenth century the notion of use value was replaced by utility; by the mid-twentieth century, the concept of utility was transformed to preference or subjective preference (Gudeman 2001:16). Exchange value came to mean prices, which resulted from the interaction of demand and supply in the market, and Aristotle’s distinction between use and exchange disappeared. In much modern economics, the market domain was seen as freestanding. If the original starting point (with Montesquieu in 1748 and Adam Smith in 1776) of the economic system was societal then, with Malthus in 1798 and Ricardo in 1817, the political economy cut loose from all dependence upon society as a whole and became autonomous; it behaved according to laws of its own (Polanyi, Arensberg and Pearson 1968:124).

The Aristotelian division between use and exchange has remained topical in various forms. Weber, for example, distinguished between *substantive* and *formal rationality* (Weber 1978:86). Around the turn of the century he initiated a return to a societal approach to the economy, placing emphasis on the interactive aspect of economics (Polanyi, Arensberg and Pearson 1968). This represented a compromise between the social and the economic view. Weber used the “formal rationality of economic action” to designate the extent of quantitative calculation that is technically possible and that is actually applied (Weber 1978:86). By formal rationality he referred to action based on calculation and means-to-ends reasoning. By substantive rationality

he designated material behavior shaped by political, religious or ethical standards. This included an idea of the degree to which the provisioning of given groups of persons with goods is shaped by economically oriented social action under some criterion of ultimate values, regardless of the nature of these ends (ibid.). Weber claimed that in practice these ideal types are mixed together; he did not provide an interactive or dialectical theory of their connection, although the concept of a long-term transition from substantive to formal rationality informs many of his historical studies (see Gudeman 2001).

3.4.Embeddedness after Polanyi: The Concept and the Term

In anthropology, Polanyi's influence was substantial during the 1960s and 1970s; subsequently, his work became strongly identified with the substantivist side of the strident and irresolvable "formalist–substantivist" debate. Although Polanyi only used the term "embeddedness" in passing,³² the concept is shorthand for the method of analysis developed throughout the body of his work.³³ Its impact on the social sciences – especially anthropology and sociology – was significant.

Following Granovetter's lead, contemporary sociologists discuss the use of the term much more thoroughly than anthropologists and use it to link the social and economic aspects of their surveys of the market. Granovetter's article (1985) concerns the extent to which economic action is embedded in structures of social relations in modern industrial societies. While Granovetter popularized the concept of embeddedness and gave the term its specific shape in the context of the contemporary practice of economic sociology, it is commonly assumed that he drew the concept from Polanyi's various mid twentieth-century writings (Krippner 2001). Drawing on Polanyi's opposition of the embedded and disembedded economy, he argues that anthropologists utilize an oversocialized conception of human action (embedded economies), whereas economists employ an undersocialized one (disembedded markets):

³² Krippner (2001) notes that the term appears only twice in his major work *The Great Transformation* (1944).

³³ Essays of Karl Polanyi, edited by Dalton, G. (1968): *Primitive, Archaic and Modern Economies: Essays of Karl Polanyi*. New York: Anchor Books.

Much of the utilitarian tradition, including classical and neoclassical economics, assumes rational, self-interested behavior affected minimally by social relations ... At the other extreme lies what I call the argument of 'embeddedness': the argument that the behavior and institutions to be analyzed are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding (Granovetter 1985:1f).

Granovetter states that his own view diverges from both schools of thought. He asserts that the level of embeddedness of economic behavior is lower in nonmarket societies than is claimed by both substantivists and development theorists, and that it has changed less with "modernization" than they believe; but he also argues that this level has always been and continues to be more substantial than is allowed for by formalists and economists. Granovetter asserts that in non-market economies there is more instrumental action than anthropologists recognize, whereas in market economies there is more embedded material action than economists concede. Gudeman (2001) shares this view, but states that Granovetter does not provide an economic theory built on the connection, interaction and variation of the two broad realms.

Despite widespread agreement on the merit of embeddedness in terms of opening a significant space for social relations in the analysis of economic life, the resurrection of the term "embeddedness", owing to Granovetter, has not gone unnoticed by contemporary critics. For example, Beckert is critical of the term and concept of embeddedness for it does not provide a theory of intentionality and strategic agency of its own (Beckert 2003). A noticeable figure in this group of critics is Greta Krippner, who, at first, claims that the concept of embeddedness enjoys a privileged and largely unchallenged position as the central organizing principle of economic sociology (Krippner 2001), and then turns a critical eye on the use of the concept. Krippner states that Granovetter's particular reworking of Polanyi's concept is somewhat at cross-purposes with Polanyi's own intentions for the study of economic life, and asks how it is possible that contemporary scholars working in an explicitly Polanyian vein have (unwittingly) subverted Polanyi's own vision of market society by reinforcing the asocial market construct.

Krippner also critiques the way in which the emerging field of economic sociology has been shaped by the idea of embeddedness. She argues that the concept of embeddedness has deflected attention away from important theoretical problems. In particular, she suggests that the relative neglect of the concept of the market in economic sociology is a result of the way in which the concept of embeddedness has been formulated (Krippner 2001). She admits that paradoxically, “the basic intuition that markets are socially embedded ... has led economic sociologists to take the market for granted” (Krippner 2001:776).

Krippner also points to some confusion among contemporary interpreters of Polanyi, and notes that a standard reading of *The Great Transformation* suggests that in the context of developing his thesis of embeddedness, Polanyi paradoxically treats the market itself as “disembedded” (Lie 1991). Much of Polanyi’s substantive empirical research was devoted to demonstrating the subordination of markets to other historical and cross-cultural institutional forms. According to Krippner (2001), it is difficult to read Polanyi’s statement in any other way than as declaring that with the rise of a market society, “instead of economy being embedded in social relations, social relations are embedded in the economic system” (Polanyi 1944, in Krippner 2001:780). While Polanyi agreed that markets had existed in previous societies and currently existed in contemporary non-western societies, he suggested that industrial economies were unique in that markets had come to dominate all other principles of social organization. Thus, the tendency of economists to reduce economic life to the market was acceptable, at least as an approximation, in describing the West during the ascent of the machine age (Krippner 2001).

Embeddedness provides a powerful platform for launching a critique of neoclassical economics. However, it is criticized for being much less useful when turned towards the task of developing a positive research program for economic sociology; indeed, it is incoherent as an organizing principle for economic sociology (Krippner and Alvarez 2007). Polanyi exaggerates the distinction between premodern and modern economies, treating the former as embedded and the later as disembedded (Krippner and Alvarez 2007). In contrast, Granovetter is said to view modern market economies as fully embedded. Polanyi’s views regarding the conditions under which economies

may be said to be disembodied – and what substantively is implied by such a statement – remain a controversial issue (ibid.).

In anthropology the term embeddedness has not received a similar level of attention in more recent studies; prior to Garsten and de Montoya (2004) and Gudeman (2008), any discussion of it has been difficult to find in the theoretical literature. The drawbacks attributed by anthropologists to the term embeddedness are few and far between, but this seems to be due to the fact that *the term itself* has not been widely used in anthropology; rather, Polanyi's *idea* of embeddedness is discussed. For example, Gudeman mentions that Polanyi (1944) has provided an account of the historical shift from non-market to market societies, but states that he did not develop a model of community–market interaction, nor did he foresee the ways that communities persist and are required for markets, or how markets sometimes support and provide the conditions for new communities (Gudeman 2001). Gudeman also comments on Polanyi's view that land and labor constitute the economy's invariant elements and notes that he takes little account of local and cultural constructions of the economy or the way that knowledge, technology and customary performances influence economic processes (ibid.).

Wilk and Cligget argue that Polanyi's emphasis on economic institutions (the social groups that carry out production, exchange and consumption) has been called into question; for such an approach, using society as a whole (rather than the individual) as a unit of analysis, assumes to too great an extent that people generally follow the rules of these institutions (Wilk and Cligget 2007).

3.5.The Concept, not the Term

Even if the term itself acquired prominent status in sociological analysis and theory (after 1985), and in the substantivist–formalist debate, the idea of embeddedness is not limited to the work of Polanyi or Granovetter. As mentioned at the beginning of this chapter, even at the outset of modern anthropology the idea of the embeddedness of economic practices in social relations and institutions was present. In describing *Kula*, Malinowski was the forerunner of such an approach. Gudeman emphasizes that

anthropologists often have considered the relationship between social ties and the economy by focusing on reciprocity, or the back and forth delayed exchanges that are buttressed by social bonds (Gudeman 2001). For example, as Gudeman notes, Gregory (1982) sorts economics into gift and commodity systems. Reciprocity is dominant in one, trade in the other. Gregory explains that commodity exchange establishes a relationship between the objects exchanged, whereas gift exchange establishes a relationship between the exchanging subjects. In other words, commodity exchange is a price-forming process – a system of purchase and sale – but gift exchange is not. What a gift transactor desires is the personal relationship that the exchange of gifts creates, and not the things themselves (Gregory 1982:19). The embeddedness concept, though not the term, emerges in the core of the distinctions between gift and commodity systems.

One of the most important points in Sahlins's *Stone Age Economies* (1972), which according to Gregory is the most mature version of substantivist theory, was that gift exchange and commodity exchange should not be seen as polar opposites but rather as the extreme points on a continuum: the key variable in the movement from one extreme to the other is "kinship distance". Gift exchange tends to take place between people who are relatives; as kinship distance increases, and the transactors become strangers, commodity exchange emerges. This argument, which is based on a wealth of anthropological evidence, is a sophisticated restatement of Marx's distinction between commodity exchange and non-commodity exchange (Gregory 1982).

Based on ethnographic findings reported in their edited volume on money, Parry and Bloch (1989) propose a new approach to the difference between gift and commodity. From this perspective, there are two related but separate transactional orders in most societies; on the one hand, there are transactions concerned with the reproduction of the long term social or cosmic order; on the other, there is a sphere of "short term transactions concerned with the arena of individual appropriation, competition, sensuous enjoyment ... the world of commerce ... [which are] often identified with exchanges between strangers" (Parry and Bloch 1989:24). They visualize exchange in terms of short-term interests and long-term morality; one expresses rational calculation, the other manifests communal commitment. Money stands to be aligned

with short-term interests but can be socially transformed for communal use (Gudeman 2001).

Distinctions between gift and commodity exchange relate closely to the notion of mutual relations between people, and the interplay between moral and cultural beliefs and economic activities in traditional societies, set against the influences of modernization and change. 'Moral economy' is a term used in a number of contexts to describe just such an interplay. Scott's *The Moral Economy of the Peasants* (1976) relies on the notion of mutual relations between people, set against the destructive force of modernization. In his study of Southeast Asian peasant society he identifies a subsistence ethics, which provides the explanatory basis for economic behavior in the face of upheaval, uncertainty and famine. In place of individual self-interest, Scott is concerned to show how "the right to subsistence is an active moral principle in the tradition of the village" (Scott 1976:176, in Luetchford 2005:395).

An ethics of mutuality operates for the common good in moral economies. In the face of scarcity social ties operate to prevent economic actors from behaving to maximize personal profit. Thus, the above examples indicate that embeddedness in anthropology is typically associated with the notion of the moral economy and gift exchange, precisely because they imply a close interplay between cultural and social mores, and economic activity. This resembles the various ways in which custom and social pressure coerce economic actors in a small community to conform to traditional norms and the common good at the expense of profit. As Evers (1994) asserts, trade and profit pose a challenge to the organic peasant community, which is founded on mutual help and solidarity. The demand for profit sits uneasily with the ethic of the community, in which the value of goods is determined by the use to which they can be put rather than the exchange value that can be realized in the market (Luetchford 2005).

3.6.New Epoch, New Terms?

Bourdieu also describes society and the economy as two inseparable phenomena, but he attempts to find new terms to conceptualize the relationship between them. He stresses that economic terms and models are incapable of accounting for human behavior and states that a systematic discrepancy exists between theoretical models

and actual practice. He further argues that various works of experimental economics have shown that in many situations economic agents make choices that are systematically different from those predicted in the economic model: sometimes they do not play the game according to the predictions of game theory; sometimes they resort to “practical” strategies; on occasion, they evince a concern to conform to their sense of fairness or justice and a wish to be treated the same way themselves. He makes his point as follows:

The science called ‘economics’ is based on an initial act of abstraction that consists in dissociating a particular category of practices, or a particular dimension of all practice, from the social order in which all human life is immersed. This immersion, some aspects or effects of which one finds in Karl Polanyi’s notion of ‘embeddedness’, obliges us to conceive every practice as ‘economic’, as a ‘total social fact’ in Marcel Mauss’s sense (Bourdieu 2005:1).

Bourdieu opposes the notion of the economic sphere as a separate universe governed by its own laws of self-interested calculation and unfettered competition for profit. In describing the logics of the economy,³⁴ he attempts in each case to bring to bear all the available knowledge relating to the different dimensions of the social order, such as the family, the state, the school system, the trade unions and grassroots organizations, and not merely knowledge relating to banking, firms and the market. Bourdieu also deploys a system of concepts, developed in response to observational data, as an alternative theory for understanding economic action. His terms of habitus, cultural capital, social capital and symbolic capital could be seen as alternative approaches to the embeddedness of economic practices. The introduction of these terms, he states, is merely one aspect of a more general shift of language, which is essential to express a view of action radically different from that which implicitly underlies neoclassical theory (Bourdieu 2005:2).

Bourdieu describes how the economic agents he observed in Algeria in the 1960s had to learn or reinvent everything that economic theory considers to be a given, that is, everything it regards as an innate part of human nature. This included the idea of work as an activity procuring a monetary income, as opposed to mere occupation, along the lines of a traditional division of activities or a traditional exchange of services. It also included the possibility of impersonal transactions between strangers, linked to a

³⁴ For example, in studies he carried out in Algeria on the logic of the economy of honor and “good faith”, and on the economic and cultural determinants of practices of saving, credit or investment.

market situation, as opposed to all the exchanges of the economy of “good faith”, as the Kabyle people call it (Bourdieu 2005:4). He points out that it was only gradually that economic transactions there ceased to be conceived in relation to the model of domestic exchange, and hence as governed by social and family obligations. And the Kabyle case is only one of myriad instances that clearly demonstrate the indissoluble ties of the economic and the sociocultural:

Only a very particular form of ethnocentrism, which assumes the guise of universalism, can lead us to credit economic agents universally with the aptitude of rational economic behavior, thereby making disappear the question of the economic and cultural conditions in which this aptitude ... is acquired (Bourdieu 2005:5).

3.7.The Conceptual Umbrella

By examining the epistemology of the concept and the term embeddedness, and its existence at the crossroads of scientific branches and opinions, I conclude that embeddedness involves different views of the relationship between the economic and the social. The precursors of the concept, not necessarily termed embeddedness, are to be found in the philosophical treaties about human duality in Ancient Greece and Western Europe, as well as in the works of Durkheim, Marx, Weber and Malinowski. As a result of Polanyi’s work, the term embeddedness became particularly topical in economy and anthropology, and some decades later Granovetter achieved its actualization in sociology. Despite the fact that the substantivist school has fallen into decline and the tempos of market economy development have reached a certain level, which, according to many theorists, should no longer need roots in socio-cultural worlds, the anthropologists of the twentieth and twenty-first centuries do not consider these two phenomena as separate. To quote Bourdieu, “the social world is [seen as] present in its entirety in every ‘economic’ action” (Bourdieu 2005:3).

A conclusion could be reached in saying that the concept of embeddedness can be expressed by or complemented with other notions, as we saw in Bourdieu’s work, as well as in the above-mentioned works about gift and commodity systems, in terms of how exchange and gift giving can create community and interpersonal relationships. Without explicitly using the term embeddedness to conceptualize the relationship

between the social and the economic, Gudeman depicts the economy as consisting of two domains – community and market – and examines the dialectics between them (Gudeman 2001). The idea of embeddedness is clearly expressed, but instead of using the term embeddedness, he explores: a “community realm with its grounding in local values” (Gudeman 2001:1); a “connections between sociality and impersonal exchange” (Gudeman 2001:2); material action that cannot be separated from religious, social or other “non-economic” practices (Gudeman 2001:4); and the notion that “economic practices and relationships are constituted within the two realms of market and community” (Gudeman 2001:5).

Similar attempts analytically to conceptualize relations between the market and the community, or between the economic and the social, are not hard to find in other anthropological publications pertaining to the economy. Despite the fact that the term embeddedness has not been subject to direct discussion, as it has been in sociology (where in the mid 1980s the concept not only emerged as the central organizing principle of economic sociology, but also spilled over into sociological subfields) anthropology has its own, distinct claim to embeddedness, as Polanyi’s writings figured centrally in the debate between formalists and substantivists in economic anthropology. Not only since then but also prior to the concept of embeddedness being expressed more formally, it has been integrated in anthropological thought (cf. Sahlins 1972). The idea of embeddedness finds expression in anthropology as the existence of close and indissoluble links between the economy and sociocultural life, and in such compounds as “submerged”, “rooted”, “is part of”, “constituted within”, “grounded in” and others, rather than the term embeddedness. Embeddedness is often taken as a conceptual umbrella for an approach to the study of the economy: it concerns the integration of the economy into broader sociocultural systems.

Theoretical vagueness is the common complaint that critics make against the concept of embeddedness. Indeed, Granovetter has recently declared embeddedness to be meaningless and has distanced himself from the term: “I rarely use ‘embeddedness’ anymore, because it has become almost meaningless, stretched to mean almost anything, so that it therefore means nothing” (Krippner et al. 2004).

A majority of anthropologists instead of abandoning the concept of embeddedness work on it continuously, always looking for new ways of providing a better conceptualization and terminology of the relation between the social and the economic. And embeddedness is not the only concept and term capable of casting light on such relations. Wilk and Cligget (2007) observe that there are many alternatives to the formalist rationality hypothesis and to the substantivist idea that the economy is always embedded in other social institutions and that these premises are not mutually exclusive. In addition, Gudeman identifies imperfections in the ways the interaction between these two areas is reflected. Most of the scholars working with the topic, he claims, tend to emphasize dyadic ties between social and economic spheres rather than larger realms, and they fail to offer a view of the connection between the market and the communal realm (Gudeman 2001:19).

If we look from the origins of the concept of embeddedness in the social sciences to the present day, it seems clear that the main questions – of how to conceptualize it and which terms to use about the fluid relation between society and economy – remain open. Admittedly, the use of the term embeddedness in explaining the relations between market and community, or between society and the economy, does not seem to have become generally accepted in the social sciences. However, there are a number of authors who wish to show that the contemporary global economy is embedded in social relations and glocal sociocultural realities.

3.8. How Much Room for Culture?

The assumption that social relations shape economic behavior has provided social scientists with a useful platform for questioning the individualistic and profit-rationality oriented analyses of neoclassical economics, and for elaborating an alternative approach to the study of the economy (Sonnino 2007:62). However, as discussed above, embeddedness has been criticized for being conceptually vague and indefinite, for lacking its own concrete account of how social relations affect economic activity and exchange, and for lacking analytic reflection on practices' multi-layered meanings. As in Polanyi's substantivism, there is little room for what anthropologists call "culture" (Wilk and Cligget 2007:9); in studies based on embeddedness, everything concerns social structure, groups and institutions rather

than systems of symbols, meaning, or customs (Sonnino 2007, Wilk and Cligget 2007).

Anthropologist Thomas Schweizer (1997) points out that it is one thing to acknowledge embeddedness as a major force in the present world in a general way, and another to identify the exact linkages, the new options opened up, the refined strategies of actors and the uneven outcomes produced, which may vary from community to community, between actors, and between historical moments (Schweizer 1997: 739). Commenting on Schweizer's work, Alvin W. Wolfe admits:

we anthropologists have not, until recently, formalized the study of this integration (call it "embeddedness" if you will). We have been fairly well united on the idea of interpenetration of societal/cultural domains, but we have lagged in developing formal methods of analyzing it so that it could be measured (Wolfe 1997, in Schweizer 1997:755).

Koponen (2002) adds that much of the research on embeddedness takes on what Granovetter has called an "embeddedness from above" - resulting in "a propitiation of social life in analysis that are essentially 'economic'" (Koponen (2002:547) and aiding in a critique of rational economics, but without offering an alternative. What is needed, insists Koponen, is an explanatory framework that tells the story about why each strategy is adopted and under what circumstances.

In her critical review of the notion of embeddedness, anthropologist Roberta Sonnino (2007:63) concludes that conventional sociological theory on embeddedness has two main limitations. Firstly, it does not take into adequate consideration the process through which an economic system becomes embedded and fails to identify the tensions and trade-offs inherent in the dynamics of embeddedness. Secondly, it limits itself to explaining the social dimension of an economic system in the form of networks, neglecting such factors as culture, power and geography, which may also affect and shape economic transactions (Sonnino 2007:63).

Characteristic examples of traditional network-oriented embeddedness in relation to entrepreneurial activities in modern societies can be seen, for example, in the work of Brian Uzzi and Thomas Schweizer. Uzzi (1996, 1999) depicts the specific dimensions

of embedded relationships and the mechanisms by which they influence economic action, for example, by showing a firm's ability to obtain loans and to lower the costs of borrowing. A key feature in his approach is the idea that organization networks operate on a logic of exchange that differs from the logic of markets (Uzzi 1996:676). He refers to this exchange logic as "embeddedness" because ongoing social ties shape actors' expectations and opportunities in ways that differ from the economic logic of market behavior (ibid.). To the analysis of embedded aspects of the apparel industry he applies network theory, which suggests that embeddedness shifts actors' motivations away from the narrow pursuit of immediate economic gain towards the enrichment of relationship through trust and reciprocity. Trust helps reduce transactional uncertainty and creates opportunities for the exchange of goods and services that are difficult to price or enforce contractually (Uzzi 1996:677). He finds that embedded ties develop primarily from third party referral networks and previous personal relations, which 1) set expectations for trust between newly introduced actors and 2) equip the new economic exchange with resources from pre-existing embedded ties (Uzzi 1996:679). He also suggests that organizations tied to network partners by embedded, as opposed to arm's length, ties increase their probability of survival (Uzzi 1996:683f).

Referring to Sayer (2001), Sonnino express skepticism about trust being taken to be the core of embedded relations. She indicates that the tendency to neglect the analysis of cultural context can "inadvertently produce an overly benign view of economic relations and processes" (Sayer 2001:698), as embeddedness can easily be taken to mean that practices hitherto seen as governed purely by narrow self-interest are actually embedded in relations of trust (Sonnino 2007:63). But in reality, according to Sayer (2001), "the social and cultural embedding of relations between firms usually depends not so much on trust per se, but on overlaps in their self-interest" (ibid.). This point is particularly relevant in the case of *Nordic Ltd* (see chapter 2) where the advertising for the software programs for registering dangerous waste failed not only because of low socially responsible business awareness among the local entrepreneurs, but also because the interests involved (the Agency of Pollution Control and Petra Liepa, director of *Nordic Ltd*) did not overlap. While Petra strived to organize the seminar for the purpose of advertising, for the *APC*, the event was

simply a grant-funded seminar that needed to be duly accounted for to the grant providers.

To measure the depth of embeddedness among !Kung people and in a Javanese village, Schweizer (1997) proposed social network analysis as an important tool. The social network perspective he applies starts with individual actors and observes their social, economic, political and communicative ties to others and the emerging patterns of order (Schweizer 1997:740). According to him, network tools are ideally suited to the in-depth investigation of embeddedness. At the substantive level he traces how locality, kinship and other social identities interact with and can explain the pattern of gift giving and ritual ties in these societies. These are issues of the interpenetration of different fields of activity and hence of the domain of embeddedness. Embeddedness in terms of hierarchical linkages is considered by studying extralocal ties and by problematizing the significance of local as well as larger units of societal integration - namely, to what extent do local units of association and the larger context constrain the flow of gifts and ritual activities (Schweizer 1997:741).

A broader set of issues concerns how the institutional and cultural underpinnings construct values and beliefs that shape economic life. In approaching economic action as an extension of social life, the notion that economic activity is embedded in social institutions directly raises the issue of how social values shape economic action. Timothy Koponen (2002) suggests an alternative to the purely network-orientated approach and suggests that the way the economy is instituted can be understood by looking at the reasons actors have for participating in actor networks of production, distribution and consumption. Through his research on American recycling, he shows that much of the “making” or instituting of the economy happens outside the market, through political mechanisms, contracts and standards, and that these relationships impose value upon goods differently than do market relations (Koponen 2002:543). Thus, rather than a singular reason for the circulation of goods, as proposed by Adam Smith, there may be many ways in which the economy is instituted, as earlier proposed by Polanyi. Koponen refers to Michel Callon’s (1999) argument that it is the economist who makes the economy look like a market (Koponen 2002: 563), and he demonstrates that the social values that add “economic value” to goods are not uniform but highly contextual. He explains that the measure of social embeddedness

is not as important as the values imposed upon other actors through social structure in the economy (Koponen 2002:543).

Koponen questions the assumption that the market will decide what is good and bad, and that the market models our behavior as closely as possible to a “purely competitive market”. By extending the social embeddedness argument of Granovetter (1985), Koponen points to the way social institutions regulate and institutionalize the subjective values that inform actors about the “rightness” and “wrongness” of action within sets of institutionalized rules; he investigates how actors’ actions are embedded in “social” values. He does not focus on the producer but on what is produced: in other words, he looks at the creation of things and the places in which they are created. The actors in a production network are seen as impressing values upon the thing being produced (Koponen 2002:547). Koponen’s approach is based, among others, on Appadurai’s (1986) and Kopytoff’s (1986) theoretical suggestion, that commodity is a thoroughly socialized thing (Appadurai 1986:6). Appadurai suggests defining a commodity not by its existence, but by its subjective values as social things:

Focusing on the things that are exchanged, rather than simply on the forms or functions of exchange, makes it possible to argue that what creates the link between exchange and value is politics, construed broadly (Appadurai 1986:3).

Furthermore, Kopytoff highlights that from a cultural perspective,

[t]he production of commodities is also a cultural and cognitive process: commodities must be not only produced materially as things, but also culturally marked as being a certain kind of thing (Kopytoff 1986:64).

Thus, Appadurai, Kopytoff and Koponen agree that human actors “encode things with significance” (Appadurai 1986:5) and that value is not a component of economic life, but an aspect of social life (Koponen 2002:565).

To overcome the limitation explored by, among others, Wilk and Cligget (2007) and Sonnino (2007) – that is, explaining the social dimension of an economic system as a network, while neglecting such factors as culture, power and geography (which may also affect and shape economic transactions) – the present work will in the following

chapter address the Norwegian entrepreneurial strategies and practices employed upon entering the Baltic market. First, in chapter 4, I will describe the political and economic context of the region in terms of industrial Norway and the Baltics at the turn of the twenty-first century. These contexts will provide a better understanding of the Norwegian entrepreneurs' motives for entering the emerging Baltic markets and of the strategies they employed in the entrance process. This will be the first step towards understanding economic action as embedded not only in social relations, but also in political, geographical, ideological and cultural relations.

In practice, of course, these kinds of relations are not separable, but in order to structure the present argument about the embeddedness of economic action the empirically imbued chapters on Norwegian entrepreneurship in the Baltics will be organized as follows: chapter 4 will provide insight into the political and economic circumstances shaping entrepreneurial practice; chapter 5 will keep the main focus on social relations – namely, the role of social networks in the market entrance process; chapter 6 will analyze the embeddedness of economic activities in local socio-cultural relations, the continuity of these activities with the past and their multilayered local value systems; chapter 7 will concentrate upon socio-geographic and ideological relations, namely, how the locus of the Baltic market is constructed by Norwegian public culture, policies, myths and entrepreneurs, and how these constructions shape marketplace behavior. The following chapters (some more descriptive, some more analytic) will show, then, that economic action cannot be separated from any of these relations, neither in a practical nor in a theoretical sense.

Chapter 4.

Entering the New European Market: The Baltics

In summer 2006 I visited Tore Hauge, whom I had first met in the Baltics in 2002 during research for my Master's degree. I wanted to have a closer look at his industrial operations in the Baltics.³⁵ He had chosen the small town of Linava as the location for his production facility, which is located around an hour-and-a-half's drive from the capital city. Here, he was able to recruit for his metalworking plant from among the town's 10,000 residents. Having arrived at Tore's plant, I met two more Norwegian entrepreneurs, Jon Volstad and Mari Rye, who had moved their businesses from Dale in Norway to Linava. They were eager to show me proudly around their plants and the town itself, which they sometimes called, in jest, a Norwegian colony. As there were no cafeterias at their plants, I readily agreed to their suggestion to go and have breakfast in a local café, which was a three-minute drive away, before touring the units. There was no discussion about which café we should go to; I realized later that the town had only one café where the food and the service were said to be good.

One could feel by the attitude in the café that Tore and Jon were frequent visitors to the place. "Is she not here?" Jon asked Tore, while desperately looking around for somebody and explaining to me that he was trying to spot the waitress who was the best at taking an order. When the desired waitress did not appear, Tore, flirting in a broken version of the local language, ordered breakfast for himself from another waitress. "Breakfast, two eggs", he said, producing an ungrammatical string of local and English words. Jon was next in line and ordered "*to gammeldags bondefrokost*" in pure Norwegian, later appearing slightly puzzled that the waiter did not understand what he had said. "I've been asking for this pretty often; it's high time she understood", he explained to me.

"Fried eggs for the first gentlemen and two helpings of farmers' breakfast for the second gentleman." I clarified the order to the waitress in the language she

³⁵ For reasons of anonymity, all names of persons, companies and places in this chapter have been changed.

understood. “Thank you,” she replied kindly. “I thought so”. While waiting for the food to be brought to us, I was about to start a discussion on Norwegian businessmen’s motives in coming to the Baltics, but Jon, watching and commenting on what was going on in the café, was in no hurry to change the subject. “Look, local men don’t know how to use a knife and a fork. They are cutting this way, but in Norway, the knife and fork are used together, like this,” he demonstrated, pulling his knife and fork over the empty plate. A couple of minutes later the waiter came, bringing a hot breakfast for both. “Look, Tore,” Jon said, surprised. “I ordered food in Norwegian and got exactly what I wanted!” “But you are almost like local ladies, you’re hardly eating anything,” he said, when the waiter placed in front of me my coffee and a glass of fresh carrot juice.

Had they been younger, Jon and Tore would have moved to the Baltics for good, but back home in their native village of Dale at Fjord County they have property and families, with three children each; they were not ready to exchange their life in Norway for a life in the Baltics. The previous week Tore’s son had come to Linava to try out his father’s brand new Volvo. “Just imagine how much it would have cost in Norway. I could never have afforded one,” Tore commented. Here, he can enjoy driving his new car for 150 days a year – the amount of time he has spent in Linava on a yearly basis since 1996, managing his production facilities. Not having finished talking about his Volvo, he notices a passing Russian-made *Dnepr* motorcycle and immediately changes the topic, enthusing, “This is exactly what I’d love to buy; an old-timer Russian bike with a sidecar. It’s quite something; you don’t have them in Norway. Besides, I could take one to Dale; in Norway they charge no tax for old-timer vehicles!”

Initially, Jon Volstad and Mari Rye had come to Linava once every six weeks. They did not want to stay here more often or for a longer time, because in Linava there were no decent standard apartments for them to rent. Finally, and at the same time as Jon planned to move his plant to the Baltics, Mari Rye launched her business in Linava to build apartments to Norwegian standards. The foundations for the building had already been laid; a local man had had plans to build a block of exclusive apartments, but had gone bankrupt. Being aware that there was a thriving demand in Linava for flats “worthy” of Norwegians, Mari and Jon bought the abandoned

foundations and completed the project. Mari has many a story to tell about the time when the works took place, the time when she came to know the ‘ins and outs’ of the local builders’ mentality:

At home [in Norway], when you tell people to do their work this way or that, they do what they are told to do. But here it’s quite the contrary; if we order brown walls, they’re painted white. When we had instructed the workers, we happily went home, being certain that everything will be done the way we want. But when we came back to inspect the work, everything was the wrong way round. They had taken liberties to improvise with totally different colors than those we wanted. They even had the cheek to ask whether a nice looking outcome was the only thing that mattered! (Mari Rye, 2006).

It has not been easy for Mari to put down roots in Linava: the locals seem unfriendly and services, in her opinion, are underdeveloped. Still, she said, things are shaping up little by little: one sees this, for example, in the number of cars – each time Mari arrives, she notices there are more of them. And people buy more expensive cars, although this is totally wrong, she says, “in the Baltics, they have strange priorities; one should prioritize the house over the car”.

The block of flats mentioned above has now been completed: five flats and two rooms in the building are reserved for Norwegians. These flats have a separate entrance, and accommodate the Norwegians who come visiting or on business to the plant. I, too, was offered overnight accommodation, at a price that was rather high for the region, in one of the rooms intended for Norwegians. It had stood empty for some time, as Norwegians do not come here as often as they used to. In Jon and Mari’s stories, one can sense nostalgia for the days when Norwegian dinners were jointly cooked in this house: cod on Tuesdays, potato balls (*potetball*) on Thursdays – jointly enjoyed in the good company of Norwegians, while watching Norwegian television via a parabolic antenna. By 2007 Mari intends to open a company in the capital city to recruit Baltic builders for jobs in Norway.

4.1. First Come, First Served

Linava became an attractive place for Norwegian manufacturers in 1995, when Jurgis Matulis, a young man from this small town, spent a year in Dale and shared a flat with a Norwegian. The Norwegian, for his part, was a close acquaintance of an entrepreneur in the vicinity of Dale. As a result, the Dalenians came up with the idea

of opening plants in Linava. Jurgis's stories about low production costs proved tempting, and shortly after Jurgis's return to the Baltics, the first Norwegian company, *Norbygg Ltd*, arrived in Linava and employed 40 local residents in the new ship-building facility and oil rig equipment supplier. The equipment produced in Linava was exported to Norway, where the company sales office was located, and from there to customers in other countries around the globe, including the Baltics.

Other entrepreneurs from Fjord County followed *Norbygg's* example, including Jon and Mari. *Norbygg Ltd* offered to rent them production facilities on a site where *Norbygg Ltd*, over the course of time, had bought several buildings suitable for production, as well as land. In this way, *Norbygg Ltd* expanded its operations in the Baltic states, covering not only manufacturing but also maintenance and rental of real estate. Jurgis, for his part, offered his assistance to ease the path of newcomers from Fjord County in terms of dealing with local administrative issues. He completed the paperwork for the registration of all Norwegian companies who arrived in Linava, because, he said,

People, having come from afar, they actually don't know anything: neither the language – maybe English, but hardly any – nor the revenues service procedures! I was here, on the ground, and helped, too. I also recruited staff. Import–export, nobody in Linava had any experience with this back then; I did all this all on my own. I ran to the customs offices, to the revenues service; I organized transportation; I loaded and unloaded (Jurgis Matulis, 2006).

Thus, without actually planning it, an industrial area gradually took shape in Linava, hosting mainly Norwegian companies that all came from the same region. These firms had had their production facilities in Norway but, from the early 1990s, they began to close down, being on the verge of bankruptcy, and moved instead to Linava. *Norbygg Ltd* kept on building new hangars on its site, and all available industrial buildings were fully occupied. New clients kept coming, and Jurgis became the local manager of *Norbygg Ltd*.

Tore Hauge insisted that I should visit not only his *Norbygg Ltd* site, but also the factories located further away. As well as a range of other companies, Linava hosts an Icelandic textile plant and, not far from it, a yacht-building facility, the owners of which are, as might be expected, Norwegians from Fjord county. "I'm going to buy

myself one of these in the summer,” said Tore, tenderly stroking the frame of the newest model of the yacht. A local Linava man had been appointed production director of the yacht-building facility, and he kindly leads the way around all areas of the plant; we are followed everywhere by the smells of varnish and paint. He tells us that this is a very advanced production facility; the original facilities rapidly became too small and for three years now the yachts have been built in this new plant. All the craft produced here are exported to Norway. The prices are too high for the Baltics; for the locals, it is cheaper to buy a second-hand boat. Besides, the Baltic rivers do not have any marinas yet, like those in Norway. In the Baltics, last year’s model of a motorless yacht would cost NOK 70,000, and the production director does not know for sure what extra charges they impose on the craft in Norway; still, the plants get plenty of commissions from Norwegians. Ten workers produce four boats per week that are delivered to Norway in a special truck. Glues and paints are ordered via local companies, but many other materials and such items as lighting fixtures, laths, chairs and light bulbs are brought over by the Norwegian owner himself once every three weeks. Jon says that the yachts are built to an excellent design and are of good quality; he, too, has already purchased such a yacht and promises to take me for a sail. Whether the yachts are regarded as being produced in the Baltics or Norway, nobody can tell for sure, but taking a closer look at last year’s model, I find that the registration plate bears the name of Fjord County (where Dale is located).

While staying in Linava, it was clear that Norwegian businesspeople are frequent and welcome visitors here; the locals know them and greet them kindly. Yet the striking reactions of Tore, Jon and Mari towards the local mode of life, in both everyday terms and in entrepreneurial practices (which Norwegians found to be rather different from those at home), was an obvious hint that the actions of newcomers from Fjord County and the actions of locals at Linava were embedded in different lifeworlds. Still, it is too early for an analysis of aspects of embeddedness; the empirical material is still too thin. There are many more empirical details to sort out before getting to grips with a thorough analysis of the aspects of embeddedness in Norwegian entrepreneurship in the Baltics.

The first question to be answered is this: what might have made Tore, Jon, Mari (and the other Norwegians we will meet in the following chapters) break their ties with

manufacturing facilities traditionally rooted in Norway and choose instead a location where, according to Jon, there was not even any accommodation that meets Norwegian standards? Likewise, if we want to understand their strategies, it is essential to gain insight into industrial and general entrepreneurial conditions for production in terms of the native regions in Norway and in the Baltics.

4.2. The Norwegian Industrial Sector at the Turn of the Twenty-First Century

Economist Arne Selvik (1986) compares Norway's industrial sector to a small but strong donkey capable of adapting to rigorous conditions. This donkey is environmentally friendly and sturdy but, at the same time, stubborn and unpredictable. The animal is not in its prime, but experienced and nimble enough to kick out with a hind leg, throw off the rider and gallop away to another country when it feels it is being tethered. If compared to the old English Shire horse, the Norwegian donkey is versatile and waywise, but burdened with a rider who gets increasingly heavier. However, if pitched against the young stallions of developing countries, it appears unwieldy, slow and too home loving (Selvik 1986:10).

When describing Norwegian industry, Selvik not only applies this thought-provoking comparison but also underscores its holistic nature, a hallmark of anthropology, indicating that industry cannot be regarded as an isolated sector in a society. The role of industry in Norway, like that of other business, has so far been more all embracing than mere manufacturing of profit-yielding wares.

Throughout the post-war years, industry has been the principal instrument for implementing a number of superior social goals: security, equality, sparse settlement, high income, full employment and regional development (Selvik 1986:14). The assumption of such auxiliary functions has weakened the ability of Norwegian and other Western industrialists to both work profitably and increase exports and the number of jobs available. Partly, therefore, Norwegian industries have to shoulder a greater burden of "indirect costs" than their competitors in other countries to the detriment of their competitive capacity. *Social responsibility* has been one of the

keenest slogans in Norway's public discourse on entrepreneurship. The Confederation of Norwegian Enterprise (*Næringslivets Hovedorganisasjon, NHO*)³⁶ – Norway's key organization for employers and the leading business lobby – indicates that social responsibility includes the manner of creating values, the impact of a company's operations on people, the environment and society, and the integration of social and environment-related values into company strategies and daily operations. Thus, competing with other sectors for better conditions and the favors of politicians, the industrial sector still has to be not only a model source of export revenues, and a tax payer, but it must also solve regional problems, employ women and shape the socio-cultural environment, depending on what values in a specific period are highlighted by the policy of a particular government (Selvik 1986:12). This is by no means negative, but, by carrying out all these roles, production becomes expensive and not very productive (ibid.). Having made an assessment of industrial challenges in Norway at the turn of the twenty-first century, Selvik claims that expectations regarding Norwegian industry should be re-evaluated, asking at the same time to what extent industrial enterprises and Norway itself, as an industrial nation (or “an experienced donkey”), are able to perceive the signs of change in order to effectively use fresh market opportunities on national and international scales.

Looking at it from another angle, Norway is one of the world's richest countries: welfare standards are very high; unemployment is very low; business is successful; and the state deposits more and more money into the oil fund. Norway could, in a sense, sit back and enjoy the wealth of its resources (Reve and Jakobsen 2001:11). However, when asked how attractive and powerful Norway actually is in terms of entrepreneurship, Reve and Jakobsen reply that it is by no means as brilliant as Norway's position among the top-ranking most prosperous countries of the world might imply. The only concerns politicians raise with Norwegians are the risks that too great a proportion of the oil billions might be wasted, as a result of which society must put up with the thought, “we must save because we are so rich” (Reve and Jakobsen 2001:12). According to Reve and Jakobsen, forecasts for traditional industries over the next few years (before 2030), subject to competition and unrelated to oil, do not indicate any growth; increasingly, investments in the industrial sector

³⁶ NHO, Bedrift og samfunn http://www.nho.no/bedrift_og_samfunn/ (accessed 05.05.2011.)

are channeled abroad (ibid.). They observe that Norway is typical of countries with raw materials; it has low indicators regarding knowledge-based exports, investment in research and development, and productivity growth. Like Selvik (1986), Reve and Jakobsen (2001) doubt that Norway is attractive for entrepreneurship.

Similarly, both the NOU Norwegian Public Report “*Industrien mot 2020 – kunnskap i fokus*” (launched in 2005), and the BI Norwegian Business School’s report “*Et verdiskapende Norge*” (issued in April 2000), indicate serious challenges to Norwegian industry (according to estimates, productivity in Norway stood at 9% throughout the 1990s, while for the USA it was 30% and for Sweden, 44%). With competition in international markets growing increasingly stronger, for reasons of competitiveness, a company must be able to offer a low enough price; it has to think about cost effectiveness and innovation. A major part of Norwegian industry is based on the generous use of natural and oil resources, and is thus subject to regulations in these fields. Norwegian industry is also dependent on the situation in the international market and on access to foreign markets, for its domestic market is not large. High and ever-increasing production costs threaten the competitiveness of a number of companies. One of the key resources for industry that influences competitiveness is the labor force. High employment in Norway restricts the possibilities for expanding the labor force. The NOU White Paper (2005) indicates that Norwegian small and medium-sized companies are experiencing an acute shortage of labor in terms of economic growth, as well as restricted access to markets and adequate competitive capacity. The report therefore urges the application of innovation, which would be able to turn industry onto a profitable and internationally competitive course under changeable market conditions.

From 2000, concerns regarding Norwegian industrialists’ inability to compete in global markets due to high labor costs have been increasingly reflected in the media: due to wages, holiday allowances and other costs, as well as the high currency exchange rate of the Norwegian crown, Norway has the highest labor costs in Europe.³⁷ Economists claim in the media that Norway is too rich to engage in traditional industries and forecast a loss of at least 60,000 industrial jobs in the near

³⁷ ”Norge dyrest i hele verden” *VG*, published 31.10.2002.
<http://www.vg.no/nyheter/okonomi/artikkel.php?artid=4032482> (accessed 20.05.2011.)

future.³⁸ In addition, newspaper headlines such as “Tempted across the border”,³⁹ “Norwegian politicians on pilgrimage to the Baltics”,⁴⁰ “Anticipate a massive relocation of production units from Norway”⁴¹ to the Baltics and provide an illustration of this situation.

Still, under the impact of globalization, not only is competitiveness increasing in domestic markets, but so also are the opportunities offered by foreign markets. The accessibility of the required competencies, in combination with internationally competitive conditions of production, will decide where a company will invest, where it will open a plant, create jobs and pay taxes. Norwegian small and medium-sized companies identified at an early stage that it was important to seize the opportunities offered by an increasingly thriving market in the neighboring region, the Baltics, to which Norway was ready to provide generous support in order to secure the interests of Norwegian entrepreneurs working there.

4.3. Norwegian Strategies vis-à-vis the Dynamics of the Emerging Baltic Market

A willingness to cooperate, and a readiness to seek closer ties between the Baltic and Nordic areas was evident as soon as it became clear that the Baltic states might break free from Soviet power. The Republic of Latvia, for example, declared full independence from the Soviet Union on 21 August 1991. As early as the start of 1991, the Nordic Council of Ministers requested the Nordic Investment Bank (NIB) to survey investment plans and requirements for the three Baltic countries and a further mandate was given to survey finance issues, with particular emphasis on the prerequisites for the Baltic countries to attract foreign investment. On 10 September 1991, the NIB report, “Investment needs and financing mechanisms in the Baltic Countries”, was published. This report provides insight into the Scandinavian estimate

³⁸”Norge dyrest i hele verden.” *VG*, published 31.10.2002.
<http://www.vg.no/nyheter/okonomi/artikkel.php?artid=4032482> (accessed 20.05.2011.);

”Bedrifter i kø for utflagging.” *Aftenposten* 30.10.2002. Pp.22.

³⁹”Lokkes over grensa.” *Økonomisk Rapport 22/2001*, published 25.06.2002.

<http://www.orapp.no/nyheter/neringsliv/lokkes-over-grensen-/> (accessed 25.05.2011.).

⁴⁰”Norske politikere valfarter til baltikum.” *Økonomisk Rapport*, published 19.02.2003.

<http://www.orapp.no/nyheter/neringsliv/norske-politikere-valfarter-til-baltikum-/> (accessed 25.05.2011.)

⁴¹”Spår massiv utflagging fra Norge.” *Aftenposten*,30.10.2002. Pp.22.

of the economic situation in the independent post-Soviet Baltics. By 1992, the Nordic Council of Ministers had in place a comprehensive cooperation program for the Baltic countries, including an allocation of DKK15 million to support various Baltic–Nordic co-operation activities. Through the Nordic Council of Ministers, the Nordic governments had proposed an industrial cooperation program that would, among other things, focus on investments and technology transfers. Nordic Information Offices had already been opened by this stage in Tallinn and Riga.

The NIB (1991) report states that the Baltic countries faced a daunting period of transition over the coming decade as they moved away from almost complete economic dependence on the Soviet Union and attempted to expand trade and economic relations with other countries. To stem the economic decline of recent years and to lay the foundation for sustainable economic development, urgent efforts were said to be required to rehabilitate or replace infrastructure, services and a wide range of primary sector activities. The NIB survey identified among other investment needs for the coming years a requirement for over US\$2,000 million to reduce environmental pollution in seventeen “hot spots” in the Baltic countries, US\$700 million for forestry and related industries such as pulp and paper, US\$85 million in international and mobile telecommunications links, at least US\$50 million for roads, and US\$125 million for fisheries (NIB 1991:3).

