



Turun yliopisto  
University of Turku

# **SALES MANAGEMENT IN FOREIGN MARKETS**

Case study on Finnish companies' knowledge management in Russia

Master's Thesis  
in International Business

Author:  
Ekaterina Zhukova 417494

Supervisor:  
Ph. D. Esa Stenberg

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Turku



Turun kauppakorkeakoulu • Turku School of Economics

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# 1 INTRODUCTION

## 1.1 International sales management

*“Sales personnel serve as the company’s personal link to the customers. The sales representative is the company to many of its customers... Therefore the company needs to carefully consider issues in sales force design.”*

– Kotler and Keller (2006, 616)

Foreign market knowledge is proven to impact international performance of a company (Ciszewska-Mlinaric 2016, 51). A perspective to see sales department as knowledge transmitter and receiver party allows one to analyze the company’s willingness to share, extract and utilize knowledge. Proper sales force management is to great extent driving force of success to internationalization of a company as it is responsible of customer acquisition and retention (Baldauf & Lee 2011, 211). Companies are exhibited to have interest in investing market research as main contribution to customer relationship management (Lysus, Rogers, Simms 2011, 47).

Academic theories on international sales are quite limited in compare to their value to international business operation development. The sales cases are examined mostly from the perspective of North-American markets, and the theories are only partly extended to international business management other than English speaking countries and marketing strategy literature (Baldauf & Lee 2011, 212).

In this paper the focus is on sales operation in Russian markets. Developed and emerging country-markets differ in five factors that were identified by Sheth in 2011 (Sheth 2011, 168; Bahadir et al 2015, 596). These are heterogeneity of markets, unbranded competition, resource and infrastructure availability, and sociopolitical governance. By these criteria’s academics determined Russian markets to belong to the group of emerging markets.

Sales targets are set based on company’s strategic priorities, managerial perspective and from the sales opportunities carried from subordinate levels. Sales organization members, sales force, are able to provide feedback from market and analyzing both existing and potential customers. (Storbacka, Polska, Sääksjärvi 2011, 42) In the age of modern knowledge economy it is valuable to collect, analyze and utilize all information as efficiently as possible. There are many types of data and different ways to turn it into wisdom and knowledge. It is of great importance to know, how to make use of information instead of only collecting data. Companies are encouraged to transfer information with its contextual meaning, in addition to simple form of problem solving data, to stay less dependent on key employees in knowledge management processes (Stähle, Grönroos, 2001, 29-

30). If organization is successful in gathering, analyzing and managing important information from their workers continuously gained useful knowledge may not be lost over time.

## **1.2 Purpose of the study and research questions**

Purpose of this paper is to provide an analyses on international sales management and knowledge sharing of Finnish companies with business in Russia. The issue is important now as more Finnish firms different in size strive to build lasting sales models for productive operations in large and resource demanding markets of Russia. Increased heterogeneity of buyers' market and company's diversity with personnel's origin backgrounds in working environment have brought larger attention to the questions of human resource management (Honeycutt et al 2003, 7). This study provides an insight on human resource management benefits in case of extracting foreign market information and innovation possibilities from foreign sales function.

The thesis agenda is in providing answers on the best practices of international sales management and strategic knowledge collection from foreign employees. Academic literature has greatly explained the knowledge management issue and the importance of the intellectual capital gathering, but if the focus is on the foreign market information gathering and usage of a specific department, as sales department, in a company that has most advantage to actually profit from information sharing, the offering is limited. This paper provides an analyses on sales management theories and practices of case companies only to describe a practical environment for information management possibilities such as intellectual capital. Intellectual capital is created by human skills. It is described to consist of patents, trademarks and brands. (Ståhle, Grönroos, 2001, 23). By sales management this paper refers to level of managerial or organizational operations and not activities of separate individuals (Baldauf, Lee 2011, 211).

In this research the issue of knowledge management is examined from the perspective of Finnish companies' needs that represent Scandinavian model of leadership. It is described with more to offer in the perspective of holistic, humanistic and value based approaches, as it allows more respect for the individual. Another quality of Scandinavian leadership model is flat and less bureaucratic structure of corporate organization that allows more inclusive communication (Rikowski 2007, 60-61). Based on background findings, it is only logical to assume that this particular leadership model is extremely suitable for knowledge gathering when practiced successfully.

In resemblance to research of Monteiro et al (2008, 96) this review concentrates on the point of view of market-facing units of multinational companies, in the form of sales activities, within a particular country, Russia. This way the analyses could be provided

with clear example of what are suitable sales organization models in this foreign market, and what are the trends were noted when modifying operations in international environments.

The purpose of this research is to compare theoretical framework and current international sales practice on the subject of communication and management on distance. This paper has limitations so the focus is on sales management and knowledge sharing in case of Finnish companies that practice sales in Russia. The sub questions are listed to be

- How sales force is managed in foreign markets?
- Why companies invest in knowledge sharing?
- What are chosen sales strategies of Finnish companies in Russia?

### **1.3 Structure of the study**

The structure of this paper provides analyses on the academic theory concerning international sales management and effective knowledge management. Chapter 2 provides insight on current state of research on sales management, international business and possibilities that sales functions offer. Chapter 3 explains the knowledge management point of view and how it could be extracted, analyzed and utilized by companies in cross-border operations. Chapter 4 shares light on specifics of human resource management in Russia and how it affects sales management and communication with employees. Scientific methodology is explained in Chapter 5 and followed by presentations of empirical results in discussion, conclusions and later summary.