The investment climate in the three Baltic countries was characterized in the NIB (1991) report as rather poor. It states that reform of the banking system was just beginning, some skilled personnel were available but that further training was required, there were inadequacies in the economic infrastructure and unresolved questions about taxation, property rights, investment protection, international treaties and trade agreements. By 1991, a growing number of companies and private investors in the Nordic countries were expressing interest in investing in private sector activities in the Baltics. Baltic income levels were less than 10 percent of those in the nearby Nordic countries. The NIB report indicates that there was a strong political will in Nordic countries to assist the Baltics in their post-independence efforts and that such gaps in income levels could be substantially reduced by free trade and free movement of financial capital in the form of official and private investment (NIB 1991:8). Around 174 proposals from Baltic small and medium-scale industries demanded

US\$551 million in total for various investment needs. For example, a building firm in Latvia proposed an investment of about US\$20 million in machinery for the production of closed and half-closed mineral wood panels; they expected to sell a quarter of the output to western construction firms. A furniture plant in Lithuania proposed an investment of US\$2.5 million for upgrading existing machinery and purchasing new equipment for the manufacture of frame furniture (NIB 1991:16).

When the 1991 report was published, the investment climate in the Baltics was characterized by great uncertainty, both politically and legally. In 1991, the ruble was still the only legal tender and none of the Baltic countries had its own currency. However, legislation had started to permit foreign investors to establish wholly owned subsidiaries. The foreign partner could now become the chairman of the board or managing director of a company; foreign owned companies were exempt from paying tax on profit for the first two years after the moment of declared profit (NIB 1991:18).

Furthermore, the education level in the Baltic countries was characterized as fairly high and as strong in industrial techniques, especially in high technology areas. The NIB report states that the labor force in the Baltic countries was abundant and wages relatively low, so it could be used in labor-intensive fields. Moreover, it notes that the Baltic people had a thorough knowledge of the (ex)USSR market, culture and language – all valuable factors when western companies wished to use investments in Baltic countries as a gateway to that broader market (NIB 1991:18f).

The report also notes that the taxation systems were subject to constant change, making long-term predictions of net earnings extremely difficult. Taxes on payroll, turnover, luxury goods, land and environmental fees were just being introduced when the report was written. The issue of ownership of property, in particular, and of land and natural resources, also remained open. According to Soviet legislation it was illegal to own land and it remained unclear what arrangements would be made for former all-union property and how public property would be privatized. Finally, laws and international treaties on all kinds of industrial rights and patents were non-existent, which was depriving foreign investors of all protection of rights (NIB 1991:19).

The NIB report summarizes the characteristics of the investment climate in the Baltics as to the beginning of 1990s with the conclusion that it was essential that the Baltic countries pass investment protection legislation in accordance with normal western practice (*ibid.*).

Less than a decade later, Johansen et al. (2000) showed that Nordic firms responded quickly to the opportunities in the former Soviet Baltic area, and they represented a wide variety of business activities. Johansen et al. (2000) predicted that labor and production cost advantages would continue to attract manufacturing companies because of lower costs when compared to Scandinavia, and also compared to Asia and other low-labor-cost areas. The Baltic labor market also had the advantage of high levels of education and skills. However, Johansen et al. (2000) suggest that labor costs could rise quickly as labor unions developed and as people came to expect higher standards of living. An undeniable advantage in terms of the Baltic states' attractiveness in the eyes of investors in the 1990s was the advantage of leading industrial experience in the FSU. Soviet Latvia, for example, contained only one percent of all the inhabitants of the Union, but produced 29 percent of all passenger wagons for rail transportation, half of all telephone receivers, every fourth radio, 22 percent of trolley cars and many other goods at a percentage rate that greatly exceeded the ratio of Latvia's inhabitants to those of the ex-Soviet Union (Pabriks and Purs 2002).

While they lag behind Western Europe and Nordic countries today, the three Baltic nations were at the leading edge of Soviet industrial development (Kultalhati et al. 1997, in Johansen et al. 2000:207). Although most early post-Soviet investors in the Baltic region, from Finland and other Nordic countries, were already present, Johansen et al. predicted that additional new alliances would be formed between Baltic and Nordic countries (Johansen et al. 2000:207). This prediction is actually coming true: the growth of the Baltic states in the European political arena since the late 1990s has been exceptionally intensive.⁴² Let us take, for instance, the example of Latvia.

⁴² Landmarks of the accession to the European Union (EU) by the Republic of Latvia <http://www.arhivi.lv/index.php?&336> (accessed 07.01.2011).

On **10 February 1999** Latvia becomes a full-fledged member of the World Trade Organization. On **15 February 2000** official negotiations are launched with Latvia and Lithuania on accession to the EU. On **30 March 2001**, at the meeting of the EU accession negotiators, negotiation chapters on “Free movement of goods” and “Culture and audiovisual policy” were closed. On **17 May**, chapters on “Free movement of capital” and “Company law” were concluded, and chapters on “Taxation” and “Financial control” were opened. On **12 June**, at the EU Intergovernmental Conference, the chapters on “Freedom to provide services” and “Social policy and employment” were closed. On **27 June**, at the meeting of the EU accession negotiators, the chapter on “Free movement for persons” was closed and negotiations were launched on the “Justice and home affairs” chapter. On **28 November**, at the meeting of the EU accession negotiators, the chapters “Environment”, “Competition policy” and “Financial control” were closed. On **7 November 2002**, the Saeima (parliament) of the Republic of Latvia opened a permanent office at the European Parliament in Brussels; in Copenhagen, on **13 December 2002**, the European Council passed a decision on completing negotiations and invited ten EU candidate countries – Latvia, Lithuania, Estonia, Hungary, Poland, Czech Republic, Slovakia, Slovenia, Malta and Cyprus – to join the EU.

It is little wonder then that Norwegians, like other potential investors from the Nordic countries, were more than happy to take a long shot in the emerging Baltic market.

4.4. The Norwegians Get Busy

In 2001, the Confederation of Norwegian Enterprise (NHO) launched a report entitled “*EUs østutvidelse. Behov for et norsk krafttak*”⁴³, clearly reflecting Norwegians’ concerns about insufficient engagement in the rapidly growing Baltic markets. At a time when the EU provided generous support to the processes of change in EU candidate countries, Norway’s involvement had been comparatively modest; its profile in candidate countries was low, because Norway stood outside the EU enlargement process (NHO 2001:7). Concern had also been voiced over whether Norwegians knew enough about the EU region, which, after the accession of 10 new

⁴³ The expansion of the EU eastwards requests an all-out effort from Norwegians.

members in 2004, was to become the dominant global trading bloc with 475 million people.

It is estimated in the NHO report (2001) that Norway in its relations with the Baltic states and Poland had an unexplored trading potential of around NOK8.5 billion and that the economic growth of those countries in the short and long term would considerably exceed that of Norway and the EU. Notably, the report mentions that those markets would be of interest to Norwegian manufacturers because of their low production costs and high unemployment rates⁴⁴ among skilled workers. By deploying production facilities in the Baltics, Norwegians could conveniently produce for EU markets.

The NHO report insisted that a Norwegian strategy should be produced concerning the EU candidate countries in the Baltics and that Norwegian interests in those markets should be identified, because only through joint, focused activity on the part of public institutions and businesses would Norwegian interests in the enlarged EU be secured (NHO 2001). The NHO report states that it wants Norway and its business community to reinforce contacts with neighboring countries, because good working relations would not emerge without assistance. Although the emerging Baltic markets are on their doorstep, the rates of Norwegian investments there and trade interactions were low. As a reason for this, the NHO report points to the risks attached to emerging markets and limited knowledge of them following half a century of isolation from the outside world. The strengthening of relations was not only an economic but also a political wish, because, as the NHO report states, Norway needed to support candidate countries in their EU membership aspirations for reasons of *solidarity*.⁴⁵

In order to promote cooperation and influence with candidate countries, the NHO, among other things, recommends that the government set aside NOK1 billion for a three-year support program that would bolster the economic and societal development in those countries and reinforce political and economic relations between Norway and the candidate countries. In order to develop Norwegian business activity there, the

⁴⁴ In 1999, unemployment in Estonia was around 10 percent, in Latvia it stood at 12 percent, but in Lithuania it was 17 percent (NHO 2001:15).

⁴⁵ My emphasis.

report suggests that different types of business support be implemented, both advisory and financial, by opening loan opportunities and providing guarantees.

The NHO report also insists that Norwegian support programs should be competitive with programs undertaken by other Nordic countries and that Norwegian companies should have the same conditions as EU companies seeking to establish themselves in candidate countries. For instance, at this time, EU companies, on an annual basis, were able to apply for financial support in their country under various EU programs for an amount equivalent to NOK25 billion. The NHO (2001) report suggests expanding the NORAD⁴⁶ matchmaking program (designed to support the establishment of sustainable and profitable joint ventures between Norwegian companies and companies in South Africa) to include EU candidate countries, or to set up a similar program to stimulate Norwegian–East European business cooperation.

In its further recommendations, the NHO report (2001) suggested that for reasons of cooperation between countries, Norwegian participation should be expanded in media such as the Development Forum, *Østersjørådet*, *Barentssamarbeidet* and *EUs Nordlige dimensjon*. Norwegian businessmen should be offered knowledge and information about EU candidate countries, about business opportunities there and about national and international business start-up programs. The report recommends that a center should be set up, giving information and advice about entering EU candidate country markets and helping companies to draw up applications for support programs. It also states that the Baltic Sea Region should be advertised as an attractive region of high economic growth; it was estimated that in the short term the Baltic states would increase their GDP by 60 percent. Cooperation with candidate countries, it stated, must be sustainable, foreseeable, and have long-term stable funding (NHO 2001).

The activities of both the NHO (Confederation of Norwegian Enterprise) in 2001 and the Nordic Council of Ministers in 1991, in requesting the Nordic Investment Bank (NIB) to survey financing issues, with particular emphasis on the prerequisites for Baltic countries to attract foreign investment, indicate that economic actions may well

⁴⁶ Norwegian Agency for Development Cooperation.

be embedded not only in social relations or networks but also in politics. In order to strengthen the capacities of their entrepreneurs and investors, as well as their power position in a strategically advantageous geographic region (in the name of solidarity, as postulated by the NHO), the organizations of the Nordic states declared their strategic viewpoints and plans that needed to be realized in order to achieve the goals set. As the case below will illustrate, the strategic actions of several Norwegian industrialists were to be put to work precisely by the stimulus of Norwegian state policies and support measures.

4.5. The Baltic Sea Billions,⁴⁷ or a Struggle to Assist?

Norwegians were concerned about the fact that the EU had turned down EFTA⁴⁸ countries' desire for a closer formal cooperation in membership negotiations with candidate countries on the pretext that they were bilateral negotiations between the EU and each specific candidate country. The EU has regularly declined Norway's offer to contribute to EU support programs (for instance, to the PHARE⁴⁹ program for the development of the infrastructure sector), indicating that this is an internal EU support program targeted at third-party countries (NHO 2001).

The enhancement of business competence and knowledge of the market economy were named in the NHO report as potential areas of support that might be achieved through staff and student exchanges and Norwegian university scholarships. Notably, the upgrading of environmental standards was perceived as an area where Norwegian competence could be successfully invested. New candidate countries were expected to carry out considerable improvements in the environmental sector in order to meet EU criteria and to make a transfer to more environment-friendly and cleaner production processes. Norwegians saw their opportunity to use this niche to invest in an upgrade of the energy, water and waste sectors. In addition, the case study on *Nordic Ltd* in chapter 2 provides a useful perspective on the Norwegian belief that their industries could have a major role in the environmental sector of the new EU member states. Norwegian businesspeople possess long-standing experience in infrastructure building

⁴⁷ Østersjømilliardene (NHO 2001).

⁴⁸ The European Free Trade Association.

⁴⁹ The Poland and Hungary: Assistance for Restructuring their Economies.

(for instance, in roads, power plants, bridges and airport landing systems) in developing countries, and the NHO report stated that they were willing to apply this competence in the EU candidate countries (NHO 2001).

In 2000, the Danish Ministry of Economic and Business Affairs indicated that Danish engagement in the Baltic Sea region exceeded Norway's⁵⁰ contribution fourfold and that Swedish engagement had been three times broader than that of Norway. The Swedish *Riksdag* allocated a billion Swedish crowns towards business development in the Baltic Sea region: first in 1996 and then again in 1998, with the aim of stimulating growth and employment in both Sweden and the Baltic Sea region, and reinforcing the position of Swedish companies in the area (NHO 2001). Norwegian support and engagement targeted, for the most part, environment and democratization, and, to a lesser extent, the field of entrepreneurship.

The Danish research report, "Launching a Region – Potentials, Possibilities and Prosperity",⁵¹ reveals that in 1998, Norway had potential for increasing exports to Estonia by 37 percent, to Lithuania by 77 percent, and to Poland by 117 percent. In all, the report estimates that Norwegian exports to the Baltic states and Poland could be increased by NOK3.15 billion. As regards imports to Norway, the unexplored potential amounts to 437 percent from Lithuania, 421 percent from Latvia and 9 percent from Estonia.

This demonstrates that at the end of the 1990s and in the early 2000s Scandinavian ministries and agencies, when estimating the numerical value of Baltic economic development, could see an unfulfilled cooperation potential and niches where their compatriots could operate. Baltic purchasing power was rising, inflation was around 1–3 percent, trade with the EU has been growing by 20% annually since 1993 (NHO

⁵⁰ The Norwegian program for cooperation with countries from Central and Eastern Europe by 2001 targeted NOK 228 million, mostly towards Russia, less so in relation to the Baltics. The program was administered by the Norwegian Foreign Ministry. The 2001 budget proposal was NOK 369 million. The SND Investment Fund for Central and Eastren Europe held NOK 70 million, but the amount was due to be increased to NOK 120 million. This fund allocates financing for smaller scale projects and targets small and medium-sized companies. The majority of projects were in the Baltics and Poland. There were growing interest in the fund. By 2001, all Baltic capitals hosted offices of the Norwegian Trade Council (*Norges Eksportråd*) (NHO 2001).

⁵¹ "Launching a Region – Potentials, Possibilities and Prosperity", Danish Ministry of Trade and Industry, 2000.

2001). However, investments by EU states in the candidate countries were lower than expected, and in 1997 constituted only 5 percent of the total EU direct investment of EUR31 billion, which was the highest figure for direct investment in candidate countries (NHO 2001). Of course, the NHO report was not the only source announcing that new business opportunities in the Baltic region were very promising. Particularly active in propagating the “ocean of possibilities” at the other side of the Baltic Sea was the Norwegian Industrial Development Agency (NIDA) with its slogan,

Should your company need a competitiveness boost and access to export markets, join other Norwegian companies in the industrial fairytale in the Baltics!

There were certainly some challenges that had to be overcome to break with the social ties and companies’ legacies in their native regions, and to establish production relations in the foreign and seemingly unpredictable Baltic market. The assets Norwegian entrepreneurs required to help them pluck up their courage for such a step were those that could offer safety, predictability and some kind of guarantee. Two particular cases follow that will help explain this situation further.

4.6.A Safety Net for Norwegian Businesses

The company *N-Welding AS* was formed in Central Norway in the mid 1940s; it was established as a manufacturer of wooden furniture. This side of the business went into decline, so the company took up the manufacturing of metal railings in the 1950s; finally, in the 1960s, it went into mechanical engineering. Like a number of Norwegian small and medium-sized companies in the 1950–60s, *N-Welding AS* experienced both good years and bad; at times they were on the verge of bankruptcy, but pulled through successfully. Ever since then, *N-Welding AS* has been producing mechanisms that provide us with comfort in our workplaces, as they allow for the adjusting of the back of office chairs to the required angle. We do not see these gadgets as they are mounted under the chair, and even if we saw them, we most probably would not give any thought to where they have been made. Yet, an insight into the conditions of production of these gadgets would help us to understand the strategies of *N-Welding AS* management in relation to the Baltic market.

It is with these fixings that *N-Welding AS* makes its living by selling them to chair manufacturers in Sweden and Germany, though less are sold in Norway. As 80–90 percent of the products are exported, *N-Welding AS* is very sensitive towards fluctuations on the global markets. The company entered the twenty-first century with concern for its competitiveness as the production costs in Norway had been rising year on year. For many years, the company had employed around 140 workers, but over time only 80 were left: due to reduced demand and lower competitive capacity, there was no need for so many staff. Italian firms with their constantly low prices and large volumes were the fiercest competitors to *N-Welding AS*. Fixings produced by *N-Welding AS* were not cheap, but they were of excellent quality, durability and were easy to use. They were highly competitive in European markets in terms of quality, but not in terms of price:

If wages are once again being raised by 5% in Norway, this is a fait accompli, and you cannot do anything about it. We cannot tell our customers in Germany that they'll have to pay more for our product because our wages and electricity tariffs have been raised (Knut Kløver, 2006).

One day in 2001, while reading a monthly publication from the mechanical engineer's trade union, Knut Kløver noticed an advert in which the owner of a Norwegian metalworking company in the Baltics, Tore Hauge, offered welding services for a comparatively low price. Having contacted the company, Knut discovered that several Norwegian firms were already operational in the field of furniture manufacturing and metalworking in the Baltics.

A couple of hundred kilometers from the village where the *N-Welding AS* plant was then situated in Norway, in a hamlet adjacent to a small fjord, reachable only by ferry from the nearest town, there stands a huge plant with dark windows, *Tekstil AS*. With its central location, bright color and massive size, it shapes the village identity and is impossible to ignore. Its fresh, stately, modern, clean and untarnished bulk in no way suggests lack of production. Although it is silent and exudes a tranquility uncharacteristic of an industrial facility, the building does not remind one of factories in the post-Soviet Baltics, abandoned after production has been stopped, repelling passers-by with their grey run-down appearance, attracting only the homeless.

Although hardly any work is going on at the *Tekstil AS* plant, the village identity is still connected to the name and business of the factory. The villagers still talk about earlier days, when the factory worked at full capacity, employing 100 knitters and dressmakers, and about how things could have been. The history and traditions of the plant are demonstrated by samples of warm woolen sweaters in Norwegian patterns displayed on each storey of the plant, and by woolen underwear hanging decoratively on a clothesline. Today, only one woman is in charge of a small workshop, where knitting machines turn out, one after another, pieces of patterned, knitted woolen fabric. This production facility for sweater material is the only one retained in the *Tekstil AS* plant in Norway, so that the collars can still proudly display the “Made in Norway” tag – a mark of quality and tradition without which those woolen items would lose their value for the Norwegian market. In addition, the administration and the product design group are still located in the main building of *Tekstil AS*; other facilities will be rented out to prevent closure of this large modern plant. Only fifteen people are now working in the *Tekstil AS* factory in Norway.

Being aware that there was a slim chance of continuing to produce woolen items in Norway, given the ever-increasing costs, Helge Hofset, the production manager of *Tekstil AS*, together with a member of the factory’s board, went to the Baltics in 1998 to search for a suitable site for re-location. The original idea of renting an already operating facility in the Baltics had failed because machinery of good enough quality could not be found there. However, they managed to find a plant with free space that produced similar wares, and *Tekstil AS* bought the company. By 2007 *Tekstil AS* has been working in the Baltics for eight years; traditional Norwegian woolen garments are knitted and sewn by 90 Baltic workers. Hofset now spends most of his time in the Baltics. If some years ago his weekdays in this industrial town seemed uninviting due to unsavory food, and an ugly and unsafe environment, he now enjoys his time there. He has put down roots, learned the local language and runs the factory operations by himself.

N-Welding AS for its part was more cautious than *Tekstil AS* and did not decide to move to an unknown country in Eastern Europe, with the attendant risks of such a move. Still, Tore Hauge’s advert in the technical paper aroused interest in

opportunities in the Baltics. Knut Kløver, the director of *N-Welding AS*, had little knowledge about the Baltics and the Norwegian programs that supported the entering of foreign markets. He had barely heard anything about the Program for Cooperation with Russia and Eastern Europe (*Samarbeidsprogrammet med Russland og Øst-Europa*) and told me, when I first met him in 2005, that he believed his company was too small to ensure safe entry into the market of a strange country. Larger companies might have been able to establish direct contact with Baltic officials, but he felt the name and size of *N-Welding AS* was too insignificant for that. *N-Welding AS* did not have its own contacts in the Baltics and applying for support with the Norwegian Industrial and Regional Development Fund (SND) seemed like an unwieldy and complicated process. Moreover, Knut had heard that the SND had granted funding to a certain company but could not release it due to budgetary problems. The manager of another company told me that the whole business with the SND had been “damn tricky” and fraught with unpredictable bureaucracy: by the time it was his turn for the review of his carefully prepared application, the funding scheme had already been terminated. Seemingly high risks, lack of knowledge about post-Soviet countries and a poorly developed capital market in those countries had prompted several Norwegian businessmen to seek financial and governmental support to launch their businesses in the Baltic states: for instance, they sought support for project development, financial arrangements such as “soft loans”, guarantee arrangements, risk coverage, as well as advice from lawyers and accountants that could help to control the solidity and integrity of potential cooperation partners, for it is at the outset of operations in foreign markets that most mistakes are made.

Knut explored the potential for taking part in activities that could establish a contact network in the Baltics. He also hoped that the presence of Norwegian institutions would be increasingly felt there, which would help him to feel a greater level of trust in relation to this unknown region. He also reasoned that this might influence political processes in EU candidate countries, through the strengthening of the rule of law and reduction of corruption. Knut started frequenting seminars held in Norway on production opportunities in the Baltic market that were organized by the Norwegian Industrial Development Agency (NIDA). NIDA’s initial goal was to develop strong regional and local industrial clusters through ownership in infrastructure, investment and knowledge networks. Its main objective was to contribute to the achievement of

the Norwegian government's policy goals in remote areas, and within this framework contribute to unleashing innovation capability and increasing wealth creation in all parts of Norway. Importantly, the principal mission of this public agency was to help Norwegian industries to develop and enhance an innovative industrial environment in Norway's regions. However, continuing competitiveness for Norway in the international arena depended on drastic cost cuts, to which Norwegian regional policy could offer no solution. Therefore, over time, NIDA started targeting the nearest neighboring countries in Eastern Europe; the idea was to build a cluster of regional industries in the area. An active promotion campaign was launched to make Norwegian entrepreneurs aware of the opportunities in the Baltic market and to give them a hand in exploiting these opportunities.

“Without networks to help them, it seems, businessmen wouldn't know where or how to begin to go about their tasks. Indeed, their world would probably fall apart”, Brian Moeran (2005:7) observed. This quotation illustrates the position that Knut, as a director of a medium-size regional company on the verge of bankruptcy, found himself in when realizing that moving production to the Baltics might be a solution to his company's financial problems. Knut tried several networks in search of support for mostly informational and financial issues; in the end, NIDA was able to solve all of them:

We are neither Hydro, nor Statoil; we do not have our own lawyers who could help in this context. I can only say that if not for NIDA, we would not have come here. Still, we did not have much choice. Our bank in Norway dropped a clear hint that recently our figures had been in the red ... And our large international customers made us understand that they would not buy anything from us unless we reduced costs by 5 percent the following year. In fact those two conditions made us move to the Baltics. The bank recommended us to contact NIDA and NIDA did the rest (Knut Kløver, 2005).

The importance of networking in business relations is emphasized by Moeran (2005). While carrying out fieldwork in a Japanese advertising agency, Moeran set up a number of important relationships that helped him further in social networking, with one of these relationships becoming especially important. Yano, an agency employee, asked him to keep an eye on his son, who was a student at a university in London where Moeran worked. Moeran met the young man a number of times and, upon Moeran's return to Japan to follow up on research, Yano became one of his trusted

'knots in the network' through whom he could obtain information of vital importance to his studies. Moeran recognizes that initially his relationship with Yano was based on the principle of reciprocity and was instrumental in character, but later it grew into friendship. Mutual co-operation and assistance are important features of networking.

Although Knut's relation to NIDA was not of an identical type, the benefits Knut received from NIDA were similar to those Moeran received from Yano. A noteworthy difference from the relation between Moeran and Yano is that Knut 'reciprocated' NIDA's services with money, but still NIDA became for Knut the important "knot in the network" in the Baltic market entrance process. Relations between NIDA and Knut were based on mutual interest and trust. NIDA offered Knut predictability and safe entry into a seemingly unsafe market, but Knut paid for these services. Thus, business organizations and firms also form mutual networks; they can be regarded as human networks that build relations within them and beyond their borders. Social networks within economic operations reveal such values beyond rational calculation as trustworthiness and voluntariness, and display the social essence of economic relations.

As Yano was in Moeran's (2005) case, NIDA was Knut's social capital. By utilizing the concept of social capital we can identify and consequently discuss the consequences of these mechanisms through which social structures affect economic action. Social capital means various kinds of valued relations with significant others (Jenkins 1992:85), or social obligations and connections of importance for an individual, which guarantee a high profile. This profile, for its part, acts as a filter of trustworthiness in certain situations; it may be convertible into economic capital and institutionalized in the form of a title of nobility (Bourdieu 1986:243). Since social capital is not a static or natural quantity, it requires constant sustenance and the cultivation of relationships for it to yield material or symbolic benefits (Bourdieu 1986). As we will see, Knut and NIDA held to these principles.

According to Moeran (2005), it is the kind of qualitative observation characteristic of anthropological research that can help the researcher to understand the formation and existence of formal corporate networks. As he observed, social networks in Japan take shape in patterns according to parameters like kinship, graduation from the same

university, common geographical origin, or metaphorical relationships among “classmates”, which are based on belonging to a group of siblings and the feeling of being of the same generation. These are sufficiently important reasons for building contacts that expand an individual’s social networks (Moeran 2005). Moeran detected that in Japan these personal contacts underlie the building and sustaining of formal corporate networks. Relations between two individuals, who, through further co-operation, bring together higher-ranking representatives of their organizations, grow into relations between organizations. This demonstrates rather a curious phenomenon, namely, the relations between two corporate organizations do not only operate at the level of top management; quite often, they run through all the levels of power, on a basis of individual links and social networking. The individual origins of the corporate network explain a number of things: why those links and networks work between some organizations but not others, for example. It also elucidates why choices are made in favor of certain corporate networks: networks with a high level of credibility are prioritized. Trustworthiness is of particular importance because by their character informal personal networks and formal corporate networks are both carriers of information. They are used in the business environment to obtain information, to overtake competitors in getting access to information, and to communicate with people who can help in solving a problem. All of this also pertains to the operations of NIDA. However, a noteworthy aspect in the network activities of Norwegian entrepreneurs is that many of them choose to relate to formal state actors, such as NIDA, rather than kinship, classmates or other more informal networks.

4.7. Welcome to an Industrial Fairytale: NIDA

Initially NIDA’s international operations were rooted in the Barents Sea Cooperation (*Barentssamarbeidet*) and in development cooperation with northwest Russia during the early 1990s. NIDA opened its office in a Northwest Russian city in order to make it easier for Norwegian businesses to penetrate Russia’s market; thus, Norwegians’ requirements in Russia were gradually assessed. As Harald Hegstad, director of NIDA’s international division, observed,

Norwegian businessmen could not deal with Russian bureaucracy and mafia. They needed a safe haven, a place where businesspeople could feel secure in all possible ways, a 24-hour security guard and a building of good quality; nothing of that was available in those days (Harald Hegstad, 2005).

When the Norwegian Foreign Minister had a meeting with the governor of northwest Russia in the mid 1990s, Harald Hegstad managed to have included in the minister's speech a sentence about the building of a Norwegian industrial park in the region:

For the Governor this was like a message of joy from heaven. The very next day he announced through his community that a Norwegian business center would be built here. And things had to be the way he said. Since that day we have not experienced any problems in Russia. However, many of those companies who choose to act on their own encounter problems. Nobody from our park has had any difficulties, as obviously everybody knows about our direct contact with the local authority and the trouble they will be facing should they try to touch us. The principal idea of the park in Russia was security and good relations with the local authority (Harald Hegstad, 2005).

Not only NIDA's leadership, but also a vast amount of academic literature (Johanson 2001; Johanson 2002; Ledeneva 2006) has reported on the sense of insecurity surrounding the Russian market at that time. Harald said he was convinced that it was

one thing is to do away with a small company in a small town, but where 23 companies are working together under the scrutiny of government authorities, nobody will be tempted to touch those companies (Harald Hegstad, 2005).

In 1995, NIDA started planning to build an industrial park in Northwest Russia, and it was completed in 1998. A total of 23 companies moved into this Norwegian industrial park, which included round-the-clock security, a number of joint services, conference rooms and a cafeteria.

In the meantime, an increasing number of Norwegian industrial businesses had approached NIDA expressing a wish to work in the Baltics. They asked why NIDA only operated in Russia, when they perceived the Baltic region to be more of a live issue. As a result, NIDA obtained authorization from the Ministry of Local and Regional Affairs (*Kommunal- og regionaldepartementet*) to expand their international operations to also target the Baltic markets. In 1999, in order to assess the status quo and get to know the Baltic states, NIDA's representatives travelled around the Baltic region and discovered that Finns and Swedes had mainly invested in Estonia, but

Norwegians had mainly moved into Latvia. On arriving in Riga, the Norwegian presence was felt on almost every corner where Norwegian brands were displayed. Reflecting on the time when NIDA came to the Baltics, Henning Hansen, Director of the NIDA Industrial Park there, said:

We felt that this was the right country. Norwegian businessmen, too, felt more attracted to Riga, Riga as a gateway to the Baltics, as a Baltic capital. Still, when taking a bird's-eye view, we do not see borders, we see only the Baltics. Norwegian businessmen do not care much whether they will settle down on the Latvian or Lithuanian side of the inner borders in the Baltics – the countries are so very much alike. What they actually care for is average wages in the Baltics; therefore I always have with me up-to-date information. Our principle was as follows: we will build an industrial park in a place where we can receive a blessing on our actions from the local authority; we are going to attract Norwegian investments to the community, but the local authority will help us tackle bureaucratic hindrances (Henning Hansen, 2005).

In order to form social ties with high profile locals, NIDA invited several local authority leaders from the Baltics to Norway; together they went on a tour through a number of Norway's regions where Baltic local municipalities were promoted as attractive for industrial activities. In total, fifteen Norwegian companies, including *N-Welding AS*, expressed interest in deploying their production facilities in the industrial park NIDA was planning in the Baltics. The municipality of Linava in the Baltics had already established a good and trusted level cooperation with Norwegians Tore Hauge and Jon Volstad, and Linava was therefore ready to host NIDA as well. However, the building and area offered in Linava seemed too expensive for Norwegian manufacturers and thus, slightly disappointed, NIDA's representatives abandoned the idea of cooperating with the Linava local authority.

NIDA suggested that Norwegian manufacturers should decide where they wanted to locate their production units. A tour to the Baltics was arranged for those who were interested in order to inspect potential locations. They were welcomed in a number of places and finally Livpils was chosen as the most suitable. This small town was close to the capital, the airport and the port, and the mayor was very responsive; also, the 7600 m² property and the surrounding plot of land were available for an acceptable price. The Norwegian government gave NIDA permission to make an investment of almost NOK5 million towards the purchase of this industrial area in Livpils, and thus the town became home to the NIDA industrial park.

Rent agreements with the manufacturers who wanted to relocate to NIDA's park in Livpils were concluded before the industrial facilities were equipped; in this way, NIDA knew how many square meters of industrial area were required and what equipment each company needed. The tenant manufacturers were given the option of contributing to the process of preparing the buildings so that they could, if need be, adjust the proceedings according to their requirements. This meant that each company could start its production in a made-to-measure plant.

While fitting out the units to accommodate production, contacts with Livpils municipality were useful. There seemed to be no sign of corruption – which had been Norwegian entrepreneurs' main worry in relation to working in Eastern Europe. The mayor of Livpils was happy about the upcoming industrial micro cluster and the new jobs emerging in his municipality. Things went smoothly, then, until Henning Hansen discovered that the park could not be connected to mains electric power. The local energy company insisted that NIDA should pay for a 6.5 km cable to supply power to the property. The energy company claimed it could not afford to lay the cable itself as the associated costs were estimated at NOK 2 million. NIDA argued that the establishment of a micro cluster in Livpils municipality was in the interests of the community and the local council alike. They further retorted that the demand should have been made before they bought the property, and that it was insane to demand such a huge investment for connecting power; they stated that neither Norway nor Sweden would do anything like this. NIDA's protests achieved nothing, and they were forced to pay for the cable and its installation. This, however, did not solve everything. The next events were described by Henning, as follows:

There is a bridge in Livpils that shelters a Rivertroll.⁵² In order to draw the cable up to our territory, we had to lay the cable either two meters under the riverbed or along the side of the bridge. Along the side of the bridge there ran a trench where the cable could be laid. But the troll did not want the cable to be laid there. The troll was an important creature, because in Eastern Europe he who has a round stamp is the master of the situation. He who has the seal has the power. We could

⁵² A metaphor frequently used by Henning Hansen to denote the unpredictable attitude of a seemingly corrupt Baltic bureaucrat, who can make running a business complicated. The metaphor in all likelihood is borrowed from a Norwegian fairy tale *Three Billy Goats Gruff* (*De tre bukkene Bruse*). The fairy tale pictures three goats who must cross a river to get to a meadow on the other side of a river in order to eat grass. In order to do so, they must cross a bridge, under which lives a fearsome troll who threatens to eat anyone who passes the bridge ...

not get anything done without that seal, we did not know how the river-troll could be persuaded to let us lay the cable through the trench on the side of the bridge. We discovered that there already were some cables in the trench but the troll said that there was no more room for ours.

But then it turned out that our local manager's father knew the river-troll; they were old hunting companions. Our manager's father called the troll and said, 'Look, give them permission to put that cable in the trench, or else they are unable to start production for several months'. 'OK, OK', said the troll. And that's how we got the troll's stamp and laid the cable across the bridge in ten days.

Unlike Norway, decisions in the Baltics are made to a great extent on the grounds of opinion; individuals are empowered to make their opinion come true. But you cannot argue against an opinion. I suspect that Baltic legislation has been designed with intent to enable corrupt deals, so that an opinion preferred by a particular individual could become true. Norwegian and Swedish legislation works by virtue of complying with conditions. If you have fulfilled conditions, then legal rights are on your side and you can demand that these rights be exercised. Decisions are not underpinned by opinions but by compliance with certain conditions. This is the greatest problem with Baltic legislation: too many legally unjustified decisions made on the grounds of opinions. The power was in the hands of the River-troll; he could give or deny us his seal.

Had we not discovered our friendly connection with the troll through our local manager and his father, the battle would probably still be going on. We would never have paid him any money; we would have acted through the media and authorities, until we achieved what we were entitled to by democratic means. We have clearly defined, both for ourselves and for others, our position as regards bribes: should anybody demand a bribe from us for issuing a permit that is due to us, we would sooner accept failure and go home than pay up. Our position is to act within the law and to arm ourselves with patience when dealing with formalities, but should this fail, then draw in the media and inform other investors about a negative experience in the Baltics, or go to the city mayor who had promised to help us. And this event was proof of the fact that there is nothing to be done here by a small company on its own, without connections; it would be lost in a situation like this. This was the only surprise that was unacceptable to our way of thinking, and it remains the only problem we encountered in the Baltics while launching NIDA park and working there (Henning Hansen, 2005).

It follows from Henning's monologue that social networks in the corporate environment are not uniform, as already indicated by Moeran (2005). NIDA was inclined to form its business networks in the Baltics with formal state actors (such as the mayor of Līvīpils municipality), whom they perceived to be trustworthy guarantors of successful business operations there. The case related by Henning also indicates that it is not easy for participant or observer to work out when two people are communicating as individuals and when they are acting as individuals representing business organizations. These roles can be mutually exchanged or replaced depending

on the situation. This is connected with the choice of different social roles for certain situations. Business contacts, coalitions and other important relations are built for performing even seemingly unrelated tasks (for instance, undertaking parental duties or going out hunting); such activities also expand an individual's social networks. Carrying out research on networks is difficult, for they do not have well-defined borders; starting from an unsophisticated relationship between two people, social networks can lead a researcher in unpredictable directions.

When talking about social networks in the post-Socialist space, one cannot disregard the *blat* networks in the Soviet Union that served as a foundation for many a successful business. *Blat* relations, or informal contacts and personal networks, which were used to obtain goods and services under rationing (Ledeneva 1998), *blat* was the primary way of getting things done in a non-market society in which money counted for little. *Blat* resulted from the combination of the shortage of goods and consumerism; from the paradox between the ideology of equality and planned economy and the practice of differentiation through privilege and a closed distribution system. *Blat* exchange was vital to the functioning of the Soviet system; it became an everyday pattern of behavior and an entrenched mentality (Ledeneva 1998; Cimdina Barstad 2003).

Ledeneva (1998) explains that a *blat* relationship is not merely an exchange of goods and services; it is rooted in human relations and, moreover, its principles of reciprocity can seem rather strange. *Blat* networks were not usually built on the grounds of immediate bilateral reciprocity, but rather as relationships that would "bear in mind" the need to return the favor. Helping out with personal contacts was not rewarded in a tangible, immediate manner, but was linked to a possibility that another person's help could sometimes prove useful, as in the case of the river-troll and NIDA's local manager who, due to a *blat*-like relationship, obtained permission to put the electricity cable in the trench. Reciprocity in their case was based on an opportunity to ask assistance when either of them felt that it was their "turn ... to help again" (Ledeneva 1998: 6). The significance of *blat* networking is not to be sought in an immediate real benefit, but in the importance of the relations themselves. Another feature of *blat* is the insignificance of money: for instance, cars belonging to a good acquaintance would be repaired for a cheaper price, because they supplied other

clients and created a good reputation for the particular business; for reasons of trustworthiness only clients recommended by others were served (Ledeneva 1998:10). Money was not important in *blat* relationships because in Soviet times it could not guarantee access to goods and services to the extent that good relations could.

The fact that *blat* can only work through non-market ethics and informal human relations does not rule it out from the market-oriented economy, according to Ledeneva (1998). *Blat* has been adapted to function in new market conditions. It might still work if not in the sphere of trade and in accumulation of commodities, as in Soviet times, then in dealings with bureaucracy – as we saw in NIDA’s dispute with the river-troll.

As further cases will show, *blat*-like relations turned out to be more important in terms of business needs in the Baltics than good formal relations with the municipality. Baltic people routinely use their networks for business activities as they used to do for personal consumption in Soviet times. This state of affairs seemed to be unknown to NIDA and its tenant manufacturers. Good contacts in such cases can play a much more significant role than bribes (Cimdina Barstad 2003).

Especially at the beginning of the 1990s, personal contacts played a crucial role in the development of small enterprises in the Baltics. The launching of private business had not been attempted before and thus advice and help was essential. One of the local Baltic entrepreneurs put it this way:

When I decided to grip the long awaited opportunity and throw myself into business there was a lot of help I needed. My registration documents were presented by my friends or their friends. Informal channels were the essential factor in starting a business. The advice and information I got through my friends and acquaintances I considered as the most reliable. I think that business was bound to depend on informal contacts because the contract system was not developed yet. There were no efficient mechanisms for solving conflict situations or imposing sanctions on unreliable partners. Therefore, I think that the informal contacts, as you call them, and trust relations formed within *blat* networks were the only guarantee one could rely on (Cimdina Barstad 2003:120).

The range of difficulties that personal contacts in the Baltic business environment could help with was vast: receiving permissions, the arranging of privileged

conditions for loans, the postponing of payments, freedom to withdraw private money from banks, queue jumping and the speeding up of bank transactions. Examining the situation in Russia, Ledeneva (1998) states that only those who could rely on the support of their contacts in banks, in state organizations or in local administration could run their business successfully. Similarly in the Baltics, access to all kinds of resources, especially information, was limited unless contacts were available. The selection of partners, bankers and guarantors was normally determined by the recommendations and advice of acquaintances (Cimdina Barstad 2003).

Thus, we can progress to the next chapter in the knowledge that economic practices are part of social relationships, or that economic relations are also social relations – a cognition that is clearly demonstrated in an analysis of social networks. As observed in chapter 3, research into the networks of business environments allows the contestation of the instinct of economists to separate economics and entrepreneurship from social processes. But before we go deeper into an analysis of the embeddedness of entrepreneurial actions in social relations, we should take a look at social networks as an analytical instrument in social anthropology.

Chapter 5.

Social Networking as the Core of Embeddedness?

5.1.Social Networks as an Analytical Instrument

The Kula exchange described by Malinowski can be regarded as one of the first descriptions of network research. The Kula ring cannot be compared directly to modern business environment networks, yet it demonstrates the basic functions of networks and their significance in actors' daily lives. The Kula exchange is more a social and symbolic than an economic transaction and its prerequisites are reciprocity, a successful (intercultural) communication and an agreement on values and their significance. The establishment and practice of common customs and rituals, through exchanging shells and other objects of symbolic significance, could not take place within the Kula framework without successful (intercultural) communication.

The notion of social networks was first introduced by Barnes in 1954, although interpersonal relations between individuals and groups that structure behavior have been examined by anthropologists ever since Malinowski. Barnes, however, raised it from a metaphorical to a conceptual statement about social relationships in social situations, and the relatively unstructured quality of social relationships in large-scale societies (Mitchell 1974).

The metaphorical use of the idea of the social network emphasizes that social links of individuals in any given society ramify through that society. The analytical use of the idea of social network seeks to specify how this ramification influences the behavior of the people involved in the network (Mitchell 1974: 280).

Network analysis is an analytical instrument that views circles of relatives, friends, coalitions, groups, businesses, industrial companies and even nation states as scatterings of points connected by lines that form networks (Boissevain 1979:392). The introduction of network analysis opened a door to the study of interacting people engaged in actions that could alter and manipulate the institutions in which they participated (ibid.). "The basic simplicity of the idea of a network" (Barnes 1972:3) relates to questions about who is linked to whom, the nature of that linkage, and how

the nature of the linkage affects behavior (Boissevain 1979:392). As Barnes notes, the “configuration of cross-cutting interpersonal bonds is in some unspecified way causally connected with the actions of these persons and with the social institutions of their society” (Barnes 1972:2).

Barnes (1972), Mitchell (1974), Boissevain (1979), and Whitten and Wolfe (1974) agree that there is no such thing as a theory of social networks; rather, they show that what forms the theoretical basis for network analysis is exchange and action theory. Exchange theory, suggests Peter Blau (1964), encompasses the social world as an endless series of exchanges that involve, for example, objects, monetary means and communications. According to Blau, people enter social interactions because they need something from other people:

An apparent ‘altruism’ pervades social life; people are anxious to benefit one another and to reciprocate for the benefits they receive. But beneath this seeming selflessness an underlying ‘egoism’ can be discovered; the tendency to help others is frequently motivated by the expectation that doing so will bring social rewards (Blau 1964:17).

Exchange theories in social sciences have grown in volume; generally, they build on a view of the social order as the outcome of exchange between actors. Economists would probably analyze exchange by applying rational-choice or rational-action theory, focusing on the personal advantage individuals gain through co-operative exchange. As Whitten and Wolfe explain, action theory is a type of exchange theory. Action theory involves studying

the interpersonal, maximizing exchanges that take place between individuals linked to one another in effective personal networks owing to their common relationship to a socially significant ego (Whitten and Wolfe 1974, in Mitchell 1974:293).

An anthropologist would stress that both social relations and the pursuit of individual advantage are effects of the symbolic nature of the thing exchanged.⁵³ Both

⁵³ Referring to Gregory (1980,1982) and Simmel (1978), Humphrey and Hugh-Jones explains various forms of exchange as follows: “in gift exchange, inalienable objects, of the same kind, pass between people already bound together by social ties whilst in commodity exchange, alienable objects, of different kind, pass between people acting as free agents. Gift exchange underwrites social relations and is concerned with social reproduction; commodity exchange establishes relations between things and ensure their reproduction” (Humphrey and Hugh-Jones 1992:7). In monetary exchange, the value of one exchange object – money – has no direct use, but is merely a claim of other definite values. The

anthropologists and economists would agree that the breakdown of the exchange process would result in a conflict.

Mitchell (1974) and others (for instance, Schweizer 1997) have pointed out that there is scant data on measures of density in social networks. However, the goal of the present research is not to measure the extension and density of social networks, but rather it seeks to examine the content of the networks. Network analysis focuses not only on interlinkage, but also on the content of the relations and the inherent tensions in social relations. Originally, Mitchell (1969) identified content, directedness, durability, intensity and frequency as the salient interactional criteria of social networks that must be considered in an analysis of social networks (Mitchell 1969: 20–27). Some years later, he distinguished among three categories of content of social interaction. The first examined the communication content, in which the links connecting points representing persons in a network diagram represent the passage of information of some sort (an aspect elaborated upon by Granovetter in 1973, as the strength of weak ties). The second category is that of transaction or exchange. The third category is the normative content, which refers to the actor's construction of the meaning of that relationship to him in terms of his understanding of the other person's expectations of his behavior (Mitchell 1974: 292–294).

Schweizer also indicates that a vital role in the contemporary analysis of social networks is played not only by social relations but also by social cognition or “cultural meaning”; more precisely, Schweizer studies how action as produced by actors located in social networks struggles with cultural goals and how social institutions are thereby generated (Schweizer 1997:740). As discussed in previous chapters, it is the lack of research focus of this kind that was indicated by some critics of the embeddedness approach. Schweizer explains that actors at any point in time are positioned in a certain social structure, giving them access to economic and social capital, but they are likewise constrained and motivated by the cultural models available to them. Social action is the outcome of both network position and cognition (Schweizer 1997:756). Action is induced by a combination of mental schemas that actors have acquired and developed during their socialization; cultural schemas on

realisation of such a claim depends on its acknowledgment by economic community as a whole, or on a government as the representative of the community (Humphrey and Hugh-Jones 1992:8).

their part are embedded in action and are not wholly conscious (Schweizer 1997: 756).

Of vital importance for an understanding of social network content is a methodological approach used in this research, namely, participant observation, as some involvement of the observer with the people studied is essential. This is because “the determination of the content involves knowing what meaning the actors in any situation are attributing to the cues, signs, and symbols being presented in the interaction” (Mitchell 1974:296). Because of the holistic nature of ethnographic data collection, ethnographic cases are well suited for the assessment of the connection of social behavior and cognition through the use of social network tools (Schweizer 1997:74).

The identification and measurement of networks without the analysis of the content that shapes these network relations would preclude a full understanding of the business practices in which I am interested. The comparing of networks with regard to density, size, and even composition would be similar to the way butterfly collectors compare the coloring, wingspread and number of spots of their favorite species (Boissevain 1979:393). Would the determination of those qualities allow us to predict butterflies’ behavior? Schweizer finds it interesting that even the knowledge that the actors have and the norms guiding their action are in most cases insufficient to explain and predict the properties of the network that is generated by their individual actions. Actors are seen as being motivated by their particular cultural models. Their meaningful interactions create a larger network that may be very different from what individual actors intended (Schweizer 1997:756).

In this analysis of entrepreneurial activities I aim to show that the social relations in which economic processes are embedded have a cultural content in terms of meaning and representation. I aim to approach embeddedness not only by identifying specific social networks, with the help of which Norwegians enter and establish themselves in a new market, but also by analyzing the content and meaning of those networks. Because, “when we are asking what is in a social tie we are asking about cultural belief” (Schweizer 1997:740). This concerns a belief about one’s own identity and the identities of others, and a belief about the place and manner in which to do business,

and this substantiates the idea that at the core of analysis should lie a reassessment of the relationship between social ties and meaning. Identity matters in embedded relationships precisely because it assigns value to the transaction and enriches the social capital of exchange partners in the network (Portes and Sensenbrenner 1993, in Uzzi 1996:677). My intention is to use the idea of the social network and the concept of embeddedness to link individual behavior to the larger social system, to conceive of the network as a set of relationships that people imbue with meaning and use for personal or collective purposes. By emphasizing subjective and multi-layered meanings and purposes of action, I presume that network analysis as a research instrument will provide theoretical insights into those aspects of society that are overlooked by structural and institutional approaches. By focusing upon embeddedness within social networks I hope to show how layered contexts, multiple voices and sociocultural connectivities in entrepreneurship can be given empirical groundings, and how they help to locate the complexities of individual choice and action within manifold webs of opportunity and constraint.

5.2. Manufacturing under the Auspices of NIDA: The Case of N-Welding AS

N-Welding AS was not pressured by NIDA to move to Livpils. A couple of years after the NIDA industrial park in Livpils had been opened, *N-Welding AS* was still holding off, making estimates and calculating what they as a small regional company would be able to afford. But in 2002 it was finally decided that 40 percent of *N-Welding AS* production would take place in Livpils, although the other facilities would remain in Norway. In Norway, the company makes semi-finished machine parts from Swedish and German raw materials. The semi-finished product is then delivered to Livpils, where the parts are accurately welded together into a finished product. Development, administration and sales of the finished product take place in Norway.

Key to an industrial park's success are trustworthy tenants of long standing. Therefore, the NIDA industrial park in Livpils goes to some lengths to keep tenants happy with production conditions. If tenants are not successful, NIDA is not successful either. Knut Kløver was concerned lest he should be cheated in the Baltics,

and believes that his relation with NIDA has protected him from this. Knut, together with the rest of the board of *N-Welding AS*, had been for some time seriously considering plans for their operations in the Baltics: they did not come here to play games of chance. Knut's compatriots had warned him that he should be cautious and a friend knew somebody who had paid for a property in the Baltics, but on the following day it transpired that he had not become the owner of this property. It is important for Knut to know that his company is in safe hands when operating in the Baltics under the auspices of NIDA. Production in NIDA's park was costly, but Knut did not complain because the problems that NIDA resolved during the initial period of operations outweighed the costs. Thus, Knut and NIDA benefited one another.

Had Knut started work there on his own, he estimated that infrastructure costs alone would have amounted to 70 percent of his total investments. The plant in NIDA's industrial park is fully adjusted to the needs of *N-Welding AS*. Knut started paying rent only when he had properly launched production and his business had started to bring in a profit. For Knut, this seemed much easier than spending significant amounts of money in advance, buying a building and installing equipment – and providing water, sewerage, electricity, gas – as well as spending a significant amount of time tied up with local bureaucracy. NIDA staff also helped him find workers who spoke English, introduced him to the mayor of the town, and provided him with information on Livpils. It was because of these advantages that Knut did not opt for setting up production by himself at Linava, as Tore Hauge's advert had suggested.

Production in Livpils requires many employees. *N-Welding AS* currently employs 17 local workers here. The only criterion when recruiting workers is their welding skill, as every fortnight a truck full of 25 tons of semi-finished elements to be welded are sent to the Baltics from Norway via Sweden. It took quite some time before the personnel understood what was most important when making equipment and which things should be focused on, because local workers had never seen products made by *N-Welding AS*. The language barrier is handled by a local production manager who knows English, and by the secretary, who speaks Norwegian at an intermediate level. Knut had heard that thousands of young people in the Baltics know Scandinavian languages, and knowledge of Norwegian was the only requirement when recruiting a secretary. Knut speaks English with the local production manager. It took a long time

before the man understood what the quality of the products should be, but by 2006 he is as good a production manager as the one who works at the facility in Norway, and the product quality is excellent. Knut observes that workers in Livpils display more commitment than workers in Norway. Having spent three intensive years working in Livpils, Knut now visits once a month for a couple of days. During this time, the production manager compiles a list of problems that have arisen during Knut's absence and over the course of two days these are reviewed and resolved. Even if there are no pressing problems, Knut still comes to Livpils once in a month to demonstrate that he cares for and is interested in what is going on in his plant. Knut's staff in Livpils also know Russian and, of course, he is aware of the proximity of the huge Russian market; still, Knut is in no hurry to make plans for Russia, because the business needs to be established firmly in the Baltics first.

The production process and machinery are identical in Livpils and in Norway; Knut observes that only the people are different. The production in Livpils is around 15 percent more efficient than in Norway. The workers are paid average wages for the Baltics. Salary negotiations have just been concluded: the workers wanted their wages to be increased by 2.6 percent, but Knut raised the pay by 3.5 percent. Some of the workers are skilled welders; some are simply people with life experience who can turn their hands to almost anything. There are a lot of these people in the Baltics, Knut was told. They are hard working, accurate and efficient. Knut was convinced by the assurance that people do not need a university degree to carry out this type of work.

The most important concerns for Knut are safe and predictable production conditions, which, he believes, it would not have been possible to secure in the Baltics without NIDA. Knut communicates with local authorities through NIDA's local manager who has good contacts in the town because he was born and raised here. He says that thanks to NIDA, he has not come across either bribe taking or corruption in Livpils. Knut's secretary has convinced him that the times when money was extorted from companies in the Baltics in a menacing way – showing up at the door and threatening physical violence – are long gone, although this was still the case in the early 1990s.

In addition, Knut's fellow Norwegians, who started working in the Baltics in 1995, maintain that the business culture back then was totally different to that found today.

Although Knut has heard that in some Baltic areas an unofficial fee is demanded for getting documents completed on time, he is determined never to give in to such demands. He has also heard that workers here steal from their workplaces, but he has not observed anything like that at his own plant. Knut even told the factory workers that they could borrow tools should they need any for home repairs, but none of the factory tools has so far disappeared. However, Knut is not so certain about the business environment in the Baltics: he knows that not so long ago an attempt was made on the life of a Rimi boss in Riga when a bomb was planted in his shop. Knut believes that this was because the man had failed to pay protection money. This threat spread like propaganda throughout Norway, shaping opinions about the business culture and climate of competitiveness in the Baltics. Apart from a couple of seminars held by NIDA, newspapers were Knut's only source of information on the Baltic market.

Profits from the *N-Welding AS* facility at Livpils not only bolster the company in Norway but also allow it to implement plans for expanding the plant at the NIDA park. Recently, Knut has invested in a varnishing machine at a cost of 1.5 million NOK, which puts a black coating onto the mechanisms welded together at Livpils. Knut intends to expand facilities, as the existing building is becoming too small for his production rates. Currently, he has 900 m² in NIDA park and is planning an extension of 1200 m²: in total, then, *N-Welding AS* would have at least 2000 m² of covered production space built to the same standards as the plant in Norway. *N-Welding AS* pays an annual rent to NIDA of NOK 600 000; in Norway, the costs would be only a little higher. Knut so far has invested NOK5.5 million in Livpils. Production equipment costs the same here as it does in Norway. The only difference lies in labor costs: workers in Norway cost exactly nine times more than in Livpils. This is the basis for *N-Welding AS*'s profits.

If Knut were younger, he says he would move to Livpils and set up a large plant. But he is to retire soon; back at home he has property and a wife, children and grandchildren. Therefore, he opts for coming to Livpils only once a month: after work on a Wednesday, he takes a direct flight from his town, spends two full workdays at Livpils on Thursday and Friday and is back at home by Saturday morning. Everything functions excellently, he says.

5.3. An Unreliable Strategy

At the turn of the twenty-first century, relations between Norwegian businesses and the Baltics were marked by a growing interest in moving labor-intensive production facilities to small Baltic towns due to the cheap labor resources. This trend has also been widely covered by the Norwegian media. An *Økonomisk rapport* of 6 February 2003 observed,

The year 2002 will enter the history of Norwegian industry as the great year of facility relocation. That year, a number of Norwegian industrial enterprises saw an opportunity of improving profits through cost reduction or simply by moving all or a part of the plants to the Baltics where wages are ten times lower than in Norway, unemployment rates are high and the distance pleasantly short.

Norwegian businesses were welcomed to the Baltics by famous Norwegian brands of the time, such as Statoil, Narvesen, Rimi, Cubus and Dressman. Scandinavian entrepreneurs from an increasing range of sectors gradually showed an interest in working in the Baltic market. Norwegian call centers, pig farms, chain stores (even the King of Norway himself came to launch one of these) and hotels were relocated. Norwegian IT companies commissioned Baltic professionals to do software programming for fees that were three times lower than in Norway; it became commonplace for Norwegian companies to hold board meetings and workshops in Baltic capital cities, and “an Industrial Network Norge–Baltikum” was set up. The Baltics had become an extension of Norway’s domestic market, “*et lite stykke Norge*.”⁵⁴ Various Baltic capitals could be reached quickly and comfortably by direct flights from almost any Norwegian city. Norway’s media teemed with headlines about the opportunities awaiting Norwegian entrepreneurs in the Baltic market.⁵⁵

⁵⁴ ‘A little part of Norway’.

⁵⁵ ”Nordmann størst på gris i Latvia”, *Økonomisk Rapport*, published 26.06.2002.
<http://www.orapp.no/nyheter/neringsliv/nordmann-storst-pa-gris-i-latvia/> (accessed 08.08.2011.)

”Norske politikere valfarter til baltikum”, *Økonomisk Rapport*, published 19.02.2003.
<http://www.orapp.no/nyheter/neringsliv/norske-politikere-valfarter-til-baltikum/> (accessed 08.08.2011.)

”Norske bedrifter ønsker EU-utvidelse” *Økonomisk Rapport*, published 14.09.2002.
<http://www.orapp.no/nyheter/neringsliv/norske-bedrifter-onsker-eu-utvidelse/> (accessed 08.08.2011.)

”Norge ledende i nye EU-land” *Økonomisk Rapport*, published 14.09.2002.
<http://www.orapp.no/nyheter/neringsliv/norge-ledende-i-nye-eu-land/> (accessed 08.08.2011.)

“Hundreds of companies are moving to the Baltics”, the newspaper *Økonomisk rapport* wrote on 1 July 2004, indicating that more than 600 Norwegian companies were already operating in the Baltic states. On 2 February 2006, the newspaper *Aftensposten Reise* wrote:

Following the decline of Communism, the sun has risen over Riga: cheap airline tickets, rich cultural life ... Norwegian chain stores can make Latvia a Norwegian favorite weekend destination ... Norwegians feel at home here.

The adverts for NIDA’s industrial park encouraged many Norwegian manufacturers in distress to consider the Baltics. They were tempted by

- growing numbers of Norwegian companies in the Baltics;
- low labor costs;
- adapted, safe environments and business infrastructure;
- a long-term solution for breaking into international markets;
- engagement in Norwegian industrial clusters abroad;
- international contact networks for starting up international business.

NIDA saved Norwegian regional companies who were on the verge of bankruptcy by offering them an opportunity to relocate part of their facilities to the Baltics, thus reinforcing their companies in Norway. In the Baltics, manufacturers would get good workers for low pay, which is an issue for Norwegian industries in their native villages at home. Thus, Norwegian manufacturing companies could still take part in all stages of production, and implement new projects under competitive conditions in domestic and foreign markets.

By the end of 2005, NIDA’s industrial park in the Baltics extended to over 3 hectares and the total floor-space of the buildings was more than 8,000 m². *N-Welding AS*, like other Norwegian companies working there, had a 15-year rental agreement contract, which is proof of a well-thought out plan of action and a long-term production strategy. There was no cause for concern regarding investments, because all the companies were making considerable profits and the political and economic situation in the Baltics did not raise any concerns; on the contrary, the Baltic market with its low costs, strategic location and one of the fastest-growing economies in Europe was extremely attractive. The mayor of Livpils regularly came to visit. Another electronics company and a metalworking company had joined the park; Swedish and Icelandic

firms, too, had showed interest. The environment gradually taking shape in Livpils was one that NIDA originally intended to build in Norway, namely, an industrial micro cluster. Norwegian managers appeared on the ground in factories less and less frequently, because the reins of leadership were left in the hands of trusted local managers. All workers had been trained, the production run its course and profits were rolling in. The *N-Welding Ltd* factory had an online virtual communications system allowing direct communication with the administration offices in Norway, which gave access to the necessary instructions and product quality criteria. In other words, production under the auspices of NIDA in the Baltics functioned efficiently.

In the meantime NIDA's activities in the Baltics had been repeatedly assessed by Norwegian experts; Norwegian bankers and ministers had made visits to the site and had highly commended the work at NIDA's park. Therefore, it came as a surprise to NIDA's administration and tenants when *Stortinget*, the Norwegian parliament, decided to suspend NIDA's operations in the Baltics, and to sell the industrial park by the end of 2006, despite all the effort that had gone into making it such a success. The industrial park that had been established with such a great amount of effort was to close, the Norwegian government was to discontinue investments in new EU member states, and support for Norwegian companies that wanted to move part of their production from Norway to the Baltics was to be stopped.

It goes without saying that the reaction from *N-Welding Ltd* and other Norwegian manufacturer tenants was far from positive. The tenants had been certain that anything that NIDA, as a Norwegian governmental institution, was doing was well thought out and undertaken with a long-term perspective. NIDA had been a guarantee not only to them but also for bank loans they had taken out in Norway. Several tenants had plans to extend their production under the auspices of NIDA. *N-Welding Ltd* allied with other Norwegian companies to prevent NIDA being bought by a less dependable investor who might raise rent and impose more stringent manufacturing conditions. Rent agreements secured certain rights for NIDA's tenants in case of a change of ownership and, if the worst comes to the worst, Knut and his allies were ready to buy the whole industrial park rather than allow it to be bought by an "Ivan" from Russia. However, this had not been Knut's goal or strategy when coming to the Baltics. He had never been willing to handle property affairs outside Norway or deal

with local authorities in the Baltics, as he had neither the social nor cultural capital for doing this. To date, for these assets in the Baltics, he had been dependent on NIDA.

Looking at the situation from Bourdieu's perspective, we could say that the social position of entrepreneurs in the field "market" stands in a relationship of domination, subordination or equivalence to each other by virtue of access to the goods or resources (capital) that are at stake in the field (Jenkins 1992:85). Bourdieu differentiates these resources into economic capital, social capital, cultural capital and symbolic capital (Bourdieu 1986). Thus, the entrepreneur's social position in the market can be interpreted by virtue of their relationship to the relevant form of capital. As discussed above, NIDA comprised not only Knut's social capital – in terms of relations with significant others in the Baltics – but also his cultural capital.

Cultural capital in this context can be viewed as legitimate local knowledge and affiliation. In his monograph *The Business of Ethnography*, Moeran (2005) describes the usefulness of his cultural capital when attempting to arrange an opportunity to study the operations of an advertising agency in Japan. By mentioning his research supervisor, place of work, and the Japanese university he had graduated from, the author achieves a cultural capital that exerts a favorable effect to attain the result he needs. An important aspect here is the possibility for converting this cultural capital: education of international repute can be converted into other forms of capital both locally and abroad. This helps overcome the ethnocentric prejudices an employer or potential business partner might have. In addition, Bourdieu states, cultural capital is convertible, under certain conditions, into economic capital (Bourdieu 1986:243). In the case discussed here, Knut has no other affiliation in the Baltics than NIDA, which simultaneously is also his supplier of local knowledge. Left without NIDA, he feels stripped of vital resources and thus insecure in the Baltic market.

Norwegian manufacturers had not only been motivated to move production to the Baltics by cheap labor and favorable rent conditions. NIDA also evoked the synergy effect and promised to build a park of Norwegian mechanics industries where a number of similar industrial enterprises would operate side by side, thus creating a strong Norwegian micro cluster in the Baltics. Norwegian manufacturers in Livpils

felt deceived, especially Knut Kløver, who had relied completely on NIDA and perceived his future success in Linava as dependent on NIDA's operations:

Suddenly it was forbidden by law to encourage others to join the cluster. That almost means that we are located in an industrial park that has been forbidden by law or a decree: for sure, under these circumstances no company is going to move here from Norway. We feel deceived. We were promised a cluster of mechanical industries, but, at present, any further development of the cluster is forbidden by Norwegian national law, the law of the same country that launched the building of the cluster and encouraged us to join it with promises of secure long-term production conditions in the Baltics.

NIDA is under orders to move out of the Baltics during 2006. Everything that was conceived here will be abandoned and NIDA will move away in order to stop earning money. And all that because of an uproar kicked up by the mass media. For the reason that some manufacturers relocated not just a part of but their whole businesses. A company closed down its foundry in Norway and moved all its facilities here. That, however, was not NIDA's idea when opening the industrial park in the Baltics. We run our Baltic plant in support of the Norwegian plant as a guarantee that we may earn profits and be active in Norway as well. That was NIDA's original idea, and not draining industries off Norwegian regions with the help of state aid.

We feel betrayed because, for other Norwegian manufacturers, the doors to this place are closed, marketing Livpils in Norway has been discontinued, and we are going to remain here all on our own. Under another owner, the place will most probably come to accommodate local companies as well, but this was supposed to be a Norwegian micro cluster. That was what created the value added for the high rent we paid here. While the park was being widely advertised in Norway, we had regular visitors from Norwegian local authorities and companies. Sometimes even whole buses full of Norwegians with hangovers (Knut laughs out loud). And this has nothing to do with rational economic thinking, because NIDA's park earned good money. This is only a political decision. I thought I could trust the Norwegian state (Knut Kløver, 2006).

This case illustrates the significance of trust in establishing social relations. Knut's choice to enter the Baltic market through NIDA was determined first of all by his own lack of knowledge and his lack of trust in the unknown, unpredictable, foreign, risky and to a great extent mystified "otherness" of the Baltic market. As a Norwegian governmental agency, NIDA represented the familiar, the trustworthy, the safe and the reliable, not only for Knut but also for other Norwegian manufacturers who became tenants of NIDA's industrial park in Livpils, and for the banks that issued credit for establishing production in a high-risk zone. The comparatively stable and predictable economic situation and entrepreneurial environment in Norway had influenced Knut's perception regarding the role of social networks. Being comfortable and safe under NIDA's auspices, Knut did not feel any need to establish his own

relations with the locals or to learn about local ways of life. As we will see in chapter 6, the need for safety provided by personal social networks is not as important in Norway as in the Baltics, and since Knut had remained under the safety net of NIDA while operating in the Baltics, he did not know what it meant to operate there on his own and how vital local networks and knowledge of the business environment could turn out to be. Knut was unsure about how he would manage matters without NIDA and this was perhaps the main reason for his worries when he found out about NIDA's closure.

For Knut, NIDA also comprised symbolic capital – the prestige and social honor of operating under the high standards of publicly recognized production facilities owned by the Norwegian state in the Baltics, compared to those compatriots who had moved to the Baltics on their own and were operating in less advanced facilities and with less recognition from their compatriots. Working under the umbrella of NIDA made Knut feel as if he had received a kind of national approval of his decision to move production facilities to the Baltics, and he had believed that this approval would accompany him in his further expansion there.

Bourdieu states that symbolic capital is any property (any form of capital, whether physical, economic, cultural or social), when it is perceived by social agents endowed with categories of perception that cause them to know it and to recognize it, that is given a value (Bourdieu 1998:47). According to Bourdieu, the choice of business strategy and its location can be interpreted as subject to an actor's capital and his skills in making use of/applying it. Bourdieu's notion of strategy involves the social agent's ability to "play the game" or "play the hand" dealt in the "space of possibilities" available (Deborah Reed-Danahay 2005:35). Having worked under the safety net provided by NIDA, Knut did not yet know how to play the local game or how to master the situation, since "the power over space comes from possessing various kinds of capital" (Deborah Reed-Danahay 2005:135). Physical location comes to express social location because individuals with a lot of symbolic and cultural capital are able to dominate and define the most prestigious locations (ibid.).

The only secure capital Knut possessed in this situation was economic: the material resources accessible for an individual, which are immediately and directly convertible

into money, and may be institutionalized in the form of property rights (Bourdieu 1986:243). In economics this is regarded as the most significant human capital upon which the whole entrepreneurial activity is focused. However, the data on corporate ethnography show that in entrepreneurial activity, it is not possible simply to separate the amassing and use of economic capital from other forms of capital, which are as important, if not more so, in directing actions in the marketplace. The actor's ability to operate in an entrepreneurial environment is influenced by interaction among various capitals and their possible transformation.

NIDA's case is also illustrative of the warning expressed by Moeran (2005), namely, that networks not only open opportunities for further co-operation, and connect people and events, but may also "shut off" or burden co-operation. By choosing to make use of one branch of a network the actor might be forced to give up or become disadvantaged in relation to another. When describing his activities in the Japanese advertising agency, Moeran (2005) explains that if the agency had opted to build co-operation networks through one of its clients – the Mitsubishi Motors alliance, for example (which would offer the opportunity to co-operate with their bank and with heavy industry, thus acquiring a vast network of potential advertisers) – it would have had to forego co-operation with Mitsubishi competitors, who also inject considerable earned incomes into the advertising agency. In the present study, having been overly reliant on NIDA, Knut was left in a vulnerable position because production conditions for his company were dependent solely on one source; thus, he did not have any alternative relations of trust when NIDA was unexpectedly forced to leave the Baltics. Therefore, when taking decisions on co-operation and networking, people need to be careful, as over the time choices have to be made and certain contacts might be lost. How *N-Welding Ltd's* operations might have turned out if Knut had entered the Baltics on his own will be shown in the work that follows.

5.4. On His Own

Unlike the case of *N-Welding AS*, the industrial activity of *Tekstil AS* in the Baltic market did not depend on NIDA's work. Starting production in the Baltics went without a hitch for Helge Hofset, production manager at *Tekstil AS*, as he was greatly

helped by local cooperation partners in the Baltics, who were friends of friends. A Swedish acquaintance had introduced Helge to these Baltic men. Early in 1998, Helge made his first visit to his potential cooperation partners, and six months later, production was launched in a small industrial Baltic town. A functioning production facility was bought to establish *Solveig Ltd* as a daughter company to *Tekstil AS*, to which machinery and other equipment were moved from Norway.

Cooperation with local Baltic partners spared Helge the potential ordeals involved in entering a new market. Helge appointed the manager of the factory he had bought as a production manager in *Solveig Ltd*. She certainly knew the ins and outs of bureaucracy of her home country and obtained all the documents required for launching production; she arranged the formalities and dealt with customs clearance procedures, which seemed complicated and cumbersome to Helge, who did not know the local language.

The product developer Bjørg Vatne (from the mother company *Tekstil AS* in Norway) was offered the chance to move to the small Baltic town, but she did not wish to do so. Had this been the capital city, she would probably have agreed to live there for some time, but not in a small industrial settlement. A solution was found: she would come and stay at the Baltic plant for one week in three. Helge, for his part, agreed to a different solution: to spend, on a monthly basis, three weeks with *Solveig Ltd* in the Baltics and one week with *Tekstil AS* in Norway.

Before starting business in the Baltics, Helge did not have any particular business plan. The original idea was to open another production facility for *Tekstil AS* in the Baltics. However, the harder it got to sustain competitive production in Norway, the more industrial operations were moved to *Solveig Ltd* in the Baltics. By 2002 they produced a strategy that foresaw moving the remaining facilities from Norway to the Baltics – not to boost profits but to earn at least something. Production costs in Norway had soared and demand for woolen wear was going down. Helge says that there was no other reason behind relocation except labor costs. Had they not moved, the company would not exist today: this is as clear as day, he adds. Although sweater parts are still knitted of Norwegian wool by *Tekstil AS* in Norway, they are knitted together in *Solveig Ltd* in the Baltics.

Ready-made woolen garments are sold in Norway and, from there, to Western Europe and America. Helge is planning to gradually enter the Baltic markets and, from the Baltics, to move further into Eastern Europe. A local salesperson has already been employed. There are some competitors in the Baltics, but for the most part in the low-price segment. The Baltic manufacturers do not produce many expensive, exclusive knitted articles. During his eight-year stay in the Baltics, Helge has noticed that, compared to 1998, the market has developed rapidly: people earn and spend more, and the number of wealthy people who can afford to pay for a high quality product is steadily growing. The market in Ukraine and Russia is definitely larger, but Helge believes they should move towards this little by little, starting from the Baltics.

Not long ago *Solveig Ltd* wished to take part in a tender announced by Baltic defense forces, but Helge did not send in his proposal because they would not have stood a chance against the low prices of their competitors. Helge also has doubts about whether tender competition is fair and transparent here. In the Baltics, he said, it is often like that: if you want to win a tender, offer the organizer some private reward. If anything like that happened in Norway, he noted, it would be called corruption and would appear in the press the very next morning, but here in the Baltics this seems to be acceptable. He laughs and adds that oddly enough he has stopped reacting to such matters. However, should anyone demand recompense for awarding a tender, he would definitely fly into a rage, for something like that is totally unacceptable to him. Before embarking on operations in the Baltics, the Board of *Tekstil AS* called a meeting where they discussed potential challenges in the Baltics and unequivocally decided that any engagement in shady and unethical deals, such as giving in to demands for bribes, was unacceptable and would not be tolerated. The company was to remain spotless, as it has always been in Norway since its establishment in the mid 1800s.

For the first five years, Helge made no attempt to break into the Baltic markets. *Solveig Ltd* produced in the Baltics only for export. However, following five years of successful work here, Helge decided to form another textile company, *Ingrid Ltd*, in a village he had taken a liking to some time ago. He had found a suitable location before starting negotiations with the local authority. He had already bought a building,

but there were problems with water and electricity supply. Helge sought assistance from the local government officials who had welcomed his idea of opening a textile plant in their community; however, they were not especially interested in addressing matters concerning utilities. One local authority official asked whether in such a case his people would be guaranteed jobs in the newly opened factory, to which Helge answered that the competition had not yet been announced. Another official had invited journalists; shortly afterwards they published the local authority representative's portrait in the newspaper, alongside an article stating that a new plant would create 30 jobs. This took place just before elections were due to be held. After the meeting, the local authority's interest in the matter ceased.

Helge recruited the first workers for *Ingrid Ltd* as early as 2003; in the same year machines and equipment were delivered from Norway. In early 2004, Helge sent in a request for the required power supply. However, by 2005 the company had not yet begun operations because the power had still not been connected. Helge blamed red tape. He was skeptical about the competence of local bureaucrats and thought that they were not flexible enough. Having visited local Baltic factories, Helge felt they were badly maintained and lacked satisfactory sanitary conditions; he also felt the machines were outdated and did not meet present-day safety requirements – and still nobody would close them down. While launching a new modern production facility, he kept receiving instructions from labor inspection authorities about alleged violations of requirements. Feeling discriminated against, Helge became angry. Further unplanned-for delays also occurred when looking for a company to design the new factory facilities. The design company that had won the tender started work six months later than planned, and then it appeared that they did not have all the required licenses for undertaking design work. Helge has become critical of his cooperation partners: he now believes that even a signed contract does not guarantee that promises will be fulfilled.

Just before Christmas 2005, Helge suddenly received a demand that a fire hydrant be installed in the vicinity of *Ingrid Ltd*, which is located in the town's industrial area; the area has nine production plants. The local authority, however, wanted Helge to install a fire hydrant for all of them. Being aware that the factories had functioned to date without a fire hydrant, and given that they were demanding that he alone should

installs one for everybody's benefit, Helge retorted angrily that he was not interested. He later reached an agreement that he would install fire safety equipment for his factory alone. However, he felt strict regulations were punctually and even excessively imposed on him rather than on local Baltic companies. He believes that the locals think Norwegians possess unlimited funds, and therefore the price that Helge's companies have to pay for services is sometimes higher than the price asked from local firms.

Feeling that there was an unfair attitude in all this, and disproportionate requirements were being placed on him, Helge tried to find an institution to apply to, to help him solve his acute problems, but without success. He complained to me with some indignation,

I am truly disappointed that there is no institution where one could express one's opinion and file a complaint about such preposterous things; that there is nobody out there who would check the validity of claims and the quality of services at public institutions. It is because of this that bureaucrats sit there in their chairs as untouchable petty kings (*småkonger*), and heaven forbid you argue against their opinion and request a detailed argumentation for their demand! Here I have been denied a possibility to voice my opinion and to suggest improvements to the situation and streamline such processes. On several occasions I have tried offering recommendations or providing sound arguments and I explain how things could be done in a logical and correct manner, but these petty kings, armed with seals, only shrug their shoulders and do what they want. They take no responsibilities, and still they are aware that their signature and seal have power: it is in their power to halt and freeze so many processes. In Norway a situation like this is unthinkable. While I invest money and do not ask questions, I am always welcome to the Baltics. But as soon as I ask a question or argue with the local authority opinion, everything gets complicated, unexpected difficulties crop up and it becomes impossible to plan one's business operations (Helge Hofset, 2006).

Helge even received direct demands for bribes to make his business run more smoothly, and this was a new experience for him. A local customs officer asked him what the prices were for fireplaces in Norway. Helge brought the man a couple of brochures about fireplaces, and then the officer hinted that he had expected a fireplace not a brochure – which would have made all customs procedures run more smoothly. Helge, however, did not bring any fireplaces. Even when all his papers were in order, the customs personnel used to demand local money corresponding to around EUR7 to have the process move more quickly. This is not much, only NOK50, says Helge, and those for whom time is money usually pay it. And so does Helge, although this makes him angry because he knows that all his customs papers are in order. When someone

offers a bottle of brandy to customs inspectors during a check-up, they are mollified: Helge has understood this while working in the Baltics, but cannot accept it as a norm. When he arrived from Norway for the umpteenth time, he was not allowed across the Baltic border because his car's license plate did not bear the letter N. Exhausted after a long journey, Helge asked what he could possibly do about it, as he could not go back to fetch the sign. The customs officers had an answer ready: a small gift, the officer said. "Forget it", said Helge, "I would sooner go back to Norway then". The officers seemed surprised and, having discussed the matter among themselves for some five minutes, let him through.

Helge thinks that his Baltic colleagues would sooner give in to such demands. He remembers how shocked he was the first time a customs officer asked him to pay EUR7. "Sometimes, when arriving from Norway in a car, I bring with me a bar of chocolate or some other small item – not to waste time on the border", Helge confesses.

A couple of times Helge had to leave the labels he was bringing over at the border, in hand luggage, because he had not been generous enough with customs officers. He grew convinced that the authorities here do not exist for the purpose of making people's lives easier, but to mess them up. According to Helge, in Norway this mentality would be strange; things might have been that way maybe 50 years ago, he thinks. Helge is not going to give up and compromise his principles, although it is painful and irritating. He admits that honest businesspeople and investors suffer because they are honest, but everything runs smoothly for the crooks as they are always ready to reward inspectors and officers for small favors.

After relating these episodes, Helge was lost in thought: why had the opening of the other factory in the Baltics, *Ingrid Ltd*, caused him so many headaches? He came to the conclusion that he had not met the right locals. His first plant, *Solveig Ltd*, was opened in 1998 with a Baltic partner who knew how to run things, and Helge did not have to rack his brains over the process. This time around he had had no partners, but, when problems grew out of control, he retraced his old contacts. He explained,

I have realized: should you need key information or a solution to a problem, do not turn to public institutions, but to the people you know who, in case of need, in

their turn, have people they know who can help to deal with things. Sometimes I do not even know how they did it, but it does not matter as long as the problem has been solved. Over eight years, I have built a decent circle of friends; such acquaintance networks are extremely important here; you can rely on them much more than on government institutions. And Norwegians cannot be half as much help to me here as the locals can (Helge Hofset, 2006).

In the long run, the cheap labor is worth all these problems, Helge says. Currently, in *Solveig Ltd* in the Baltics they have as many positions as they had in *Tekstil AS* in Norway before it was closed down. Unfortunately, he goes on, it is not easy to find good workers in the Baltics any more because after joining the EU much of the most skilled labor emigrated. Now companies have to recruit from among a less qualified workforce. If good sewing machine operators can be found then good production managers and mid-level managers are no longer there. Helge asserts that it is especially difficult with male workers due to alcohol issues; in recent years, Helge has had to fire ten workers because of drinking.

The workers seldom communicate directly with Helge; this is usually done through the production manager who speaks English. However, one summer, one of the workers called Helge and asked on which day he was going to return from Norway to the Baltics. This seemed suspicious and Helge called the production manager to find out what was going on. During Helge's absence, five workers had taken to drinking. They received a warning for a workplace violation and still went on drinking the next day. When Helge arrived he gave the men repeated warnings and told them to go to the hospital to be breathalyzed. Next day, he found out that the men had not been there and sacked them. A week later the men asked to be taken back, but Helge refused because he needed to maintain a decent level of discipline and quality of work in the factory.

The wages in Helge's factory correspond to average wages in the Baltics. Helge has not given the workforce a pay rise since the sackings; the men had started drinking on the very day when the workers had last received a pay rise. Helge had come to the conclusion that it had been the pay rise that caused the drinking. Helge is certain that his staff are very satisfied with their jobs, because nobody has left of his or her free will. He is even more satisfied with the workers at this plant than with those in Norway. They are flexible, and they do not object to working several shifts; there are

no regulations demanding that the need for an extra shift should be announced to workers a particular number of days in advance. Over time, he has also learned to give orders because the staff are used to being given orders here and expect them. According to Helge, in small towns the most difficult thing is to find mid-level managers who think independently and innovatively, and are able to take decisions, assume initiative and responsibility; most of them expect to be given instructions and prompted about what to do. Few managers want to move to a small town from the capital city, although they might agree for a large salary.

While Helge is at the *Solveig Ltd* factory, he carefully checks the production process and before leaving for Norway makes sure that the workers and mid-level managers have understood their tasks. On one occasion, complications arose in the factory the day after he had left. The local manager chose not to disturb Helge and decided to wait for him to return. When Helge came back after a week, he only found out about the problems when he asked how they had been getting on. Upon being told that during his absence production had been stopped due to some uncertainties, Helge was perplexed and angry – why had they not called? The mid-level manager explained quietly that things could not be explained over the phone, that one needs to see what is happening and how. Helge, angrily and loudly, admonished his manager, saying that the factory could not afford to wait for a whole week before he comes and tells them what to do. Helge believes that the manager is now more likely to ask questions when something is unclear, but he is still not sure whether this is actually the case, or whether it is just that the local staff are afraid of him. He wishes to understand what the personnel think about working for *Solveig Ltd*, what they gossip about, what they like or do not like – but as the majority of workers do not speak English and do not communicate with their employer of their own free will, it is difficult for Helge to get a deeper insight into the factory's sociocultural environment, especially as production is often run from a distance.

As the workers do not understand English, communication with them is held via the local mid-level manager. However, Helge suspects that she only passes on information in an 'edited' form, and then only if she feels she has to. Thus, when communicating with the workers directly, Helge sometimes uses the language of fingers and gestures to show what is to be done and how. More generally, the mid-

manager level has lost her status, as far as Helge is concerned. She had decorated her office smartly and trendily, but bought the cheapest chairs for the sewing-machine operators. Helge flew into a rage: “How can we demand that workers turn out a perfect, exclusive product, when we do not provide them with comfortable chairs on which they have sit all day long?” Gradually, Helge took over the mid-level managerial functions, the manager was fired and an English language course organized for the staff. Currently, workers invite him to barbeques every now and then, and give him some souvenirs; cooperation is gradually improving. He is starting to feel he has been accepted.

The largest number of disputes Helge has had with the staff of *Solveig Ltd* concerned product quality: workers could not picture exactly what Norwegian buyers expect of the woolen articles and why the cost of a jumper, by the time the garment reaches the other coast of the Baltic Sea, is almost equal to their monthly wage. “These woolen garments are very expensive in Norway; therefore they must be of one hundred percent quality. We cannot turn out a product which is not perfect”, Helge repeats, making his rounds of the workshop and demonstrating himself what the end product should look like, as the consumer will be a Norwegian who must not even suspect that the sweaters have not been made by fellow Norwegians. For a Norwegian, wool from Norway seems warmer than imported wool, and when buying a *Tekstil AS* sweater, a Norwegian gladly pays for an ‘authentic’ history (although, in this instance, that authenticity is imaginary). It is for this reason that the Chairman of the Board of *Tekstil AS* insisted that the knitted fabric should be produced from Norwegian wool, in Norway, so that the ready-made garments could be labeled “Made in Norway”.

In contrast, the raw material for the mechanisms produced by *N-Welding AS* comes from Sweden and Germany. A part of the production process takes place in the Baltics, but clients in Germany and Sweden are still buying a Norwegian product, because Norwegians own the patent and have developed it. German customers know that since 2002 the assembly of the mechanisms has been taking place in the Baltics, but as quality has not deteriorated, nobody has objected. All output by *N-Welding AS* in Livpils goes for export, but Knut is also planning to produce for the Baltic market in the near future.

Unlike *N-Welding AS*, the *Tekstil AS* website does not even mention that a part of its production is located in the Baltics, as the sustained myth about the origin of the sweaters and their Norwegian identity equates to a high ‘value added’ aspect of its production. Should the product be alienated from its authentic place of origin, this value might be lost. At the end point of the value chain are the Norwegian consumers: they are needed to increase demand for the finished woolen articles and to save the *Tekstil AS* market. An insight into the biography of *Tekstil AS* products and into how the raw materials become finished goods can help in an understanding of how “subjective meanings become objective facticities” (Berger and Luckman 1966:9). This insight also sheds light on how the construction of goods can aid an understanding of the social construction of the economy (Koponen 2002). These aspects of production, which might be termed the “value biography” of goods, bring the social embeddedness of production to the fore (Koponen 2002:562). The value does not come from any universal set of values ‘out there’. They are the products of how actors’ lives are shaped in cultural contexts (Koponen 2002:564). Thus, as Koponen points out, aspects of the embeddedness of entrepreneurial actions can be disclosed by focusing on what is produced: a creation of things and the places in which they are created. Norwegian ‘hands’ in a specific native location are seen as impressing values upon the sweaters produced: commodity appears as a thoroughly socialized thing (Appadurai 1986; Kopytoff 1986).

Bjørg, the product developer of *Tekstil AS*, admits that it would be easier to manufacture the entire product in the Baltics, including the knitted fabric – this would make the intricate customs procedures run more smoothly:

At present, it is like this: first, the knitted fabric has to be imported from Norway into the Baltics and then the ready-made sweaters have to be exported back to Norway as Norwegian goods. This involves superfluous work and expenses. Besides, the EU’s internal customs regulations do not apply to Norway (Bjørg Vatne, 2006).

However, there is a concern that the value of more than a century-long biography of these woolen garments would fall if the whole production process was detached from its Norwegian context, which shows that goods as well as social relations can be endowed with symbolic capital. Symbolic capital can be a material thing that has

acquired symbolic meaning, for the most part due to a sentimental mythical past (Bourdieu 1996:121).

All in all, Helge sees production in the Baltics as a good solution to improve the international competitiveness of the Norwegian enterprise *Tekstil AS*. Over the last eight years he has acquired enough social and cultural capital while operating in the Baltics and his economic capital has been significantly raised, due to low operating costs:

I knew next to nothing about the Baltics when I arrived here. I had only heard that I would be lucky if I survived here for a week. That was unfortunately the delusion most Norwegians got from the mass media seven or eight years ago. My impression of the Baltics now is much better than I expected. Also, friends who have visited once wish to return to the Baltics again and again. If I had to give advice to other Norwegians who wish to launch production here, I would say that it is worth it. Only, one must bear in mind that employing cheap labor requires making thorough arrangements, messing about with red tape, and documents beyond imagination. It is not like one can come here and do what one wants. It seems that here they have more laws and regulations to be complied with than in Norway. It is definitely worth coming and working – however, one must stay alert, cast aside Norwegian naivety and credulousness, and as soon as possible get good local connections – this is the alpha and the omega (Helge Hofset,2006).

Chapter 6.

Actor and Environment: The Sociocultural Aspects of Entrepreneurship

Taking forward the analysis of the embeddedness of economic practices initiated in chapter 5, this chapter will focus less on the significance of networks and various types of capital for Norwegian entrepreneurial activity in the Baltics, and more on aspects pertaining to values in cultural practices that influence the establishing and maintaining of the relationships of which various entrepreneurial activities consist. Norwegian business people in the Baltics often reflected upon the local business environment – the ways in which it is similar to or different from the situation ‘at home’ – thus suggesting there are solid grounds for an analytical discussion of the relationship between actors and environment.

In order to substantiate the validity of the findings, these observations are placed within a wider empirical context and will be made to resonate with research into the specific character of Norwegian business activity that has been carried out by other anthropologists. Two of these studies deal with Norwegian businesses in northern Norway’s coastal communities of the 1950s–60s; the others follow Norwegian businessmen entering foreign markets in the 1990s and the early twenty-first century. Anthropologists Brox (1972), Barth (1972), Henningsen (2007), Wold (2007), Partapuoli (1998) and Hansen (2008) have carried out research into Norwegian businesses in various locations (in Norwegian markets and those of other countries; in large companies with branches all over the world, and in small companies consisting of management and a few employees). However, despite the diversity of topics, the examples allow us to discern the common qualities of Norwegian entrepreneurship that illustrate the argument for embeddedness, notably, the circumstances in which different sociocultural environments present challenges for Norwegian entrepreneurs.

Barth (1972) and Brox (1972) analyze the way Norwegian entrepreneurial activities in the coastal villages of Northern Norway are influenced by the interaction of the ecosystem with the social environment. Barth analyzes how individuals use their social relations to be able to achieve certain ends, and underscores the impact of

social environment on business activity. He extends social relations to include a broader social context – general features of social life in a community – and emphasizes that they should be looked at in association with the entrepreneur’s activities, in a shared system of values (Barth 1972:6). He puts emphasis on the formalistic aspects of entrepreneurship when writing that entrepreneurial activity lends itself to description and analysis in terms of such general concepts as *choice*, *strategy* and *profit*⁵⁶ (ibid.). However, he also emphasizes the fact that in order to understand choices and strategies and to analyze the place of the entrepreneur in a wider context of interaction, it becomes necessary to describe *the social context*⁵⁷ that she/he operates within (ibid.). Barth reminds us that the rest of the community is composed of actors who also make choices and pursue strategies. Thus, when attempting to understand business practices, the entrepreneurial activity is always the focus of our attention *as a chain of transactions between the entrepreneur and his environment in interpersonal relations*,⁵⁸ which an entrepreneur must initiate and coordinate in order to effectuate the enterprise (Barth 1972). Looking at Knut’s and Helge’s social contexts in the Baltics from the perspective of Barth, Helge’s entrepreneurial activity seems more viable than Knut’s, since Helge’s activities were carried out as transactions between the entrepreneur and the local environment in a much more encompassing sense than those of Knut. Brox shows that disregarding common ethnic origin, an entrepreneur–client mutual interaction can shape differing social structures in a culturally homogeneous area (Brox 1972:19). The analysis of relations between entrepreneurs and other members of the community, as well as the depiction of the environmental and social history, demonstrate the anthropological character of the study. Contrary to economists’ approaches, it is argued that costs and benefits cannot always be placed in economic categories and that it is social relationships that determine the significance of material and immaterial values.

Henningsen (2007), Wold (2007) and Partapuoli (1998), alongside an analysis of entrepreneurs and the business environment, pose a question that is also important in terms of the present research: how do global processes influence the marketplace as a construct in which businesspeople suddenly become national or local, and what

⁵⁶ My emphasis.

⁵⁷ My emphasis.

⁵⁸ My emphasis.

happens to the interpretation of the market as a global formation? Henningsen (2007) looks at the process of economic revival in a small Norwegian town following the departure from this town of the principal employer, *Hydro*. The attempts to revive the economy are rooted in the unique values and identity of a small town in the rural mountain landscape of Telemark, the heartland of the folk culture elaborated in Norwegian nationalist imagery (Henningsen 2007:144). This case indirectly demonstrates the indissoluble connection between the economy and the local cultural environment. Wold's (2007) research brings the topic of the globalization of business activity to Brazil, where the Norwegian company *Hydro* arrived just after it ceased operations in its town of origin, Rjukan. Wold looks at the change that has taken place in the Brazilian company since *Hydro* took over. Among other things, she analyses the way that *Hydro* representatives attempted to introduce Norwegian business values, such as democratic and long-term decision taking, to Brazil's business environment.

Partapuoli (1998) deals directly with relations between the actor and the alien environment. She attempts to explain what it means to do business in the Norwegian–Estonian intercultural environment. The main empirical focus is on the co-operation among management level actors from twelve Norwegian companies in Tallinn. The researcher juxtaposes global flows and local adaptation practices, implying that views about the ideal prototype of business activity and environment tend to be misinformed. Finally, the relations between the actor and an 'alien environment' are also dealt with by Hansen (2008), who looks into how Norwegian managers in charge of some of the Norwegian-owned affiliates in China "walk the line between expectations and demands provided by their headquarters, which are embedded in a Norwegian style of management" (as well as jurisdiction), with expectations and demands rooted in Chinese reality (Hansen 2008:196).

My research works alongside the studies carried out by Wold, Partapuoli and Hansen in the analysis of relations between Norwegian businesspeople and an 'alien environment' that seems more dichotomic than co-operative: even in companies that have tried to emulate Norwegian management traditions more often than not Norwegian managers feel it is something of a challenge. Henningsen's study is important here because it accentuates the significance of place and how place is construed during business activity, and reveals what happens in a village after a major

employer has moved abroad to a cheaper location. Barth's work is of particular importance in conceptualizing entrepreneurship in these terms, which also found an empirical manifestation in Brox's article, which outlines the role of social context in building business strategies and making choices.

6.1.Values and their Alignment in the Transnational Marketplace

Consider the problem of two drivers approaching an intersection on different roads. It is in the interest of both that there be a convention which assigns priority to one road or driver over the other, because without such a convention either both must slow down or yet get the occasional crash (Hargreaves Heap and Ross 1992:7).

Understanding and consensus concerning rules and values shape not only culture but also the foundation of social and economic life. Like the two drivers approaching an intersection, entrepreneurs, bureaucrats and staff within a company must be able to adequately respond and act in order to avoid a collision of opinions and actions and, thus, a failed deal or lackluster performance. Mutually acceptable conduct in a company or in communication between a company and the wider public is facilitated and for the most part also ensured by social conventions. These conventions regulate action in markets or marketplaces, which, according to Applbaum contain "both sites of global commercial integration as well as one of the principal vehicles by which it is accomplished" (Applbaum 2005: 275f). Barth (1966) notes that *the marketplace* can be perceived as a general reflection of public life where consensus on values is created as the result of repeated transactions and efforts to achieve agreement. Actors have conflicting interests but in the long run a market price is established through compromise; similarly, in social life with its values and ideas people attempt to achieve maximum recognition of those ideas. Consensus on values takes shape as a result of countless transactions and the seeking of agreements.