Interviews with sales department's decision makers of Finnish companies allows one to monitor the current state of sales organizations and intellectual property management as company's willingness to constantly improve their positioning in foreign markets. The perspective of Russia's market information is chosen due to its nonnumeric qualities. This information is not usually visible in balance sheets or ordinary quantitative sales data reports. Also the fact that Finnish companies are able to buy market information from third parties makes the issue interesting as it gives us a signal that perhaps companies chose to not to make usage from their intellectual capital at full capacity. This way company ensures competitive advantage with effective frontline employees. This paper does not editorialize on how large part of foreign sales of case companies comes from Russia, but the experience of doing business in foreign markets has to be over 5 years.

To extend understanding of case of Finnish companies in Russia this thesis provides also an insight from a party of public sector representative, Finnish Russian Chamber of Commerce representative. As an example party that has ability to provide needed insights for companies that are interested in operating on the other side of the border.

## 2 SALES MANAGEMENT

### 2.1 Sales force

*“Sales management is a set of repeatable patterns of management practice used to influence and monitor sales performance. “*

–Storbacka, Polsa, Sääksjärvi (2011, 42)

All firms have to analyze markets constantly. The market leadership is achieved by customer satisfaction at optimal costs. However, the practices to build an optimal revenue level has to be created around organization's people. (Honeycutt et al. 2003, 92, 95). The aim of keeping up company's sales people is to efficiently gain needed revenue. By sales forces effectiveness one implies to maximize sales volume, market position, profitability, and customer satisfaction and profitability, in compare to competitors and firm's objectives. Over the time business-to-business sales has developed into integrated component of long-term customer management and strategically focused part of business strategy rather than individually managed separate unit. (Storbacka, Polsa, Sääksjärvi 2011, 35.)

Given multidimensional research agenda on international sales, it is useful to explain the issue with providing framework of selling context. The academic theories that describe international selling management are intercultural theories, cross-border management, marketing strategy and sales management activities among many others (Baldauf, Lee 2011, 212). The tasks of sales force are specific to certain firm orientation, job type, industry and culture (Honeycutt et al. 2003, 43). When implemented correctly function of sales is able to 1) provide analysis of current market situation, 2) sales forecasting, 3) generating and selecting strategies for company together with 4) budgeting, implementing and control functions (Jobber – Lancaster 2006, 57).

Concluding sales levels requires sales professionals to have expertise in finding customers, preparation for meetings, relationship building, and development of product offering, offer clarification, securing of the purchase, and maintaining the relationships. In comparison to domestic sales, salespersons of multicultural markets devote different amounts of time and effort to each step of abovementioned process (Honeycutt et al. 2003, 63). Conceptualized framework for choice of right initiatives, guidance to obtain information and perceptive interpretations provides needed support for practicing continuous strategic thinking of organization's personnel (Cravens, Piercy, Baldauf 2009, 32).

Firms can encourage the sales force to notice and report on the information they get externally. To help companies to perform in a more effective way, the corporate culture could be formed in a way to train and motivate its personnel. Sales representatives are in position to effectively collect information on markets demands missed by other means. If

companies fail to gather information continuously, the problem is seen in incorrect resource allocation. To be effective a company must pass on information effortlessly and make usage of all of it in an organized and measurable matter. The guidance should be provided for the personnel, and the intelligence gathering shall be promoted actively. There has to be approved order on how to pass information and to whom. (Kotler – Keller, 2006, 74-75.)

## 2.2 Sales organization structure

Sales organizations are built by plan or grown in response to occurred environment's changing need without clear long-term vision. Many firms enter selling process with only idea to increase sales while others manage sales force by adding to responsibilities request of continuous analyses. (Honeycutt et al 2003, 92) As an integrated unit of larger business, sales leaders are expected to match sales organization's size, structure and goals to different stages of company's or its products' life-cycle in chosen markets. Companies are also encouraged to practice different sales models simultaneously (Zoltners, Sinha, Lorimer 2006, 89).

Research of Zoltners, Sinha and Lorimer (2006, 82) proved companies with theory on sales forces structures that correspond to different life-cycle of a business and its services to be more likely to succeed in competition. Companies life-cycle phases do not necessary exclude each other. In situations that demand special attention, as new technologies or markets emerge, it is efficient to practice in parallel two or more market strategies. Strategic thinking and planning allows companies to be more flexible in compare to competitors.

Chosen sales model is only part of a larger firm's business management that is carried out based on defined strategy. Managing multiple parallel sales models is something that companies may consider. (Storbacka, Polsa, Sääksjärvi 2011, 44) Zoltners, Sinha and Lorimer (2006, 82-88) provided some practical guidance to the sales organization structures depending on company's life-cycle. This theory is not culture specific, so it does provide an overview on company:

**Start-up phase:** Companies in start-up phase need to pay extra attentions to selling costs as sales people have to generate sales and additionally create awareness. A newly established subsidiary is usually allowed to attract some personnel from parent company and its financial support. However also the question of outsourcing possibilities is on the table. (Zoltners, Sinha, Lorimer 2006, 82-84.)

**Growth phase of business:** At the growing stage of business, sales force organization is expected to master multiple products, market segments and practice multiple selling tasks. As the stage is extremely dynamic it is important that sales people may concentrate on more core tasks, focus on lucrative assignments and downsize the strategic long-term tasks. Some firms create hybrid structure organizations to better meet customers' demand. Companies in growth phase are recommended to invest in market, product and activity specialists in sales organizations. This allows generalist sales representatives to contact more prospects and the most beneficial clients are provided with service quality. Specialists are expected to cover larger territories, provide more income and are more effective. (Zoltners, Sinha, Lorimer 2006, 84-85.)

**Maturity phase:** At a certain time sales leaders should focus on retaining customers, serving existing segments, and increase the efficiency and effectiveness of the sales force. In the maturity phase of business the management is advised to concentrate on sizing personnel and allocate resources more efficiently. If decision makers did not invest in data on the sales potential of accounts and territories or imposed inefficient priorities for sales people concerning account management the maturity phase of business may be challenging (Zoltners, Sinha, Lorimer 2006, 86).