On the other hand, one may ask whether people would be capable of communicating and carrying out transactions without jointly acquired cultural constructions. More precisely, do the values and interests that every actor is trying to maximize, and the customs which underlie communication, have common sociocultural origins? Is the way a transaction is performed a product of a specific culture? With respect to the

material analyzed here, do the values by which Norwegian entrepreneurs are guided, and which they seek to realize, have different origins from those which guide Baltic businessmen and employees and which they strive to achieve?

Barth would agree that communication is regulated by laws and customs alike; he would, however, indicate that these are not sufficient to explain the social process itself. His main argument is that a social form in society is generated in the course of individual interactions and, therefore, when actors change their conduct, society changes too. Barth maintains that actors, in this case entrepreneurs, should try to reach an agreement about the form of interaction, and that during the communication as an agreement process, the rules for market conduct take shape. Barth's analytical process can be explained as the approach of a *rational actor*, namely, he assumes that people make conscious choices, that they are aware of the possibilities arising from their choices *in a particular social context*, and that they prioritize them in a rational way.

The vast majority of anthropologists would agree that individuals are never just the instrumentally rational agents we find in neoclassical economic theory (Hargreaves Heap and Ross 1992; Henrich 2002; Ortiz 2005; Douglas's and Isherwood 1978). As Hargreaves Heap and Ross (1992) describes, an individual's motivation has a specific goal but, in order to achieve it, a broader society model, the order of things, and the individual's specific place in it should be understood. 'Man' as a rational creature is aware that he has to 'share' the world with other individuals and that, in order to attain his goal, he has to communicate with others, reach an agreement and enable his actions to be recognized by others. Common conventions enable individuals to coordinate their activity to mutual benefit; it is a condition of the possibility of mutual understanding, which is most urgent where there are disputes to be settled (*ibid.*).

It follows from the above mentioned works that the goals and values accepted by a society at a specific time and place represent the result of countless disputes and agreements among individuals. To understand why certain values are agreed on, we need to examine the role those values play in ordering social relations. It is culture rather than economic effectiveness and calculated advantage that, leads people to prefer one or the other of possible practices or goods.

Henrich (2002) and Ortiz (2005) note that definitions of advantage and rationality can be culturally specific and in terms of economic activity they emphasize the aspect of sociocultural orientation of actions rather than that of the choice of action:

While economists are concerned with how markets direct the actions of profit-maximizing actors, anthropologists have been interested in exploring how actors' perceptions, social relations and obligations affect their economic decisions (Ortiz 2005:59).

Henrich (2002) does not deny that people may often look for the most cost-effective solutions, but argues that people rarely seek alternatives because they trust culturally inherited practices. This tendency is also upheld by cognitive anthropology, where the significance of "learned prototypes" (Strauss and Quinn 1994: 285) in our choices and actions is emphasized. If alternative practice is introduced in society in some way or another, then, in the case of a success, it is also accepted by other 'pioneers' in the community and the practice gradually spreads. As indicated by Henrich, it gains increasing popularity in each successive generation: this mirrors Barth's opinion that society changes as the result of human interaction.

Human conduct is not determined by cost effectiveness because humans have limited capacity to process information and evaluate different correlations and co-variations: this is related to the specific character of human memory, to people's imaginative capacity, and to their ability to make accurate assessments (Henrich 2002). Besides, Henrich observes, people have access to limited information. For instance, few farmers know how to make a forecast about the number of rainy days in the future and how it will affect total crop capacity. Such an estimate would require accurate records and calculations, and long-term observations (*ibid.*).

The works of Ortiz, Strauss and Quinn, and Henrich all indirectly but clearly outline an argument about the embeddedness of practices: practices emerge not as a result of calculating advantage, but rather in the way of social continuity. Actors follow the conduct models and experiences of other fellow citizens, which they themselves have gone through. This allows us to conclude that entrepreneurs' practices are embedded not only in social relations or, to be more specific, in networks, as related in previous chapters, but also in the deepest strata of values and experiences that shape us as human beings.

Henrich (2002) illustrates this argument with an example from the life of some Mapuche farmers in south-central Chile, who sow only wheat, although climate conditions in the region would be suitable for growing other crops, such as barley. Henrich concludes that their choice is not underpinned by the cost–benefit decision-making model; the farmers have neither experience of nor credible information on barley yields, so they are not familiar with the market for barley and with processing costs. Thus, their estimates involve a wide margin of error. Nevertheless, they are certain about their choice in favor of growing wheat. Only three Mapuche farmers tried to grow barley: one of them borrowed this practice from a modern farm, another one from an expert in agronomy, and a third one from a neighbor who was one of the two aforementioned farmers. Henrich concludes that: 1) society without further scrutiny takes over cultural practices from earlier generations and does not seek alternatives while those practices prove themselves good enough; 2) innovations enter society through actors whom a member of the community regards as an authority (an agronomy expert, a modern farm); 3) seeing positive results, an even wider community adopts the new practices as their model of action.

Similarly, Norwegian manufacturers are gradually adopting the practice of moving their production to a country where costs are lower, although initially this tends to be opposed by a majority of local inhabitants and burdened due to local social pressures. In addition, they are unaware of how their production will succeed in another country. At the outset, those who have discovered new opportunities, like Tore and Helge, were publicly censored for closing down factories in their home villages. Nevertheless, when the prestigious governmental actor NIDA stepped in to support the relocation of production facilities, an increasing number of manufacturers moved their facilities to the Baltics. They became aware of the advantage of this strategy and hoped that with NIDA's involvement it might receive approval from the general public.

Barth's analytical approach could be criticized for downplaying the impact of sociocultural aspects in each 'rational choice'. Henrich, for his part, stresses the impact that culturally inherited practices have on decision making, but an issue remains unaddressed here: whether innovative practices undertaken by actors

endowed with symbolical capital (for instance, the modern farm or NIDA) are in fact adopted by others because they prove more advantageous than traditional ones due to their cost-effectiveness. Because, if not due to a perceived advantage, why else are these practices adopted? Taking forward the discussion about the actor and the environment and the factors that explain the actors' (in this context, entrepreneurs') conduct, we inevitably arrive not only at the underlying principles of the concept of embeddedness (dealt with in detail in chapter 3) but also at the question of what the embeddedness of economic practices can tell us about the *marketplace* itself.

As actors' transactions, exchanges and other economic activities are conditioned by sociocultural influences, the marketplace itself, which consists of actors' transactions and exchanges, is first and foremost a sociocultural formation. Lien (1997), in analyzing relations between Norwegian company *Viking Foods* and its market, explores a range of meanings and metaphorical connotations associated with the market. One of the most common ways of conceptualizing the market is in terms of space, namely, the market as territorial space (Lien 1997:89); other ways include the market as battlefield (Lien 1997:91), the market as an environment of natural selection (Lien 1997:93), and the market as a flux of transformation (Lien 1997:94). Norwegian entrepreneurs' relations with the Baltic market are best reflected in the first metaphor: the Baltic market as a space into which raw materials or semi-finished products may be entered and then removed as finished articles. This is the Baltics as a marketplace 'out there', still unfinished, unpredictable, but with potential, in contrast to the finished, stable and predictable Norwegian market (see chapter 7 for an analysis of the construction of the Baltic market as a territorial space). In order to enter this space, a number of obstacles must be overcome, obstacles that, according to my Norwegian informants, were absent from the Norwegian market.

Notwithstanding Norwegian entrepreneurs' skepticism and their fear of the imaginary Eastern European business environments, the metaphor of the "market as battlefield" (Lien 1997:91) cannot be used in relation to the Norwegian companies in my study. However, Lien relates battle to the "market as a territorial space extended into something that, like territory in times of war, one must fight for, and that may be lost or won" (Lien 1997:92), and where products serve the role of weapons (*ibid.*) – not as a battlefield with bureaucracy or imaginary mafia, as reflected by my study.

Additionally, the third metaphor is related to the product, a product's life cycle, or the market as a place where products live or die (Lien 1997:93) following the principle of the survival of the fittest. The products of the Norwegian companies studied here had not yet reached the Baltic market. The Baltics was the territorial space where products manufactured for Norwegian and global markets were endowed with their second life or simply "resurrected" after their "death" in the world markets. The global market was for them a "battlefield" where the fittest products survive, but the Baltic market, as a space or as a territorial field, was where these products could be brought back to life by cheap labor.

Norwegian entrepreneurs discussed here did not really aspire to analyze consumer trends, to read the "signals of the market", or to feel its "pulse" (Lien 1997:94), in order to adapt to market transformations. Therefore, my research refers instead to the entry of Norwegian entrepreneurs into the Baltic market as a space (territorial and socio-cultural) with the purpose of producing goods for the global market. The only direct attempts to launch their product on the Baltic market were made by *Nordic Ltd* (see chapter 2), but they failed; the Baltic market in 2006 was not ready for their product and the management of *Nordic Ltd* did not pick up on this.

Metaphors offer a rich source of connotations that help to structure experiences and serve as a guide for further actions (Lien 1997:95). The view of the Baltics as a place to manufacture but not get actively involved in the market explains the Norwegian manufacturers' passivity concerning their relations with other actors in the Baltic market. Relations with Baltic actors are built only as far as they are required to deal with bureaucratic obstacles and find good employees. The activity of Norwegian manufacturers in the region takes place on a discursive level; it takes place verbally: "The discursive elaboration of an imagined 'market' serves as a key factor in the reproduction of the locality itself" (Lien 1997:95). This is vividly reflected in the coverage by mass media, whose role in the Norwegian entrepreneurs' strategies will be further elaborated upon in chapter 7. The relevance of metaphoric connotations lies primarily in the way they serve to guide, structure and legitimize action. Referring to Fernandez (1974), Lien concludes that each metaphoric assertion evokes a dominant state of mind, which implies a set of performative consequences (Lien 1997:96). Lien summarizes these as follows:

Metaphoric assertion:	Performative Consequences:		
	Ideal-type actor	Role of product	Governing principle
Market is territorial space	Coordinator	Marking off boundaries	Entitlement and defence
Market is a battlefield	Warrior	Weapon	Courageous, strategic action, aggressivity
Market is an environment of natural selection	Fatalist	Living species	Survival of the fittest <i>Post hoc</i> explanations of failure and success
Market is a flux of transformation	Analyst and Interpreter	Mediator, seducing consumers	Reflexivity Adaptation through interpretation

Table 2. *Metaphors – performative consequences (Lien 1997: 97)*

The main market metaphors in this thesis are:

- 1) the market as a territorial space with such leading principles as defense (being protected by NIDA, or valuable local actors) and entitlement to produce (which is given by bureaucrats);
- 2) the market as a flux of transformation that requests reflexivity and adaptation through interpretation in order to function, if not in relations with competitors and consumers, then definitely in relations with workers and bureaucrats.

A businessperson's skills and assets are required not only to sell goods but also to organize the manufacturing of goods. When doing business, an entrepreneur must initiate and coordinate a number of interpersonal relationships to effectuate the enterprise (Barth 1972), be it a production facility or a sales department. Henrich (2002) adds that entrepreneurs' transactions are embedded in observed peer practices, while Granovetter (1985) notes that the construction of a transaction value and the reason for economic action itself are usually embedded in social values set in a particular context. Being aware of the reasons behind variations in actors' practices, Cimdiņa (2006, 2009) points out that in an international setting a variety of business strategies may prove useful, as each entrepreneur might have their own unique socio-culturally constructed interpretation of the industry and environment within which they operate. Likewise, they might have unique interpretations of how to do business.

Over time, when entrepreneurs operating in the same environment and industry have acquired understanding and experience, a common understanding of how to conduct business and operate in the marketplace might emerge. This is because where many persons act in a similar manner, it seems reasonable to assume that they agree on certain relevant evaluations and values, and regard their own behavior under the prevailing circumstances to be optimal in terms of these evaluations (Barth 1972).

6.2. The Embeddedness of Corporate Values

By corporate values I mean the preferred states (in a company) in relation to the way things should be done (Schneider and Barsoux 2003:30), or the opinions that guide the company's internal conduct and its relationship with its workers, customers and partners. As this section will show, it is difficult to separate corporate values from the socio-cultural values we act out in our everyday lives: just as economic action is embedded and social, so are corporate values embedded and social. Entrepreneurial practices are closely related to the understanding of the social culture of society; the processes of both social stability and change can be discerned in entrepreneurial activities (Barth 1972).

When people set up an organization they will typically borrow from models or ideals that are familiar to them (Trompenaars and Hampden-Turner 1998:161). Norwegian entrepreneurs (just like those of any other nation) build their strategies probably unaware that their choices are underpinned by the impacts and values of the sociocultural environment. According to the findings of the present research, corroborated by Partapuoli (1998), Wold (2007) and Hansen (2008), the challenges for Norwegian businessmen when entering a new market are mostly related to a desire that business activity there should correspond to their preconceptions of 'correct' business activity, 'correct' employees, 'correct' relations between the entrepreneur and the state, and a 'correct' attitude by the state towards entrepreneurs. Consequently, challenges emerge for the most part in the moments when entrepreneurs come in contact with different views about what a 'correct' business environment might be when dealing with business-related problems. Having summarized the insights of my research, I conclude that the values that (in Norwegian

opinion) should underlie ‘correct’ business practices are most graphically revealed in the following:

- 1) Norwegian entrepreneurs’ relations with their Baltic employees;
- 2) The organizing of company operations under unpredictable circumstances;
- 3) Building and maintaining the relations between a company and the surrounding social environment.

The Entrepreneur as an Employer: Work Organization in the Company

The relations between a Norwegian entrepreneur and his employees in the Baltics could be seen most vividly in the dynamics at play in *Solveig Ltd*, the company led by Helge Hofset, and in *N-Welding Ltd*, managed by Knut Kløver. The activities of the Norwegian companies visited (as well as other research studies) reveal, directly or indirectly, the inability of Norwegian managers and Baltic employees to reach a shared understanding. Almost all the Norwegian manufacturers complained that the Balts are unaware of high product quality criteria and none of them was pleased with Balts’ opinions on company management styles. Almost all admitted that they do not trust local suppliers, both Mari Rye and Helge Hofset complained that local builders failed to meet contract terms, and Petra Liepa complained about the sabotaging of the seminar on the registration of chemical substances.

The way that work is organized in a company can be best observed both directly (which was a difficult thing to do in a metal processing plant, and a little easier in a textile factory) and by paying attention to how people talk about their work environment, which provides a means of understanding and “narrating” the corporate organization (Moeran 2006:21). Similar in this to Moeran’s case, in this study the fieldwork fragments of speech, between my informants and myself “often coalesced into stories, and stories – both those that people told me and told among themselves – can teach the ethnographer a great deal about the memory system of the organization” (Moeran 2006:38). More often than not these stories were about understanding or misunderstanding the local workforce and bureaucrats on whom the efficiency and, consequently, successful operation of the company depended.

One of the most visible disputes in Norwegian companies in the Baltics was related to Norwegian management style and the reaction of local employees to it. In business literature, the management style is related to authority and/or power distance (Hofstede and Hofstede 2005). The manner in which employees are guided and the way they respond to management relates not only to the organization of work in the company but also to the values and balance of power in the society in which the entrepreneurs and employees grew up and were socialized. Before attempting a more detailed analysis of the embedded aspects of Norwegian work organization, and of the management of staff in particular, I wish to present a story of a Norwegian telecommunications entrepreneur whose memories and reflections on his Baltic experiences also reflect the kinds of experiences discussed throughout this thesis.

Telecom Norway AS is a Norwegian subsidiary of a large international concern that supplies telecommunication equipment and technical infrastructure for the telecom sector. *Telecom Norway AS* established its representation in the Baltics in 1995, when a tender was announced in relation to a partnership in telecommunications development funding. *Telecom Norway AS* won the tender and became the supplier of telecommunications equipment in the Baltics during the first stage of its development and modernization. The tender constituted US\$100 million, which was one of the largest industrial investments in the region in that period. *Telecom Norway AS* became a co-responsible actor in the development of the Baltic telecommunication sector in partnership with a local telecommunications monopoly. Steinar Jensen, who was initially responsible for only one telecommunications development project in the Baltics, was soon put in charge of the *Telecom Norway AS* operations in all the Baltic states, and he opened an office in each Baltic capital. Steinar himself remained working in the main office, which initially employed more than 80 people. In 2005 the company downsized and a number of functions were outsourced. Steinar Jensen recalls the following about starting operations in the Baltics:

We were not sure about what lay in store for us in Eastern Europe and thought that locals could not do things as well as we could. (*Vi hadde kanskje den norske nisselua langt ned i panna når vi kom*). And that, of course, cost us a pretty penny. We launched operations in the Baltics with fifteen Norwegian employees. We wanted our Baltic company to work like the Norwegian one. In a couple of years, we transferred knowledge, mentality and the desired corporate culture to local staff. In two years' time, we had only three Norwegians out of fifteen left in the Baltic main office. I am the only

Norwegian today who remains in our Baltic company; the other 30 staff are local. We buy more and more services in the local market; this is cheaper than hiring a large number of employees. It turned out that Baltic companies provided high quality services for a good price! At first, we relied only on ourselves, but gradually started procurements and making partnerships in the local market.

I realized pretty soon that employees in the Baltics were used to a command style. It is difficult for a Norwegian manager to understand that. I wanted to introduce a corporate culture like in Norway; thus, I held a number of meetings to which all employees were invited. The local staff were confused; they were expecting to receive a command, an order on what, where, when and how things must be done, but instead they were requested to share their thoughts and recommendations on what should be done and how! After all, they knew the local environment better than I did; I had just arrived in the Baltics! The fact that the boss does not decide everything and that the boss sometimes may be wrong was new to them, and they were not used to that. They were invited to the meetings to discuss things, not to receive orders. But things did not go smoothly: they did not feel secure. Thus, a secure environment had to be set up, I thought. We changed curtains, bought new ones with a floral pattern, put plants and colorful furniture in the meeting room to create happy culture (*gladkultur*) and an informal friendly atmosphere. But then they thought this company could not be taken seriously.

I tried to persuade my employees: you needn't stand to attention in order to talk to your boss, you can voice your opinion and be sure that nothing will be used against you, should your opinions differ from mine. But they thought me naive, started thinking they could do whatever they wanted. It seemed that what I had heard about local staff was true, namely, they had as much freedom as they allowed themselves (*ikke mer frihet enn det som de tar dem til*). The company had flexible working hours, they could regulate that by themselves: work longer hours one day and do less the next; the main thing was to get the work done. But they started to misuse that; they thought I was gullible and tried to twist me around their finger. They lacked responsibility. Freedom in the workplace should be treated with responsibility. I tried to convince them about it and presented several examples from Norway (Steinar Jensen, 2006).

The challenges that Helge felt as a manager in the Baltics (see chapter 5) were similar to those encountered by Steinar. Helge struggled with the excessive caution displayed by local staff in their communication with management, and with the consequences of this over-cautious communication: problems were left undiscussed and misunderstandings in the production process slowed down the effectiveness of operations and sometimes even stopped production. Like Steinar, Helge was on a number of occasions disappointed about his employees' lack of responsibility; he strove to find mid-level managers for his company who could think independently and innovatively and would be able to take decisions, assume initiative and responsibility. Like Knut and Steinar, Helge felt he had no other choice but to get used to employees who expected to be given instructions and be prompted about what to do.

Research by Wold (2007), Partapuoli (1998) and Hansen (2008) demonstrates that concepts in relation to what a manager should be in Brazil, Estonia and China cause problems for Norwegian entrepreneurs, as they do not consider it necessary to exercise strong control over their employees, give them orders, or show their superiority by means of various visible symbols. Norwegian managers try to encourage less hierarchical relationships through the example of their own conduct. Authority in a company, as in social life in general, is demonstrated in a number of ways with the help of different symbols, including dress code, behavior, zoning and furnishing the company premises. The starched interior of Ms Zhukova's office (see chapter 2) with its solid leather couch, large, polished wooden furniture, paintings in golden frames, a crystal chandelier, a marble table and marble windowsills contrasted with Steinar's plain, happy-culture meeting room and Helge's modest office furnishings. Helge even dismissed his local mid-level manager for her excessive spending on office decoration at the expense of chairs for sewing-machine operators. In contrast to Ms Zhukova's office, which people could enter only by appointment for a purpose 'acceptable' to the management, and then only having got past armed security guards and haughty secretaries, the doors of Helge's office were always open for company employees or co-operation partners. And, unlike Zhukova's office staff, who were dressed in formal suits, and had no sign of a smile, Helge and Knut not infrequently donned overalls and joined their employees in the manufacturing process so that the workers would get a clear understanding of what both output and working morale should be.

While discussing the challenges faced by Norwegian entrepreneurs in China, Hansen notes that Norwegian entrepreneurs without an engineering education were not appreciated by their subordinates or by their business partners because the engineer was the ideal of the Communist elite. The majority of the political and business elite in China are graduates from engineering schools (Hansen 2008). In their desire to adapt to the local management style, Norwegian managers in China tend to rely on a Chinese perception that the relations between a subordinate and a boss must be like those between children and their father. Norwegians take this into account but still do not achieve the results of Chinese managers because, although they make an effort to approach the ideal Chinese management style, Norwegians apply their own cultural

concept of parent–child relations, which are not based on authority, subordination and obedience, as in China, but on helpful support and guidance in the case of uncertainty (Hansen 2008).

Wold's (2007) study juxtaposes Norwegian managers and Brazilian bosses; the latter manifest their authority with clothing and room decoration (the management offices are located on top floors, separated from other employees whose communication with bosses takes place via a secretary). These symbols, like Zhukova's office layout, hulking security guards and haughty secretaries, demonstrate a vast power distances in the company, clearly separating employees of different ranks, making clear who is a welcome (or unwelcome) visitor. Estonian employees, for example, being used to a wide power distance, did not think it was correct protocol for a chief executive to sweep the floor (Partapuoli 1998). In this case, sweeping the floor (performed by a Norwegian manager) signals equal relations in the workplace. Likewise, Brazilians were astonished when their Norwegian boss played football with his subordinates (Wold 2007) – providing a graphic example of manager–subordinate relations in Norwegian companies. As in the case of Helge and Knut, and in Wold's (2007) and Partapuoli's (1998) studies, the open door to the manager's office demonstrates that the manager is not dissociated from other employees. Norwegian casual clothing, for its part, highlights equality and brings knowledge and skill to the fore as the true value in the workplace.

It is a notion of democratic relations in the workplace, not authoritarian ones, that Norwegian managers seek to emphasize with their conduct and use of symbols, thus acknowledging equality as a value of the Norwegian community. Internal procedures within an organization encourage all its members or their elected representatives to take part in deciding key matters of the organization's operations.

However, although democratic management style facilitates co-operation and equality among employees, it can also meet with resistance. Hansen (2008) and Wold (2007) propose that a democratic management style makes decision making too sluggish. In China, where income is directly related to the amount of work done and to productivity, Chinese employees of Norwegian companies indicated that negotiations and joint decision making reduces the speed and efficiency of operations, which, in

turn, lowers income (Hansen 2008:205). Employees at *Telecom Norway AS* did not take Steinar seriously when he tried to make the company environment more democratic and they took advantage of him because he did not control their every step. During Helge's absence the workers started drinking because they believed that they should be in tip-top shape only when the boss is on site. Helge himself took over the duties of the local manager, as he could not find a sufficiently responsible and independent manager for his company in a small Baltic town. Employees' ideas about what relations with managers should consist of influence not only the company's management style but also the effectiveness of operations. However, it should be added that in the Baltics different generations had different perceptions about the authority of Norwegian managers. Younger workers in NIDA's plants complained about their older co-workers who were ready to "roll out the red carpet" whenever Norwegian managers arrived. The younger workers also enthused about being able to talk so freely with their bosses.

Norwegian employees' perception of democracy in the workplace, as they put it, includes a worker's right to interfere, to ask questions about how they are governed, to be heard and to expect to be treated fairly, even if they belong to a minority who disagree with the leadership. Open-door policies give a strong signal of there being a short distance between employees and employers. An open-door policy can also be viewed as an expression of mutual closeness among the workers of the enterprise. Gullestad links the idiom of closeness to informality, which helps explain the strong reactions against formal etiquette and deference in Norway (Gullestad 1992:53). Conversely, formality is associated with hierarchy and is antithetical to closeness (ibid.). Gullestad also points out that since the Second World War, and particularly in recent decades, the use of the polite form of address, *De*, has disappeared almost completely; this, too, is a denial of hierarchy and an expression of egalitarianism in Norway (Gullestad 1992). Informality, though, does not suggest anyone should act unprofessionally – professionalism and respect in the workplace are valued highly.

Helge feels compelled to assume the role of an authoritarian manager in his *Solveig Ltd* in order to ensure discipline, effectiveness and quality of performance. He creates authority by sanctions (dismissal for drinking) and by raising his voice, but he also admits that he is disappointed:

I wanted to motivate employees by respecting them, listening to them and expecting that they would work regardless of whether they are ordered to do that or not. But the workers here [in the Baltics] expect something quite different; they expect orders and authoritarian behavior on my part. At *Tekstil AS* [in Norway] workers saw themselves as more equal players and showed more initiative (Helge Hofset, 2006).

According to Archetti (1984) the way actors build and feel power relations, reflect on cultural values, and other types of social exchange are based on concepts of trust, reciprocity and equality. Norwegians value good community members (*samfunnsborgere*) highly; therefore, trusting somebody does not take place only within the circle of family and friends; everybody who belongs to the category of *samfunnsborgere* deserves trust; and decisions are not taken behind closed doors (ibid.). Management is part and parcel of an authority structure in a society and in the Nordic countries there is a strong preference for democratic-participative modes of management (Byrkjeflot 2003). Efficiency, objectiveness, a positive and law-abiding attitude, and fact-based arguments are key symbols in the Norwegian model of political behavior (Archetti 1984). Unlike the Rivertroll's attitude at Livpils, a decisive aspect in a conflict situation in Norway is an argument, not subjective values or personal preferences. A conflict will be business-like and observable, and will not entangle "invisible" facts and events. Similarly, in Norway it is not important to establish who is the father, mother or uncle of the involved parties in order to establish a potential personal benefit as a result of the conflict solution (Archetti 1984:50).

Sørhaug (1996) maintains that although hierarchy exists in Norway as it does elsewhere, its manifestations are minimal. One must have deep local knowledge in order to identify who is the boss of a local company, because modesty is a virtue (Gullestad 1992), and even claims to special status have to be inscribed in the code of modesty (ibid.). As has been observed in Helge's and Knut's factories, a manager, too, can don workers' overalls and, for a number of reasons, contribute to the production process, which was a shock to Baltic local government representatives who visited Norway.

Norwegian managers are straightforward in relation to issues they feel negative about. As the *Nordic Ltd* (chapter 2) case shows, they are honest in communication and

expect honesty from the other people. Brazilians (Wold 2007) and the Balts alike characterize Norwegians as people who openly express their thoughts, while they themselves tend to express their thoughts in a roundabout or indirect way. Norwegian businesspeople regard an open dialogue with opportunities for constructive criticism as something to be valued; they see openness and directness as virtues. In the Baltics, employees seemed to see direct criticism as a personal emotional assault, and women employees in Helge's factories would cry if criticized too much. "When I criticize performance I do not criticize the person, although it seems that they take it personally," Helge notes.

Continuity of Values?

In order for arguments concerning the embeddedness of corporate values to be of help in explaining the different attitudes of Norwegian managers and Baltic workers towards the organization of work in a company, it is necessary to understand how Baltic employees' opinions of their place and role in the workplace have taken shape in the recent past. In line with several other Eastern European countries with a socialist past, the Baltics have specific concerns about the organization of work. Many anthropologists have pointed out that the past cannot be made irrelevant in attempts to depict individuals from post-socialist countries as free or unfree to act according to their interests. One criticism is that there has been too narrow a focus on the rational choice-making aspect, which makes many economists blind to the importance of historical and social complexity in post-socialist states (Lampland 2002).

The Second World War brought half a century of Soviet occupation to the Baltics. Moscow did everything in its power to establish law and order and to fully subjugate the Baltic population. Power in the Baltics belonged entirely to the Communist Party of the Soviet Union, which also included the local Communist Party in each of the Soviet republics. Other political parties or movements were prohibited. Those who were considered ideologically alien to the Soviet regime were persecuted, arrested or deported. In this way the Soviet regime exterminated its potential ideological opponents and was able to implement sovietization of the territory and mass collectivization of the countryside. Repression also covered cultural life: censorship

was extreme and there was wholesale destruction of Baltic literature; the majority of the pre-war intelligentsia was forced to emigrate (Cimdina Barstad 2003).

To work well and to be a good socialist were in ideological terms the same thing (B. Müller 2004:155). The concept of productivity had a moral dimension of increasing production in order to fulfill the “rational” needs of society. The workers were expected to discuss official political topics without deviating even slightly from the prescribed official interpretation. Discontent and disagreement were not supposed to be expressed openly, even if informal discussions in the workplace often took the form of critical anecdotes and political jokes (B. Müller 2004:157).

Birgit Müller states that Soviet workers experienced the relationship to the powerful enterprise as one of domination, as an antagonism between “us” and “them” (2004:161). An example is given of how, due to deviant political opinions, the head of a Soviet factory, working with elevators, lost his coordinating position in the enterprise; instead, he worked for years in an office job where he was isolated and deliberately cut off from cooperation with other people (B. Müller 2004:160). NIDA’s accountant at the industrial park in Livpils (a woman in her fifties), recalling the working day in a Soviet textile plant, asserted that a bottom-up initiative or an expression of one’s opinion was interpreted as dissatisfaction with the power and the system and that top-down control was felt almost at every step. Initiative was nevertheless tolerated at the highest echelons, she added:

The Soviet state was supposed to provide jobs for everybody and, unless you were charged with a criminal offence, you could not be dismissed; a disobedient or nonconformist and disloyal employee was given a reprimand or an admonition. And this was not only a reprimand for professional reasons but also for ideological ones. Party congresses set goals for five-year periods, and if you put up any opposition or came forward with a different opinion, then you were regarded as an ideological enemy. Any difference of opinion with the management was ideological sabotage. A reprimand could be accompanied by depriving you of bonuses or of the so-called 13th wage, or of a voucher for a trip abroad within the limits of the Soviet Union (Livpils park accountant, 2005).

For a Soviet citizen, going abroad was seldom permitted. People needed permission from the so-called trio: the secretary of the Party, the manager at the workplace and the secretary of the labor union. To buy currency in the USSR permission was needed from the same trio (Cimdina Barstad 2003). The trio also decided whether to grant

permission to acquire a car. The workplace itself was granted, say, two cars per year – if it had the right candidate with permission to buy a car. People gained the right to buy a car through the workplace and had to go through the same procedures to gain the right to have an apartment, a refrigerator, pleasure trips and other substantial goods. The granting of such rights was supposed to be equal, but priority was given, for example, to work veterans, loyal workers and mothers with many children (ibid.). Consequently, through controlling the workplace, almost any other activity beyond it was also kept under control. And, should a worker disobey, s/he would be deprived of access to essential goods or services.

An explanation for the differences of opinion in relation to the quality of goods, so clearly present in the factories managed by Helge and Knut, can also be sought in the recent past of socialist conditions of production. Why was it so difficult for Helge's employees to understand the quality criteria underlying the "Made in Norway" brand? Why had Knut to put up an online information board with detailed specifications of quality criteria that was accessible at any time? Why did Helge have to keep working for hours, side by side with knitters and sewing-machine operators to make sure that the quality of products would be flawless and worthy of the "Made in Norway" label? The attitude towards product quality in socialist societies has been usefully characterized thus: "As long as the food offered was edible or the clothes available covered you and kept you warm, that should be sufficient" (Verdery 1996:28). The majority of the population in the socialist regime experienced shortages of food and clothing. The regime prevented people from consuming by not making goods available (B. Müller 2004) and by deliberately maintaining an economy of shortage (Ledeneva 1998). Goods were produced not for the sake of having markets and profits but to supply the economies of "brother" nations:

Since profit was not at issue ... the whole point was precisely *not* to sell things: the center wanted to keep as much as possible under its control, because that was how it had redistributive power; and it wanted to give away the rest, because that was how it confirmed its legacy with the public (Verdery 1996:26).

Instead of fulfilling the needs of consumers and producers, such central planning led to an economy of scarcity. As the priority of needs was established neither by those who produced the goods nor by those who consumed them, the planned production

was detached from the actual demands in society (B. Müller 2004:154). The rationale of Soviet society was anti-market. The monopoly of political and economic power allowed the rejection of the laws of supply and demand. The state sequestered a massive share of a gross national product for its own purposes, but the population was kept on short rations and their abilities to consume were limited by the meager resources the state placed in their hands – everything was in short supply. This state strategy was set against the tendency of individuals to maximize individual and household goals (Cimdina Barstad 2003).

Müller points out that despite the strict organization of production work (workers received detailed construction drawings in which each welding line and each drilling task were explained) with an elaborate hierarchy of responsibilities, the workers refused to be accountable for the quality of the product outside the strict parameters given to them (B. Müller 2004:158), because

when controlling the quality of the products, it was up to the technician to find mistakes, not up to the workers to avoid them, as they could refer to the old machines, the lack of appropriate materials, and the late arrival of spare parts that made the perfect accomplishment of their tasks impossible (ibid.).

Faced with shortages of materials and workers and the poor quality of the production machines, workers realized that quality simply could not be perfect (B. Müller 2004:164).

Referring to Belshaw (1955), Barth points out that entrepreneurship is about the management of a business unit, profit taking, business innovation and uncertainty bearing (Barth 1972:5). The entrepreneur takes the initiative in administering resources and pursues an expansive economic policy (ibid.). Douglas (1992) notes that a person in an enterprise culture is said to be driven by motives of self-interest. When describing the Lithuanian market, Hohnen (2003) indicates that all these processes were contrary to the ruling ideology of the USSR era, when a citizen was brought up in a spirit of compliance, when uncalled-for initiative and innovative ideas were condemned and the state administered resources in all fields. In the USSR there was no individual motivation because an individual's work was subordinated to five-year plans, and to state, not personal, economies. A Soviet citizen's income was standardized and defined by the state. The targeting of profits was publicly

condemned. No innovation was required because individuals had no interest in the results of the work. A person who did business in the modern sense of the word was regarded as a profiteer, and a profiteer, for his part, was a synonym for a criminal and earned disapproval from major sections of the community and from the state. In the Soviet era, initiative was assumed for the most part by company managers who were Communist Party members and, therefore, the enemy. Any manipulation of state resources was prosecuted as a criminal act. Making a profit was an immoral relic of capitalism, and therefore to be eradicated (Hohnen 2003:23).⁵⁹

In order to ascertain the mode of acting and thinking in post-socialist economies, a number of anthropologists have applied categories from the socialist past to reinterpret the capitalist present (Procoli 2004; B. Müller 2004; Buchowski 2004; Dunn 2004). It follows from such research, both directly and indirectly, that “economic, social and symbolic assets that various groups possess shape the way people deal with a new structural context” (Procoli 2004:9) – in this case, in company operations under the conditions of an emerging market economy.

A prominent view of the transition from plan to market in Eastern Europe, as Lampland (2002) points out, is that a simple change in the structure of institutions would transform the economy of a particular society. Any opposition to new ideas would be a sure sign of irrationality. Missing from this view, according to Lampland (2002), is the simple but essential insight that institutions are “peopled” by actors, for whom the patterns of thought and action characteristic of the previous regime are normal and routine. The age of employees at the companies owned by Helge, Knut, Tore and Steinar ranged from 23 to 64. Although not all of them had had a Soviet-era working life experience, all had spent at least ten years of their lives in the Soviet Union.⁶⁰ However, it would be useful to consider the following: can we, more than a decade after the collapse of socialism, explain the conduct of people in post-socialist countries as the behavior of a *homo post sovieticus*? According to practice theorists,

⁵⁹ Undeniably, ‘black’ economies functioned during the Soviet era, and people profited from them. Following the restoration of independence, everyone had an opportunity to engage in business, and those who succeeded most rapidly were those businesspeople who had previously been engaged in ‘black’ economies: they found it easier to adapt to the new circumstances, in part because they had already accrued some capital.

⁶⁰ The study was carried out from 2005 to 2008, i.e., about fourteen years after the Baltic states broke away from the Soviet Union. Norwegian managers’ stories about their relations with Baltic employees mainly concern the period from 1995 to 2007.

when people enact the patterns they have learned, they recreate the public world of objects and events from which the next generation learns (Strauss and Quinn 1994:291). However, these patterns (or schemas) are well learned but do not dictate an unvarying pattern of behavior. People can adapt to new or ambiguous situations with “regulated improvisation” (Strauss and Quinn 1994:287). Responses are created on the spot, but regulated because they are guided by previously learned patterns of associations; they are not improvised out of thin air (ibid.).

Since cultural understandings can be relatively durable in individuals and can be relatively stable historically, being reproduced from generation to generation, and can be more or less widely shared and thematic, in the sense that certain understandings may be applied repeatedly in a wide variety of contexts (Strauss and Quinn 1994:289), it is possible that the concepts of work organization and work ethic internalized during the Soviet era could be active in workers’ consciousness/cognition a decade after the collapse of socialism. However, the model proposed by Strauss and Quinn does not predict the lack of change within individuals or over historical cohorts. Culture does not appear as a bounded entity here. Individuals’ emotions and motivations make a difference to how events are cognized.

Barth (1972b), (1981), on the other hand, seems to reject this mode of historical explanation in his anthropology and writes that it is more productive to assume “that everything influencing the shape of an event must be there asserting itself at the moment of the event” (Barth 1981:6). He writes that it has a depressive effect on the anthropological endeavor to adopt the view that social facts are the results of previous critical events. Thus, if analysts emphasize structural constraints on history there might be a danger of placing actors under the “tyranny of cultures” (Ortner 1990), robbing them of choices, agency and intentionality. Certainly, to describe the attitudes and behaviors of post-socialist workers simply as an extension of attitudes that existed under communism is too simplistic and too consequential; nevertheless, this not so recent past cannot simply be ignored; it is important to recognize its totalitarian power. But it seems equally clear that it is not enough to point to socialist ideology to explain the embeddedness of corporate values of Baltic workers at the beginning of the twenty-first century. In order to explain their behavior, at least an equal amount of

attention needs to be given to the new era of the market economy, which they entered unprepared.

The market economy brought to the post-socialist workers the new experience of existential insecurity (B. Müller 2004:165). They lost control of their material living conditions, and the gap grew wider between the haves and the have-nots. Workers felt exposed to market trends that lay beyond their control (ibid.). A worker raised in a socialist spirit, when entering the desired market economy order that meant sudden change, did not feel secure:

The collapse of Party rule, the ending of full employment, massive inflation after decades of stable prices, a labyrinth of new, widely disobeyed laws ... it all combined to cast people into a state of radical uncertainty (Humphrey 2002: xvii).

As the years passed, it became evident for many that the promised and expected transition to prosperous market democracy was not going to happen in the near future (ibid.).

Müller describes how the change of factory regime from a socialist enterprise to a western company meant a radical break with the socialist past, when work had been at the center of social and political life and the worker the pillar of socialist society:

Workers were confronted with the fact that they had ceased to be indispensable members of society. They could lose their jobs. The personal contribution they thought to make with their work to the well-being of society was no longer required. What counted now was the profit the enterprise could make thanks to their work (B. Müller 2004:169).

Although work at a western company was perceived as “social advancement” (B. Müller 2004:187), it did not immediately translate into a conviction that there was a safe future. For instance, in *Livpils*, when NIDA established its industrial park, a Soviet-era enterprise still maintained a major role in the town’s economy. The public company *Livpils AS*, a huge textile plant on the outskirts of the town, employed over 1,500 people. At the turn of the twenty-first century, it paid many of them just over 50 lats⁶¹ per month. The financial problems experienced by the company meant irregular wage payments. The municipality official said that he did not really know what the

⁶¹ Latvia’s national currency 1 Lats = 0,7098 EUR
<http://www.bank.lv/monetara-politika/valutas-kursa-politika/valutas-kursi> (accessed 17.09.2011).

current situation at the plant was, but he believed it had started restructuring into smaller enterprises, which might soften the blow its collapse might deal to the city. According to a staff member in *Livpils AS*, most workers did not even know that extra hours, holiday work, standing in for someone or taking up additional duties, would all normally mean extra money, and that they could claim their rights in terms of paid leave, safety at work and normal working conditions. A social worker in Livpils said that rising alcoholism in the town could be directly attributed to the economic problems at *Livpils AS*, and to other unscrupulous employers who operated with no contracts or safety regulations, and where no social insurance statutory contributions were paid. She said that middle-aged people in particular found it difficult to adjust when they lost a factory job they had held their entire adult lives under the auspices of the USSR.

Trust Relations

In looking at the relations between an employer and an employee, Norwegian anthropologist Tian Sørhaug highlights the significance of concepts such as trust and power. He explains leadership in organizations as dependent on the interaction of these two concepts. Trust shapes conditions for behavior and mobilizes action and cooperation in organizations; nevertheless, it also means risk because to trust means to trust other people's goodwill and things that have not yet happened (Sørhaug 1996:22). Sørhaug stresses that people must possess trust in order to gain it and to retain it; it exists only by virtue of mutual expectations of something that has not yet been done (Sørhaug 1996:23). This seemingly circular argument can be clarified with Granovetter's conception of the strength of weak ties (1973):

Whether a person trusts a given leader depends heavily on whether there exists intermediary personal contacts who can, from their own knowledge, assure him that the leader is trustworthy, and who can, if necessary, intercede with the leader or his lieutenants on his behalf. Trust in leaders is integrally related to the *capacity to predict and affect their behavior*. Leaders, for their part, have little motivation to be responsive or even trustworthy towards those to whom they have no direct or indirect connection (Granovetter 1973:1374).

There were no intermediary personal contacts between the local workers and the Norwegian managers in the case of Knut, Helge, Tore or Steinar, since the latter had entered the Baltic market as strangers from outside. They did their best to earn the

trust of the local workforce by practicing democratic leadership principles and operating in a socially responsible manner, and in most cases they gradually established a certain standing. Trust, however, also depends on power (Sørhaug 1996). People will not dare to trust unless they are protected from wrongdoing (ibid). For trust relations to establish themselves there should be leaders with authority to sanction disloyalty and disobedience but who do not use power in ways that make trust relations impossible. If this does not prompt obedience then at least loyalty is exchanged for protection (ibid.). Thus, leadership simultaneously, and during one and the same relationship, is based both on trust and power, but leadership cannot rely only on power in the long run (Sørhaug 1996). Sørhaug concludes that a person can never be certain whether trust is there or not, because mutual expectations can never be empirically observed. Therefore, organizational practices are always underpinned by signs that people trust. The goals and duties of an organization or the normative regulations of “must”, “should” and “have to”, imposed on its members in the name of the organization’s goals, are authoritarian and effective only if they are entrusted (ibid.).

Lien (2001) writes that the majority of Norwegians rely on public institutions in the hope that they will assume responsibility for people’s interests. This does not mean that the majority of the population are satisfied with what public institutions are doing; nevertheless, there are universal and powerful expectations that the state will do “its best” (Lien et al. 2001:23) in respect of intermediary personal contacts. Repstad adds to this argument, stating that people in the Nordic countries have more trust in each other – and in political institutions – than people in most other European countries (Repstad 2005:33). Thus, Nordic countries have an important comparative advantage here, as the transactional costs of social and economic exchange are low, because of this high level of mutual confidence (ibid.). In addition, small economic differences stimulate social integration in Norway.

In the Baltic states, in contrast, confidence in the state and the social protection that might be expected from the state seems minimal. For example, the situation in Latvia in 2009 is presented in the Eurobarometer 70 report:⁶² “Latvia currently demonstrates

⁶²“Netic valdībai un parlamentam”, *Diena*, published 17.01.2009. <http://www.diena.lv/arhivs/netic-valdibai-un-parlamentam-13705982> (accessed 03.06.2011).

the highest level of mistrust in the government and the parliament among the European countries – 79% and 86% of the population respectively do not trust those institutions”. In public culture, time and again, there is evidence that Latvia’s inhabitants lack trust: “59% of population does not believe that the new government will work better”, the Apollo news portal wrote in 2007.⁶³ Likewise, a lack of trust can be observed in relation to private organizations, which in their turn lack trust in state institutions. A majority of local companies have not prioritized social responsibility for their employees, at least not to the extent that in case of illness or job loss they are entitled to an allowance, because social welfare contributions for employees are rarely paid. Many people work without contracts, for minimum wage or for wages that are handed over in an envelope. On 18 February 2011, a national paper⁶⁴ launched a detailed report concerning business attitudes towards the state and the payment of taxes:

Latvia’s entrepreneurs do not trust the government and are not afraid of avoiding taxes. Only 20% of entrepreneurs think that the State Revenues Authority would definitely catch them in the act if they did not pay taxes. Almost 40% of businessmen fully agree with the statement that the SRA is a corrupt institution. More than 70% of the respondent businesses are dissatisfied with the taxation system in Latvia, and about a half of the respondents do not trust the government.⁶⁵

Similarly, a universal frame of mind among entrepreneurs is characterized by mass media headlines such as these: “It is impossible to pay taxes and work honestly”,⁶⁶

⁶³ „59% iedzīvotāju netic, ka jaunā valdība strādās labāk”, *Apollo*, published 27.12.2007. <http://www.apollo.lv/portal/news/articles/115810> (accessed 03.06.2011).

⁶⁴ “Pētījums: Latvijā uzņēmēji nebaidās nemaksāt nodokļus”, *Diena*, published 18.02.2011. <http://www.diena.lv/petijums-latvija-uznemeji-nebaidas-nemaksat-nodoklus-768054> (accessed 04.06.2011).

⁶⁵ The study was carried out by A. Sauka, a business processes researcher from the Riga Graduate School of Economics, together with London University staff members Tomasz Mickiewicz and Anna Rebman. The purpose of the study was to elucidate key factors influencing entrepreneurs’ choice to pay or to avoid paying taxes. In the course of the research, some 350 owners and managers of Latvian companies were interviewed.

⁶⁶ “Maksāt nodokļus un godīgi strādāt ir neiespējami”, *Building.lv*, published 22.12.2010. <http://www.building.lv/news/1-zinas/110212-maksat-nodoklus-un-godigi-stradat-ir-neiespejami> (accessed 03.06.2011).

and “under-the-table wages can be eliminated only by motivating businesses to pay taxes”.⁶⁷

The situation was even worse in the first years of independence, or the so-called transition period, when the role of the post-socialist state had been reduced while the new market was not yet fully working (Cimdina Barstad 2003). The state was not in a position to provide sufficient support to everybody; the social assistance system was not prepared to soften the decrease in real income and the surge in unemployment. Family ties and social networks took over part of the role of the state by providing support to those in need; thus, the poorest actually turned out to be those without support from their social network (Gassmann 2000, 2002). Trust relationships consolidated in private networks, not in relations with an unpredictable post-social state and the new mechanisms of the market economy, which could eliminate nonperforming members from their workplaces because of the pressure of outside market forces (B. Müller 2004:164). Unemployment, low salaries, the sudden absence of social guarantees, the lack of adequate finance laws, and the insufficiencies of contract law and tax policy caused the emergence of networks of informal control and forced sanctions (gangs and protection teams) based on the principle that “fear is the best insurance” (Ledeneva 1998). The failure of privatization campaigns to guarantee the indexation of people’s savings, the bankruptcy of commercial banks, a sharp decline in health and welfare services, a rise in nationalist tensions and a general climate of aggressive and often desperate individualism had changed the social atmosphere dramatically. Not being able to trust in the state, people were forced to apply a variety of informal strategies to cope with everyday issues, following the principle that people could only trust themselves.

Consequently, there are significant differences between the Norwegian and the Baltic working environments, not only in terms of how the duties of a manager and an employee are perceived, but also concerning social protection. What will happen, should an employee lose his or her job? Norwegian managers are not aware of this and, it seems, do not even realize that for this reason their employees do not object to

⁶⁷ “Aplokšņu algas var izskaust tikai, motivējot uzņēmējus maksāt nodokļus”, *Artiskampars.lv*, published 24.05.2010. <http://www.em.gov.lv/em/2nd/?lng=lv&id=23610&cat=621> (accessed 03.06.2011).

working during holidays or night shifts. In the Baltics one would not find the same kind of social protection as in Norway. “I had better raise no objections and do as much as I can: to have a job is the main thing that matters”, said one of the female workers at the NIDA industrial park, who did not even know until this point about her entitlement to extra payment for working overtime.⁶⁸ Norwegian managers do not seem to grasp “the feeling of insecurity brought about by the new work ideology” (Procoli 2004:8) in post-socialist contexts. The contrast between before (socialism) and after (the market economy) may well have been dramatic for most of the workers. However, the way post-socialist workers behave in relation to their foreign employers indicates that in order to understand the resistance towards Norwegian managerial policies, “categories from the socialist past may [need to] be called upon to reinterpret the capitalist present” (Procoli 2004:8). The new economic model brought into life phenomena that were unknown in the socialist past, such as unemployment and private entrepreneurship (Procoli 2004:10). Workers feel threatened by precariousness and are more vulnerable, since job loss has become a real threat: “From the system of protective domination they were thrown into a system of domination that exposed them to an uncertain future” (B. Müller 2004:150).

The behaviors of Baltic workers at the turn of the twenty-first century cannot be explained only by their socialist past, however. The embeddedness of workplace values is not grounded solely in continuity with the past. The heritage of the former system, the new economy, and the blending of these two totalities, in combination with incompetence or a lack of experience in workplace democracy, are all factors that help to explain the embeddedness of Baltic workers’ corporate values. In all likelihood the behavior of local workers observed in this research (they did not voice opinions, did not advance initiatives, were cautious when communicating with their managers and did not mention their failures or errors; they did not object, but rather waited for orders and were humble) – arose from a fear of losing their jobs. This fear takes precedence over trusting the promises of workplace democracy, which would require involvement in decision making and in company operations. It can be concluded from the research presented in this section that Norwegian entrepreneurs

⁶⁸ In evaluating working conditions in Brazil, Wold (2007) too indicates that local employees in a Norwegian company there were afraid of making mistakes or being criticised, as they felt this could result in them losing their job.

found it difficult to carry out their intention of promoting a democratic environment in their companies because this kind of work environment has no long-term tradition in Baltic companies.

As this research shows, Norwegian entrepreneurs typically believe that decisions should be taken on a basis of mutual concord, whereas Baltic employees are characterized by more detached and formal relations to their superiors. Norwegians wish to solve problems jointly with their employees, supervise them less, give them more freedom and, through this, more responsibility. Nevertheless, it was observable in Norwegian companies that managers were dissatisfied with the lack of responsibility and initiative taken among local employees. Norwegian attempts to reduce the gap in their relations with employees showed only slow progress. Norwegian managers were concerned about this, as the employees' reserved attitudes towards managers not infrequently reduced the efficiency of operations; because employees tended not to mention problems arising, and avoided asking questions, the result was uncertainty and misunderstanding. When the employees did not report problems, the managers thought it was because problems did not exist, so they only discovered them when it was too late. Local employees did not complain about their difficulties – for example, health problems or their inability to do an extra shift because of childcare – as they did not trust the administration and were afraid to reveal their weaknesses, which they felt the manager could then use against them. Norwegian managers were seldom aware that this existed. They expected their workers to work independently, make decisions and assume responsibility, yet remained unaware that the workers were afraid of losing their jobs, which created a pervasive fear of making an incorrect judgment call. They were afraid to object to the boss's opinion. Unlike the organization management model presented by Sørhaug (1996), the management mechanisms in Norwegian companies in the Baltic states were rooted not in trust (which Norwegian managers wanted to achieve), but in the power that functioned due to sanctions. The manager has at his disposal the ability to apply sanctions (the most ominous of those being dismissal), and the fact that employees were aware of those sanctions made them behave as the manager wanted. Like the workers of other post-socialist countries, those in the Baltic had become accustomed to serving the state, which provided jobs that were stable and predictable, however modest the social guarantees that accompanied them. Unemployment, the

absence of social guarantees and the absence of trust were among the aspects that made workers feel insecure in the new capitalist economies.

6.3. Entrepreneurial Activity and Society

Social Responsibility

It follows from chapters 4 and 5 that one of the motives for Norwegian entrepreneurs (notably manufacturers) in entering the Baltic market was a local labor force that was cheap and productive. Müller states that the productivity of the workers was a major concern for investors expanding their business into the former socialist countries. She describes the ways in which, leaving aside personal relations and political convictions, workers in the East European factories were assessed in terms of how much they were able to produce over a given period of time. During the process of transformation the concept of productivity lost the moral dimension of increasing production in order to fulfill the 'rational' needs of socialist society. Instead, she claims, capitalism claimed neutrality with respect to the appetites of individual consumers and focused on increasing the profit levels that an increase of production and consumption might generate (B. Müller 2004). Depicting a multinational's takeover of an elevator factory in South Moravia, Müller discusses how Moravian workers responded to the attempt to redefine their identity through the criteria of productivity and how workers reacted to the restructuring of their enterprise as a low-cost factory, where salaries were lowered to the absolute minimum and where a decent income could be assured only through overtime and second job.

Although the multinational company described by Müller and the Norwegian industrialists discussed here had similar motives when entering the Eastern European market, the Norwegian attitude towards the Baltic factory workers differed considerably from Müller's description. While she depicts how the managers of multinational enterprises (in post-socialist Morovo, Russia and East Germany) struggled to extract from their workers maximum productivity, without surrendering to their financial demands (B. Müller 2004: 162), this was not the case for the Norwegian industrialists in the post-socialist Baltics. An intensified level of work and productivity, achieved over a shorter time scale, without a relative increase in salaries

(B. Müller 2004: 169) was not an option for Helge or Tore, Steinar or Knut, although they openly admitted that low labor costs were the main motive for moving production to the other side of the Baltic sea:

When we started operating in the Baltics in 1994, we experienced a huge rise in inflation to 25 percent. We had to raise wages four times during the first year; I don't think other companies did that, too. But we did it because we did not want our employees to do extra jobs in order to survive. I believe we paid good wages, because many wanted to work for us. And hardly anybody has left; a major part of those whom we hired in 1994 are still working. We invested both time and money to train our employees and so it is important to keep them. The lowest wage in our company today is 500 LVL per month. That's not bad for the Baltics, is it?! (Steinar Jensen, 2006).

Knut did not complain about productivity at *N-Welding Ltd*; on the contrary, he told me proudly that production at Livpils is 15 percent more efficient than in Norway, and that all his employees there are hard working and efficient. His workers were paid average wages for the Baltics. And, as pointed out already, at yearly salary negotiations he was not stingy: the workers wanted their wages to be increased by 2.6 percent, but Knut raised pay by 3.5 percent.

Björg Vatne, product developer at *Tekstil AS*, was sure that people queued to work for their subsidiary company *Solveig Ltd* in the Baltics:

Many of them have come to us from enterprises stricken by competition. They had not received any salary for a long time. Many had received their salary in linen tablecloths. We bought those tablecloths from them, so that they could get at least some money (Björg Vatne, 2005).

By the same token, Tore Hauge and other Norwegian entrepreneurs in the Baltics, being concerned about their employees, tend to compare their performance with that of local Baltic companies on a regular basis: "I like to show others what I have established here: to demonstrate the diversity of our entrepreneurship, to show the opportunities that are here", Tore states. He speaks proudly about his production facility in the Baltics:

Baltic businessmen are notorious tax evaders; cash wages under the table are all but standard. We Norwegians cannot afford anything like that; we have to operate within the limits of the law, although sometimes it may seem tempting to pay under the table (*betale svart*), thus saving tax money. But I have made a promise I cannot break. My father, who opposed *utflagging* [moving operations to a low-cost country] once said that there was one thing he would not want to live to see: when opening a paper, he and the whole village reading in the news

that our company in the Baltics was paying under-the-table wages (*betaler svarte lønninger*). He insisted that I made a promise never to behave like that, bringing shame upon our company and family honor (Tore Hauge, 2007).

Tore believes that Norwegian businesses set standards for good practice in the Baltics: always pay salaries on time, pay all taxes due and all social welfare contributions:

Baltic companies will soon be forced to do it like us; if not, nobody will want to work for them, as the people see how it is in our companies: salaries are never delayed, you are paid even when you are sick, because all payroll taxes have been paid. The majority of Baltic Norwegian companies work like this. I know only one Norwegian company that paid cash wages, but we made him rearrange his operations as required by law. None of us [Norwegians in the Baltics] wants to read in a paper that Norwegians are avoiding taxes. We have already earned negative publicity because of relocating. And Norwegian newspapers are on the watch! (Tore Hauge, 2007).

Tore's vehement storytelling was cut short by one of his employees to whom Tore had offered a lift to the city, where she had to collect her own car from a garage. The capital city is located about 150 km from Tore's plant and usually, when about to go there, Tore asks around to see whether any of his employees might need a lift. A couple of days ago he took her accountant's son to a hospital in the city because she had not got her car.

The inculcation of a socially responsible business ideology (albeit for reasons of company profits) beyond the borders of their country is also represented by *Nordic Ltd*. Through a software advertising campaign, the managers of *Nordic Ltd* and *Safe Use AS* aimed to raise Baltic people's awareness of responsible entrepreneurship:

Serious companies should also care for the environment and their workers in the Baltic states ... We strongly encourage companies to switch to safer alternatives. By doing so they would promote an ethical and socially responsible business (Paal Riise, 2006).

The strategy of Paal Riise and Petra Liepa, however, did not bear the fruit they had expected, most probably because the actions and strategies of local entrepreneurs were not embedded in social accountability. Most of the Baltic entrepreneurs believed that they would be able to bypass some of the new EU regulations. If not, they believed that the penalty would be lower than the cost of the software offered by *Nordic Ltd*, which would have helped them to register and manage dangerous waste and chemicals, and to safeguard the work environment.

These examples demonstrate that social responsibility is a part of the strategy of Norwegian companies, which is not only included in the definitions of the systems of company values but also voluntarily applied in daily practice. These companies, on a voluntary basis and beyond the requirements of legislation, meet the targets of social protection in their daily operations and also encourage local companies to implement a responsible personnel policy.

Thus, relations between entrepreneurship and society could be characterized as a win–win situation. The primary purpose of entrepreneurship is profit, because profitability determines the very existence of the company. However, Norwegian businesspeople believe that in their relations with society they cannot be merely profit seeking, “greedy or self-interested”, but that they must also be “socially responsible, morally conscious and ethically minded” (Garsten 2004:70). They are used to the fact that society expects a company to pay all taxes due to the state, from which society receives profits in the form of social guarantees, education and healthcare. Society expects that a company should run its business in such a manner as to improve the local residents’ quality of life (public space improvements, support for a local school or a kindergarten, jobs, clean air) – as Selvik (1986) explains (see chapter 4). Company employees expect that human rights standards are met, that good working conditions and a decent atmosphere are engendered, that workers can ensure their financial welfare, be appreciated in moral and material terms and achieve professional growth. Business partners expect not only such terms in a deal that would allow them to gain profit, but also a long-term partnership of honest business practices. Thus, the responsibility of a company towards society could be defined as a good business practice that demonstrates company values and acknowledges that the company has voluntarily included social, environmental and human rights values in their daily operations and in relations with the stakeholders – employees, customers, partners and the broader community.

In the business literature, social responsibility is called corporate social responsibility, or CSR. It is a field of discourse dominated by such key words as “accountability”, “transparency”, “corporate citizenship”, “partnership” (Garsten 2004). Although the “the bottom line is still profit” (2004:81), within the frame of this discourse, entrepreneurs “try out new ways of combining profit with social accountability”

(Garsten 2004:71). Unlike in Norway, an understanding of responsible entrepreneurship in the Baltics still seems to be at an early stage of development. In recent studies on social responsibility in Baltic companies, Pētersons (2008), for example, notes that few Latvian companies go beyond doing a good deed a couple of times a year, in terms of their plans and activities, and as such do not really rate as being truly within the CSR domain (Pētersons 2008). Providers of financial services and consumers thereof confuse CSR with charity; they lack serious knowledge about what CSR entails (Olsen and Partners 2008). Social responsibility is regarded as an advantage only for large companies; companies are ready to discuss CSR but much less often to attempt active implementation. Whenever attempts are made, social responsibility measures are expected to bring immediate financial returns (ibid.).

The fact that entrepreneurs in the Baltics, for the most part, do not regard CSR as a significant element of business activity, can be seen in research on local statistics. For instance, only 22 percent of Latvian companies had completed an environmental impact assessment of their operations by 2007, although a requirement to perform this assessment was laid down in Latvian law as far back as 2002.⁶⁹ In the same region in 2005, an opinion poll on the attitude of companies towards responsible business revealed that only 1 percent of respondent company representatives believed that CSR is self-evidently a useful concept, and only 10 percent had produced a detailed program for corporate social responsibility.⁷⁰

A significant aspect in the analysis of business–community relations, besides an entrepreneur’s goals and strategies, is societal expectation. To what extent does the society expect social responsibility from a company and does it impose penalties on companies that fail in terms of social responsibility? In 2009, the share of shadow economies in Latvia’s GDP was 40 percent (the highest in the EU); Estonia and Lithuania followed with 38.2 percent and 30.2 percent respectively.⁷¹ A Latvian news portal, *Ekonomika.lv*, comments that such results do not come out of the blue:

⁶⁹ Report on National Development. Latvija. Pārskats par Tautas Attīstību. Atbildīgums. 2008/2009:133., LU SPPI, Rīga.

⁷⁰ Report on National Development. Latvija. Pārskats par Tautas Attīstību. Atbildīgums. 2008/2009:130, LU SPPI, Rīga.

⁷¹ „Study: Latvija, at 40%, has the highest share of the shadow economy of the EU”, *Diena*, published 29.09.2009. <http://www.diena.lv/petijums-latvija-enu-ekonomikas-ipatsvars-ir-augstakais-es->

it would be enough to listen to opinions from public and local government officials, to warnings by business community figures and representatives from their social partner groups voiced at public debates concerning refusal to pay taxes, to be able to conclude that underground economies, “under-the-table” wages, partial tax evasion is standard in this country.⁷²

The conclusion is that when almost 40 percent of companies do not pay taxes, are not afraid to acknowledge evasion, and do not regard it as something particularly wrong, then the wider society will not condemn this as immoral behavior. The fact that unethical behavior can bring success and that poor living conditions stimulate a bending of the rules is, to a certain extent, approved or tolerated. Thus, a business would regard CSR as providing value-added factors only *if* honesty and responsibility for society and the environment were regarded more widely as adding to that value. The major obstacle to the development of responsible entrepreneurial activity in the Baltics could be simply a lack of demand.

“Selling their Souls at an Auction”

The barb in the subtitle above was the message of the newspaper *Sunnmørsposten*,⁷³ on 27 September 2002, in an article about Norwegians who moved their factories to the Baltics. The article argues that Norwegian businesspeople are digging their own graves in being so naive as to relocate to the Baltics the competence and expertise that their companies have accumulated over many years. Like a flock of stupefied sheep, observes the article, they chase after cheap labor, regardless of how this might impact industrial traditions and the development of Norway’s regions. The article points out that the Baltic people are smart and quick in the uptake of knowledge offered by foreign companies, and that Norwegians are creating competitors for themselves by moving expertise to the Baltics on which the survival of their companies depends.

NIDA’s opponents claimed that instead of promoting industries in its native Norway, it annihilates jobs in Norway’s regions. This was painful criticism for Tore Hauge,

sasniedzot-teju-40-proc-691642 (accessed 09.06.2011.). The study was carried out by a global management consulting company, A. T. Kearney.

⁷² “Latvija pelēkās ekonomikas ēnā”, *Ekonomika lv*, published 05.10.2009.

<http://www.ekonomika.lv/latvija-pelekas-ekonomikas-ena/> (accessed 09.06.2011.).

⁷³ “Selger sjela si på billegsalg”, *Sunnmørsposten*, published 27.09.2002.

who had taken what he saw as the last chance to keep his business in Norway alive. His father had strongly opposed the family company's relocation to the Baltics, and Tore only acted against his father's will to save the factory from going bankrupt. His father, on the contrary, believed that he should go bankrupt with dignity in his own village rather than lose honor chasing cheap labor in the Baltics. Tore considers that the *Sunnmørsposten* article should have been targeted at Norwegian politicians who had made the situation impossible for industries in Norway. He did not move to the Baltics for his own pleasure; hardly anyone will now smile at Tore in his home village. Since the day he dismissed the workers in his native village of Dale, and moved the factory to the Baltics, he receives glances of condemnation wherever he goes. After all, Dale has been left without its major employer. If the conditions were to change in Norway, Tore would most probably move his factory back to his home village. But this seems unlikely:

The Central Bank Governor in Norway has indicated that about 70,000 jobs in Norway's industrial sector will have to be liquidated. And none of the politicians objects (Tore Hauge, 2006).

Still, like any other businessperson, Tore wants his investments to be stable and sustainable. At least for the time being, he can administer and develop his production in the Baltics, compete in the global market, keep his customers and safeguard the company created by his grandfather.

Helge Hofset gets angry about criticism in the press. When closing down his plant in Norway, he also met with disapproval from the villagers. His factory had also been the largest employer in the village and almost 100 local workers had to be fired. However, by relocating production to the Baltics, he saved from bankruptcy a company with a 150-year history, and its product development and sales departments are still located in Norway:

In our sector it is not possible to make production fully automatic; a machine can knit woolen fabric, but we require many human hands to stitch the sweaters and other garments together. If we used Norwegian manual labor, nobody outside Norway would be able to buy those sweaters. Ours is a labor-intensive sector, and competitors from low-cost countries are breathing down our necks. Would our compatriots really feel better if this company, famous for its time-honored traditions, went bankrupt? (Helge Hofset, 2006).

Henning Hansen, NIDA's director in the Baltics, asserts that by moving labor-intensive production to the Baltics, Norwegians can at least secure their ownership in Norway. Norwegians will have to get used to products bearing labels that read, "designed and engineered in Norway and produced in the Baltics", he says. Henning even goes so far as to declare that it is the duty of Norwegian industrial companies to move labor-intensive production away from Norway before it is too late, because they need international strategies to survive in an international market. There is hardly any unemployment in Norway; its factories have difficulties in recruiting workers. Henning understands that it is hard for people to lose jobs, and yet he underlines that the loss of these jobs is not dramatic for the nation as a whole. It would be dramatic if Norwegian ownership were lost, however. Henning is convinced of this:

We have to be involved in value creation outside Norway, too, which will have a positive impact both on our competence and capital. This is a win-win situation, where we help the Baltics to develop by considerably benefitting ourselves. NIDA's activities in the Baltics helped to secure Norwegian ownership, and this is what matters.

This is the simple logic of market economy: if you are unable to produce and compete in one place you have to move to another. International companies have located their production departments in lower-cost countries long ago. And, if labor-intensive production is closed down in Norway and products are imported? Would this be better? The consequences would be the same, but with one exception. By locating a production facility in another country the company is taking part in the production process as a whole; it sustains and develops competence and keeps ownership. Our stern critics, too, are dependent on globalization and buy goods that are cheaper. No Norwegian company is producing everything in their stables, although some insist they do. Have you seen anybody shear sheep outside a factory? No, the wool most likely comes from quite a different place, say, China.

It is hard to say whether NIDA could have continued its activities in the Baltics if the Baltic states had stayed out of the EU. In any case, it would have been easier than justifying our engagement in the Baltics, as an argument of participating in the development of a country is politically correct. When you say that you are contributing to democratization and the modernization of a country, and are teaching them to stand on their own two feet, this is a solid argument. Together with NIDA, we opened the road to the Baltics by offering our competence, but then the EU came with its baggage. We are not able to compete with the EU programs. Yes, maybe everything would have turned out differently, had the Baltics not joined the EU (Henning Hensen, 2006).

By early 2007, nobody had applied to buy NIDA's industrial park in Livpils, so the tenant companies did not know what will happen in the future. After seven years'

work there, Henning Hansen has sold his old town apartment in the Baltics. NIDA's activities in Russia were ongoing, and an office building and a lifelong learning center were being located there under NIDA's directions, because Russians "needed development assistance". However, NIDA's profits in Russia never matched those in the Baltics.

The closure of profit-bearing NIDA operations in Livpils resembles the point made by Koponen (see chapter 3) that much of the "making" or instituting of the economy happens outside the market (Koponen 2002:543) through political mechanisms and imaginary standards: these relationships impose value upon goods differently than do market relations (*ibid*). Questioning the assumption that the market will decide what is good and bad, and the truism that the market models our behavior as closely as possible in terms of being a "purely competitive market", seems relevant here.

Social Costs

Barth (1972) notes that the entrepreneur differs from others by the concentration on, and maximizing of, one type of value – profit. By activities of a speculative rather than an institutional character, and a greater readiness to assume different risks, the entrepreneur invests the majority of resources in a single project and relies only on his/her own deductions (and not on general opinion) (Barth 1972:7f). While analyzing entrepreneurial activity Barth foregoes structural analysis of community. In view of the time in which the work was created, that is, in the late 1960s, this is a remarkable step. Nevertheless, his motives display methodological and theoretical reflections rather than opposition to a (still) dominant theoretical school. To put it succinctly, Barth does not think that a structuralist approach, which would allow us to identify the status of community members in a social structure/hierarchy, would be helpful. Instead, he offers to analyze the articulation between the entrepreneur's activities and the community a part of which they are in terms which emphasize the reciprocity of local transactions. To this end, Barth is prepared to accept game theory as a model for further analysis: social activity should be regarded "as the result of constrained choices, and thereby connected with variables of 'value' and 'purpose'" (Barth 1972:7). Behavioral patterns emerge as the result of limited choices, which in certain situations are regarded as optimal (*ibid*).

The cases discussed here clearly exemplify the conflicting expectations that Norwegian manufacturers meet – general opinion is strong and nearly impossible to ignore in decision making in private enterprises. Barth indicates that when assessing costs subject to risk, an entrepreneur also takes into account social costs, relying on moral standards and those laid down in law, and certain social relations. Barth attempts to include these factors in a single analytical model and invites us to pay attention to entrepreneurs working under the conditions of their community, identifying the main variables that have an impact on the entrepreneur's choices, notably, the structural qualities of the environment and the factors that restrict company development.

So, an entrepreneur puts at risk not only his/her financial gains and losses; s/he must also be aware of the social costs of his/her activity, which could prevent the entrepreneur from applying strategies that might be effective in terms of generating profits (Barth 1972). This analytical path, which Barth formulates with a sharp focus, is not new in anthropology; indeed, Barth refers here to research (by Malinowski 1922; Firth 1939; Bohannan 1955) on traditional communities.

The social costs incurred when various techniques of exploitation are acted out in a community, as well as the social and moral restrictions (that is, what the entrepreneur is ready and not ready to do in accordance with a given social order – see Barth 1972), to a great extent define the choices and strategies of entrepreneurs. The goods obtained through entrepreneurial activity are clearly not restricted to purely monetary or even material forms, but may take the form of power, rank, experience and/or skills (Barth 1972:8). To understand properly the balance sheet of an enterprise, social costs of various kinds, which are not readily recognized as economic, must be considered. As in the case of an entrepreneur's gains, a loss may also include vital intangibles like power, rank and goodwill (*ibid.*).

The issue of social costs in business is aptly illustrated by Brox (1972). In order to empirically demonstrate that not only the ecological but also the social environment shapes the specific character of entrepreneurship, Brox describes life in three small fishing villages in East Fjord, Northern Norway. A number of businesses here failed:

an attempt to set up a consumers' cooperative fails; furniture manufacturing does not pay off, as the price and production policy depends on family and neighborly relations. Raising prices to the level of those in the city and giving up small-scale works or repairs would be profitable practices, but this is not done for the sake of close family and neighborly ties because people feel they must help their own kith and kin. Per four hundred of East Fjord residents, there are six shop owners whose businesses are run from home. Although it might seem that family and neighborly relations might guarantee a circle of permanent customers, this relationship interferes with business, because it is accepted in the community that *one's own folks* are to be supported, and profits are not to be made at their expense. In East Fjord, businessman Hans is remembered as a special person who owned the local post office and the local steamship agency, who drew the majority of his income from salmon fishing. Relations between Hans and his customers are on an equal footing, and Brox highlights two issues concerning this "equality": local people's desire to live in an egalitarian community, while under "social control" (Brox 1972:23). Social control manifests itself both as rumor and gossip, and as not selling the day's catch to Hans, but to other buyers outside the village (more often than not, without profit), because one person is not supposed to own *everything* and one individual cannot be permitted to profit at the expense of others (Brox 1972:22 f). Hans calls this narrow-minded, but he does not gain maximum profit, because his choice to be a neighbor and a relative "blocks" his understanding of business values (Brox 1972:23). Thus, social relationships can also be an obstacle to improving one's welfare conditions.

Brox calls "herring tycoons" an ideal type of East Fjord entrepreneur. Although their economic activity could be regarded as highly effective (and economical – they operate companies and address new opportunities vis-à-vis resources and fishing grounds), first and foremost they are fishermen, not investors. They make a profit because of their professional fishing skills, not because of their ability to manipulate capital (Brox 1972:24). In addition, close relations within the neighborhood do not hinder the business of these "herring tycoons", but ensures its stability and effectiveness. Brox explains, "a trader's place in the ecological network is less clear" – his interests are at odds with the fishermen's interests and thus he is regarded as an exploiter. If, for a trader, it is important to demonstrate and maintain social distance with clients and to avoid getting involved in the neighbor-relative network, then it is

just the opposite for a “herring tycoon”: he and his team function in one and the same niche and depend on each other. Besides, close neighbor–relative relations consolidate the team (Brox 1972:25).

Businessman Larssen has full control over daily life in the neighboring village: he imposes no limits on loans, neither in terms of amount nor deadlines. At his shop people can obtain goods on barter terms, without money as a medium. He is the only person who can provide everything that newcomers from a neighboring village might need (building materials and food, for example). Fishermen sell their whole catch to Larssen and will later buy fish for their dinner from him. Larssen sets the price of goods and, although it is higher than in the city, it is more convenient for local residents to obtain from him the things they need, because people have little cash to hand in the community. Most people are not satisfied with the situation but their close-knit mutual relations facilitate loyalty and solidarity with Larssen. Even if they do not owe him anything, they bring their fish to him because, for instance, if a relative needed something that only Larssen could get, it would not have been sensible to spoil relations with him. It was due to such mutual relations between individuals that Larssen’s influence was “networking” through the entire social structure (Brox 1972:31).

Although Brox’s article reflects the situation in Northern Norway in the 1950s to 1960s, striking parallels can be drawn with a key aspect of present-day relations in small and medium-size Norwegian companies and society (that is, in small towns and villages). Larssen’s activities illustrate certain parallels that can be drawn with NIDA’s operations in Livpils. The activities of both Larssen and NIDA correspond to the very essence of entrepreneurship described by Barth, namely,

to discover new possible channels and exploit them: to enter such a system in which value flows and expand it, short-circuit it, or otherwise make it flow differently, while tapping or otherwise accumulating some of the flow in the form of profit (Barth 1972:12).

The point at which an entrepreneur seeks to exploit the environment is described by Barth as the niche. As in Larssen’s case, the newcomers to the Baltics (the Norwegian manufacturers) became dependent on NIDA. In part, they did not trust

the alien and unknown Baltic business environment and bureaucracy. If dependency on Larssen was stimulated by the shortage of monetary capital in residents, then dependency on NIDA was caused by a lack of cultural, social and symbolic capital. NIDA provided newly arrived Norwegian manufacturers with production facilities, staff, an accountant, round-the-clock security, important contacts in the local authority and customs office, potential cooperation partners, and information on local legislation and society in general. NIDA, in other words, developed a new niche in the Baltic manufacturing industry. Before NIDA arrived, few dared to move their operations to the Baltics, like Helge and Tore, thus assuming a heavy burden of social costs. A couple of years later, however, the demand for production facilities in Baltic industrial parks increased dramatically: quite a number of foreign industrialists saw the potential of Baltic workers and production conditions.

The social control mechanisms delineated by Brox, and applied by the residents of East Fjord in the name of egalitarianism, were also present in the villages of Fjord County, which Jon, Mari, Knut, Helge and Tore left when moving their factories to the Baltics. In Norway their companies functioned as not only model sources of export revenues, and they were also tax payers, but they also responsibly participated to resolve district problems and shape the socio-cultural environment, “depending on what values at a specific period of time were being highlighted by the policy of a particular Norwegian government”, as Selvik puts it (1986:12). Production became too expensive and unproductive not only as the result of Norwegian workers’ increasing wages but also as a result of an increasing burden of “indirect costs” in the community.

Just as corporate values are rooted in everyday values, the social responsibility of a company to a great extent lies in concepts concerning an individual’s social responsibility on a daily basis. It is possible to assess how important and self-evident socially responsible entrepreneurship is, in Norway, from the social ostracism and condemnation shown towards Tore and Helge when they moved production from their native villages. They lost face and their good name back home and, having taken to heart this loss, acknowledge that the social costs of their businesses have grown as a result of *utflagging* (moving to a low-cost country), although the costs have decreased in monetary terms. Like Hans from East Fjord (Brox 1972), they call their

fellow villagers narrow minded and feel unduly condemned, which is clearly reflected by Tore:

It is not fair that we are being belittled as *utflaggere*. Many companies that go on producing in Norway buy all their raw material abroad. To stop buying from local producers – is this not considered worth condemning? It is not right that we are accused of treason. It is naive to believe that we can produce everything in Norway, because Norway has plenty of oil money. Our competitors moved to Portugal 20 years ago, where production costs are low. Many Norwegian manufacturing businesses keep hoping too long that the situation is going to change and then realize it's too late, and lose their companies. The global trend demands that costs be reduced. I still remember condemning glances in Dale [Tore's native village in the Fjord County], when we started the relocation. Everywhere I went my actions were condemned either by words, looks or avoidance. Most people believed that, since I was not fully bankrupt yet, moving the production meant chasing profits, not saving one's company. They were certain that I had discovered a new way to earn money, and they disapproved of it. That was so typical of Dalenians: envy is stronger there than sexual appetite; it just beats everything!

I was the first to relocate my factory from Fjord County to a low-cost country. NIDA launched their operations in the Baltic states only a couple of years later. I liquidated 25 jobs in my village and moved them to the Baltics, and now that makes me the bad guy.

But my principal competitors in Europe moved their facilities to Poland and Romania in the early 1990s. My father was still in charge of the company then and stubbornly refused to move; he promised he would rationalize everything. Nevertheless, at the end of 1990, when I took over the management, there was nothing to rationalize or sell. We were too expensive for the European market. Disregarding his anger and the condemnation of the people around me, I had to take a courageous decision to move to the Baltics, and due to that, our company still exists. My father finally made up his mind and came to visit. Finally he confessed that he was gratified that the company continued working with a positive balance sheet and was still in business.

But they [fellow Fjord County citizenry] got it their own way: protests by the opposition and the uproar in the media was so loud that finally the government demanded that NIDA close its industrial park in the Baltics, although the parks were bringing in a good profit, the industrial cluster had taken shape and was functioning perfectly. This is shortsighted and insane. Norwegian society can only benefit if instead of going bankrupt Norwegian companies continue to exist, even if in another country, and, who knows, perhaps in 20 years' time they will return to Norway with accumulated capital (Tore Hauge, 2006).

Social costs, social control and social responsibility convincingly indicate that entrepreneurship cannot be separated from the social environment in which a company is operating. A reputation based on social responsibility rather than on profit is important both for Tore's father, who did not permit his son to relocate to the Baltics even though their company was on the verge of bankruptcy, and for the people

of Helge's and Tore's native villages, who publicly condemn the relocation of operations to the Baltics.

A socially responsible business practice, of which the residents of Norwegian villages would certainly approve, is reflected in Henningsen's (2007) research, which describes a development project in the small town of Rjukan, the birthplace of what was once the largest Norwegian industrial company, *Norsk Hydro*. The growth in population in Rjukan is directly related to the establishment of Hydro: the company not only provided jobs for Rjukan's residents, but also was regarded as a guarantor of social security and welfare in the neighborhood. "At Rjukan, Hydro was the society", Henningsen (2007:145) emphasizes, thus supporting empirically the indications observed by Selvik, who noted that the role of industry in Norway, like that of other business, is more all-embracing than just the production of profit-yielding commodities. Industry has been the principal instrument for implementing a number of superior social goals: security, equality, sparse settlement, high income, full employment and regional development (Selvik 1986:14). However, Selvik (1986) also states that it is partly because Norwegian industries have to shoulder a greater burden of social costs than their competitors in other countries that the ability of Norwegian industries to work profitably, increase exports and to increase the number of jobs available has weakened.

As Henningsen describes, in the beginning of the 1900s Vestfjorddalen valley, where Rjukan is located, was inhabited by only a few hundred smallholders. However, after the establishment of *Norsk Hydro* in Rjukan, the population in the valley gradually grew to 10,000 inhabitants. The leadership of *Norsk Hydro* succeeded in attracting foreign investors, paving the way for large-scale industrial development. Because of its pioneering role in the use of hydroelectric power for industrial purposes, and because of the unprecedented scale of the *Hydro* Project in a Norwegian context, Rjukan was seen to be spearheading the modernization of Norway – a newly independent state after the dissolution of the union with Sweden in 1905 (Henningsen 2007:145). *Norsk Hydro* had a major role in the development of society not only because it offered jobs, but also because it mobilized the building of social welfare systems; indeed, it was sometimes difficult to distinguish those actions from the work done by the local government.

By the mid-1960s, it was evident that *Hydro*'s production at Rjukan was not going to be competitive in the foreseeable future and from this time onwards the company gradually withdrew its activities from Rjukan; in other words, it was a similar situation to the one outlined here in relation to Knut, Helge and Tore at the end of the 1990s. In 1988, *Hydro* finally shut down its process-based industry in Rjukan. *Hydro*'s social responsibility towards its home town was present not only in providing sociocultural welfare while it operated in Rjukan, but also when leaving Rjukan. *Hydro* made an agreement with the local government that it would remain present at Rjukan with a business employing about 400 people, and that it would donate a large amount of funding to finance various projects to stimulate economic growth in the area. *Hydro*, which had been the mainstay of social security in the town, did not relinquish its role even when relocating operations to another place, because if it had done so it would have risked the loss of its reputation, as we have seen in the cases of Tore and Helge.

Morality

Whilst explaining the relations between social responsibility and profit in business, Garsten states that basically we should demand from companies what we demand from our children – that they admit it when they have done something wrong, and that they are honest and transparent. She clarifies that “businesses should respond to stakeholder demands for accountability and transparency not because it is nice to do so, but because it may strengthen the brand and enhances profitability in the long run” (Garsten 2004:81). CSR is a long-term and slightly risky investment in the brand; it is actually an entrepreneurial activity (ibid.) Consequently, social responsibility is not only about taking responsibility for the welfare of employees and the community, it also concerns the company's honor, which is particularly pronounced in the case of *utflaggere* – those who leave Norwegian villages for countries with lower operating costs. The main fields of social responsibility for Norwegian companies include employees, consumers, investors, government bodies, associations and various interest groups, as well as assuming care for the welfare of the entire community and society, and environmental protection. Although this is financially costly, Norwegian manufacturers' conception of socially responsible behavior is embedded enough for

its ideal to be taken along when relocating to a lower-cost country – although in a less all-embracing form.

Norwegian manufacturers' social responsibility in their companies in the Baltics mostly manifested itself in their attitude towards local employees, which took the form of their honesty or attitude towards legislation (for example, in dealing with all the formalities of the 'paperwork'), and of transparency in transactions (for example, in publically announcing vacancies, not practicing nepotism). The mentality of social responsibility was also pronounced in *Nordic Ltd's* confidence in terms of thinking about the ecological environment and work safety in industrial enterprises. This shows that Norwegian entrepreneurs take socially responsible practices along with them when they move across the border in search of cheaper labor. At the same time, it is obvious that their socially responsible and fair practices in the Baltics also reflect their sense of responsibility towards their home villages. They attempt to reduce the high social costs of condemnation by the native community, which was triggered when they relocated. By adhering to good business practices in the Baltics they are trying to recover their good name or at least not tarnish it any further. Consequently, for the most part, the companies that have left their home villages and moved across the borders remain within the embrace of their village's social control, which is manifested in the entrepreneurs' desire to restore their *reputation*, preserve their good name and convince their compatriots that relocating to a cheaper country was the only way out. They also try to show that over time relocation to the Baltics will contribute to the Norwegian homeland.

In this discussion of company–society relations, it can be concluded that the economy cannot develop successfully where morals are ignored; that is to say, a businessperson's conduct is embedded in the social milieu and its concept of what moral conduct should be. Work and unemployment, division of labor, wages, budget allocations, productivity, professionalism, and seller–buyer relations are closely related to issues of fairness, duty, freedom, rights, responsibility, conscience, honor, respect and the meaning of life. Company strategies are largely determined not only by socio-economic conditions, but also by sociocultural values, specific personalities and their value orientation. Behavior in the company, be it socially responsible or not,

starts with the individual: it is an accumulated result of the actions of an individual (Garsten 2004). An individual's behavior mirrors the values of its social environment.

In the case of the unsuccessful attempts by *Nordic Ltd* (see chapter 2) to promote socially responsible and environmentally friendly business practices in the Baltics, by offering software that would allow for the registration and management of dangerous waste and chemicals, in accordance with the EU REACH regulations, we saw that many Baltic entrepreneurs reasoned in the following manner: it should either be possible to bypass the REACH regulations, or to pay a fine for violating the regulations, which would be cheaper than buying the software offered by *Nordic Ltd*. It is a commonplace that individuals use consumption to say something about themselves, and about their family and locality; the main point about consumption lies with the attempt to get some agreement from fellow consumers over a definition of events. It can be concluded, then, that by publicly refusing a product that would ensure safe handling of hazardous waste and choosing instead to pay fines for faulty registration and storage of waste, Baltic businessmen acknowledge that, in their opinion, the law is not a norm and social responsibility does not pay off:

The choices individuals make over a period of time express their view of the kind of universe she/he takes himself or herself to be in and the relative importance of everything in it, and these choices are made because they are expressive of his/her view on these matters. The result is that each individual is in a continuing dialogue with others over the way the world is to be understood and over what is of value or importance in it (Hargreaves Heap and Ross 1992:4).

Similar to Barth's definition of a marketplace, Hargreaves Heap and Ross stress that without agreement on the most general features of their shared universe, without a web of shared categories and shared beliefs and values, there can be no agreement among individuals on the meanings of particular actions or consumption choices, and thus no possibility of using such choices as a means of communication (ibid.). Due to the fact that such social agreement is not reached overnight, but over the course of years, a brief examination is required into how the attitude of Baltic businessmen towards the law has been shaped.

Describing the features of the Baltic economies during the transition period, Pabriks and Purs (2002) name a series of shortcomings hindering the formation of a lawful, fair and responsive entrepreneurial environment. For example, throughout the early

1990s the collection of tariffs collapsed, and the introduction of personal and business taxes was largely ignored. The porous borders of the region encouraged smuggling and the low salaries of border guards and custom agents fostered bribery and endemic corruption. Smuggled consumer products damaged the states' early economic performance in two ways. The unpaid duty robbed the state treasury of desperately needed funds (for example, Latvian state revenue comes primarily from taxes and tariffs) and the low prices of attractive, contraband Western goods overwhelmed indigenous production. As a result, local industry overstated the degree of their financial collapse to minimize their tax dues. For instance, official tax returns for the early 1990s must read as if there were hardly a single profitable company in Latvia (Pabriks and Purs 2002).

Miller, Grødeland and Koshechinka (2002) analyze the economic transition in Ukraine, Bulgaria, Slovakia and Czech Republic and point to the interpretation of individual freedom there as the reckless pursuit of individual interests. They also note the extraordinary opportunities that privatization and other forms of redistribution of state property offered in terms of resultant criminal behavior. Values of the newly born democratic and free market society became more individualistic, more acquisitive and more market oriented. People felt forced, perhaps to an even greater extent than in Soviet times, to apply different strategies to keep their businesses going. Their lifestyles and careers, plans and orientations had to adapt to the transition chaos.

In line with Helge's observation on local business attitudes towards the law (see chapter 5), a local Baltic manufacturer admitted to me, "You do not obey the law but find out how to go beyond it. Laws are made so that you can evade them." Another one proudly announced, "We are smart and know how to survive here. Those who do not live here will never understand that". Yet another man, when asked about paying taxes, retorted somewhat impatiently:

Why should I pay taxes? Riga's Dome builds a sauna for several thousand lats with our tax money. That tax money is not spent on us. Why should I give them money to put it in their pockets? The state does not care for our health, for our old parents – we have to do it ourselves. I would rather use my tax money for such purposes. If I were to pay taxes honestly I could not survive. It is not unethical. We need food to eat. We just take care of ourselves (Cimdina Barstad 2003:82).

The Entrepreneur and the ‘River troll’, or the Corrupt Bureaucrat

As the Norwegian manufacturing companies I visited did not work actively in the local Baltic market in terms of selling their products and cooperating or competing with local entrepreneurs, it was their relations with bureaucrats (without whose consent, businesses could not be launched successfully), not with partners or customers, that shaped Norwegians’ understanding of the business environment in the Baltic states. The River troll of Livpils, who delayed connecting electric power to NIDA’s industrial park (see chapter 4.7), represents a persistent problem for Norwegian entrepreneurial activity in the Baltics; all the Norwegian businesspeople I met and talked with in the Baltics complained about this, although not in such a picturesque manner as Henning Hansen from NIDA. They all felt that Baltic bureaucracy is heavy handed and opaque:

We are drowning in forms. Things here are unnecessarily complicated. We had an audit for the last three years. OK, we had some imperfect documents. But the auditor requested that our book-keeper documented everything we had done during the last three years. It is wrong. Perhaps she expected something. Back at home you would have got a list of imperfections and remarks, and that’s it (Tore Hauge, 2006).

Helge’s stubborn struggle with bureaucrats is clearly reflected in his attempt to open another production facility in the Baltics on his own – without local partners or any solutions offered by NIDA. The production launch was delayed for more than a year due to unsuccessful negotiations with nepotism-driven local authority staff and, in Helge’s opinion, unsubstantiated allegations that the factory did not meet safety standards:

While starting up *Ingrid Ltd* we have experienced a lot of things that could never happen at home. We had to wait for a year to get electricity in the factory. The bureaucracy is terrible. It should be made easier if they want people to stay and produce here. We thought it would get better after joining the EU, but we have not felt any difference. Too much paperwork. They should find a solution for it ... all the customs clearance and that kind of hassle; I think it is unnecessary (Helge Hofset, 2006).

NIDA’s management assessed in advance the potential bureaucratic complications of the Baltic business environment and ranked them among the most serious risks to successful industrial operations. Their solutions included seeking close cooperation

and strengthening friendship links with the local government of Livpils, and inviting senior local government administration staff to visit Norway while NIDA's park was being set up. The position of NIDA's management was as follows:

We shall build an industrial park in a place where we can receive a blessing on our actions from the local authority; we are going to attract Norwegian investment in the community, but the local authority will help us tackle bureaucratic hindrances (Harald Hegstad, 2005).

As a result of NIDA's cooperation with the local government, NIDA's tenants (like Knut, for instance) were spared the arbitrariness of the River troll, which made it easier to plan and organize factory work in the Baltics. Helge and Steinar were confronted with bureaucratic hindrances only when they attempted to start another business in the Baltics on their own, as their first business was launched hand-in-hand with local cooperation partners, who then undertook to settle all the formalities. Steinar recalls this as follows:

We were spared all the problems with bureaucrats the others have been complaining about, because coming to the Baltics in the end of 1994 we had a cooperation agreement with a local telecommunications monopoly; the agreement prescribed that this company deals with all the paperwork, that we arrive to pre-prepared facilities and that we only have to install our equipment in its place. We did not need to go and get a single stamp by ourselves in order to start our operations.

But, during the early stages of the transport corridor modernization in 2004, we were required 15–20 stamps; it was not easy, but we had been prepared for that. A part of the installed equipment had to be sent off to be repaired after the trial period. For this not to be regarded as export, we had to register the delivery as temporary export, so that when the repaired equipment was received back, it would not be listed as import. We had an agent who undertook to deal with these deliveries and to draw up the required papers. But things did not go well. About a year later a customs officer announced that our temporary exports were less than what we had re-imported. This was only because of packaging specifications: we had mixed up gross and net weights. We went through each delivery, series numbers, and drew up correct invoices, but the customs officers did not accept those, only snapped that "you have handed in your calculations once, it's not possible to correct them anymore". We were made to attend a smuggling meeting of sorts and to make explanations that we had not cheated. Then a man came and told our staff: "Come on, put 50 Lats in an envelope [for them] and you'll get rid of all the problems". But I did not do that, not because I could not spare 50 lats. I had strongly resolved not to do any such thing. I hired a lawyer and took him to the next smuggling meeting. The lawyer said that the hearing of the case could last for almost a year. The customs officers must have thought I am crazy. And this never happened again. They understood that I am a man of principles, and cannot be persuaded, as the lawyer certainly cost me much more than 50 Lats. An attitude like this is unthinkable in Norway. In fact,

I am surprised how sloppy and inaccurate bureaucrats can be in Norway and how meticulous in the Baltics. In the Baltics, they scrutinize every detail under a magnifying glass. I get nervous every time I have to meet local bureaucrats.