**Decline phase of business:** Characteristics of business's decline phase are unattractiveness of production and loss of customers. It is not necessary the last phase of company's existence, since decline might be occasional period before growth phase, but it should be managed properly. In some markets it is wiser to hire more sales people, if the strategy requires new approach, or hire more qualified sales professionals instead to downsizing to meet declining customer numbers. If the managers predict slow but inevitable changes in product or service demand, it would be smart to shift towards low-cost selling practices as telesales and focus attention of sales people on managing company's most profitable accounts. (Zoltners, Sinha, Lorimer 2016, 88) Sometimes use of sales representatives would allow to cut costs on originally exclusive direct sales personnel (Decarlo 2012, 218).

In general adaptation of sales force to needed structures depends on four variables: the roles that sales force and selling partners play; the size of the sales force; the sales force's degree of specialization and how sales people apportion their efforts among different tasks. (Zoltners, Sinha, Lorimer 2006, 82). Cravens, Piercy and Baldauf (2009, 43) on their part see insight to customer value creation coming from building relationships with buyers, this provides and perspective on building sales organization depending on customer's needs rather than comfortable to manage sales structure.

Jobber and Lancaster (2006) describe selling function of a company to not to depend on life-cycle, but rather on order delivering mode. They argue that a company may decide which mode delivers it more value: passive generalists as order-takers getters, missionary order-creators or active specialists as order-getters. Kotler and Keller (2006, 616) managed to summarize sales work in six different types of practice: deliverer, order taker, missionary, technician or specialist, demand creator and solution vendor. The responsibilities are listed in Figure 1.

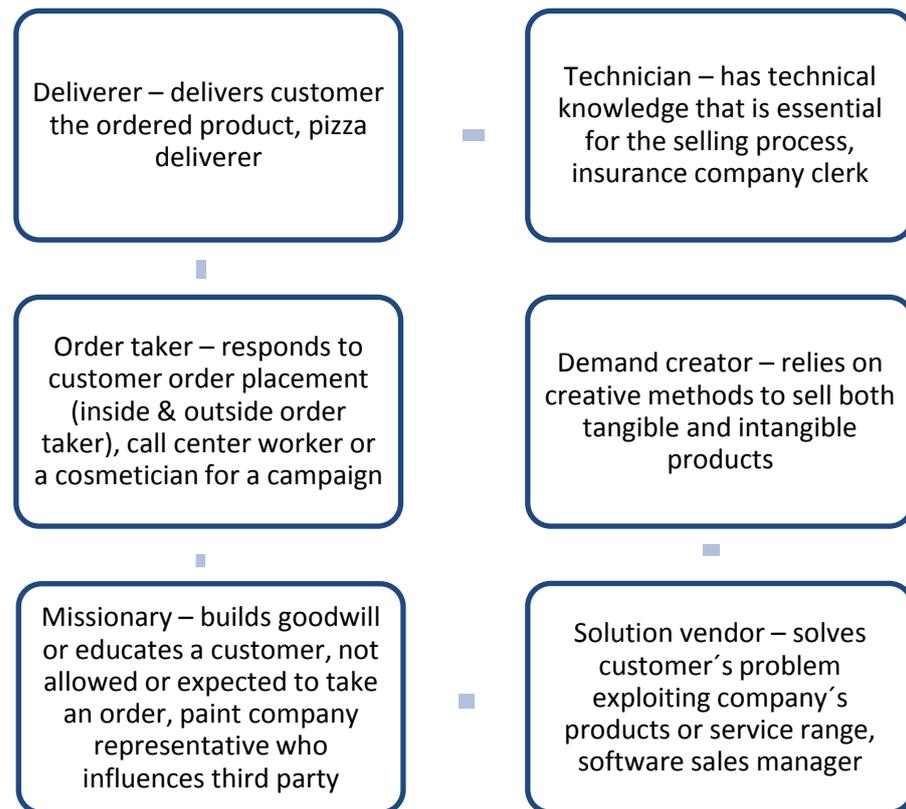


Figure 1. Six types of sales work (modified Kotler and Keller 2006, 616).

Twenty-first-century sales managers are expected to overcome many challenges beside their core tasks, such as cultural aspects, new opportunities that are possible with developed technology, geography related issues and differences in legal systems (Honeycutt et al 2003, 5). If properly directed sales units are possible to transform into strategic functions that provide information on markets, innovation, customers, social network and culture building capacity (Leigh, Cron, Baldauf, Grossenbacher 2012, 505-508).

Especially, industrial and consumer industry companies rely heavily on company’s sales organization. Every part of sales profession is of great importance to the company, but the most meaningful resource integration is initiated by front-line sales people. As the basic tasks of order taking may be exercised by less specialized workers, order getters are of most value to companies on long-term. To ensure continued growth of business, executives are advised to adapt organizations to the factors outside ones reach. Sales people

on the other hand have the responsibility to implement changes approved by managers to respond to changes caused in market, such as new threats from competitors or creation of new opportunities. (Lyus, Rogers, Simms 2011, 39-40.)

To illustrate how sales force could be mismanaged a few examples could be provided. For example hiring general-purpose sales people instead of more problem solving specialists might result in competitor's dominance in larger customer accounts. Reassessment of smaller accounts from telesales personnel to sales managers may slow down revenue making process. If the new product lines are more complex and need special attention in customer interface the rewarding systems of sales people have to be adjusted. (Zoltners, Sinha, Lorimer 2006, 82.)

Zoltners, Sinha and Lorimer (2006, 86) emphasize the importance of investing in market research and in developing forecasting methods and sales response analytics to be able manage and size sales departments. Further in this paper, one discusses the assets that direct sales force produces in addition to their customer relationship management in order to sustain company's market share growth. Interest lie with foreign sales units or subsidiaries that involve a sales manager and assigned sales people. The reason behind these requirements is focus on management and knowledge transfer.

## **2.3 International selling**

Main reason to participate in host markets for multinational companies is to collect and diffuse silent and undocumented knowledge. As it has characteristics to be transferred through interaction by group learning, managers are mistaken to assume tactic communication could be transferred purely on the technology based knowledge processes between subsidiaries and/or headquarters (Sheng et al 2015, 95, 107). Interaction between subsidiaries on levels excluding headquarters are predicted to become more important (Gupta, Govindarajan 200, 490).

Recent academic literature indicates market structures to be more volatile than before and that company should see customers in larger perspective rather than only meeting existing value requirements. Shifts in customer value requirements, new emerging technologies, new competition and new business models have to be noticed and taken into account (Carvens, Piercy, Baldauf 2009, 32-33). Besides core activities of sales, sales departments are usually obligated to provide information on existing and potential buyers, the market environment, competitors, company's assets in compare to others and organization capabilities to serve the market. (Honeycutt et all 2003, 92). Companies are encouraged to choose a leadership model for sales force that responses expected environment, employee roles, and planned business directing (Flaherty 20012, 53).

Insight to customer value creation comes from building relationships with buyers. Obviously, companies have different possibilities to creation of new market spaces and participation in them depending on the size, resources, distinctive capabilities and attractiveness of the core business. Nevertheless, every company should devote attention to monitoring of new market opportunities, such as emerge of a new competitive space, applying strategic segmentation analysis and examining changed value requirements of customers. (Cravens, Piercy, Baldauf 2009, 42-43). According to Honeycutt, Ford, Antonis and Simintiras (2003, 95) market effectiveness is affected by three factors: 1) Market complexity is influenced by the amount of customer segments; 2) Customer location as centralized buying or long distance supplying; and 3) Market variations level is dependent on technology development, changing customer number and time-sensitive product life-cycles.

Usually, parent company has the ruling power and opinions in what form of foreign operations it participates and how further expansion happens. If home country's managerial and technological knowledge are less developed as in host markets the subsidiary does not gain assets in ruling of abroad. (Berry 2015, 1452) So when starting operations abroad it is valuable to be aware of the level of capabilities of parties.

In the beginning of operations in new, or foreign, markets companies face a choice of either collaboration with selling partner or establishing sales structure on their own. As businesses gains more customers, the question of investing in more representatives raises again. Depending on the business phase the executives are expected to understand the needs of organization and allocate resources accordingly. (Zoltners, Sinha, Lorimer 2006, 82). Nonaka (2007) values frontline employees as very important knowledge carriers, because they have access to more technologies, products and markets. If they are able to see larger perspective, not only assigned core tasks, and are trained to interpret meaningful market signals the opportunities to develop companies', business grows exponentially. When sending sales people into the foreign market the company takes larger risk than with local sales managers. During training more attention is paid to guidance for higher sales force performance, there is a need for more improved customer relations, more efficient time management, less supervision requirement is essential, greater product and more accurate market knowledge as well as more comprehensive understanding of company policies are some of the basic requirement. (Honeycutt et al 2003, 128). *Foreign market knowledge is one of central concepts within international business strategy research* (Ciszewska-Mlinaric 2016, 52).

Sometimes it is valuable for companies to combining resources with another companies, instead of hiring sales agents, new ventures are able save monetary resources and gain strategic advantages in new environment, for example if the possibility lies with accessing clients as part of partners solution proposal. Some companies benefit from outsourcing only part of their portfolio to agents and provide service to larger accounts.

(Zoltners, Sinha, Lorimer 2006,82-83). Manufacturer representative agencies are usually well oriented in a particular geographical regions which makes the option attractive for foreign firms. On the other hand small companies are interested with this approach when it comes to cost effective internationalization. This way a local manufacturer representative agency could have a task as a centralized exporter. The representatives are extremely aware of the changes in the market in compare with in-house sales organization structure. It is believed that representatives won't have as much knowledge of particular product qualities as in-house sales people (Decarlo 2012, 204-206.)

Outsourced sales department has many similarities with any other channel partnership. Business-to-business companies have mostly avoided representative based sales organization model. 90% of companies are stated to practice other than outsourced representation with their clients. Main reason to hire outsourced sales people is the cost of developing and managing in-house sales people. The rep model is favored when negotiation of partnership contract, and monitoring of results and commissions are expected to be lower than with own direct sales. Outsourced sales force is difficult in situation when the product offering changes as the terms of contracts have to be renegotiated every time. Partnerships often limit companies' in gaining information about customers and markets this way it is difficult to adapt marketing actions to boost sales. Too opportunistic views of outsourced sales force could be also very damaging for some foreign companies as they won't have any actual link with their end customer and no control on the image of their brand (Decarlo 2012, 203, 207-208). In case of outsourcing complete sales a company is advised to monitor partners' performance in great detail and shift to direct selling when it is the right moment to not stay dependent on partnership. New finding in academic research of sales management clearly indicates that complete outsource of sales function is not advised (Zoltners, Sinha, Lorimer 2006,82-83).

As selling is considered to be relationship activity (Rouziés, Macquin 2003, 62), human resource management is impacted by many cultures, also national culture. Despite business's global orientation, sales people build relations with customers locally. It is of high importance for sales managers to understand this custom of cultural sensitivity. (Honeycutt 2003, 18, 20). Hiring local nationals in sales organizations has many advantages, but there are also great challenges that are good to think of before investing in foreign workforce. Sales managers may have less complications with sales performance when investing in people that are familiar with domestic marketplace and are aware of cultural behavior traditions. Both business culture and organizational cultures. On the other hand disadvantages could be recognized in lack of language skills other than domestic and possible hierarchical society orders may block information flow to executive levels or headquarters. Also competition for qualified individuals on the market might appear unexpectedly high. (Honeycutt et al 2003, 111.)