We also had a misunderstanding with the State Revenues Service, when we were moving a warehouse from one suburban location to another. They demanded a report on what exactly we had had in that warehouse. I thought everything was okay. But three VAT invoices were missing from the warehouse – they were here (in the office), although they were supposed to be together with the wares. We were summoned to a meeting. We were met by very young people; I was surprised that twenty-year-old youngsters can work for the state revenue service. They looked at us very seriously and demanded explanations. We spread out all our books for the latest period and explained that the VAT invoices had been mislaid while relocating. All the rest was in impeccable order. I told them that we have been working in the Baltics for 12 years, that we were the first to operate in the telecommunications sector with an ISO 1000 certificate, which is a guarantee of high quality and means that we are working openly and transparently. I said that we had been audited on an annual basis by external accounting and auditing companies, and nothing inconsistent was revealed. Besides, the revenues service for two years in succession has acknowledged us to be the best taxpayers in the region. And then, suddenly, such an attack because of three VAT invoices found at a wrong address. If that could be grounds for suspending our operations, then words fail me. Indeed, we had a feeling that somebody was trying to extort something from us. They should look at other companies. Do local companies pay any taxes at all? In the end we got away with a verbal reprimand. We were called up to another meeting, at which it was announced that we were being issued with a verbal warning (laughs); a number of working hours had been wasted on this. But this is the charm of the Baltics – extremely strict bureaucracy. People here are afraid of signing, they hide behind paragraphs. In Norway it is different (Steinar Jensen, 2006).

Fear of the Rivertroll, or of the unpredictable attitude of a seemingly corrupt bureaucrat, who can make running a business complicated (besides having different opinions about a company's organization) is the second most visible challenge to Norwegian business in the Baltics. The relationship between the businessman and the bureaucrat mirrors the citizen's relations with the state and the law. Norwegians' negative experience and lack of competence in dealing with Baltic bureaucrats demonstrate their expectations regarding a universal model of business–state relations. This model, however, is different in the Baltics, and Norwegian businesspeople do not fully understand practices to which they regularly ascribe a corrupt character, because they do not explore their sociocultural nature.

The Logic of Corruption

One of the stumbling blocks in corruption research (and practice) has been the definition of corruption: which actions to include in this category and which to exclude. One and the same action can be regarded as corruption in one society, while in another it can be seen as basic decency or as an otherwise justified action. “The abuse of public office for private gain” is a widely accepted definition of corruption, states Sissener (2001:1), simultaneously pointing to the implications of understanding corruption as a violation of the law. Firstly, such a definition presupposes that there are laws prohibiting corrupt behavior and it does not allow for investigations of actions that corruption legislation does not cover. Secondly, it underestimates the fact that corrupt activity is a social act and that its meaning must be understood with reference to the social relationships among people in historically specific settings. Thirdly, it underestimates the fact that a transaction’s legality depends on its social context (Sissener 2001). Given that legal codes vary from country to country, judgments of the legality of various practices will also vary. Sissener (2001), Ruud (1998) and Cimdina Barstad (2003) note that the conception of corruption as the abuse of public office for private gain fails to recognize the importance of everyday dimensions and networking, and the establishment and maintenance of social relations. It also fails to recognize that patron–client, kinship or friendship relations can be important factors of social, political and economic organization. Thus, the majority of the Balts might say that any definition of corruption will always depend on moral judgment and overall context, while most Norwegians most probably would object to this.

In an analysis of transactions between entrepreneurs and bureaucrats, Ruud (1998) notes that corruption can also be viewed as a practice with its own rules and dramas. It can be an established coping strategy in dealing with bureaucrats, and a form of wider practices and constructs – specifically the manner in which individuals are embedded in social networks, which allow bribery to appear only as a final option.

Corruption tends to cover a wide range of different phenomena, such as bribery, embezzlement, extortion, favoritism, nepotism, the bending of rules, the abuse of power, influence peddling, and abuse of the public purse (Amudsen 1999; de Sardan

1999; Sissener 2000; Cimdina Barstad 2003). However, it is often the case that these practices are not considered illegal by the actors participating in them, and they are often not viewed as corruption at all. Where the line is drawn between what is corruption and what is not depends on the context and the position of the actors involved (de Sardan 1999).

As corruption is socially embedded in the logics of gift-giving, negotiation, solidarity and redistributive accumulation (de Sardan 1999), separating corrupt practices from other forms of social exchange may prove difficult. Since understanding motive is an important entry point to understanding how corruption comes about and why it is, or is not, condemned, and why in some cases it may even be regarded as positive (Ruud 1998), the social processes of legitimation must be seen from the actor's point of view.

Barth (1981) suggests that recognizing the dynamic interconnections between macro and micro phenomena may provide the most fruitful way to articulate the central questions involved here – of choice, freedom, history and the ontology of society and culture. Grønhaug (1974) explains that elements of macro structures are part of the determinants behind people's choices and production of meaning. This indicates that in order to understand the reasons and forms of corrupt bureaucracy – it is necessary to trace the threads of influence upon Baltic entrepreneurs – both outwards in space and backwards in time. Corruption occurs in every political system, yet it has a distinctive profile in the post-communist states and part of this distinctiveness is linked to the nature of the former regime (Karklins 2002). The key question here, however, is not whether the previous regime was corrupt. Rather, it is whether and how this history determines the nature of relationships between entrepreneurs and officials in the post-soviet Baltics.

Less than a decade before the first Norwegian entrepreneurs and investors entered the Baltic market, the extreme deficit of goods and services, created by Soviet politics, made everyday life for the Baltic population nearly impossible without inclining towards practices a western observer most probably would call corruption. The value of the services sector as a legitimate sphere of economic activity was discounted and the sector was chronically underdeveloped (Dreifelds 1996). The unpredictability and

inertia of central planning made socialist enterprises heavily dependent on informal problem solving (B. Müller 2004:149). As a result of central planning's gross inefficiencies, black markets flourished. People spent a considerable amount of time cultivating their contacts, especially with those in positions of power, for various exchanges based on bartering and favors. The process strengthened the bonding of individuals within society, but hindered rational economic relations (Dreifelds 1996).

The communist regime as a system of government was "so completely in the hands of officials that their power jeopardized the liberties of ordinary citizens" (Miller et al. 2001:17). Citizens could expect neither serious consideration nor fair treatment without making officials "interested" in their case. Dependence upon the use of bribes and contacts was notorious (ibid.). Timofejev (2000) reflects upon the analogy of the Soviet economy and the black market, where nothing was sold freely, but everything was acquirable if you knew whom to approach. Even with the existence of criminal investigations and strong penalties, he notes, market relations not only survived, but turned socialist prohibitions into an overall black market. In such a context, Timofejev regards corruption as a positive, smart phenomenon, as a manifestation of common sense in the economic behavior of the individual. Simis (1982) states that Soviet people had come to believe that everything could be attained by bribery: a good job, a university diploma or an undeserved judicial verdict. And although that conviction was far from justified in all cases, it led to a climate of tolerance towards corruption that held sway in Soviet society.

During the communist era the state owned everything: enterprises, resources, real estate, and all other means of production. Ownership relations seemed to be blurred: everything was public property, but using public property as if it were private was a kind of benefit and privilege one obtained alongside positions of power, and this was not forbidden by law (Cimdina Barstad 2003:59). Although only the state could govern resources, in everyday life everyone, in respect of laws, operated with a part of that property. This can be illustrated through the case of a knitwear saleswoman: while she (with her motives and wishes) dealt with knitted goods (a piece of public property), she became de facto governor of that part of the property and could use it not only in society's but also in her personal interests. She did not make the knitwear goods accessible to the whole of society by placing them on shop shelves, but sold

them from the backroom to those customers who could give her some benefit in return (Cimdina Barstad 2003). It was a *blat* or a barter of services: she did not exchange goods; she exchanged access to public property for commodities in short supply.

This was only one of the Soviet-era practices suggesting that the use of public office for private advantage is not always widely perceived in a given society as corrupt. From a Norwegian perspective, practices of informal exchange taking place in the former Soviet Union may seem amoral, bearing the logic of corruption, while for the natives, such informal exchange might be simple daily routine. Soviet people did not regard such practices as corrupt; the very term “corruption” was introduced only in the 1980s (Satarov et.al.1998). The western definition of corruption – “misuse of public office for private gain” – can be misleading when applied to Soviet conditions, since the definition focuses on the boundaries between public and private properties and interest, while private ownership, as we know, was forbidden in the Soviet Union (Cimdina Barstad 2003).

“How, if actors are fully cultural beings, could they ever do anything that does not in some way carry forward the core of cultural assumptions?” asks Ortner (1984:155). Most of our expectations about the world are learned without explicit rules being taught to us (Strauss & Quinn 1994). According to Ortner (1990), “structures structure events” when actors find them personally meaningful in a given context and internalize them. No permanent link is made,

yet in the particular context in which the connection is operating, the structure has for the actor a certain naturalness, and realism, and hence coerciveness. The actor thus tends to enact the schema, and depending on his or her wealth, power, and charisma, may pull others along as well (Ortner 1990:91).

Operating in this way a cultural schema may structure events consistently over a long period of a society’s history (ibid.). According to such a perspective – no matter how much western analysts would have wanted it – breaking free from the Soviet system did not mean breaking free from its past. The new system was to be built on the Soviet heritage, which restrained the establishment of a well-functioning democracy and a market economy. The legislative process itself was slowed by the new legislators’ lack of democratic experience. For example in Latvia, communist party members constituted 63 percent of the new Latvian elite in 1993 (Steen 1997), thus,

continuity with the previous governing system was unavoidable. The main duties of the new government were to introduce new legislation and to create new state institutions that would correspond to the needs of an independent state. But the Baltics were not politically, economically, or socio-culturally a blank slate on which a well-functioning democracy could be written.

The democratization and liberalization of post-soviet societies simultaneously opened the way for a broader distribution of powers, uncertainty and increased opportunities. This may even have increased the level of corruption among local political bosses, upcoming businesspeople and civil servants (Cimdina Barstad 2003), thus augmenting the sense of permissiveness and impunity during times of changing legislation and non-existent social security. I arrived at this awareness through interviews with Baltic civil servants in 2003 when I was carrying out research on the culture of corruption in post-soviet countries. Indicating that he had spent all of his conscious life in a society where a favorable decision could be achieved for oneself, through good contacts or a gift, a customs officer told me,

When I got expelled from the primary school my mother went to the rector with a bottle of vodka and I got my place back ... My uncle had a high position in customs for many years. It took only three days for him to arrange a position of customs officer for me. Well, it is not the best paid job, but it is attractive because of various privileges and the unofficial sources of income tied to the position in customs. A customs officer receives an official salary of 95 lats a months. He has a wife and kids. How can he support them? He would rather take a bribe of 700 lats and lose his job – these 95 lats per month. He will easily find as badly paid a job again. If he got 700 lats per month he would not risk his job by taking a bribe of the same amount. At least I would not take bribes then (Customs officer, 2003).

Another civil servant in the Baltics confessed,

Everybody thinks how to survive today and cannot afford to think how good or bad corrupt practices are for the state and for the future. And, let's say, I stop such practices myself. I'll just be a loser, because everybody else does it and benefits from it (Civil officer, 2003).

However, more often than not, civil servants justified their actions by referring to their difficult life conditions:

I want to have a job where I could earn more than I do now, in a legal way. I want to pay taxes, I want my salary to be clean, I want to earn a good pension. But rules are changing fast; you do not know what will come next year. You cannot feel safe, so you take what you can get today (Customs officer, 2003).

As these quotations show, people in the Baltics often saw their own informal actions not as criminal but as justifiable because of the transition chaos and adverse life conditions. The bribe givers even justified the recipients, explaining that bribe takers could not survive without receiving extra payments or gifts. Simultaneously, they blamed the Soviet past in justifying their informal activities. The Soviet past gave them a kind of meaningful explanation of the widespread nature of today's corruption; they used it as an excuse when bribing clerks, even though the clerks' services in many cases were available without bribes. They reinvented convenient practices from the past and accommodated them to present conditions. People found ways to take advantage of the state in (what was then) its formative stage, and were able to go beyond the law without getting punished in order to secure normal life conditions (in some instances, luxurious life conditions). Some even acknowledge that it was actually easier in those days to live with corruption than without it (Cimdina Barstad 2003).

Informal payments seemed like a kind of resistance to the unreasonable state system: they were regarded as token, incidental, unorganized, unsystematic, individual activities. Such actions were regarded as opportunistic and self-indulgent, and as having no revolutionary consequences, implying the long-lasting everyday resistance in precarious life conditions with the aim to survive today, this week, this season – as depicted by Scott (1985).

In the customs codex it is stated that it is a gift if you present it and do not expect anything back. But if you expect or request something in return – it is a bribe. A gift, I guess, could not exceed 50 lats. But it is silly. You come to me, I do you a favor, and you “pay me back” after a month. It is that easy to evade the codex (Customs officer, 2003).

In customs there will be a new system now, similar to that in the EU countries. The entire customs authority will be reconstructed. Clients and customs officers will no longer have direct contact. Clients will deliver and receive their papers through the window in the lobby. But our folk will always find out how to evade this. If my people need help I will always go downstairs to pick up their papers. They can call me on my mobile and say that they have just delivered their papers. Then I will go downstairs to the lobby and take those papers from my shelf. I will help them to get their papers ready faster or perhaps will take no account of some small imperfections. Such is our kind of thinking. Maybe something will change after 50 years, with new generations that never experienced Soviet times (Customs officer, 2003).

As with *Nordic Ltd* (see chapter 2), these examples suggest that common regulations in the European market by no means imply uniform European business practices. Norwegian expectations (described in chapter 4) that the Baltic regions, in becoming part of the EU market, would provide predictable and standardized business regulations (and thus easier entrance for Norwegian entrepreneurs) were not fulfilled. Not only in the Soviet Union, but also in post-soviet contexts, illegal or informal practices form an accomplished system of relations that shape a specific sub-state, which exists alongside the constitutional state (Cimdina Barstad 2003). The examples given above show how behavior differs from rules and legal norms – which poses a challenge to Radcliffe Brown’s suggestion that social rules and rule-bound institutions produce individual conformity to both society’s dictates and its social equilibrium (Radcliffe Brown 1952). Social structure (the level of jural rules and the social system) and social organization (the outcome of the application of those rules in practice) – as distinguished by Raymond Firth (1964) – are clearly appearing as separate and contrasting phenomena here. What individuals actually do, their choices and patterns of action within the structural framework, differs to a significant extent from officially defined patterns of laws, customs, statuses and social institutions. Therefore, it might be problematic and even misleading for an investor to conclude from official norms and other institutional arrangements how his workforce, or potential partners or representatives of the state, will actually behave.

Here, it would be useful to add that post-socialist countries are not the only ones where Norwegian businesspeople came across an informal way of dealing with legal formalities, which, more often as not, take place outside the limits of the law. When analyzing Norwegian business experience in Brazil, Wold (2007) describes the way Brazilians make use of *dar um jeito* or *jeitinho brasileiro*: “a fast, and last minute way of accomplishing a goal by breaking universalistic rules and instead using one’s informal social or personal resources” (Barbosa 1992:1, in Wold 2007:65). Wold further explains that since *jeitinho* means finding a creative solution out of a problem, it is a recognized institution and is given a positive value; you neither follow the rules nor break them outright but try to bend them in your favor. Brazilians say, “there is always a *jeito* or possible solution in Brazil” (Wold 2007:66). Wold describes the use of *jeitinho* as an important difference in the way rules are applied by Norwegian Hydro and the way they are applied by Brazilians. Norwegians mostly stick to the

rules as they are written and they do not look for alternative solutions, as is common practice in Brazil. Brazilians would rather regard the rules in a way that means they can conduct business as they see fit (Wold 2007). Since the laws are complex and can be interpreted in different ways, they cannot just look in a book and see how they can be applied – as would be the case in Norway (ibid.). However, even though bending the rules to find an alternative solution is not something spoken about freely, Norwegian *Hydro*, while operating in Brazil, employs one particular Norwegian precisely because he had learned how to use the *jeitinho*.

Hansen (2008) describes Norwegian attitudes towards *guanxi* in China– a concept referring to a system of personal ties that carries long-term social obligations. It is assumed to play a vital role in Chinese business. By cultivating *guanxi* with bureaucrats, suppliers and customers, companies in China may protect themselves against some of the uncertainties in an economy still lacking some of the safeguards of a true market economy (Luo 1997, in Hansen 2008:210). Hansen explains that *guanxi* can be both positive and negative: sometimes it works as a moral system supervising the good conduct of its members; at other times it becomes a vehicle for corruption (Li 2007, in Hansen 2008: 2010). Thus, keeping the right balance between appropriate and adequate business relations is a considerable challenge for Norwegian entrepreneurs in China, since “it is not the quality and price that matter; it’s the relationship between the buyer and seller that’s important” (Hansen 2008:210).

The attitude of Norwegian businesspeople towards ‘difficult’ Baltic bureaucrats is represented in a statement by the director of NIDA’s industrial park:

If we come to the point that someone requests money for issuing a permit we have the right to, we will take our loss and go home. We will not tolerate corruption. Or – we will involve the media and give the signal to other investors (Henning Hansen, 2005).

This is proof of an iron will not to give in to the local style of dealing with problems. In their battle with the ‘Rivertroll’, the Norwegians stubbornly kept to their trust in lawful, transparent and fair business practice, even though that meant waiting months for electric power to be supplied to their plant – as in Henning’s and Helge’s cases – or hiring an expensive lawyer, like Steinar did. They do this to restate and prove as a matter of principle that nobody could extort from them even the most insignificant or

informal payments. Similarly, the Norwegian entrepreneurs in China, depicted by Hansen (2008), showed no tolerance towards bribes and kickbacks, and many of them arranged meetings with suppliers to inform them that they would be cut off or reported “if they wave a carrot in front of any company executive (Hansen 2008:209).

However, Hansen states, fancy statements are one thing, the reality can prove rather different. When matters have gone too far, Norwegians in China, Brazil and the Baltics have been known to trust their local contacts to resolve an intricate situation, without going into detail about how the problems are dealt with. As Garsten (2004) puts it, success or failure in putting a code of conduct to work, and in running a profitable business, often depends upon the choice of local partner. Garsten adds,

Generalized discourses, such as those of corporate social responsibility, are at some point translated into local contexts, where existing practices, traditions and institutionalized ways of seeing things and doing things transform and reformulate ideas and keywords in specific ways (Garsten 2004:86).

Henning has found the metaphor of the *Rivertroll* to be most apt in describing Baltic bureaucrats. In Norwegian folk tales, trolls are depicted as bad and stupid,⁷⁴ and they are invariably outwitted and vanquished. Positive fairytale characters, such as *Bukkene Bruse*, *Askeladden* or the *Boys who met the trolls in Hedal Woods*, outsmart or vanquish the Troll with cunning or by their good qualities. And just as Norwegian entrepreneurs used to intimidate each other with stories about terrifying Baltic bureaucrats, Norwegian parents scare their children with stories about Trolls whom nobody has ever seen but who are said to live nearby in the mountains and forests. However frightening those trolls might be, they are part of Norwegian national discourse, and any Norwegian is able to get along with them.

6.4. In Search of Norwegianness

Interest in the specific character of a culture and a society is the basis of anthropology, where we treat society as a group of people having certain cultural similarities – a group that sees itself as being different from other groups. Such cultural features, of course, are not eternal and stable; they can change over the course of time, but can be

⁷⁴ The Norwegian entrepreneurs interviewed often regarded Baltic bureaucrats as incompetent.

identified, compared and interpreted (Klausen 1984:8). Norwegian and other anthropologists, starting with Barnes (1954), who turned the village of Bremnes into a classic research case at a number of foreign universities, have undertaken extensive research in Norway.

Although Norway and the Baltics can be considered close neighbors in geographic and cultural terms, the earlier chapters of the present research have drawn attention to the fact that their business environments and cultural practices differ considerably. Their peoples' differing ideas on doing business have undeniably been influenced by businesspeople's life experiences in their home countries. Life experiences in Norway and the Baltics at the turn of the twenty-first century can be juxtaposed in a number of aspects. In Latvia, for example, power seems to concentrate among the elites, who have widespread non-egalitarian attitudes (Steen 1997), facilitated by the privileged status of the elite in the Soviet Union and by the sudden potential to acquire affluence during the transition period because of a lack of relevant legislation (Cimdina Barstad 2003). On the other hand, Norwegian politics since the Second World War, and the massive post-war reconstruction, resulted in a society dominated by social democratic ideology and egalitarianism; Norwegian society has valued highly both equality and individual integrity (Eriksen 1993:16). At a time when Sørhaug claims that for Norwegians democratic goods were absolute values, not to be doubted under any circumstances (Sørhaug 1984:61), the Baltic states were still ruled by communism, and democracy as an underlying foundation was an alien concept to their people.

Due to its self-sufficiency and desire to retain autonomy, social-democratic Norway has opted for staying outside the European Union and is one of the richest western states, whereas the Baltic states, after independence from the Soviet Union, are still adjusting to a free market economy. Being aware of a lack of self-sufficiency, and of their vulnerability, they chose a strategic course towards joining the EU.

Just as colonialism provides a context for anthropological studies in Britain, industrialization in the USA and post-socialism in Eastern Europe, the anthropology of modern Scandinavia has been extensively examined in relation to its welfare states. The "Scandinavian model" of social and economic development is characterized by a strong emphasis on security, safety, equality, rationality, foresight and regulation, and

the welfare state has encouraged social scientists to carry out research on these topics (Gullestad 1989:7). The study of everyday life, such as identity management within households, communities and ways of life, has been a key focus of modern Scandinavian anthropology (Gullestad 1989).

Norwegians “do not regard themselves as cosmopolitan, rather to a certain extent reserved and introvert” (Eriksen 1993:18). They emphasize close relations with nature and their place of origin. Even in the 1920s, Norway was regarded as a European periphery and its development followed a comparatively different path from that of much of Western Europe. Even though Norway was in union with Denmark from 1523 to 1814, and Denmark had colonies, Norway itself has never been a colonial power, and its feudalism never developed properly. The nation’s ideal formed a rural and egalitarian country, emphasizing modest life in contrast to city lifestyles or military splendor. Urbanization took place comparatively late in Norway; indeed, many still live in the countryside. In fact, the ideal image of ordinary life has become a *cliché*: “*the small red cottage in the country*” or a cabin in the mountains, where one “can get away from everything”, go fishing, take a walk, or ski with friends or a small family circle. Modesty and simplicity are valued more than luxury wares, even at the level of state ideology – these things are highly taxed (Eriksen 1993). But how can those values connect with doing business in terms of “striving, thriving and beating out the competition” (Vlahos 1985)?

Eriksen has reflected on contemporary Norwegian identity as wedged between the turbulence of modernity and the inertia of tradition (Eriksen 1993:11). Berggreen (1993:39) claims that Norwegian identity is best characterized by the phrase “a social democracy in a national costume.” Both authors suggest that the ways Norwegians think and act reveals something specific and particularly “local”, which is worth knowing when analyzing entrepreneurial practices. If one assumes that life’s underlying values are revealed in the most authentic and natural manner in individuals’ daily lives in their local community, it follows that it is important to identify what Norwegians value the most when they develop entrepreneurship in their local, present-day society.

Does Embeddedness Exclude Economic Growth?

From a historical perspective, it is apparent that Norway's geographic location on the edge of Europe and its peoples' seemingly introvert nature, has interacted with extraversion and external strategic communication. Although a number of peripheral villages still safeguard their introversion and condemn those who leave the village or make use of new market opportunities at the expense of local industries, there is no doubt that Norway is a significant and active player in the global economy. Norwegians, after all, have had active market relations with the Baltic region since as far back as the Middle Ages, when Bergen was a significant member in the Hanseatic League of trading cities and built strong trading links not only with German cities but also with the Baltics (and the Hanseatic city of Riga in particular). Moreover, several centuries later, in 1918, Latvia became independent from Tsarist Russia for two decades; by 1920 it started to plan economic development, and Norway was the first country to grant Latvia long-term loans, while other major European countries remained uncertain about whether Latvia had any right to exist at all (Karnups 2004). Today, Norwegians are among the most significant and visible investors in the Baltics.

Eriksen (1993) indicates that, in the context of globalization, it is important for any society to be aware of their unique identity in order to safeguard borders against the outer world. Norwegians are still proud of being Norwegian, but the state has become much more integrated in the global world than many Norwegian people imagine (ibid.). The awareness of Norwegian identity is not only a kind of protection against changes in the surrounding cultural environment, but also a strategic move in terms of economic activity. As a countermeasure to the processes of deindustrialization and relocation of production units, the identities of local communities and regions are being strategically promoted. This tendency can be seen as deeply rooted in the workings of the global economy due to the release of capital from its territorial constraints and the vanishing of all sorts of local monopolies (Henningesen 2007:146).

Henningesen outlines how management expertise is involved in the process of articulating the identity of a local community, thus building the groundwork for new businesses after the principal employer, *Hydro*, left the small town of Rjukan. With the aim of generating ideas for a new basis for economic activity, which, over the last

decades, had been channeled into keeping Hydro in Rjukan, the *Over kanten* project was launched, funded by *Hydro*. The project managers were consultants invited from Oslo, but the principal task – to formulate this new basis of economic activity – was performed by six working groups composed of local residents from various sectors of society (Henningsen 2007).

During this process of generating ideas for new business activities, people emphasized local community values and identity. Henningsen characterizes attempts to define the identity and unique character of the regional community as a way to be noticed and heard on the global stage. Nevertheless, the meaning attributed to local community values in business development planning indicates both the wish and the tendency to embed economic activities not only in market relations but also in specific local settings: in the rural mountain landscape of Telemark, the heartland of folk culture elaborated in Norwegian nationalist imagery. Thus, the issue for people in Rjukan was not so much *whether* they wanted to make strategic use of the identity of the place, but how they should go about it (Henningsen 2007:147). A noteworthy aspect of such a strategy is the assumption “that there should be a real correspondence between the images projected onto the market and the values that characterize the internal life of the business enterprise” (ibid.).

Similar to a business enterprise, the inhabitants of Rjukan involved in the planning of the town’s economy had to clarify the future they wished to create in terms of ‘values’, ‘stories’, ‘images’, ‘missions’ and ‘vision’. The consultants drew their business development ideas from *The Dream Society* by Danish author Rolf Jenssen, who, in an evolutionary spirit, explains

how the affluent societies of the world have passed through a number of stages of economic development: (hunter-gatherer, agriculture, industry, information) to arrive at the final, post material, stage of the dream society where the economy is based on the sale and consumption of the “stories” that attach to products (Henningsen 2007:149) .

However, in order to turn economic development in a direction that would accentuate “the who-am-I market”, “the market for peace and mind”, “the market for convictions”, “the market for togetherness” and “the market for care” (Henningsen 2007:151), it was important to change the mentality of the local community, which, according to the project managers, was stuck in the *Hydro* era and reflected

‘dependent’ thinking. This can also be seen in the attitudes of businessmen Hans (Brox 1972) and Tore Hauge towards what they saw as stuck-in-the-mud villagers who were unable or unwilling to accept innovative occurrences in their village. New ways of thinking or innovation were skeptically perceived there as a “creative destruction” of the existing order (Schumpeter 1942, in Lindeløv and Karlsen2002:115).

Consultants motivated the inhabitants of Rjukan to evaluate the material and non-material values of their community against certain set goals, by assessing which of these values could promote further development and which could not. An abstract notion such as ‘enthusiasm’ was retained from the period when Rjukan thrived in industrial terms (and, consequently, in social terms). The value dubbed ‘snow and mountains’ fitted here because it agreed with a potential investor’s plan to set up a ski center in Rjukan. A value like ‘the hospital’ was discarded, although for the locals it had become a symbol of the community’s will to survive and ability to stand against the central government (when the hospital was to be closed down, the townspeople rallied in protest and prevented it from happening). Consultants indicated that values should be placed in an unoccupied niche, thus indirectly echoing Barth’s (1972) concept of a niche as an important business asset. Rjukan could not be proclaimed a “miniature Norway”, as this niche was taken: another community had already declared itself thus (Henningsen 2007).

The business development plan described by Henningsen reveals the attempt to modify culture, creativity and identity in a rational manner and within administrative categories, and subordinate values to market principles. Consultants wished to operate with values like disembedded units, but the local attitudes demonstrate that these values could not be detached from local context. Under the influence of global capitalism, Rjukan’s people needed to identify their uniqueness, so that it could be sold. In such a situation, values are dealt with as mutually independent objects, without assessing how fundamental and interrelated they are. It is not even assumed that values, which the business consultants see as devoid of any potential, are impossible to discard when shaping the region’s future development. Henningsen indicates that the values identified by applying “the filter of uniqueness” (Henningsen 2007:155) are not in fact unique: they are values familiar to the people outside the

borders of a specific region, which they lack, and which they desire to get acquainted with and identify themselves with. Thus, in this case uniqueness means ‘to be best at’ something. The risks of such a strategy are the deterioration of capital during its exploitation and the promotion of anti-globalist sentiments (Henningsen 2007: 146f).

The people of Rjukan found it difficult to give up “the previous stages of society” (ibid.) based upon a manufacturing economy and the material utility of commodities. Like villagers in Fjord County, it seems they were not ready for post-industrial life. To a large extent, the purpose of the *Over kanten* project was to raise people’s awareness of the non-material logic of the new economy and the human power shaping post-industrial societies. *Over kanten* provides an insight not only into what economic activity should be like in a Norwegian town but also allows reflections on communication in state–business relations and on business management principles in Norway. In the planning of business development in Rjukan, decisions were not taken by separate individuals or institutions: local people were actively involved in the planning of economic development in their home town.

To Fit in and to be the Same

“I love paying taxes as I see how many benefits I receive from our state”, Henning Hansen proudly claimed. He agreed that contributions to the common good in terms of the family, at work, in nature and in the wider society, as well as the payment of higher taxes, explain the functioning of the Norwegian welfare system which, according to him, is the best welfare system in the world. Gullestad (1992:65) explains, “The welfare state in Norway is based on the ideas of solidarity, security, and equality defined as sameness”. The considerable effort that the government has made in relation to the sectors of housing, social policy, healthcare and state insurance funds, indicate that Norway has developed a blend of capitalist economy and strong state institutions (ibid.). In comparison to other European countries, Norway has pronounced decentralization (Eriksen 1993). To secure equal conditions (schools, hospitals, post offices, libraries, roads, tunnels) in urban and rural areas is a huge financial burden for the state. Even considering that the periphery drains the national budget, hardly any politician would dare not to mention “the regions” (*Utkant-Norge*) in their campaign speeches (ibid.).

An egalitarian ideology is clearly apparent not only in Norwegian managers' reflections on the organization of work in their companies but also in the reactions of the Fjord County village communities to the relocation of factories to the Baltics. They should rather go bankrupt in their own village than leave it; they should aim to be on an equal footing with the other village residents and not desire more than others – neither in attempts to make a profit or to conquer foreign markets, nor in the practices of applying new strategies (for instance, in discovering a new location for production). This was the attitude directly or indirectly displayed towards Tore and Helge when they closed down their production facilities in the villages of Fjord County. NIDA was also condemned by the wider society, both in the public space and in the corridors of Parliament (*Stortinget*), for offering better production conditions in the Baltics to Norwegian regional manufacturers. Public activities, which resulted in the political decision to halt NIDA's operations in the Baltics, proved that the majority of industrialists who did not wish or were unable to leave their home villages, felt they were in an unequal situation, as they were unable to reduce production costs. Norwegian workers, out-competed by cheap Baltic labor, also felt they were treated unequally.

What seems to be particularly visible here is the feeling that 'we' – in terms of community togetherness – are threatened in relations with those perceived as undermining stability in a situation of economic, social and geographic mobility. These empirical examples suggest that certain Norwegian ideals seem to have a kind of pre-capitalist flavor. Gullestad has also observed such a trend in Norwegian towns:

The specifically egalitarian idea of sameness seems to be ideologically predicated upon a set of premises in which a static social community without significant mobility is assumed to be the fundamental point of reference. Associated with the static notion of society is the notion of fixed moral order. In this situation mobility (geographical and social) is viewed negatively since it threatens the common frame of reference" (Gullestad 1985, in Gullestad 1992: 175).

Striking similarities can be observed not only in the ideology of Fjord County villages and fishing villages (Brox 1972), but also in Norwegian farming villages, where "everybody knows ea-ch other and where the limits of ideal behavior are continuously tested" (A. K.Larsen 1984), thus ensuring the continuity of stability and predictability

from generation to generation. Anne Kathrine Larsen (1984) describes the situation in a Norwegian farming village as follows:

In a small rural area (*bygdesamfunn*), one should take care of one's farm in the best possible way, and not only in one's personal interests and in those of one's immediate family, but also for the sake of all the relatives and further descendants. This feeling must have been stronger in the olden times. Family ties imposed certain duties and the farm had to be managed efficiently for the sake of one's offspring.

The farm had to be handed down to descendants in a better condition than it had been when the owner himself took it over. Children are involved in farm work from the infancy ... and one of the children had the obligation to take over the farm. Co-operation among generations continues while the older generation is able to sustain it. The welfare of a farm and the family is important for village life.

The villagers see themselves as the carriers of Norwegian village culture where continuity is ensured through countless generations of kinsfolk. A family is associated with a specific farm and the work on this farm is the foundation of their lives. The reputation and status of an individual and his kinsmen in local culture depend on how much he/she is aware of and cultivates the material and moral values entrusted to him/her. To stand out against the background of others and claim that you are better than others or that your family has stronger cultural achievements than other families is regarded as an insult.

It is important to avoid behaving in the manner that makes the community turn their backs on you. Everybody depends on each other for obtaining help, information, and for dealing with practical issues. It would be unforgivable if people ignored each other and passed each other by without a greeting, as there are no other social milieu at least within a mile. Thus "villageness" (*bygdedommen*) thrives and prospers, and is as important as it has been so far. It is the reputation of an individual, a farm or a family that mainly occupies the villagers' minds (A. K. Larsen 1984:164ff).

Although these are reflections on a village composed of a dozen medium-sized dairy farms, striking parallels can be drawn with attitudes towards industrial entrepreneurship in the villages Tore Hauge and Helge Hofset moved away from. In the "farmer-dairy-village community" relations described by Larsen, it is possible to see direct parallels with the "businessman-factory-village community" relations. The activities in Larsen's farmers' village and the businesses of Tore and Helge (and the activities in fishing villages, described by Brox (1972)) had to a great extent been conducted in accordance with village ideology: "everybody acts the same way and nobody is to presume he is better than the others" (A. K. Larsen 1984:169).

"Villageness" in all these cases has acquired symbolic meaning, for the most part due

to its sentimental past. Bourdieu speaks about the “fatherland” a farmer is trying to take care of as well as he possibly can, because the plot belonged to his forefathers over a long period of time, and therefore acquired symbolic meaning. Once lost, it could only be bought back at an inordinately high price (Bourdieu 1996). Symbolic capital is endowed with the categories of perception and appreciation; it becomes symbolically efficient because it responds to socially constituted “collective expectations” and beliefs; it also exercises a sort of action from a distance, without physical contact (Bourdieu 1998:102).

Ingenuity and a wish to take advantage of the opportunities opened up beyond village borders (namely, new, hitherto unexplored activities) were not supported, particularly because they took place at the expense of the seemingly continual, stable social order in the village. And it is not that the villagers’ concerns were unjustified, because when they were actually convinced that Knut and Tore could breathe life and a positive balance into their companies in the Baltics, other manufacturers followed their example – particularly when governmental actor NIDA expressed its support for such a strategy.

Larsen’s example is also a good illustration of an individual’s reputation and respectability being values that the surrounding environment assigns to an individual. Tore’s pride in having saved his family business (by relocating to the Baltics and considerably reducing production costs) is groundless if society fails to appreciate his achievement. In other words, an individual’s right to be proud, and their grounds for being proud, is decided by the surrounding social environment (Archetti 1984: 55).

The manifestations of shame in Norway are characterized by Archetti, in comparing Norwegians to the Latin American context. He writes that unlike Latin Americans Norwegians tend not to feel shame but do feel guilt. According to Archetti (1984), an individual carries the feeling of guilt inside themselves as bad conscience; it lives its own life in a human soul, but is not a public affair or concern. Shame, on the other hand, is said to imply public transgression.

Shame means losing one’s honor in a public arena. For shame to be justified, rules, agreed upon by society, need to have been violated (Archetti 1984). But the feeling of guilt detests publicity; it has a powerful self-control mechanism. Archetti claims that

if in Norway a person settles matters with themselves, then in Latin America people have to restore their good name in public (ibid.). However, in the cases of Tore and Helge, it was a matter of shame: society publicly deemed them guilty in terms of the community – by gossiping and by not greeting them in public – and through the media. They were dishonored in the public sphere. They felt no guilt for what they had done, but were wounded by their compatriots' attitude; however, they were also satisfied at being able to act in so shrewd a manner, by taking advantage of new opportunities in the new global markets, to save their companies. Nevertheless, the symbolic capital of their companies was lost, to a great extent. Bourdieu explains that the concept of honor in Mediterranean societies is a typical form of symbolic capital, which exists only through repute, that is, through the representation that others have of it, to the extent that they share a set of beliefs liable to cause them to perceive and appreciate certain patterns of conduct as honorable or dishonorable (Bourdieu 1998:47). Tore's and Helge's patterns of conduct were perceived as dishonorable by the societies of their native villages.

In Norway, local knowledge, including knowledge about each other, and belonging to the local environment are significant identity values, like life-long ties of friendship (Sørhaug 1996:83). Likewise, Norwegians extol individual modesty and indirect ways of talking about their own virtues and achievements. However, as a result of these two tendencies, a combination is created of a discrete public life that runs alongside a vast and potent flow of gossip (Sørhaug 1996). And gossip being spread is a concern for businesses, even when they have left their native villages. Knut, Tore and Helge are all worried that they will be unable to fit back into their home communities, which shows that hearsay and rumors work as a powerful mechanisms of social control in this context.

Gullestad (1992) explains that in their personal lives Norwegians would rather “fit in with” (*passe sammen med*) relatives, friends and neighbors. To ‘fit in with’ means to a large extent to be alike. According to Gullestad (1992:192), “In everyday life the notion of ‘fitting in with’ is a key notion mediating between the idea of equality defined as sameness and unwanted differences”. Norwegians’ need to fit in with others can also be observed in the interiors of their homes where, especially in the living room, each object has to fit in with other objects: furniture, pictures and

accessories (*pynteting*) with similar properties arranged in similar composition (Gullestad 1992:55). Home decoration is another way of making statements about identity and social relationships (Gullestad 1992:52). The meaning that materializes in the organization of objects in space can only be discovered through associated social practices, which may be expected to reveal the same cognitive schemes as the objects in space (Gullestad 1992:63). If Zhukova's office (see chapter 2) makes an ostentatious display of superiority (marble staircase, crystal chandeliers and candlesticks), then Norwegian workplaces demonstrate modesty and the attempt not to stand out among others. In the same manner as the house can be seen as a microcosm of important cognitive categories (Bourdieu 1977, in Gullestad 1992: 62), so can the office or the workplace. Such cognitive categories may be found in walls, doors, room divisions and objects, and may indicate what is assumed to be good, bad, beautiful or ugly. Thus, the physical structure of the building, its interior and the surrounding environment can tell us a great deal about the values of that workplace.

The observations that Norwegians tend to emphasize similarity in the process of social life, and that in the Norwegian context differences between people are easily perceived as unwanted hierarchy and injustice (Gullestad 1992:185), allows us to understand the condemnatory attitude towards manufacturers who decided to relocate their businesses to lower cost countries. In addition, the underlying reason, which Tord Larsen (1984:37) sees reflected throughout the environment of Norwegian villages, tends to confirm the significant role of the notion of 'fitting in with':

When something in our reality threatens to run wild, we squeeze it tight in its efforts to escape and harness it up, so we can stand amidst reality with reins in our hands and can always be sure where the horse is (T. Larsen 1984:36).

Tord Larsen underlines here how important cultural and social predictability are for Norwegians (*ibid.*), which helps us to understand why the majority of Norwegian manufacturers dared to enter the Baltics only 'through' NIDA's industrial park, where production could be launched under the predictable conditions provided by their own country's institutions.

Gullestad points out that the notion of equality is a useful starting point to approach the Norwegian version of egalitarian individualism. She explains that the English

word ‘equality’ translates in Norwegian as *likhet*, which literally means “alikehood” or “sameness” (Gullestad 1992:185). Equality can also be interpreted as *likeverd* (equality, or having the same or equal value), *likeberettigelse* (having the same or equal rights) and *likestilling* (having the same or equal status) (ibid.). All these notions contain the word *lik* (same or like), which indicates that the Norwegian definition of equality implies a considerable emphasis on being and doing the same (ibid.).

Like most people in the world, Norwegians know their culture without always being able to explain why they understand things in certain ways (Gullestad 1992:191). Nevertheless, when discussing modes of life and concepts of correct behavior, most of the Norwegian entrepreneurs whom I interviewed referred (albeit with a faint smile) to the *Janteloven* set forth in the novel *En flyktning krysser sitt spor* (1933), by Danish-Norwegian author Aksel Sandemose. They did not quote the Jante Law word for word, but mentioned it as a point of reference. The Jante Law reads as follows:

Don't think you're anything special.
Don't think you're as much as *us*.
Don't think you're wiser than *us*.
Don't convince yourself that you're better than *us*.
Don't think you know more than *us*.
Don't think you are more than *us*.
Don't think *you* are good at anything.
Don't laugh at *us*.
Don't think anyone cares about *you*.
Don't think *you* can teach *us* anything.

Many Norwegians interpret these lines by Sandemose as a reflection on their culture and the ten commandments of egalitarianism in which Norwegian mentality takes root; as Gullestad puts it, they are the “informal rules of correct living” (Gullestad 1992:189). The idea enshrined in these lines is regarded as an unofficial but strong basis for people’s life philosophy, which is widely observed (even if people do not know these lines by heart) both in daily communication (especially in villages) and in tax policy. The ideology contained in these lines does not suppress bright personalities, as may seem to be the case to a careless reader, but rather opposes excessive conceit, pretentious luxury and affectation. It does this by accentuating that immoderate pride is sinful (for example, too luxurious an office for Helge’s manager); unnecessary spending is theft of means that could be channeled into socially

responsible investment. This ensures that nobody transgresses the publicly accepted limits of mediocrity (Archetti 1984:54).

The observations made over the course of this research into Helge's and Steinar's companies, confirm that the democratic manner of organizing work implies individuality as a value: although people work together as a team, they should be ready to make independent decisions and assume responsibility. As Henning (NIDA's director in Livpils) explained, "almost all Norwegians see themselves as leaders, they want to decide for themselves and do not want others to decide for them". We can also read in the lines of the *Janteloven* praise for free thought, namely, anybody who dares to turn against a free and creative thought would be reminded: "do not think you are more special than me and can teach me". Although independence is the key notion of Norwegian individualism (Gullestad 1992:184), it does not exclude the strong collective values of Norwegian society, which are best reflected in the Scandinavian welfare state model, stable village communities and the instinct to preserving continuity. No person has any right to treat the community with arrogance, but neither does the community have any right to treat a person with arrogance. Thus, the *Janteloven* provides for principles of mutual harmony and equality.

To understand the ways in which our social experience affects how we think, we need to recognize the ways in which society may exert pressure on an individual and the ways in which it may restrict the individual's options (Hargreaves Heap and Ross 1992). *Janteloven* in this context appears as a codex that indirectly governs individuals in their personal interactions. If we think of modern communities as individualistic, anonymized and disembedded, then the analysis of entrepreneurial practices in Norwegian villages suggests the opposite. Villagers' actions are restricted to a great extent by a complex set of social rules that favor obligations towards collectivity, while simultaneously not downplaying individualism – in a sort of Mary Douglas (1970) ideal of the "strong group – low grid" society. The village community has a strong commitment to equality combined with an equally strong sense of group identity, as well as internal equality between group members. Disloyalty expresses itself in contamination with relations with those outside the group (Hargreaves Heap and Ross 1992) or by the breeze of global capitalism. In the village communities there seems to be a clear boundary between members and non-members; the social milieu

powerfully affects an individual, and the pressure to comply is quite strong. And since group affiliation is strong, the group can impose effective sanctions against free riders – which is exactly what is reflected in the cases of Knut, Tore and Helge. In addition, long-termism is a typical characteristic of a society in which the group is all important (ibid.) – which creates long-term continuity of the habitual order.

Characteristics that would correspond to a disembedded marketplace, or something resembling Mary Douglas' low grid–low group society, are hard to spot in Norwegian villages. In a disembedded marketplace individuals would act as freewheelers, all classifications would be provisional and negotiable, obligations would be ambiguous, the social environment would be competitive, and the group would count for nothing (Hargreaves Heap and Ross 1992). This was clearly not the case in the villages described by Brox (1972) and Larsen (1984) – and in the villages of the Fjord County.

As we saw in the cases of Tore, Knut and Helge, as well as in the empirical examples provided by Brox and Larsen, the normative structure, namely moral rules and 'those things which are proper', are important criteria for identity and social esteem. Gullestad's conclusion that "social and geographic mobility can rather be a part of a Norwegian nightmare than that of the Norwegian dream (Gullestad 1992:197) can be attributed to the activities of fishermen and dairy farmers as well as to industrial activities in Norwegian villages. Norwegians value security (*trygghet*) and this is generally identified with stability, in both self-presentation and in confirmation of others; people relate to a set of rules that are perceived as stable and commonly accepted, even if different social groups define them in their own way (ibid.). When the carriers of such identity feel threatened from outside, its significance is brought to the fore (Eriksen 1993).

Equal, but the Best

Norway is certainly diverse. And, of course, human lives and experiences display such an extensive variety of form that any attempt at describing Norwegianness may seem impossible. Nevertheless, perceptions of sameness (*likhet*) in Norway are alive and well (Vike, Liden and Lien 2001:11). Although Norway is still described as a rather homogeneous country, where differences between people are less pronounced

than in a number of other places, such descriptions can also be misleading, warns Vike et.al. (2001).

Of course, not all Norwegian villagers lead the same lives, and a number of differences between urban and rural entrepreneurs and small and large companies could certainly be enumerated. To carry out research on a specific group or category of people, and then make generalized conclusions about the whole country, or a region to which the group or category belongs, has never been a recognized practice among anthropologists. And anthropologists, better than people from other walks of life, seem to understand how complex and manifold culture can be within one society. Still, in societies, notwithstanding the complexity of culture, it is possible to analyze common actions and ideas, which allows conclusions to be drawn about shared values in which the economic practices of the members of this society could be embedded. Such was my purpose, when I approached small and medium-scale Norwegian entrepreneurs, who had opted for moving their operations from a Norwegian region to the Baltics at the turn of the twenty-first century.