To exceed value expectations wise managers appoint account executives to most important clients. This ensures coordination of sales efforts that results in increasing revenue and often reduces selling costs. (Zoltners, Sinha, Lorimer 2006, 86). According to research of Piercy, Low and Cravens (2011, 1112) the efficient design of sales territories has a positive impact on sales unit's effectiveness in cultures of high uncertainty avoidance. Zoltners, Sinha and Lorimer (2006, 84, 86) came to the same conclusion stating that in case where uncertainty surrounds business's opportunities it is advised that companies practice more conservative sales strategy allowing longer account responsibilities. Customer needs are met better if the sales territories gain expected attention by assigned sales people.

The importance of understanding different cultures and inclusive management parameters to diverse sales people cannot be underestimated. Truly global companies have the ability to lead sales force that brings together local nationals, expatriates and third-country nationals. (Honeycutt et al 2003, 9). In cross-border business context, however, expatriates are hired to practice more of a coordination task. They are not considered to actually add value to knowledge transfer between companies of multinational organization. Nevertheless, expatriates are considered of great importance in situation when foreign subsidiaries dominate in level of competitive industries and parent knowledge or technology assets are determined to be more lagging. (Berry 2015, 1454.)

## **2.4 Marketing intelligence**

As sales people meet more sophisticated demand and more complex offering mixes, their role changes, shift has happened towards relationship management rather than clear taking of orders. Marketing intelligence has an important role in formulating business strategy (Evans, Miao 2012, 174). The internal reporting system of a company reveals results in form of data, whereas marketing intelligence system supplies data on happenings behind the numbers. Marketing intelligence is generally collected by managers by following media flow, reading professional literature, talking to shareholders and socializing with other company managers. It is a set of procedures and sources managers practice to have access to the latest developments in the marketing environment. Nevertheless managers cannot practice these procedures due to their core tasks in the company as it is extremely resource and time consuming. Whereas sales people within sales organization are able to collect and pass on information more willingly as a part of their daily routines. (Kotler-Keller 2006, 74.)

Emerging markets have clear advantages in compare to developed markets to companies, but they demand changes in marketing and sales approaches. There are several factors that companies should consider when operating in Russia and planning marketing

actions. These are concentration on aggregation advantages, government policies and resource improvisation. Marketing professionals are advised to practice local orientation marketing approach and be innovative as the actions that are considered traditional and well implemented in developed markets might be of little to use in markets like Russian. (Sheth 2011, 171-173, 184.)

A business is reliant on ability of its employees to determine and incorporate marketing intelligence in its operations. Originally the concept of marketing information system, later known as marketing intelligence system, was presented in the academic literature by D. Cox and R. Good in 1967 to answer the need for strategy formulating tools. Later as the issue gained more attention in the academic literature, marketing intelligence was conceptualized, divided into smaller entities and observed as cause and effect concept of casualties. It provides companies with a framework to gain better understanding on marketing-related decisions as new product development, sales forecasting, determination of competitive and pricing strategies, customer knowledge and activities in foreign markets. (Evans, Miao 2012, 174-181.)

Functions of sales organization as a source of marketing intelligence differs. Evans and Miao (2012, 176-177, 187-194) claim that depending on the tasks the sales people practice, the generated information is used in a variety of ways. The scale of use depends on how largely a company wants to use sales resources as a source. For example companies can take advantage of information on tactics and strategy formulation in response to the market or satisfy requirements by extracting knowledge on territorial customer knowledge. Lyus, Rogers and Simms (2011, 46) state market intelligence was best collected by organization that were successful in combining sales and marketing units. Storbacka, Polsa and Sääksjärvi (2011, 41) were able to prove solution sales process approach to be possible to execute with most benefits when sales roles were performed by different functions in a firm, multilevel and cross-functional, and when company masters continuous development of its capabilities.

Market dynamics are best indicated and responded to by companies with interdepartmental integration front line employees (Lyus, Rogers, Simms 2011, 46). Market-facing units, as marketing and sales departments of subsidiaries in host markets, provide interesting perspective on knowledge transfer thanks to their ability to provide a link to external parties of a company. (Monteiro et al 2008, 96). Sales people are expected to implement company's strategic vision to ensure reaction to market changes that could be minor or more influential, for example participation in new market, inventing new product range or finding new distribution partner. To succeed in set targets it is vital to have marketing co-operating with sales unit's insights. (Luys, Rogers, Simms 2011, 40). A characteristic of knowledge-creation oriented companies is employees' free and equal access to company information (Nonaka 2007). See the Figure 2 below. It illustrates interdepartmental interaction and collaboration components of sales and marketing that result in achieving

strategic advantages for a company in terms of market intelligence and reactivity to change. (Lyu, Rogers, Simms 2011, 47.)

It is inefficient for a company to keep for example sales department in tactical isolation from marketing strategy. By their own business example Japanese companies that practice knowledge-creation encourage redundancy in different departments, as it allows more dialogue and more communication among employees (Nonaka 2007). However it is fair to suggest larger companies to have lower degree of interdepartmental integration as number of decision-makers is higher. This results in individuals to have no close physical proximity and slower implementation time in operations. (Lyu, Rogers, Simms 2011,39, 47) Many firms employ specialized market intelligence people to support sales with analyses and to ensure diffusion of new knowledge in a company (Storbacka, Polsa, Sääksjärvi 2011, 41).