An ethnographic approach can demonstrate that a concept such as “sameness” expresses itself as a cultural value, as an ideological stand, and as a national myth in entrepreneurs’ practices and their social environments, strategies and lifeworlds. And, for a moment disregarding Norway’s considerable cultural diversity, the outcomes of this and other research papers enable us to claim that specific fundamental values exist by which an “average” Norwegian businessperson and an inhabitant of an “average” Norwegian village seek to uphold their actions.

The fact that the ideology of sameness contains contradiction (Vike et.al. 2001:16), and digression from the postulated ‘norm’, did not go unnoticed in my study. This digression can be noticed as a growing tendency both within Norway and as an overcommunicated practice in communication with people from other, non-Norwegian societies. Although Norwegian entrepreneurs generally display similar features, which manifest themselves in concepts of ‘what [entrepreneurship] should be like’, in practice there are also differences that within the frame of my research should be understood as exceptions, and not that “Norwegian sameness is more a

myth than reality” (Kramer 1984:12). These exceptions will be examined in the following chapter.

Gullestad, on a number of occasions, has denoted autonomy as the key concept in Norwegian everyday lives and in the understanding of Norway as a nation. Norwegians appreciate both community and independence: while equality is defined as sameness in Norway, freedom is often identified with independence. In this way, according to Gullestad (1992:199), individualism and freedom are not incompatible with a certain measure of conformity. She points out that autonomy means sovereignty, independence and self-management and that such manifestations of autonomy are related to individuality as a value. In Gullestad’s view, the value of individuality in Norway is largely understood as independence, as in “to be one’s own master” and to be “a master in one’s own home” (Gullestad 1992). However, decisions by the Fjord County entrepreneurs on saving their companies from bankruptcy (as would befit the owner of a company) were not approved of by their social environment; in fact, it was this social environment that did not allow them “to be their own masters” in their companies. There was a clear tension between independence (to be one’s own master) and community, where equality, defined as sameness, is a virtue.

Pushing independence to extremes isolates individuals in Norway (Gullestad 1992). But, if relocating industrial production to a neighboring country within the EU is deemed extremist, then a question arises: perhaps Norwegian independence and self-management (*selvråderett*) emerge instead in ideas about how to disassociate oneself from the ‘different’ and protect oneself and one’s community from the manifestations of global capitalism.

The case of the Fjord County entrepreneurs is only one of many examples confirming that the attempt to bind together sameness and autonomy in a society “wedged between the turbulence of modernity and the inertness of tradition” (Eriksen 1993:11) reveals ever-increasing tensions. Global and currently topical concepts such as innovation and competitiveness seem to represent a categorical contrast to what Norwegian society has so far imagined or wished itself to be (Vike et.al.2001:24). In the perception of Norwegian entrepreneurs in the Baltics, the ideology of sameness

manifested itself as an insistence upon equal rules of the game in the marketplace. The sameness of another type in business activity, such as, for instance, the same results (Vike et.al.2001), could hardly be expected in a market economy.

One challenge to the collectively sustained ideal of sameness in Norway is a famous businessman with a small-town background, Kjell Inge Røkke; he is a former fisherman with little formal education. He owns large companies and is immensely rich. To many Norwegians he is a symbol of a greater acceptance of someone showing that they are rich (Repstad 2005:38). Similarly, the appearance of anti-*janteloven*, which urges everybody to be aware of and highlight their abilities, signals that a part of society wants to challenge traditional beliefs concerning socially recognized values of Norwegianness. Thus, it would seem that egalitarian traditions are now being challenged and to some extent weakened by global structural and ideological forces, aptly named globalization, capitalism, (neo)liberalism and individualism (Repstad 2005: 40). Nevertheless, according to statistics and surveys, much of the old Norwegian egalitarianism remains intact (ibid.).

Is it possible to be the same and the best at the same time? This question arose more than once, while I was observing the general attitude of Norwegian businesspeople to what were in their opinion the “not so good”, “not so correct” or even “backward” practices in the Baltics. Outside their country, the image Norwegians communicate about Norway is that of a developed, leading nation.

Looking back over Norway’s history, Berggreen (1993) discusses the conscious formation of Norwegianness. She claims that the formation of Norwegian identity was underpinned by the school system established in the 1860s, based on Christopher Bruun’s teaching; it encouraged young people to become aware of their country. Every schoolchild knew that the world was progressing and believed that Norway was in the vanguard of this progress. Most regarded Norway as a trailblazer, a leader, Berggreen states. Yet, at the time, Norway was far from having achieved a leading position in the field of welfare and social security. Norway became an exporter of oil and gas only in 1975, after North Sea oil deposits were discovered.

According to Berggreen, Bruun's lectures, "Fundamentals of Popular Thought" (*Folkelige grundttanker* 1878), are regarded as a manifesto of Norwegianness and the foundation for an individual's moral behavior. Bruun's national romantic worldview was used as a platform for the political party led by Johan Sverdrup, which was nicknamed the "movement of Norwegianness". And there is every reason to think that Bruun is the prototype of the main character in Ibsen's play, *Brand*. Bruun made his name in Norwegian history with a language reform that cancelled Latin usage and consolidated two dialects of Norwegian as the official language (Berggreen 1993).

Berggreen believes that it was Bruun's work and beliefs that shaped Norwegian confidence and sense of self, although in the twenty-first century his efforts are not regarded as unequivocally positive. She acknowledges that deeper scrutiny reveals the Nazi-like features of Bruun's teaching, which would hardly be implemented in a democratic society. In emphasizing the supremacy of one nation above others, and synthesizing heroic images and characters that give one nation superiority over others, Bruun's teaching divides countries according to such superiority. It also allocates gender roles whereby masculinity equates to heroism while femininity is second-rate and exists to support masculinity.

Berggreen concludes that the formula of Bruun's teachings is a simple stroke of genius: by synthesizing elements of national heritage, creating heroic characters and triggering powerful dichotomies, Bruun achieved a rapid upsurge of Norwegian self-esteem. This movement resulted in a powerful and unified awareness of identity among Norwegians. She believes that the image of contemporary Norway beyond the borders of the country is as powerful as that construed by Bruun: a rich, developed country with considerable natural resources and deposits. Berggreen's reflections lead to the consideration that the image Norwegians communicate to the outside world more often than not differs radically from the ideal of sameness celebrated in domestic communication. The way in which this is practically manifested in relations between the Baltics and Norway will be presented in the following chapter.

Chapter 7.

The Otherness of Eastern Europe?

The previous chapters have dealt with corporate ethnography through an examination of aspects of embeddedness: they analyzed the entrance of Norwegian businesses into the Baltic market, exploring their motives, strategies, challenges and experiences. The majority of Norwegians interviewed did not know very much about the Baltics before they arrived there; their ideas about the region had been drawn from the Norwegian mass media, tales told by friends, and by friends of friends, and from seminars organized by NIDA. Nevertheless, NIDA and Norwegian entrepreneurs, with their negotiations and transactions, took an active part in the construction of the Baltic market, in all likelihood being unaware of this.

This final chapter will review the process of constructing the Baltic market, that is, it will look at what the region is like as a marketplace and as a locus of Norwegian business; it will seek to address a number of questions raised over the course of this research. What are the most remarkable features of the Baltic market in the eyes of Norwegian entrepreneurs? How do their perceptions of the Baltic market influence their entrepreneurial practices? And is it worth while talking about a specific character of this market, now that it is a part of the common European market with its seemingly global business ideology, regulated both by free market principles and common legislation concerning competition policy, public procurement and environmental policy? This concluding part of the study, then, will show how the social construction process manifests itself in the international market; it examines how the identity of Baltic economies is constructed and what repercussions these processes have for business activities in the region. It reflects on how representations, self-perception and the connectedness of social actors take part in constructing the marketplace images on which the identity of the Baltic economy is built.

Above all, perhaps, this chapter aims to demonstrate that people and abstract notions of economy are interconnected and that local perception of Baltic economies differs from that of the Norwegian public, which belongs to a broader Western discourse of "Otherness". One of the significant findings is that entrepreneurs find international

business operations challenging mainly because of symbolic and imagined borders rather than territorial divides. The empirical section of this chapter will examine the role of these frontiers in the build-up of different collective identities; it will also look at how the interaction between the various frontiers and divides influences the content of these identities. Such insight is important since it shows that the actions of entrepreneurs are embedded not only in social relations and layers of values and meanings, but also in the perceptions and constructions of a particular marketplace.

The specialist literature to date has placed a particular emphasis on public culture and the role of discourse in creating a Baltic identity. It has also highlighted the ways in which the public and the media construct and reconstruct the image as, for instance, can be seen in the work of Riegert (2004), Ekecrantz (2004) and Plakans (2002). Moreover, it appears that attention has been focused on types of identity, which has left in the shadows the part played by interacting actors in the identity-building processes. Here, I will explore the discrepancies that emerge between the self-images of local Baltic actors, on the one hand, and Norwegian images of the Baltic economy and Baltic entrepreneurs, on the other. Images will not be analyzed merely as discourses. Attention will be paid to the concrete social and economic practices that give rise to the production of these images.

As the cases outlined below will show, the identity of a particular market is both formable and changeable; it is interaction that builds identity. The identity of an entrepreneur or company develops when specific tasks in the relationship with specific actors are fulfilled (Johanson 2001). If interacting entrepreneurs have different nationalities, it is plausible that their nations will be identified with the results achieved. Anthropologists have pointed out for some time that identities are never better perceived than in places and times of encounters with their “other”, within real and metaphorical frontiers (Bellier and Wilson 2000:9), and that ethnicity or national ‘membership’ occurs when cultural differences are made relevant through interaction (Barth 1969). Norwegian entrepreneurs and the Balts do not share a common stance as regards the Baltic economy. Its image is shaped by external opinions as well as locally, at the intersection of various perspectives, resulting in the broad, even contradictory properties that are attributed to it. This chapter attempts to

view the Baltic economy as a socially constructed marketplace, both on macro and micro levels, and as a space that is perceived to be a powerful asset for Norwegian businesses.

7.1. The Socially Constructed Marketplace as an International Business Arena

Assumptions about socially constructed reality are not unfamiliar to contemporary social scientists (Berger and Luckman 1966; Burr 2003). Over the last decades a number of approaches to the study of social phenomena and humans as social beings have emerged. These approaches have appeared under a variety of names, such as relativism, discourse analysis, post-modernism, constructionism and post-structuralism. Common to all these approaches is an assumption about socially constructed reality in terms of the way we apprehend the world and our common way of understanding, which is constructed among people through daily interactions over the course of social life. Such an approach can be understood as being critical of our assumptions about how the world appears to be; it challenges the view that conventional knowledge is based upon objective, unbiased observations of the world (Burr 2003). Advocates for constructionism state that social phenomena are created and reinvented in an ongoing present, and all our knowledge of them is nothing but a stream of reconstructed interpretations without a steady core (Friedman 1994; Handler and Linnekin 1984). Our knowledge is derived from looking at the world from one perspective or another (Burr 2003).

A marketplace can be constructed and perceived in a variety of ways. The European market implies an aggregate of individual transactions, a certain spatial extension and thousands of regulations. The concept of the “market-as-a-place” has gradually been substituted by an understanding of the market as a process of buying and selling, until finally, the definite article that precedes the noun has come to denote an abstract aggregate geographical form (Dilley 1992, in Lien 1997:87f) – in the case of the present research, it denotes the Baltics as part of the common European market. Such a concept presupposes a community, at least perceived, of common interests and common goals. But simultaneously the nature and configurations of markets are changing worldwide: some wake up from stagnation and emerge, some mature, some

are struggling with the side effects of post industrialization. The rise of the emerging market as a concept is a consequence of new ways of looking at countries in terms of the development process (Montoya 2002). The liberalization and globalization of trade as reflected in the changing political and economic constellations, new trade agreements and new communication technologies are beginning to focus on the markets of particular countries that were previously more peripheral to the global economy (ibid.). This kind of construction contains a clear power aspect, where one part is perceived to be mature and developed and the other is seen as emerging or developing. Can the European market consist of both?

Not only is the image of a particular market constructed, but such are also the practices within it. In international settings a diversity of business strategies can occur, as each entrepreneur has their unique interpretation of the environment in which they operate. Likewise, entrepreneurs have unique interpretations of how to do business. Over time, when operating in the same environment, a common understanding of how to conduct business may emerge; it could be said that business is socially constructed when experiences, reflections, perceptions and the actions of individuals interact to form common views and ways of acting (Sørensen 2004). However, no universal law has been discerned as to whether common views and a common way of acting will emerge among entrepreneurs; it is also unclear how these qualities are likely to develop once they have emerged.

In order to approach the locus of the Baltic market as a social construction, I have chosen to depict the very process of social construction in the everyday encounters taking place between an entrepreneur and the environment s/he operates within. This part of the research has been carried out to reveal the extent of common views and a common way of acting in the marketplace, to reflect on how the worldviews of entrepreneurs interact, and to explore the ideology of market-related policies and public culture.

Two vital regulating factors in the market that underlie business activity are demand and policy. Bourdieu (2005) states that the demand with which the producers must reckon is a social product: “The principle underlying it is to be found in socially constituted schemas of perception and appreciation that are socially maintained and

reactivated by the actions of advertisers” (Bourdieu 2005:89), as well as by all those who, through magazines and public discourse, specify, reinforce and shape expectations in each specific area. Bourdieu identifies the state as a significant actor in this process. He illustrates through the findings of his research into the housing sector that the market can be fully construed by the state through issuing grants to private persons on specific conditions and, consequently, to specific categories of developers of building projects (Bourdieu 2005: 89f). Similarly, the Baltic market (for Norwegian manufacturers) was largely construed by NIDA. Bourdieu points out that the largest building companies, and the banks with which they are associated, have means far more powerful than mere advertising for shaping demand; in particular, they can influence the political decisions that are likely to orient agents’ preferences by encouraging or countering the initial dispositions of potential clients through administrative measures, which function to prevent or promote those dispositions being put into effect (Bourdieu 2005:89). The state creates a specific network of regulations, where institutions, bureaucrats and politicians act within it as agents (Bourdieu 2005). This is a timely reminder to Barth (1972) and Brox (1972), who have launched research into entrepreneurial activities in Northern Norway by assigning to the state the role of an insignificant actor ready to voluntarily designate certain functions to entrepreneurs who regulate the market.

In the imagination and everyday ‘economic’ practices of ordinary people, the state and the market can be constructed in a variety of ways: through statistics, through business between entrepreneurs and government agencies, through interactions with bureaucracy and the pronouncements of politicians, and through public culture and policies. By offering support to regional Norwegian manufacturing companies who needed a boost to competitiveness and access to export markets, and who also wished to relocate their production units “to the industrial fairytale in the Baltics”, NIDA was playing a major role in creating a specific image of the Baltic market. An equally significant partner in this process was Scandinavian public culture.⁷⁵ As Gupta (1995) states, representations of the state are constituted, and transformed, in public culture. Newspapers are perhaps the most important mechanisms in public culture for the circulation and reproduction of discourses and images attributed to the Baltics as an

⁷⁵ Gupta (1995) defines public culture as a zone of cultural debate conducted through mass media, other mechanical modes of reproduction, and the visible practices of institutions such as the state.

emerging market. Policies, in their turn, can be viewed as a form of power, which promotes norms of conduct to be adopted and internalized by individuals (Shore and Wright 1996). Not only do policies codify social norms and values, and articulate the fundamental organizing principles of society, they also contain implicit models of society (ibid.). The kinds of Scandinavian market-related policies towards the Baltics that were reviewed in chapter 4 had economic and cultural consequences: they resulted in concrete actions by entrepreneurs and created new sets of relationships among them, with their native villages and the emerging Baltic market. In combination with the oral narratives of already-resident Norwegian in the Baltics, these mechanisms created a kind of discursive form through which daily life in the Baltic market was narrativized and collectively imagined.

7.2.Captured Identities

The Norwegian image of the Baltics seems to have been formed by a developmentalist perspective in which the activities of the ‘less developed’ world reflect an earlier position (30 years ago according to Helge, 50 years ago according to Bjørg) than that seen in the present day in advanced nations such as Norway. As the previous chapters have shown, several Norwegian managers found the temptation to compare the Baltic past to their own irresistible. As depicted in chapter 4, an implicit metaphorical connotation with regard to policies towards the candidate countries and emerging markets in the Baltics is the equation of “transition” and “development”. Shore and Wright (1996) state that reconfiguring basic categories of political thought to create new kinds of political subjects is one of the most effective strategies that institutions and organizations can employ to achieve power. The categories “new member states”, “post-communist block”, “developed”, “underdeveloped”, “Eastern” and “Western” carry a weight of historical and political baggage that is used by the West to produce and maintain a world structure in which “the West” assumes a hegemonic position (Escobar 1992). Such categorization has a great power aspect as it partly overrides other means of identification and makes East European countries appear primary as the recipient of Western assistance. The idea of transition as development has a powerful effect precisely because alternative understandings are suppressed, and because it introduces “the Market” in the Western sense as the

yardstick for the measurement of progress (Sørensen 2003; Nustad 2003). Disputes over the quality of the items produced in the Norwegian welding and knitting factories in the Baltics, as well as particular corporate values praising authority in organizations, strengthened the perception of “transition” as “improvement” (of quality standards and corporate culture) in the eyes of Norwegian manufacturers.

Foucault (1977) argues that the effectiveness of power lies in its ability to mask itself and hide its own mechanisms. By focusing on the metaphors and categories used in policies and public culture we can perceive how specific claims are used to present a particular way of defining a problem and its solution. How do policies construct their subjects as objects of power, and what new kinds of subjectivity or identity are being created? A closer look at policies encouraging investment and aid for Baltic market development (like those reviewed in chapter 4, for example) reveals the power aspects contained in this categorization. Circumscribed by popular stereotypes and captured in discourses of “escaping socialism”, “joining Europe”, “building democracy” and “establishing the free market” (Buchowski 2001:9), the Baltics is still perceived as a region of transition. The dichotomous designations by which these countries have been viewed so far – “soviet” and “post-soviet”, “communist” and “post-communist”, “socialist” and “capitalist” – are historically molded categories of thinking and cultural creations that prejudice our modes of reasoning. Anthropologists such as Pine and Sue (1998), Buchowski (2001), Hann (2002), Humphrey (2002) and Lampland (2002) state that such a conceptualization is misleading in many ways, and ask whether it makes sense to conceptualize the world in the kinds of predetermined terms that are constructed in political discourse and reflect stereotypes and relations of power between East and West. Whatever the answers to such issues might be, the impact of these designations on the process of market construction is unlikely to lessen.

Understanding the categories used in policies and public culture develops the potential to disclose how policies work as governing instruments in the field of international business. On the one hand, policies to assist market development in Eastern Europe (for example, by Baltic Sea Billions – see chapter 4) could be seen as responses that aim to reduce the heritage of planned economy, poverty and corruption. But, on the other hand, it is obvious that the same policies regulate

Eastern markets and aim to influence the Eastern business milieu in favor of Western investments and companies. They also legitimize particular kinds of intervention in that they highlight the gap between the existing and the desired situation.

Policy is not only that which is located in a written document. Policy can be found in the language and concepts of political speeches, in government documents, in service delivery, and in peoples' experiences in their interactions with street-level bureaucrats (Shore and Wright 1996). Policies can be read as cultural texts, as classificatory devices, as narratives that serve to justify or condemn the present, or as rhetorical devices and discursive formations that function to empower some people and silence others (ibid.). The study of policy can lead straight to issues of norms and institutions, ideology and consciousness, knowledge and power, meaning and interpretation.

The “Baltic tiger”, the “wild West in the East”, a “Baltic Bonanza”, “den nye Østen”,⁷⁶ “den ville Østen”,⁷⁷ “den nye Europa”,⁷⁸ “den nye Bangalore”⁷⁹ or the European Union? These are just some of the ‘tags’ the Baltic states have received in Scandinavian public culture and from Scandinavian entrepreneurs over the last few years. The image of Baltikum⁸⁰ as developing from backwardness to progressiveness is central in practices and policies and in public culture regarding the Baltics. These metaphors and categories have been a powerful instrument in constructing a new Baltic identity, captured in the discourse of ‘democratization’, ‘capitalization’, the ‘establishment of a free market’ and ‘joining Europe’. Such categorization partly overrides other means of identification and attracts investors who deliberately try to maintain the image of ‘Otherness’ and the unpredictability of the Baltic region – as for, example, we saw with NIDA – thus promoting their own businesses in the region. A similar symbolic build-up of interregional borders, which takes place whenever collective identities are being strengthened, is thoroughly discussed in various academic writings on “otherness”, for instance, in Said’s *Orientalism* and in Wolff’s *Inventing Eastern Europe*, which analyses intellectual discourse about the “backward”

⁷⁶ The new East.

⁷⁷ The wild East.

⁷⁸ The new Europe.

⁷⁹ The new Bangalore.

⁸⁰ The Baltic countries are often referred to as ‘Baltikum’ in Scandinavia.

and “the Other” in a Europe undergoing the process of modernization.

Post-socialist countries share one identity feature, namely, they are situated in a pre-defined framework. One such framework is the epithet “emerging” – emerging democracy, emerging market, emerging economy, emerging capitalism. The economic identity of the Baltics is constituted of several imaginary features, which are part and parcel of the West-defined phenomenon of the “emerging market”. This kind of construction contains a clear power aspect, where one part is perceived to be mature and developed and the other emerging or developing. One can characterize emerging markets as those in which processes of modernization, industrialization and consumption move rapidly; consequently, investors can get a higher return on their money in these markets than in North America or Western Europe, where growth supposedly moves at a steadier pace (Montoya 2002).

Successfully growing rather than emerging: this is how Baltic officials like to refer to the region’s economy. By 2007 they see the Baltics as the most rapidly growing economy in the European Union. They are convinced that accession to the European Union and to the NATO alliance in 2004 improved the already-favorable investment climate in the Baltics and helped the region attain the highest economic growth rate in the European Union. Baltic membership in these two organizations is believed to have created promising new business opportunities for those wishing to gainfully explore both Eastern and Western markets.

7.3.The Common Market?

With the accession of new member states in 2004, the EU turned from a Western European Union into an all-European one. The European market became the dominant trade bloc in the world, embracing about 500 million people in 27 countries. Before joining the EU and its market, candidate countries had to prove by their actions that they would be trustworthy and secure co-operation partners. The requirements placed on the Baltic states and other EU candidate countries included the setting up of a democratic state governed by law, achieving institutional stability,

respect for human rights and minorities, developing functional market economies and competitiveness, combating corruption, and assuming the duties of EU membership, including an agreement to endorse the goals of political, economic and monetary union.

As presented in chapter 4, Norwegians had concerns that with the EU enlargement their position in Europe would be marginalized. However, by joining the European Economic Area (EEA),⁸¹ Norway, too, became part of the Common Market and its common legislation, so safeguarding themselves against trade and business barriers. The expansion of the EU and the European market in the direction of Eastern Europe gave Norwegian businessmen a justified hope in new opportunities offered by Eastern European markets.

The Common Market⁸² was one of the most important objectives of the original European Economic Community (EEC) Treaty. The Member states were required to have formed a common market for products, services, persons and capital within a fully-fledged customs union. Similarly, the Common Market and economic integrity has been one of the key objects of discussion since the enlargement of the European Union in 2004. The EEA is based on the same “four freedoms” as the EU: the free movement of goods, persons, services and capital among the EEA countries. Thus, as

⁸¹ The European Economic Area (EEA) was established in 1994 following an agreement between the member states of the European Free Trade Association (EFTA) and the European Community, later the European Union (EU). It allows Iceland, Liechtenstein and Norway to participate in the EU’s single market without holding conventional EU membership. In exchange, they are obliged to adopt all EU legislation related to the single market, except those pieces of legislation that relate to agriculture and fisheries http://en.wikipedia.org/wiki/European_Economic_Area (accessed 20.07.2011).

⁸² The European Common Market was set up by the six member states of the European Coal and Steel Community (ECSC) in 1957. At the same time the European Atomic Energy Community (Euratom) was set up. The European Parliament and the European Court of Justice were formed in accordance with the Treaty of Rome in 1957. The treaty aimed to forge a closer union between the countries of Europe by removing the economic effects of their frontiers. This included the elimination of customs duties and quotas between members, a common trade policy to outside countries, the abolition of restrictions on the movement of people and capital between member states, and a Common Agricultural Policy. In addition to these trading policies, the treaty envisaged a harmonization of social and economic legislation to enable the Common Market to work. The European Community (EC) was created in 1967, when the controlling bodies of the EEC, ECSC, and Euratom were merged to form the Commission of European Communities and the Council of European Communities. The UK, Ireland, and Denmark joined the EC in 1973, Greece joined in 1981, and Portugal and Spain became members in 1986. In 1992, following the ratification of the Maastricht Treaty, the European Community became the European Union.

"European Economic Community" *A Dictionary of Business and Management*. Ed. Jonathan Law. Oxford University Press, 2009. Oxford Reference Online. Oxford University Press. University of Oxford. http://www.oxfordreference.com/views/ENTRY.html?subview=Main&entry=t18_e2288 (accessed 7 October 2011).

an EFTA country that is part of the EEA, Norway enjoys free trade with the European Union.

But does the essence of the concept *common* comply with the market operations it characterizes? The meanings of the adjective “common” include *belonging to, used by, coming from, done by, affecting all or nearly all members of a group or society*.⁸³ It means that the subject of the discussion is a market that, supposedly, belongs to and is equally used by nearly all the societies of Europe, *sharing similar attitudes*,⁸⁴ as the concept explanation presupposes. However, regardless of the meaning of “common”, this market does not seem to be common at all. The interpretation of the concept contains an inconsistency that, as this chapter will show, may also be observed between Norwegian and Baltic business operations.

Since the enlargement of the EU, the western and eastern parts of Europe have been united, and the new member states have become participants of Common European market activities, but has true unity been achieved? Since accession to the EU in 2004 the Baltic countries have been involved in the process of so-called Europeanization (that is, the integration of disparate European communities, economies and societies), which has brought many Western businessmen, experts and consultants to the Baltics; concerted attempts have been made to clarify and promote the notion of a common European identity and market (Bellier and Willson 2000; Cimdina 2006). However, it might reasonably be asked whether the disparate forms of European identity can ever be identified with common institutions, policies and ideals (Bellier and Wilson 2000).

The investments by Scandinavian companies and their move to the Baltics had an impact both on the countries of the investment origin and on the recipient countries. In the countries of origin, as shown in previous chapters, the effects were the loss of jobs and the closure of parts of the companies. On the other hand, these changes improved the competitive position of the companies active in foreign markets; in fact, this might have been crucial for their survival. The benefits accruing to the recipient countries were investments, new workplaces and new competencies. Such interaction,

⁸³ *Oxford Students' Dictionary* (1998:124).

⁸⁴ *Oxford Students' Dictionary* (1998:124).

was motivated and promoted by the Common European market, however, the perceptions on which these processes were based do not represent the common interests and cohesion of the European market.

This study is based on the assumption that human behavior is embedded in cultural constructions of the past and the present and, in order to understand the entrepreneurial maneuvers within the European market, it is important to discover the implications of these constructions. It follows from Norwegians' perception that 'post-communism' and 'transition' still are essential concepts in dealing with the Baltics, frequently associated with the processes of democratization, privatization, liberalization and capitalization. But for how long will these countries, with the communist past as their only common feature, be in the same boat? Asked about the challenges of the Baltic markets NIDA's director in Livpils, answered:

A challenge is to get rid of the Norwegian mentality when thinking of Eastern Europe. They think first and foremost of the cold war, greyness, of ugly looking people, and no pretty people (Henning Hansen, 2006).

At that moment his Russian colleague interrupted, saying: "Perhaps at the end of the '90s it was like that, but not any longer." Nevertheless, Henning continued:

But let's imagine that we are still at the end of the '90s! And they (Norwegians) think of secret agents, the military ... But when they come over they are surprised that there are plenty of pretty people. They don't see any greyness. They cannot believe their eyes. Last week I talked to a businessman who just had been in Riga for the first time. He was shocked that he had not been here earlier, many years ago. His perceptions about the greyness and difficulties relating to bureaucracy turned out to be wrong. The problem of the Baltics is that it is still associated with communism (Henning Hansen, 2006).

At that moment the 10-year-old son of the Russian colleague interrupted: "What is communism, dad?" The communist past was foreign to the boy. Humphrey (2002) predicts that sooner or later, as the generations brought up under the communist regime disappear from the political scene, the category of post-communism and the features characteristic of it are likely to break apart and disappear. Many young people in the Baltics do not recognize what communism means and reject the terms "post-soviet" and "post-communist", together with their stereotypes. For them, the label *post-communist* seems to be an insult and "to imply constraints on the freedom of people to determine their own futures" (Humphrey 2002:13). Norwegian managers

deliberately tried to maintain the image of the Baltics as a transition region that has escaped communism. Henning's resistance to a perception of the Baltics as equal to Scandinavia was obvious. The "exotic" feature of the *communist past* was presented as the reason for the underdevelopment of the Baltics, and simultaneously used to arouse interest in becoming involved in providing expertise, or "know how". This has enabled an advantage to be gained from the existing disorder.

Norwegian entrepreneurs perceive the Baltics as containing both backwardness and perceptiveness, as remnants of the Soviet era and of emerging development potential within the EU. Asked about her experiences in the Baltic market, Bjørg Vatne from *Tekstil AS* gave images that reflected precisely this paradoxical mixture:

Initially, I was very negative about moving production to the Baltics. We had to dismiss 70 women. The first time I arrived I was very skeptical about everything. It was cold, dirty; it was not like at home. But now when I have been there several times I feel more welcome and safe. But I still do not travel alone. Now we have our own apartment at the factory. The hotel where we used to live was terrible. The standard was so low and the price was inordinately high ... the food was inedible, and it is not that we are fastidious ...

We have approximately 100 employees in the Baltics ... Language was really a problem; none of them understood English. A typical Soviet problem. We offered an English course, but they [the local employees] were not so clever and did not learn much. When I think of myself, I'm sure I would have learned much more during such a course ...

Gradually we have also started to do business with local Baltic companies, especially when it comes to various accessories and sewing machines. But in the beginning we used only suppliers from home; Baltic ones were not good enough. They do not have the same understanding of quality; they do not understand that things should be done exactly as we say, and not almost exactly. That is why we travel over there so often. Only now they seem to have understood that we want products of proper quality ...

At home we would have to pay huge amounts for working overtime. In the Baltics it is not an option. Opportunity for cheap production functions very well. I have been in several similar factories here and see that they do not come up to the same level, neither socially, nor technologically, or financially. We are at a much higher level than they and do not feel any competition. I think locals might rather feel it from us because they are losing their workers to us ...

You know, I have lived for a while and remember how it was here [in Norway] 50 years ago. I could say without meaning anything negative, that the stage of development in Baltikum is identical to that of 50 years ago. Take the social guarantees as an example. In the case of an employee's illness, they collect money at work. That is a nice thought, but at home it was like that a long, long time ago (Bjørg Vatne, 2005).

Her image of and experience in the Baltic markets is connected with a burdensome bureaucracy, an untidy setting, her own sense of superiority and a cheap, hardworking workforce which, though outdated, has the potential for development and thus can be taken advantage of. Bjørg perceives herself and her Norwegian colleagues as “know-how” experts dispensing charity, setting standards of how things should be done correctly. The Baltic market, perceived as emerging and new, and with good potential for development, is indirectly but constantly compared with the Scandinavian market, which is perceived as developed, mature and superior. This perception of the Baltic market has been a drive for the establishment of such industrial parks as the one in Livpils. And the number of such parks in the Baltic region has been growing. Their role at national and international levels is to develop, co-ordinate and invest in infrastructure and premises for small and medium-size enterprises. The policy of NIDA’s park in Livpils was first and foremost to offer

safety and relieve our clients of the difficulties of establishing enterprise in a foreign country – in a transition country of Eastern Europe. Many things do not function there the same way as here at home (Harald Hegstad, 2005).

As noted in chapter 3, business activity is a process and contains a chain of transactions between an entrepreneur and his/her environment; each entrepreneur must initiate and coordinate a number of interpersonal relationships to effectuate his/her enterprise (Barth 1972). The social construction of business reality takes place through these interpersonal relationships, through the interactions of individuals who base their actions on experience, perception and reflection. When assuming business activities as series of interactions, it is essential to find out how experience and perceptions form the basis for these practices. How do the experiences of managers, and their perception of the situation, influence the strategy of the company? That is, what performative consequences do entrepreneurs’ perceptions of reality have in the marketplace?

Among the observed companies there were similar motives for moving production from Norway to the Baltics. From the middle of the 1990s onwards they had experienced serious financial problems in their countries of origin. In order to survive, they moved production to either Latvia or Lithuania. By the time I carried

out my research (2005–2008) they were performing well, because of the ample opportunities available for cheap production in the Baltics. The experiences passed on to me reflected the image of the market that Norwegian managers had constructed during their stay in Latvia and Lithuania:

Once upon a time there was a Norwegian who went to the Baltics. He had money, but no experience. Then he found someone who had experience, a local man. After some time the Norwegian had no money, but he had the experience. But his Baltic partner had both money and experience (a Norwegian manager in the Baltics, 2005).

We got many pieces of advice before entering the Baltic market; for example, to reckon on 10% of the building expenses for bribing if we have a building project. But you can push through a building project much faster in Latvia and Lithuania than in Norway. Most likely you will have to pay bribes also to customs officers if you do not have good contacts there. We do not operate with bribes because our secretary has her people there (in customs). But from others I have heard that they have to bribe officers to get their products through customs. They need to have ‘black’ money to pay to the custom officers. It is a tradition (Helge Hofset, 2006).

Another thing that strikes me is that people get judged by “faces”. Your place in a given network is essential ... if you do not belong to any, you are not interesting, because you cannot be taken advantage of. What you can actually do means only 50%. In Norway you earn your own salary, it does not matter whose son you are. Everything is based on mutual services in Eastern Europe; you give a service and you get one back (Henning Hansen, 2005).

These managers perceived practices in the Baltic market to be regulated not so much by official rules and standards as by habit, and by a variety of corrupt practices to resolve or avoid disputes. The conviction is that, in practice, legislation only provides guidelines; actually, everything is regulated by interaction on a personal level between the supervisory institutions on the one side and the manager on the other, according to several informants. Legislation seemed to be perceived as vague or contradictory, creating an environment in which consistency could only be secured by maintaining good relations with the people in charge.

The experiences of some other Norwegian managers were quite different, however:

Regarding tenders in the Baltics, I have heard so many rumors that you have to pay in order to win, and that everyone is corrupt there. But either we have been lucky or all of these stories are myths. Albeit, regarding our contracts, all the decisions were taken outside the Baltics. Surveillance in EU tenders is particularly strict (Steinar Jensen, 2007).

I thought there was bureaucracy in the Baltics but, you know, I would say the absence of bureaucracy can also be a problem: no coordination among institutions, no resistance against ill-considered building projects (Henning Hansen, 2006).

Auditing is much better here than in Norway. An audit in Norway is just about the accounts. But in the Baltics it is about the whole company, health and environment, about how you treat pallets and waste. And the majority of Norwegian companies are really trying to have only one account, they are really trying to be “clean”... (Tore Hauge, 2007).

Bribing is not really necessary. In Lithuania we found out that he who claimed that bribes were requested at customs was the one who took the money himself, not the customs officers (Norwegian director of a production unit established in the Baltics in 2000).

It is of little importance whether these quoted perceptions are true. Corruption does not exist only as a concrete practice – as bribery, or some other misuse of public office for private gain (Cimdina Barstad 2003). To a certain extent, corruption exists as an element of discourse – as an idea about action and its models (ibid). The same can be said with reference to challenges in the international marketplace. Norwegians do not have a common opinion about what constitutes a challenge in the Baltic markets: the milieu for business is perceived differently, and experiences are different. A Norwegian manager can warn others against widespread corrupt practices in dealings with bureaucracy in the Baltics, although he says he has never experienced corruption himself. It should not be taken to mean that such an opinion conforms to the facts. But for those who have such views it does not matter whether they are provable; for them they are true. People base their actions on their perceptions and images. Consequently, the perception of reality influences practice.

The construction of an image of a particular market is based not only on real experience, but also on various myths. Social phenomena and our knowledge of them are created and reinvented in an ongoing presence; social phenomena are reconstructed interpretations without a steady core (Friedman 1994; Handler and Linnekin 1984). They are derived from looking at the world from some perspective or another, and from being in the service of some interests rather than that of others (Burr 2003). “The state” and “the market” are constructed in the imagination and everyday practices of ordinary people. There are numerous *situated knowledges* (Gupta 1995:392) through which to imagine “the state” and “the market”, including

statistics, dealing with managers and with particular government agencies, and the pronouncements of politicians. Everyday interactions with the state bureaucracy are, according to Gupta (1995), the most important ingredient in the construction of “the state”. Clearly, it is not possible to deduce a person’s understanding of “the state” entirely from his/her personal interaction with bureaucracy and the authorities. It is apparent that people also simply repeat reports they have obtained from public culture and policies. Representations of the state and market are also constituted, contested and transformed in public culture. In many East European markets the discourse of corruption can be central for understanding the relationship between the state and social groups precisely because, as Gupta (1995) writes, it plays the dual role of enabling people to construct the state symbolically, to define themselves as citizens and to make their choices. Elsewhere I have shown how the perception of corruption influences practice (Cimdina Barstad 2003, 2004); the perception of high levels of corruption may stimulate corrupt actions that are not necessary, and easily lead to actual bribery or abuse of authority (Cimdina Barstad 2003; Sedlenieks 2003; Gupta 1995; Karklins 2002). Likewise, entrepreneurs’ perceptions of the East European markets facilitate our understanding of their motivation for participating in these markets as the performative consequence of their perceptions.

While there is no common opinion among Norwegians about what constitutes the challenges of the Baltic markets, opinion about what makes them attractive is rather more widespread:

Neither Latvia, nor Lithuania has raw materials. The domestic market [in the Baltic states] is not interesting for us because it is too small; the purchasing power is too flimsy. We are here neither because electricity is cheap, nor because regulations are suitable. Statistics show that the Baltics do not have expert knowledge or special skills at a high level, only at an average level. We are here because of one thing; there is still a very comfortable price for the workforce. It is the main reason for most of the Scandinavian companies that enter this location. And it is close to Russia. Using the Baltics as a base for penetrating further into Eastern Europe is the smartest thing, as long as the workforce is cheap. The location is outstanding; it is close to the huge markets in Russia and the Ukraine. We are evaluating Odessa now; the Baltics is getting expensive. Perhaps we are going to go in for Odessa in the near future (a Norwegian manager in the Baltics, 2007).

The idea that the enlargement of the EU has facilitated international business in Europe is not new to Norwegian entrepreneurs, although not all of them agree with it:

A big problem for the Baltics is the lack of a workforce, everyone is fleeing to the West European countries now. It is not only a problem for Scandinavian companies coming here; it is a big social problem for the locals as well. It was not joining the EU market, but the cheap workforce that was the main reason we moved our production here. We came here at a time when joining the EU was not even an option for the Baltics (Helge Hofset 2006).

Maybe it would even be better for us if the Baltics had not joined the EU. Then we could still live with the conviction that we had helped our sister nation in the East through democratization processes. Now there is no point in being Norwegian in the Baltics any longer. Previously, Norwegian investors had a very good standing here; now the focus in the Baltics is towards Brussels. There is no sense in Latvians and Lithuanians cooperating with Norwegian institutions because there is more money obtainable in the EU system (Henning Hansen, 2006).

The value of the Baltic markets for Norwegians seems to be that of strategically advantageous locations with low production costs. Latvia and Lithuania are perceived to be good places for starting internationalization, and for obtaining experience in the internationalization of production, so that production can be established, or moved to other places in Eastern Europe or beyond. The Baltic states are used as a *runway* towards other East European countries. The advantage is the ability of the Baltic people to communicate with the whole Russian region; they understand the Russian language and culture, which is necessary for operating in the Russian markets. Simultaneously, they are perceived as the most western part of Eastern Europe, which makes cooperation between Balts and Norwegians easy. However, serious concern arises about what the strategies of these enterprises will be when production costs in the Baltics are no longer low:

Last week I was in China to check the opportunities for production. I think those who register abroad now choose China instead of the Baltics. It looks like we will have to move our production there as well, perhaps even in the coming year. We have been in the Baltics for many now. What is frightening here is that everything is getting more and more expensive. In ten years it might be as expensive as Scandinavia and then it makes no sense to be here. Sweden is expensive; Norway is even more so, but at least there are clear settings and predictable rules to follow. Either the Baltics has to do something about it, or it will be impossible to be here. I do not dare to invest 17 million here in production equipment that I cannot move away. I need predictability. I'm not sure whether we can stay and produce here for 10 more years. We have been considering Ukraine as well (Tore Hauge, 2007).

If we keep in mind the concept of the Common European market discussed above, an essential question remains open. It is obvious that Latvia and Lithuania as emerging

markets are advantageous places for production. But how can we talk of common interests, if foreign companies come here only as long as the production costs are low, and then plan to leave as soon as they become too high? Even though the enlarged European market is declared to be common, the experiences and attitudes of the Norwegian managers prove otherwise. As long as one party is perceived to be developed and superior and aims to exploit the other, which is perceived as emerging and less developed, ‘uncommonness’ among participants will persist and a truly common market will struggle to materialize.

Partapuoli (1998) also explores a notion of the Baltics as unpredictable and emerging (in comparison with Norway). She explains that a number of Norwegians come to Tallinn to try out their entrepreneurial luck and leave if they do not succeed. At the start of 2000, NIDA upheld a similar image of the Baltics. However, it placed emphasis on long-term investment and positioned itself as a guarantor of long-term predictability in this seemingly risky region. By repeatedly highlighting unpredictability and risk in the Baltic market, NIDA could more easily sell safe conditions for production in its industrial park to cautious Norwegian manufacturers eager to exploit the area’s possibilities. The Baltics became a kind of niche product for NIDA and the image of the product was formed strategically, resembling Koponen’s explanation that “acting along a commodity network is a political act of negotiation and enrolment of interests” (Koponen 2002:564). In a similar manner to the Norwegian town of Rjukan, which was ill-suited to host large-scale industrial production and had to seek to restore growth by strategic promotion of the identity of the local community (Henningesen 2007), the identity of the Baltics had to be strategically promoted in order to attract Scandinavian manufactures to form industrial clusters. The images used in NIDA’s endeavors to strategically promote the Baltics as a risky, but emerging market reflect the ways in which particular people (Norwegians) construct “the other” in their collective imagination.

An examination of the various ways in which alliances between a Norwegian company and the Baltic market are conceptualized, and how the key concepts of business reality are perceived by the participants, can be a useful point of departure for analyzing strategies and performances in the marketplace. Do individual entrepreneurial activities reflect the images of the Baltic economy on the macro

level? This question will be addressed in a brief review of the business activities of the key ‘characters’ from previous chapters and by analyzing a specific business operation carried out by Krister Hjellum, in whose company I conducted participant observation for 5 months in 2006.

From Dale to Baltikum

From 1967 to 1999, Dale, a Norwegian village of 5,000 inhabitants, was the place chosen by Tore Hauge for metal production. At one point it was decided to transfer the production site to the Baltics, which was unheard of at the time. Tore candidly admits his ignorance – he had heard rumors that a mafia was active there. When we first met in 2002, at his production units in the Baltics, Tore noted that there had been no mafia in sight:

Norwegians commonly believe that Latvia and Lithuania equals Russia. But when they come here, their impressions are preponderantly positive. You name it; there are lots of Lithuanian gangs in Norway and Europe, those raging thieves. Many Norwegians are unable to differentiate between Latvia and Lithuania; they just think that the place here is teeming with crooks (Tore Hauge, 2002).

Similar reflections could be heard from Steinar Jensen, a few years later:

When delegations from the Norwegian private or governmental sector pay us a visit [in the Baltics], they always ask about problems with mafia. I do not have anything to tell them in this regard. I have never been robbed here, never felt any threat or seen any mafia here. Then they are surprised. Such things can also happen in Oslo; perhaps Oslo is an even more risky capital than the capital cities of the Baltics. Of course I do not tempt fortune, but I have never felt insecure here. No one pays you particular attention on the street, like it was in 1990s when we moved here – those days it was pretty easy to tell that we were not locals. It’s not like that today (Steinar Jensen, 2006).

As depicted in chapter 4, Tore’s production facilities were moved to Linava in the Baltics because he had been increasingly unable to compete in the European market. Over several years his enterprise in Dale had attempted to compete with two other European producers who by the 1990s had transferred their production facilities to Poland. The price of metal and the labor costs there were half what they were in Norway; over time, there was increasingly little interest in Tore’s products, which were too expensive. His 32-year investment in terms of experience and machinery was in jeopardy. To prevent closure, transfer to the Baltics was chosen as a last resort,

where Tore's business recovered its position in the European market in just three years. Why was this entrepreneur saved by moving to the Baltics? The Norwegian government's action plan for cooperation with EU candidate countries, in force from 2001, gave priority to the Baltic states. Although not an EU member itself, Norway was willing to assist the Baltics in the accession process, as we saw in chapter 4.

The public culture of those days found its expression in various headlines such as "Hundreds av companies relocate to the Baltics"⁸⁵, "Relocation in an increased tempo"⁸⁶, "A little piece of Norway"⁸⁷, "Anticipate a massive relocation of production units from Norway"⁸⁸, "Norway leading in the new member states"⁸⁹. In addition, it is clear from both policies and conversations with Norwegian entrepreneurs that Norwegians saw the Baltic region as dynamic and rapidly expanding; with high production costs at home, the Baltics was seen as the best option for investments and the transfer of production facilities. NIDA, which aimed to lower the threshold for establishing small and medium-sized enterprises in Russia and the Baltics, and the individual Norwegian entrepreneurs discussed in chapters 4, 5 and 6, are all representative of this process.

For Knut Kløver, the director of *N-Welding Ltd*, the choice of the Baltics was dictated by NIDA's marketing activities, and he was encouraged by the transfers taking place in other companies. Knut confirmed his initial – although unfounded – skepticism towards the Baltic region,

The safest way to penetrate the market was the NIDA park in Livpils. We wanted to make sure we would not fall pray to fraudsters. We had heard there was a mafia, one had to bribe ... In fact, insofar as we are concerned, we haven't had any such disappointments. The low salaries explain why production in Livpils is so lucrative. In Norway, an hour of welding plus insurance costs us 270 NOK, but here the same hour with insurance and social tax only costs 30 NOK. The Baltics offers countless possibilities; it no longer has to be perceived as a risky and shady

⁸⁵ "Hundrevis av bedrifter flagger ut til Baltikum" *Økonomisk Rapport*, published 29.06.2004., <http://www.orapp.no/nyheter/neringsliv/hundrevis-av-bedrifter-flagger-ut-til-baltikum/> (accessed 09.09.2011.)