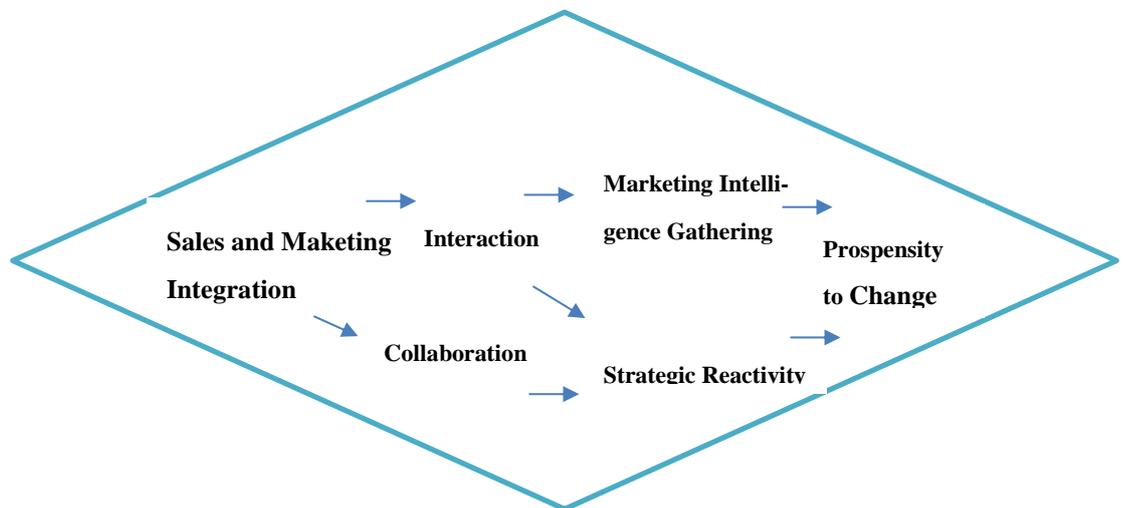


Figure 2. Diagram illustrating the relationship between the interaction and collaboration components of Sales and Marketing Integration (adapted Lyu, Rogers, Simms 2011, 47).

Business environment is explored to its potential only as soon as company is aware of its strategic goals, market and buyer behaviors are familiar, the competitive situation is clear and sales force is organized according to above mentioned factors. (Honeycutt et al 2003, 94) Company's team leaders are in the center of information flows of a firm. If organized properly they could provide important feedback of chaotic market realities and implement corporate strategy vision (Nonaka 2007) or they can block communication.

## 2.5 Sales management control and reporting systems

As role of sales force experienced significant change during past decades, it demands new approach in measuring its performance (Piercy, Cravens, Lane 2012, 7). Both strategic level and managerial level decision impact sales performance (Storbacka, Polska, Sääksjärvi 2011, 47). As mentioned above it is agreed that organizations are built around people, but they still need a control systems. There are both formal and informal control systems (Brown, Samaraweera, Zahn 2012, 383). The management issues of formal control associated with salesforce is directly impacted by structure of a business (Honeycutt 2003, 105). For example one indicates how many subordinates a manager should have by the size of expected span of control. Cravens, Piercy and Baldauf (2009, 37) advice companies revise metrics and to include customer equity in their financial metrics. Informal control systems like organizational climate is something that companies maintain and use to direct employees. Organizational climate is a result of organizational culture and explains shared perceptions of company's leadership and, it affects individuals understanding of working environment. (Brown, Samaraweera, Zahn 2012, 383.)

It is common for decentralized organizations or with highly standardized manufacturing companies to have a higher span of control. The more specialized the offering the lower is span control, however, in these cases managers might be encouraged to broader responsibilities. (Honeycutt et al 2003, 97) At times when companies strive to homogenize their client management practices to ensure consistent service quality globally, the managers need to embrace local way of leading sales force. Most efficient practices of monitoring, directing, evaluation and compensation of sales departments correlate greatly depending on nationality. (Rouziés, Macquin 2003, 61) Nevertheless, there are some universally approved characteristics of successful sales management. Zoltners, Sinha and Lorimer (2006, 85-86) for example see culture of change as an essential business orientation in governing sales units. The less resistant the personnel is to business changes the more flexibility there is to correctly size the organizations to suit market opportunities and risks. Piercy, Cravens and Lane (2012, 8) on their part draw attention to needed intensity of supervision, management's control level and actual competencies to practice it, when measuring performance of sales.

K. Flaherty (2012, 65, 69) summarizes control habits of a company into three main determinants when it comes to monitoring sales work: 1) process control -formal rules and hierarchical authority, 2) output controls –subjective approach that estimates adequately environment and 3) clan controls –promotes feeling of belonging in a company and to leaders. Leadership consistency theory allows companies to choose control mode that suits their operations and strategy rather than forcing on only one possible management style. Any of above mentioned control strategies are proven to improve sales performance in right environment.

In particular, “*sales force structure specifies the hierarchy of sales force reporting relationships which affects how sales activity is coordinated and controlled*” (Zoltners, Andris A – Sinha, Prabhakant – Lorimer, Sally 2012, 155). Behavior-based control is positively associated with both behavior and outcome performance (Piercy, Cravens, Morgan 1998, 79). Behavioral-based control system allows sales people to have fixed salary and more possibilities for manager to intervene in activities. Whereas outcome-based system that allows employees to have higher commission in compare to fixed salary, but less room for managers to control. (Piercy, Carvens, Lane 2012, 8-9.)

Rouziés and Macquin (2003, 61-62) were able to prove cultural background to affect expectations for personnel governance. Differences in expectations to control systems were found in ways of monitoring, directing, evaluating and compensating sales people. This means that control systems with sales force management should be allocated more towards behavioral observations than numerical values. Nevertheless, certain control operations are still predicted to probably impact collision with some cultural values. In perspective then this results sales people neglecting task planning or non-selling activities.

Academic literature predicts that while necessary command-and control systems remain in the organizations, in the era of knowledge economy there will be more possibilities for flexibility and adaptively, underpinned by innovative capacity of labor. It is seen only as a logical response to the changes of nowadays business needs such as networking of companies, interdependence with financial authorities, changed leadership styles and environmental responsibility to name a few (Bater, Cabos 2007, 16-17, 20). It is also valuable to notice the impact of management’s capabilities to practice control as they are essential to sales performance (Piercy, Cravens Lane 2012, 7). Additionally, from the perspective of sales organization effectiveness, personnel turnover is important factor that was not identified in earlier research. Companies in countries that indicate high employment rigidity have more committed employees. (Piercy, Low, Cravens 2011, 106-111.)

It is evident that markets are turbulent, complex, and often interrelated. Executives are likely to make a mistake of oversimplifying markets, concentrate on demographic segments and easy product extensions, to better monitor agreed goals and this may result in placing narrow market or customer boundaries. Research indicates that out-of-box strategic thinking should be regarded as addition to core business and not a threat to traditional way of business practice. (Cravens, Piercy, Baldauf 2009, 42-43.)

Subsidiaries or local organizations often have information and "know how" about their local business environment (Sheng et al 2015, 95). When international companies acquire ownership in other than home market companies or practice any other participation in business abroad, new partners are eager to improve productivity and efficiency of their new asset. It is considered to be highly productive to concentrate on the capacity of the organization to develop and take advantage of available intellectual capital and to receive and implement new knowledge from different organizations. (Husted, Michailova 2002,

19) However research also explains the importance of education of new employees on continuous basis to ensure the absorption of new knowledge across enlarged business structures. The knowledge that is produced by foreigners, westerners, that is controversial to local cultural or social norms of practicing business impact dramatically information sharing. (Kiessling, Harveys, Dabic 2008, 161.)

In the time of information technology some people mistakenly define information management as a result provided by technology. The fact is that instead of system engineers the management appears within the companies' cultures and human resource management that demands investment both in time and trust. Technology devices only enable the registration of information. (Ståhle, Grönroos 2001, 40-43) Barry summarizes the academic research by 2015 stating that it is characteristic of today's companies that they take advantage of tacit knowledge that parent companies created from home markets and later parent companies are noticed to diffuse it to foreign countries. This is wise and adds value to this intangible asset only in cases, when home market is considered leading in research and development. (Berry 2015, 1452.)

### **3 KNOWLEDGE MANAGEMENT**

#### **3.1 Communication flow**

Market leader companies are those companies that are able to create new knowledge, diffuse it among company's departments and embody it in new practices. This way knowledge is argued to be the main source of lasting competitive advantage. (Nonaka 2007). Planning and strategic thinking practices ensure executives' ability to cope efficiently in rapidly changing business environments. (Cravens, Priercy, Baldauf 2009, 31).

Nonaka (2007) makes accent on the measurement of created value of new knowledge: In knowledge-creating company qualitative factors are of equal importance to mostly used financial merits such as increased efficiency, lower costs and improved ROI. Rikowski (2007, 49-55) came to the same conclusion in her Open Marxist theory, arguing smart leaders to be aware of the concept of how to extract ideas, knowledge and information from companies' employees in the new place of order of knowledge economy. So besides the financial reports, the concept of extracting value effectively from intellectual labor is of high priority. The effective and continuous practices on identifying, capturing, and leveraging knowledge in a company allows creation and sustaining of competitive advantage in a market. (Michailova, Husted 2003, 59)

Responsibility of knowledge-creating culture is expected to be promoted by company's higher levels of management. As the executives have the impact on organization's design, it is considered to be their duty to define managerial roles and responsibilities within companies' structures. (Nonaka 2007). Monteiro et al (2008, 102) approach the issue from the perspective on not executives and subordinates, but the communication of headquarters and subsidiaries. They arguing communication between units of multinational company to be demand-driven problem solving interactions. See Figure 3.

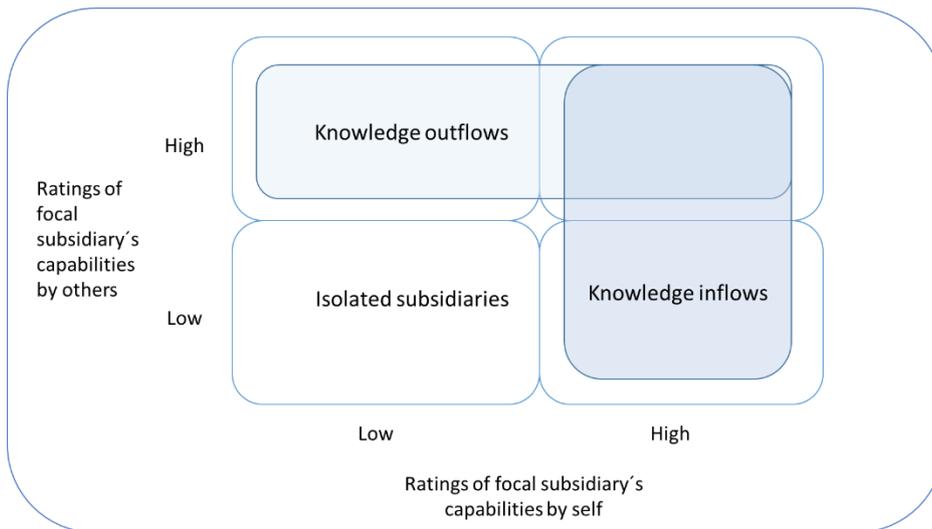


Figure 3. Capability evaluations and knowledge flows (Monteiro et al 2008, 93).