⁸⁶ "Utflagging i okt tempo" *Økonomisk Rapport*, published 17.01.2005., <http://www.orapp.no/nyheter/neringsliv/utflaggingen-i-okt-tempo/> (accessed 09.09.2011.)

⁸⁷ "Et lite stykke Norge" *Dagbladet, Magasinet*, published 20.01.2003. <http://www.dagbladet.no/magasinet/2003/01/20/359196.html> (accessed 09.09.2011.)

⁸⁸ "Spår massiv utflagging fra Norge" *Aftenposten*, published 30.10.2002. Pp.22.

⁸⁹ "Norge ledende i nye EU-land" *Økonomisk Rapport*, published 14.09.2002. <http://www.orapp.no/nyheter/neringsliv/norge-ledende-i-nye-eu-land/> (accessed 09.09.2011.)

place. The economy functions rather well and Russia with its enormous market is just next door. So there is no doubt that moving to Livpils was the right decision (Knut Kløver, 2006).

But what factors turned Livpils into this ‘industrial fairytale’ for Norwegians? What precisely attracted Norwegian manufacturers to the micro-environment of this small town?

When I first visited in 2005, Livpils’s leafy streets were well maintained and lined with trendy shops and bright cafes. Compared with the economic gloom in provincial Baltic areas just a few years previous to this, it seemed that prosperity had arrived. Private businesses were well established and new private housing stock was increasing rapidly. Although the transition had created a sharp divide between the ‘haves’ and the ‘have nots’, people believed their town functioned fairly well. Despite its closeness to the metropolis, Livpils had an unrushed, provincial feel about it. According to an official from the local government, eight years ago the city’s public finances had been in a bad state. But when I visited, it had paid off its debts to gas suppliers, and invested in new boiler plants to ensure that residents receive heat and hot water at all times. The official claimed that in doing this his municipality had shrugged off the old Soviet-style dependency on subsidies and ensured it had a viable financial foundation.

A local owner of a bakery on a Livpils highway told me that life has definitely improved over recent years, but listed numerous problems faced by many trying to run a business. He claimed the tax system supported big national monopolies, leaving small and medium-size companies to bear an unfair burden. High interest rates and tough conditions for bank loans did not make life easy either. A year ago the bakery needed new machinery. The acquisition of new equipment is eligible for tax relief, a form of support the state provides for its producers. Reportedly, the baker was unable to obtain the necessary bank credit to buy the machinery and bought second-hand equipment, hoping that it would function well. However, had he been able to buy it new, it would have lasted longer and it would not even have been more costly, given the tax relief advantages.

A local entrepreneur from Livpils, who works in the field of electrical engineering, and has experience in both small and large companies, explained that the differences between the two were enormous. He said that the small businesses were forced to cheat to survive because the state has not created conditions in which they could work and prosper: if they offered all the social welfare benefits to their staff, and paid all their taxes, they would not be able to run their companies. However, he said, larger companies had no choice but to pay it all.

Attracting investors was one of the priorities of the Livpils municipality. Recently, Livpils had been advertised in Norway as a convenient place for locating production facilities. According to a local businessman, opportunities and the tax situation were the same for larger enterprises, investors and for small manufacturers. But several manufacturers from Livpils felt quite bitter about the unfair starting point, which does not enable them to reach production levels that would allow them to compete with the foreign investors:

The foreigners arrive with ready-made solutions to manufacture goods because they want to bring down production costs. They have found their niche and their sales outlets in the world a long time ago. They are not eager to sell in the Baltics because the market is quite small and purchasing power is not too bright either. The small Baltic entrepreneur, however, has to start his business, as well as having yet to find outlets for his goods. We hardly manage in finding our niche here, in the Baltic market, let alone the European one ... This year we had to discontinue three projects because we failed to get credit from the bank. The SMEs struggle to get funding. I think that foreign companies have access to credit abroad, which they invest in the Baltics. But who will give me credit in a Swiss or Stockholm banking establishment? Despite our being part of the EU this is simply not an option. I must confess that I resort to tax avoidance to keep my business going (Local engineering entrepreneur from Livpils, 2005).

Though the starting point for locals was not as favorable as it was for foreign investors, small businesses were gradually developing in Livpils. However, a Soviet-era enterprise still maintained a major role in the town's economy. This was a public company, *Livpils AS* – a huge textile plant on the outskirts of the town, which employed over 1500 people. It paid many of them just over 50 lats⁹⁰ per month. The financial problems that the company was experiencing meant wage payments were not always made when they should have been. A local official said that he did not

⁹⁰ Latvia's national currency. 1 Lats = EUR 0.7098 (<http://www.bank.lv/monetara-politika/valutas-kursa-politika/valutas-kursi>, accessed 19.09.2011.).

know what the current situation was at the plant, but he believed it had started restructuring into smaller enterprises, which might soften any blow its collapse might deal to the city. According to a member of staff at *Livpils AS*, most workers do not even know that extra hours, holiday work, standing in for someone, or taking up other additional duties, should mean extra money, and that they could claim their rights in terms of paid leave, safety at work and other standard European working conditions.

When I returned from Livpils, I went to a media library in the capital to find out how the economic situation in the Baltics is being evaluated by public culture. I came across a competitiveness study of European countries, which was carried out by the University of Sheffield and George Washington University. It placed Latvia at the bottom of the list, immediately followed by Estonia and Lithuania. Latvian experts were cautious and skeptical about the research – they believed that the indices of competitiveness used, which are based on population income and GDP, are likely to be inaccurate in that they disregard the role of the grey economy.⁹¹ A local economist stated that the study underrates the Baltic countries and that it is impossible to accept that in terms of competitiveness these countries are the weakest link in Europe. He pointed out that the World Bank has placed Latvia amongst countries currently implementing the most dynamic reforms with regard to the entrepreneurial environment. Further, he noted that Latvia ranks among the top countries worldwide in terms of business start-up time, according to a World Bank report, *Doing Business 2005*; he also noted that Latvia's financial sector is among the most stable in Central and Eastern Europe.

Visiting a local Business Agency, I could help not but notice various business guides full of quotations from Baltic officials stating that the Baltics possess a unique advantage of being the strategic point of entry into the Russian, The Commonwealth of Independent States (CIS) and EU markets. They emphasized that owing to its advantageous geographic location with its three ice-free ports and an extensive road network linking European roads to the CIS, and its high-capacity railway corridor linking Latvia's ports with Russia and the Far East, Latvia could serve as an important link between East and West, as well as North and South. In their view, Riga, the

⁹¹ The 'grey economy' refers to workers being employed without a contract, and being paid 'under the table', without paying income tax.

largest city in the Baltic states, has the potential to become a significant northern European transport, commerce and finance centre:

Since accession to the European Union the Baltics have had access to EU funding; it's a good opportunity. We won a tender for modernization of the transport corridor. EU funding covers 75 percent of financing. Our task is to modernize the signaling system and traffic control in a particular road section. It is a responsible duty since it has to do with environmental security. Petroleum, gas and dangerous chemical substances are being transported from East to West through this section. We have a contract for 50 million euro and a job for the next 4 years. And it was an EU tender (Steinar Jensen, 2006).

The advantageous economic and geographic location of the Baltics is also corroborated by the entrepreneurial strategies of Knut Kløver, Helge Hofset and Tore Hauge. But while Baltic officials extol the merits of the rapid economic growth and good opportunities for attracting investors, local SMEs feel neglected. However, the investor-friendly entrepreneurial environment, predicated on a macroeconomic level by local officials, should not be taken for granted. Everyday business encounters are a different facet of the Baltic economy: although they remain outside the macroeconomic image, they create a subjective image that is perceived by the investors.

An Ordinary Trade?

In spring 2005, Krister Hjellum's company came to the Baltics. To get started, Krister needed a reliable person with experience and knowledge of Baltic and Norwegian languages and the area's entrepreneurial environment. I needed to grasp the intentions of a Norwegian company, its fields of activity and the extent of its challenges in the Baltic market; thus, for the purposes of research, I decided to accept Krister's offer and help him get established here. As a local with ten years of work experience in Norway, I was the right person for Krister's company. To manage things from the Baltics seemed an excellent idea to him, because the workforce there was cheaper, more skilled and ambitious and, he said, it was easier to avoid issues arising from pointless laws, which had to be respected in Norway.

Krister showed interest in an *Object*, offered for sale by a local state company *Griva*. Krister asked me to go forward with the offer that a Scandinavian company would

take the *Object* unseen, pay US\$1 million more than other possible bidders might offer, pay the cash over immediately and cover extra costs for problem solving incurred by the people involved, as well as providing a good bonus for the owner.

The structure of *Griva* enterprise turned out to be complicated; its management was unavailable. I had to ask a friend to find out the contact details of the person in charge of the sale. When the offer was duly forwarded, Krister expected that the person in charge would sell the *Object* immediately, stunned by his generosity. But there was no response to his bid.

On enquiry amongst acquaintances, a man was located who knew the person in charge. I was introduced as the representative of a serious buyer, and a meeting with *Griva*'s board of directors was arranged. It transpired that besides the person in charge there was an entire board of directors and a director-general – their assent was required for the purchase to take place. But just prior to the meeting I was told that it had been cancelled, as Krister had failed to provide information concerning the buyer of the *Object*, that is, the Scandinavian company.

“This is not a fairytale but the world of business, with certain rules on how you conduct it”, a representative from *Griva* enterprise said. A clear precondition for the meeting to take place was that documents showing the solvency of the Scandinavian company were to be brought along. Subsequently, I got in touch with Krister, to remind him to bring the required documents.

“Who does he think he is?” Krister was irritated:

Is this a kind of joke? Is this a limited company or a show with gangsters, trying to compete with each other? I refuse to obey such old commies. It's plain extortion. They think they can treat us this way! Objects of that kind are bought and sold over the phone. Perhaps it's the only item of that kind in the Baltics; they haven't sold any so far [he laughs]. He attempts to pull out of the deal and believes that we're fools – such a primitive mind ... It looks as if they are attempting to introduce a new global sales practice. He said I was a bad manager? Oh, let him talk to me; I have worked in international business management all my life. He's useless; we have to approach the director of *Griva* directly. Do you think it is feasible? (Krister Hjellum, 2007).

To organize the meeting I had to seek further assistance from my acquaintances. I

managed to get in touch with Ieva Adamaite, the mother of a good friend of mine. Ieva was a powerful state official who was most unlikely to see her invitations to meetings turned down. In order to help us with negotiations, she called the director of *Griva* enterprise and invited him to a tea party at her villa on the outskirts of the city.

The table was laid for five. As we arrived, Ieva invited me to take the seat to her right and showed Krister to a seat next to me. On her left were her husband and the director of *Griva* enterprise, Kalvis Mezeckis. There was an aroma of tea and freshly baked cinnamon cookies: Ieva's feminine hospitality, and the cognac offered by her husband, brought about a pleasant and relaxed atmosphere. Krister and I were introduced as 'family friends' and 'representatives of a promising Scandinavian company'. Over the course of the evening the Scandinavian interest in the *Object* was mentioned, and a great deal of time was spent discussing how to reach a deal. Kalvis had the profoundest respect for Ieva as politician and Ieva reciprocated in showing deference to Kalvis as an influential businessman. They clearly saw each other in terms of a mutually important friendship. It was a very pleasant evening with many jokes, compliments, and small talk about politics, business, property management and other trivia. It did not resemble in the slightest a business meeting with an intention to reach a deal worth several million dollars. But it was precisely in this relaxed atmosphere that an agreement was reached: *Griva* enterprise would endeavor to handle the deal to allow the acquisition of the *Object* by the Scandinavian company within a couple of weeks. When Kalvis, bidding us farewell, invited us on a yacht trip the following day, Krister was delighted and believed that it meant that the deal was done.

Two days after the yacht trip and a hospitable reception at Kalvis' spacious apartment, Krister's offer for the *Object* was accepted and a meeting to sign the contract was scheduled. However, a week later, I heard that *Griva* enterprise had decided to terminate negotiations with Krister. This decision was based on the fact that the Scandinavian company Krister represented was unable to prove serious intentions and provide guarantees for the purchase. Krister opposed *Griva's* stance, stating that serious businessmen should keep to their agreements, whether they were verbal or in writing, but no further answers came from *Griva*.

Following numerous phone calls from Krister's Scandinavian partner, who insisted that the *Object* deal was worthwhile, Krister felt it necessary to shed some light on the reasons for the cancellation:

The greedy members of the board of *Griva* called me a cheat and a representative of a letter-box company. It was plain to see that they expected a bribe. Indeed, we had calculated on an impressive amount for that purpose. I sent an email to *Griva's* lawyer, I guess, her name was Rūta Volkova; I offered her cash. No answer – incredible and utterly unprofessional! Obviously, they have no clue how business is done in the civilized Western world (Krister Hjellum, 2007).

In something of a coincidence, it turned out that the lawyer, Rūta Volkova, was an acquaintance of mine. This fact brightened Krister's day; he asked me to give her a call and tell that she would have her share, if she cooperated. From what Rūta said, I understood that the Scandinavians had indeed made a bad impression. Krister expected that my acquaintanceship with Rūta would secure him the desired deal. But Rūta was furious and told him that there would be a sealed-bid auction to rule out any personal influence and that no one would get the *Object* on the basis of a verbal agreement. However, convinced about his professionalism, Krister would still not give this up:

Tell her that as your friend I can assist her with the selling procedure; I see that people in the Baltics are neither able to communicate nor do they know how to sell. A Norwegian can buy such an *Object* in Japan over the phone because there are international regulations in place, which provide for such an option. Balts are incompetent abusers of power ... But we can very well get tough with them – the *Object* can be seized (Krister Hjellum, 2007).

Over the next few days, rumors started to spread that the Scandinavian company that wanted to acquire the *Object* had turned out not to be dependable. Krister was indignant at this, stating that Balts have no manners and no understanding of what Western rules of business conduct are like: "Call Rūta Volkova and Kalvis Mezeckis and tell them that we revoke our offer. Ours was a gift to *Griva* but they evidently don't know how to manage things", he stated.

A Gift Turned Down, or the Social Logic of Exchange

Rūta and I met only a couple of months later, when the *Object* had been auctioned off to a Mediterranean company for US\$1.2 million less than the Scandinavian company

had offered. I brought her a bottle of wine and apologized for the trouble I had caused her by asking her to help my Scandinavian colleagues. But she was still upset and resentful:

Krister believed that good contacts are enough to get everything done. He wanted to get some 'easy dough'. Fair enough. I, as a business-minded person, can understand this, but he treats us as Africans. His attitude sucks. He thinks that everybody is only too happy to please him and that we're all totally ignorant. For your sake I made an effort to check out if something could be done ... but then he made allegations to the entire *Griva* board that I had given him some guarantees ... He was asked to provide information on the purchaser and it appeared that the purchaser was a complete nonentity. He was unable to produce a single document proving the solvency and existence of the Scandinavian company. *Griva* is owned by the local government and has to account to the state for what it does; we can't get involved in business deals with a mysterious person who claims to have several million bucks up his sleeve. He believed that all the board could be bribed, and vouched that he would pay us nearly half a million dollars. And then he walks around saying that somebody has explicitly demanded that he pays this amount. The Mediterranean company sent a normal application for the tender with all the germane documents, and the *Object* was eventually sold, albeit for a lower price (Rūta Volkova, 2007).

How can this fiasco be explained? Why did *Griva enterprise* not go for a quick profit instead of the deal with the Mediterranean company, which was not as lucrative? Is it not the case that the basic objective of any market exchange or business transaction is to yield as great a profit as possible? Are Baltic entrepreneurs unprofessional and unreasonable, as Krister believes they are? How should we account for such seemingly irrational behavior? Are there considerations that have to do with social logics of exchange or the articulations of an 'alien' reality? Anthropologists have always been keen to show that economic systems and business activities can only be understood if examined in the context of other aspects of particular societies and cultures. So let us assume the rationality as context-dependent and culturally specific and turn to an analysis of *Griva* case.

According to the *Oxford Dictionary of Business* (2003), any trading of goods, stocks, shares and commodities may simply be termed exchange, where one value is exchanged for another, just as in the sales operation surrounding the *Object*. Any exchange is based on reciprocity. For economists, reciprocity refers to two directional exchanges, monetized or not. For anthropologists, reciprocity, falling within the scope of communal transactions, is never about objects alone but about the relationships

developed through them (Gudeman 2001). If someone invites you home to dinner, the acceptance of this invitation implies an obligation to reciprocate. Ieva and Kalvis' relations would have fallen into ruin unless Kalvis reciprocated Ieva's invitation with the yacht trip. Having done so, he had discharged his duties towards Ieva for a given period of time. As for Krister, he believed that Ieva's invitation to tea needed to be reciprocated with the *Object* deal. While Kalvis reciprocated with Ieva because their relations were important to him, he could not be bothered about Krister because he felt no need to establish relations with him.

In principle, the capitalist economy recognizes only one form of commodity exchange, namely, market exchange based on the laws of supply and demand (Eriksen 2001a). But markets never exist outside cultural and social contexts, and trade is not detached from social bonds even in capitalist societies. Buyers and sellers are constrained by an obligation that requires them to purchase certain things at certain times in certain markets, by an obligation to reciprocate, and by an obligation to maintain relations and networks. In most places there are rules, written or unwritten, that stipulate what can and what cannot be sold and purchased for money (ibid.). Even in modern capitalist societies, there is a general agreement that there are values that cannot be bought – love, friendship, trust, loyalty and reputation, to name but a few. But the *Object* Krister wanted to buy did not represent these values: it was neither love, loyalty nor friendship. Still, however, it was not obtainable for the money Krister offered, even though it was being offered for sale.

The transaction did not solely involve the *Object*, however. As evidenced by the chronology of the deal, right from the outset there were important social bonds and obligations. Krister did not want to reveal the identity of the Scandinavian company and attempted to corrupt *Griva's* lawyer's loyalty, thereby playing against 'the rules of the game'; as a consequence of this, he tarnished his image in the eyes of *Griva's* board, as well as having wasted his social bond investments, which were aimed at promoting his success. Precisely because gifts are socially integrating and concurrently capable of establishing mutual relations between individuals, the Scandinavians were ready to part with an impressive amount of money as a bonus for the enterprise. The gift imposes an identity on both the donor and the recipient, revealing "the idea" which the recipient evokes in the imagination of the giver (Parry

and Bloch 1989). The Scandinavians imagined the Baltic *Griva* enterprise as a body that for the sake of profit would execute a trade with a mysterious company that would offer a gift so that a positive decision could be reached. But this perception was simply misconceived: there was no obligation to give – and hence none to receive.

It is argued that money allows us to measure everything by the same yardstick, and thus it reduces qualitative differences to purely quantitative ones. It denies the unique and is easily regarded as a means to all ends; therefore, its possession confers upon the possessor an almost God-like power (Parry and Bloch 1989:6). In light of such assumptions, it is tempting to state that money can be used to dissolve “cherished cultural discriminations” (ibid.), to “eat away” qualitative differences and to reduce personal relations to impersonality, disembedding market transactions in the process. In this case, the Scandinavians believed that money was a means to achieve the reduction of ‘qualitative differences’, that is, to conceal the fact that they were ready to take up power positions to which they as foreigners would otherwise not be entitled.

The Scandinavians tried to surpass their competitors and to establish a hierarchy, with themselves on top in relation to *Griva* enterprise. The significance of such a hierarchy could be viewed in terms of the correlative forms of capital emphasized by Bourdieu (1986). In Norway, Norwegians as the majority enjoy economic, political, symbolic and cultural capital. Used to such a position in his own land, Krister was unable to accept a different status elsewhere. This can also be seen in his desire to always have the last word on a given subject; for example, in revoking the offer that had already been rejected by *Griva*. Likewise, one has to face the particular consequences that ensue from violating the obligation of reciprocity (to give, to accept and to give again), regardless of the place of violation, be it Polynesia or the Baltics. When Krister’s gift was repeatedly rejected, he threatened war, seizure of the *Object* and nefarious repercussions for both the board members and *Griva*’s lawyer. Refusal to accept Krister’s ‘gift’ could be construed as an unwillingness to enter into an alliance and a morally committing relationship with Krister and his partners.

In the case of the *Object*, the Scandinavians wanted a quick and anonymous exchange, without revealing their identity. But the Scandinavians’ money was not

perceived as something anonymous; rather, it was identified as having an objectionable source. The lawyer Volkova understood that Krister was in the market for 'easy' money but, for her, money did not only mean profit but remained closely linked to its source – the giver's attitude and intentions. Neither she nor *Griva*'s board could accept the Scandinavian way of construing money along the lines of 'we = the West = money = power'.

One wonders if the source of the money was the factor that ultimately made the deal between *Griva* and the Scandinavians impossible. If the Baltic economy was based on the principle of the gift economy, this could be a plausible explanation. But, for the time being, the Baltic market economy functions as well as elsewhere in Europe. There has been a trend towards postulating a fundamental division between monetary and non-monetary economies – this division being linked to other dichotomies, such as traditional and modern, pre-capitalist and capitalist, gift economies and commodity economies – with money acting as a major catalyst for the transformation between them (Block and Parry 1989). This notion has actually prevented a number of researchers from seeing the importance of money in many traditional or pre-capitalist economies (Fuller 1989), as well as the importance of non-monetary means or, more precisely, the social bonds and affiliation within which the economy is embedded in capitalist economies.

Market exchanges, whatever we think of them, are not uniform, and markets in different societies function in different ways. Although the main purpose of commercial exchange is monetary profit, this does not mean that affiliations with partners and the values inherent in sustaining social relationships are irrelevant. The importance of personal relations in socialist and post-socialist economies has been observed by many researchers, with Berliner (in 1952) as one of the forerunners, but also including more recently Humphrey (2000), Ledeneva (1998, 2006), Johanson (2001), Lampland (2002), Fürst (2004), Cimdina Barstad (2004), Cimdina (2006). These writers have studied the role of personal relations in both legal and illegal business activities in post-socialist economies. The importance of personal relations here can at least partly be explained as a legacy of the state-planned economy and a result of the uncertainty and volatility caused by reform. Networks were necessary to deal with a widespread shortage of goods (Cimdina Barstad 2004), while the best way

to enforce agreements was to do business with those whom one could trust (Johanson 2001). This tendency is observable not only at the personal level. The fact that firms also tend to rely on personal relations rather than on legal systems as a means for solving disputes and conflicts is observed by Johanson (2001), Hendley (1997), Cimdina Barstad (2004), Sedlenieks (2003) and Ledeneva (1998).

Finding the right people with the right connections in the Baltics used to determine the degree of success in further activities for the majority of those interviewed from various Norwegian enterprises. NIDA's operations reduced the necessity for such local networks, offering a ready-made production environment in the Baltics. However, it is likely that the presence of instrumental relations in the contemporary economy is inherent to market relations as such, rather than their post-socialist setting. The extent to which economic life is embedded in structures of social relations is one of the classic questions of social theory (Granovetter 1985), be it a socialist or a democratic society. Networks and connections are used in many countries for various purposes, and in terms of the economy, they are often necessary for raising capital, forging stable cooperative links or finding the best solution to a particular business problem. Networking is considered to be a vital part of any functioning economy. Snehota (1993) defined the workings of the market as a process of networking, that is, of establishing, strengthening, weakening and dissolving exchange relationships between market participants.

7.4. Frontiers and Otherness

Some insight into individual personal experience, which is gained in the process of confronting a different environment, provides an understanding of identity-related mechanisms. As regards the *Griva* case, these mechanisms shaped the interaction between the parties more than their desire to make a profit. In their attempts to come to an agreement, Scandinavians and representatives of *Griva* enterprise tried to cross boundaries of many types: territorial, political, social, psychological and cultural, but without success. Yet, what borders are there to cross, one might wonder: since the collapse of the USSR and EU enlargement there have been radical changes, as far as the Baltic borders and their isolation from the rest of Europe is concerned. It could be

claimed that EU enlargement has brought about a world without borders, which is likely fundamentally to transform and approximate economic, political and cultural realities. But do the Balts see themselves in this new 'commonality' with Europe? And how are they perceived outside the Baltics? Although we are now witnessing the dwindling importance of the old, well-defined borders, new borders have been put in place both territorially and symbolically; these are not only physical borders, but also social and psychological ones.

Frontiers and identities are two issues that cannot be treated separately (Klusakova et al. 2006). Dividing lines, frontiers and boundaries are present everywhere, separating and connecting objects, territories, individuals and groups. They construct and confirm identifications. In many situations, as in the *Griva* case, individuals think of themselves as one of 'us', as part of a category that is distinct from everything around it, which is then defined as 'the others'. Identities create borders between communities and collective entities that define themselves in contrast 'the others'. Thus, borders and identities belong together. Self-identification is facilitated and supported by the construction of images and stereotypes of 'the others'. 'Others' are different, and as a general rule, more negative traits are attributed to them (in the form of characteristics); therefore, it is difficult for any of 'us' to accept differences or otherness (Klusakova et al. 2006).

The local entrepreneurs of Livpils small and medium sized companies perceive themselves as a whole. While an essential element of connectedness among the entrepreneurs of Livpils is represented by shared difficulties in business, the case of *Griva* is different. When beginning the negotiations over the *Object*, the starting point for the Scandinavians and the representatives of *Griva* was similar: in the given circumstances they perceived themselves as entrepreneurs. But how did it come about that this collective identity, uniting both parties, could be weaker than other ties of collective connectedness? In the course of the negotiations another collective identity, separating the parties, came to the surface. Its ties of connectedness turned out to possess such strength as to radically oppose both parties involved in the negotiations. Instead of crossing the perceived boundaries, the Scandinavians and the representatives of *Griva* deliberately maintained the dimension of otherness in their relations, which ultimately became the main obstacle that prevented them from

reaching a mutually lucrative deal. To get over this ‘imaginary’ border, money and gifts were offered. But then it appears that an exchange of gifts, including money, involving ‘the others’ who are different from ‘us’, is not desirable in this context.

It is important to add here that ‘us’ is never given a clear value. The feeling of groupness has nothing to do with the real distribution of ‘common opinion’. The sharing of common attributes (for example, language and habits), combined with the existence of certain social ties, generates groupness – a feeling of belonging together. Brubaker-Cooper (2000) and Voros (2006) point out that a strongly bounded sense of groupness may rest on a categorical commonality and an associated feeling of belonging together with minimal or no relational connectedness. This is typically the case for large-scale communities such as ‘nation’: when a diffuse self-understanding as a member of a particular nation crystallizes into a strongly bounded sense of groupness, it is likely to depend on strongly felt and perceived commonality rather than relational connectedness (ibid.).

If we accept social reality as a social construct, that is, as something created by social actions, then its ‘frontiers’ come to depend on individual and group definitions, which in turn are based on their subjective experiences. Frontiers can be invisible – the stress is on the symbolic, cultural and internal perception of the line between something that is ‘mine’, or ‘ours’ (known), and something that is “his, hers, theirs” (unknown, different) (Seweryn and Smagacz 2006).

Even being aware that not all Norwegian entrepreneurs share the same characteristics, it seems pertinent to ask what has become of the postulated ideal of equality of Norwegians in the *Griva* case, where local entrepreneurs are clearly perceived by Krister to be less advanced and less competent. After all, this case would seem to depict “us and them constructions where difference is a threat” (Vike et.al.2001:25). As observed in chapter 6, Gullestad (1992) has identified the particular Norwegian definition of equality as sameness. This equality, according to her, is sustained by avoiding contact with people about whom one has insufficient information, and through an interactional style that emphasizes sameness and undercommunication of difference; in such a scenario, one avoids people who are considered “too different” (Gullestad 1992: 174). This last strategy implies a pronounced inaccessibility, or what

Gullestad calls the erecting of “symbolic fences” (1992:174). In the case of negotiations between Krister and *Griva* enterprise, the process of fencing – an egalitarian attitude – is not applied between members who are not perceived to be of the same kind. Thus, egalitarianism is maintained by avoiding relations with those perceived as unequal. In this way a sense of superiority is also created and maintained in corporate settings, which Norwegians like to view as democratic and unhierarchical. In other words, as Gullestad (1992) states, the idea of equality as sameness is not incompatible with hierarchy. This has become more salient with the kinds of recent global socioeconomic developments of which Norwegian entrepreneurs are a part.

Not only by Krister but also, at times, by Helge, Tore and Steinar, the Balts seem to be perceived as ‘neophytes’ who have difficulties with the assimilation of a new, proper structure. This implies that these novices are not mature enough to belong to this new, sophisticated world (Buchowski 2001):

It is perhaps this culturally biased preference for things which can easily be classified into existing categories which is the source of the Westerners to those in the liminal sphere, aspiring to enter directly into democratic society structures. Economic and political demands and barriers imposed by the West recall maturity tests set for novices to pass, if they want to find themselves in privileged clubs (Buchowski 2001:111).

If local workers, bureaucrats or partners hesitate and have doubts about the ‘Norwegian’ way of doing things, then, as the Western manager in the Moravian elevator factory (depicted by Müller) said, “something is wrong in their heads” (B. Müller 2004:163). It is not only in the *Griva* case, then, that Norwegian entrepreneurial attitudes in the Baltics resemble the “democratic mission (of their enterprise) in formerly totalitarian societies” (B. Müller 2004: 164). The know-how of Norwegian entrepreneurs was in most cases highlighted as acting

against what they saw as irrationalities and the arbitrariness of the planned economy ... and as capitalism had come out as the winner from the “competition between the economic systems”, they now wanted to “help the losers” to make the big leap into market economy and to create the cultural, legal and social frames for it (B. Müller 2004:156).

While in the case of *Griva*, the Balts and the Scandinavian entrepreneurs perceived themselves as fundamentally different from one another, in a different context there is a clear emphasis on the closeness of the Balts to the rest of Europe. Baltic officials and politicians consider the Baltics as a European country in its own right and on an equal footing with all the other European countries. It seems clear that on both micro and macro levels the distinctions between external and internal identifications and the dialectical relation between them are obvious.

In the case of the present study, the key types of external identification of the Baltics are Scandinavian public culture and the narratives and policies that are barely acknowledged by the self-representations of local Baltic actors. The activities and experiences of individuals reflect how these internal and external identifications emerged. Following the failure to get a deal with *Griva* enterprise, Krister views the Baltics as something diametrically opposed to the “civilized western world with no understanding of what the western rules of business conduct are like” (chapter 7.3.).

Bearing in mind the duality of cultural and market relations, it is possible to see, on the one hand, that culture provides a pool of resources for entrepreneurial action to draw from. On the other hand, entrepreneurial actions are at the same time creatively shaping and reshaping the market and, thus, behavior in the marketplace. From this perspective, individuals and groups constantly create, shape and reshape ‘frontiers’ and ‘borders’ in the existing cultural, social, political and economic framework.

The issue of an actor’s embeddedness in his or her social environment can be seen as a central topic of social sciences. It could even be ranked as the principal interpretative pattern that is applied when construing theories that interpret society, just with terminological differences. All economic activities, even those presented by economists as “pure” economic relations, are socially embedded because they are rooted in socially construed policies, norms, institutions, perceptions, expectations and values that are shared among people. Therefore, in order to understand entrepreneurial practices, their social foundation must be understood.

7.5. The Magnet of the Baltics

My starting point was to approach business reality as a mix of unique and commonly agreed ways of perceiving reality and ways of acting within it. Viewing business reality as the result of the interplay among individuals' constructions, self-understanding and connectedness, the study of the interplay between individuals became a natural focus of this research. The best way to understand this interplay was to take part in it.

As we have seen in the cases outlined throughout this thesis, the Norwegian companies in question were attracted to the Baltics because of its strategically advantageous location, relatively low operating costs and extensive labor force. It is interesting to speculate about what kind of story might be told about the Baltics by Tore, Mari, Jon, Helge, Harald, Knut, Henning, Steinar, Petra, Bjørg and Krister. All of them viewed the Baltics as a place that would enable them to show off their know-how and entrepreneurial skills. Tore, Mari, Jon, Helge, Bjørg and Knut saw the Baltics as a region of cheap labor, cheap raw materials and logistics, and as a kind of refuge from threats of bankruptcy in Norway. For Harald and Henning it was a low cost but promising region, a base from which Norwegian policies could be carried out with a view to supporting their native businesses in Eastern Europe. Steinar and Petra discovered the available business niches in the emerging Baltic market, along with modernization processes – Steinar exploited them successfully, although Petra did not succeed here. Krister viewed the Baltics as a place to secure a quick profit and to avoid stringent Norwegian laws and regulations; he sought and found gaps in local laws to carry out various transactions, the legality of which even the locals have questioned.

It would be wrong to claim that the *Object* deal failed because money was chosen as a means to reach the goal. The issue is more complex than that. The strategy of using non-identified money and bribes was based on Krister's perception of the Baltics as a place that allows such action. The social construction of business reality takes place through the interaction of individuals who base their actions on experience, perception, reflection and various myths. This echoes the assumptions of the social

constructionists who state that social phenomena are created and reinvented in a floating presence, and that all our knowledge of them is nothing but a stream of reconstructed interpretations, where we always perceive the world in terms of one perspective or another (Friedman 1994; Handler and Linnekin 1984; Burr 2003).

In the cases outlined here, experience and reputation are vital components of the construction of the image of the marketplace. Experience is gained from interacting, joint problem solving, or even from failing to solve problems related to negotiations, trade and business operations. Interaction is vital in gaining experience. Reputation is built as non-experimental knowledge gained from talks and public culture, which is then transformed into opinions, ideas and information about specific actors, organizations and states; it is then shared again, among entrepreneurs or companies. This process helps entrepreneurs learn about other business actors beyond the exchange and interaction. In the case of Tore, Steinar, Knut and Krister, their preconceived opinions of the Baltics, which were produced by Norwegian public culture and policies, turned out to be wrong. Similarly incorrect was Knut's perception of safe and sustainable production conditions under the auspices of Norwegian governmental actor NIDA. In Knut's case, in the end, it was NIDA that represented risk for his operations in the Baltics, not the unpredictable Baltic business milieu of which he was so afraid. Such disparity of preconceived market principles and marketplace behavior occurs precisely because activities in the marketplace are not disembedded from wider socio-cultural and political contexts. Were they disembedded and calculable corresponding to a supposed universal market model, it would be possible to predict the outcome of market operations – but more often than not practice differs from the preconceived market models.

Representations of the Baltic states and the market are constituted, contested and transformed both in daily interaction and in public culture. The construction of the image of the Baltic market is based not only on first-hand experience, but also on various myths about the *wild East* and the *Baltic tiger*. As observed elsewhere (Cimdiņa 2006), an understanding of the perception business actors have of the East European markets makes it easier to understand their willingness to operate in them. It also helps to explain their behavior, which, more often than not, is a performative consequence of their connotative perceptions.

The trend of moving production units to the Baltics at the turn of the twenty-first century shaped the public culture of Norwegian entrepreneurs and producers quite noticeably. The issue of transferring production units to the Baltics had extensive mass media coverage and was also discussed at great length among entrepreneurs. A closer look at Norwegian public culture reveals that transition is still an essential concept in dealings with the Baltic countries – transition from socialism to capitalism, from planned economy to free market, from post-socialist to Western standards. The resistance to perceiving the Baltics as equal to Scandinavia is obvious.

The identity of the Baltic economy turns out to be a complex one. Externally, the region is perceived to include both backwardness and great expectations. It has features inherited from the Soviet past and all the potential for development that is inherent in the EU. Internally, on a macro level, it is shaped by both the image produced by local public culture, which to a great extent aims at attracting investors, and by local experts' public debate on rapid economic growth. These debates occasionally disregard negative statistical data from foreign sources and turn a blind eye to the difficulties encountered by small businesspeople.

On a micro level, the interaction among individuals involved in day-to-day business operations reveals a different picture. Although foreign entrepreneurs are generally welcome in the region this is not always the case in business deals, as seen in the example of *Griva* enterprise. Successful though it might be, the record of foreign businesses in the area does not always equate to successful business in the Baltics. If they suffer a setback, investors may make defamatory statements about the Baltic economy. Even if local officials attempt to deny the existence of cronyism in the Baltic entrepreneurial environment, which is alleged by foreign experts, the deals with *Griva* and *Nordic Ltd* seem to prove it exists. Although foreign manufacturers find the Baltics advantageous and have moved their production facilities to industrial parks such as Livpils, local small and medium manufacturers face continuing problems.

Theoretically, it could be said that the transition period in the Baltics is over. In accession to the European Union, Baltic countries have demonstrated that they can master integration into the European Economic Area. Still, such denominations as

“new member states”, “post communist”, “Eastern” and “emerging European” adorn those segments of Scandinavian public culture that pertain to the Baltic countries. Unlike people in the Baltics who tend to emphasize the rapid growth of their economy and posit that it is equivalent to and included in the common European market and its activities, Scandinavians still perceive them through the discourse of Otherness. In their view, *Baltikum* is either the primary recipient of Western assistance, which necessarily recognizes the West as a yardstick for the measurement of progress, or it represents an ocean of opportunities, which remain to be seized.

By construing the identity of the Baltics as a place for production and an ocean of manufacturing and ‘going East’ possibilities NIDA, in like manner as in the case of Rjukan (Henningsen 2007), was ‘renting out’ the unique opportunities of utilizing the place. This resembles Henningsen’s argument that the identity of the place is the basis of its economic growth. By 2000, and with the assistance for Norwegian provided by NIDA’s activities, the Baltics had become a brand name for a promising *utflaggingsland*; however, it transpired that Norwegian regions were not yet ready for a postindustrial era, and they opposed the relocation of local production units. Consequently, NIDA’s profitable niche – the establishment of Norwegian industrial clusters in the Baltics – suffered an unexpected setback.

Epilogue:

The Anthropologist in the Embedded “Corporate Jungle”

While previous economic arrangements were embedded in social relations, in capitalism the situation was reversed -social relations were defined by economic relations, wrote Polanyi (1957, 1968b). He also argued that all economies are embedded and enmeshed in social relations and institutions, but tended to see the market economy as disembedded. Polanyi’s successors were critical of this position, but maintained a distinction between embedded and disembedded economies. The results of the present research question not only these assumptions about a disembedded economy, but also the strict distinction between economic and social relations and the twofold nature of the economy. I have argued here that economic relations and social relations are inseparable, and that economic relations are social relations imbued with rules of reciprocity and communal obligations – capitalism has not destroyed them irreversibly, as Polanyi believed. The nature of social groups is encompassing: entrepreneurs are kept in line by group pressure and by their desire to conform in modern market societies. Neither in Norwegian village economies nor in the emerging Baltic market was there evidence of a freestanding market domain “standing under laws of its own” (Polanyi, Arensberg and Pearson 1968:124) – regardless of the common regulative mechanism for the European market. The thorough empirical evidence of the entrance process of Norwegian entrepreneurs into the Baltics makes the opposition between the embedded and the disembedded economy appear meaningless and unproductive. There was nothing that resembled a disembedded market transaction to observe – neither in the establishment of production units, in the acquisition of various permissions for entrepreneurial activities, nor in the management of the local workforce. None of these operations were detached from the value systems and cultural conceptions of how to behave in a given situation, or from concrete social relations and obligations, or from politically and ideologically tinted strategies; nor were they detached from ideas about with whom and how one should cooperate. As to critics of the term and concept of embeddedness, who object to the absence of a theory of intentionality and strategic agency (Beckert 2003), there are such thick socio-cultural layers behind intentionality

and strategic agency that it is precisely an approach that takes on board embeddedness that can help to reveal them.

Even if markets to a great extent have come to dominate other principles of social organization, as Polanyi reasoned, markets are not autonomous formations detached from socio-cultural life. The marketplace is not a disembodied domain; it consists of people (with their perceptions, motives, values and strategies) trying to agree upon values, guidelines and goals for their actions. The marketplace is an abstraction of human relations that are first and foremost social and embedded in multilayered value systems. Neither commodity nor monetary exchange is disembodied. Indeed, with the lengthening of kinship distance, the transactors become strangers and commodity (not gift) exchange emerges. But while exchanging commodities and monetary means, complete strangers are guided not only by their desire for benefit and a particular good, but also by their views on the commensurability of values, the manner of exchange, the acceptability of the process of the transaction and on what, in the end, constitutes a value.

It cannot be taken for granted that seemingly destructive forces of modernization and capitalization alienate and undermine social relations. After the dissolution of the USSR and the subsequent democratization and economy transformation processes, social relations in the Baltics became even tighter and more vital. People were dependent on mutual help for various reasons: to acquire a loan on favorable conditions, to supply information, to get a job, to privatize state property or just to feed the family in a situation of sudden unemployment and a lack of social guarantees.

Traditionally, embeddedness to a great extent has been associated with the moral economy and with domestic and gift exchange because they imply a close interplay between cultural and social mores and economic activity. However, the demand for profit sits uneasily with the ethic of the community in market economies, as we saw in the case of Brox (1972) and A.K.Larsen (1984) and in Tore and Helge's native villages in Fjord County. Cultural mores also form the basis for decision making in modern market societies; consequently, economic activities cannot be detached from the social order in which all human life is immersed: "This immersion, some aspects

or effects of which one finds in Karl Polanyi's notion of 'embeddedness' obliges us to conceive every practice as 'economic', as a 'total social fact' in Marcel Mauss's sense" (Bourdieu 2005:1).

By attempting in each case to bring to bear all available knowledge relating to the different dimensions of the social situation, the embeddedness of economic transactions can be disclosed with the use of traditional anthropological tools. To my mind, the argument about the disembeddedness of the market economy is faulty, and so is the position on how to approach economic activities in market societies. Polanyi observed that economies that are not built around market principles are not focused on the logic of individual choice, which is the basis of modern Western economic science, and stated that therefore they cannot be approached with the tools of economic science. Indeed, he claimed that the modern market economy, in which all things are disembedded from their social conditions of production, is best understood through formal economics. Doubts about the extent to which traditional anthropological methods can be employed for conducting research in modern corporate enterprises have also been expressed by Jordan and Lambert (2009) and Cefkin (2009).

The first chapters of this thesis explored my methodological reflections on how to approach the corporate jungle. I discovered that analyses of companies' annual reports and figures, and numerous interviews with managers, were insufficient for gaining an understanding of the behavior and operations of Norwegian entrepreneurs in the Baltics. I came to the conclusion that participant observation continues to be a major part of positioned anthropological methodologies; however, and perhaps this has become more important over time, talking to and living with members of a community increasingly takes place alongside reading news articles and government documents, observing the activities of governing elites, and tracking the internal logic of transnational development agencies and corporations (Gupta and Ferguson 1997:37). "Instead of a royal road to holistic knowledge about 'another society'" (ibid.) ethnography is beginning to be recognized as a flexible and opportunistic strategy for diversifying and making more complex our understanding of various places, people and predicaments through attentiveness to the different forms of knowledge available from different social and political locations (ibid.).

By approaching entrepreneurial practices in modern market societies with traditional anthropological tools, I have ascertained that fieldwork has a constant value in anthropology in the transnational, global world and in the fields of economics and business. Evaluating such features of fieldwork as participant observation and my own fieldwork experiences, I have come to the conclusion that anthropology (even in its traditional sense) has much to contribute to the analysis of transnational marketplaces. Anthropological approaches to, and a situational analysis of transnational business operations can reveal specific discrepancies between foreign and local business cultures as experienced by businesspeople, their employees, competitors and consumers; it can also explore the ways in which these operations are embedded in socio-cultural realities. A clear understanding by the various actors involved in such cooperation of how one does business, how one approaches potential customers and partners, how one treats workers, competitors and authorities, and how one creates a suitable environment for doing business is of utmost importance in the daily operations of an international company.

As the business reality is constructed by its actors, empirical fieldwork should be at the very core of research in this area. Assuming business reality to be the result of an interplay between individual constructions, the study of this interplay between individuals becomes a natural focus. It can also be asserted that the best way to understand the interplay is to take part in it. Business is all about social interaction; business reality can be seen as a mix of uniqueness and commonly agreed upon ways of perceiving reality and ways of acting within it. If we want to understand the individual manager's actions and strategies, it is essential to reveal how s/he perceives the business reality, and how s/he understands its practices. The ideal in such a study is to maximize the interaction between the researcher and the subjects of the study.

Business practices are embedded in local and glocal contexts, which cannot be comprehended by quantitative approaches and universalistic conceptions about cultural differences and market models. The means to carry out participatory observation in a company include in-depth interviews; interactions and conversations with managers, traders, consumers and officials; participation in meetings within the

company and during its encounters with competitors, local authorities and consumers; and extensive participation in the company's day to day tasks. Only by participating in the marketplace it is possible to acquire in-depth insight into a particular business environment and industry. Being in the marketplace increases the chances of comprehending the meaning of what is happening from the actors' point of view. Anthropological conventions such as naturalistic observation, contextualization, maximized comparisons and sensitized concepts are integral parts of the researcher's toolkit (Sherry 1995). Ethnography can make it possible to grasp the particular complexities and dynamics of the local market situation that are concealed by aggregated statistical data, presentations based on generalized categories and superficial interviews. The open-ended, inductive approach intrinsic to the fieldwork method is particularly suitable for grasping relations that cannot be assumed a priori (Lien and Melhuus 2007). The ethnographic insistence on the actor's point of view generates socially embedded understandings of social life, not least regarding the ways in which significant relationships are conceived and meaningful connections are made (ibid.).

While untwisting the threads and leads of the embeddedness of Norwegian entrepreneurial operations in the Baltics, I felt like a cultural broker.⁹² My task while conducting fieldwork at Norwegian companies in the Baltics was to translate – to understand and transmit – the reality in the Baltics to Norwegian managers, and back again. I realized that my privilege in such a situation was my life experience in Norway and the Baltics; however, in order to analyze the seemingly familiar I needed a certain distance. Nevertheless, I was not burdened by the methodological challenges pointed out by Gullestad:

The native anthropologist strives to get out of his/her home blindness, while a Western anthropologist going to a Third World country strives to get into strange cultural practices in order to “crack the code” (Gullestad 1992: 28).

Going to the Baltics as a native anthropologist gave me certain privileges, as I could speak local languages and use the knowledge and experience that I had

⁹² Hansen borrows the concept of the “cultural broker” from Geertz (1960) and attributes this denomination to the managers working in foreign-owned companies in China, whose responsibility was to understand and transmit the reality in China to Norwegian headquarters, and back again (Hansen 2008: 201).

gained growing up in the Baltics. Simultaneously, I was able to approach this site as an outsider, since I have become used to the Norwegian way of life over the past thirteen years of my life. These factors empowered me with the distance needed to conduct successful fieldwork, “to make the familiar sufficiently strange for analytical treatment” (Gullestad 1992:28); they gave me the insight required to crack the cultural codes of both Balts and Norwegians in my chosen field of research.

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