For example, if the knowledge recipient did not initiate communication, knowledge transfer to subsidiary does not appear. The self-image perspective of unit as a knowledge provider itself was not determined to dictate the level and amount of knowledge flow. Monteiro et al (2008, 91) define knowledge inflow to contain information about products, new services, and gained best "know how" on marketing. When inflows appear between subsidiaries they are called horizontal, when communication appears between subsidiaries and headquarter it is vertical knowledge inflow. Communication theory of Gupta and Govindarajan (2000, 489) indicates communication flows to appear laterally, between subsidiaries, and hierarchically, between a subsidiary and headquarters. Interaction amount is dictated by capabilities of subsidiaries.

When placing communication in cross-border scheme, Welch and Welch's research (2008, 334, 353, 358) provides academic world with clear model to support international knowledge transfer. It provides insight to explaining the role of language in the context. The theory illustrates knowledge flow between individuals (I), groups (G) and/or (O) organizations and its impact on recipient party. See Figure 4. Main challenges in knowledge transfer were noted to appear in specific parts of the model: sender transfer capacity, recipient's absorptive capacity, the transfer medium, feedback mechanisms and organization's distributive capacity. The sender's codification of knowledge could be non-purposeful or meant to cause mistakes in meanings of provided knowledge. Receiving end is trusted to interpret, transfer and stop the message flow and the linguistic capabilities are important. The question of gate-keeping rose strongly on receiver's part as the access to information in international companies appears isolating many employees from knowledge transfer. To add complexity to the theory the researched subsidiaries dictated

different approaches to the mode of wanted information form. This meant that some subsidiaries preferred communication on interpersonal level while others appreciated documented instructions.

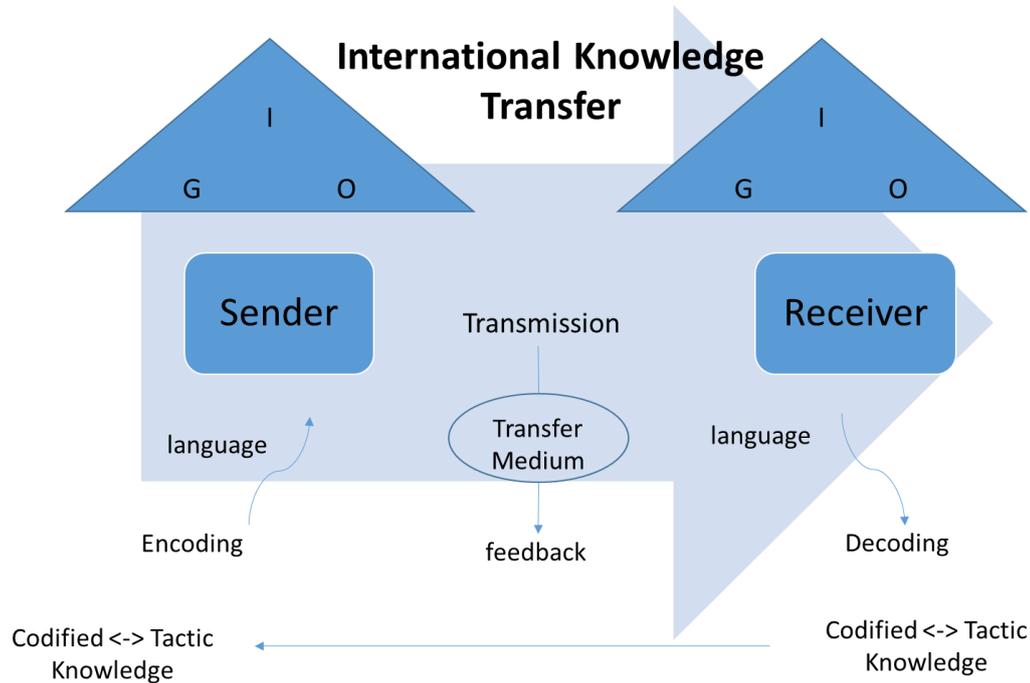


Figure 4. International knowledge transfer model (Welch, Welch 2008, 343-344).

Furthermore, some subsidiaries of multinational companies do not participate in intrafirm knowledge flows at all. These units get isolated which may result in underperformance, in compare to subsidiaries to have access of knowledge of multinational company. (Monteiro et al 2008, 90)

Examination of communication habits typical to multinational company suggests majority of knowledge flow to happen from headquarter to subsidiaries. Although subsidiaries achieve higher levels of knowledge management and produce own "know-how", the head unit appears to have role of main knowledge diffuser. The theory indicated that due to the systematic information management of headquarters, subsidiaries of multinational companies learn to manage knowledge better with some time. (Gupta, Govindarajan 200, 409). Subsidiaries that do not feel strong belonging to multinational company's subsidiary and headquarter alliance concentrate their resources on reactive operations to solve challenges rather than participate in knowledge transfer with more knowledge intensive parties. (Monteiro et al 2008, 94) Sheng et al (2015, 97) on their part see affective trust to be critical to the relationship and knowledge sharing between subsidiary and headquarters. Uneven and not controlled knowledge generation and transfer puts pressure on the managing process of whole company. (Michailova, Husted 2003, 59). Whereas, in larger perspective, a common control system determined by company to all sales activities in

different units has a positive effect on their performance. The level of performance could be improved by executive's higher competencies in exercising control. (Piercy, Cravens, Lane 2012, 11, 14).

Cross-functional information diagnosis and decision making is essential for company's practice of market oriented strategy. Market sensing, management's understanding of markets and competition and how these factors affect future, is necessary in planning business and market strategies to avoid disruptive innovations and commoditization threats, to cope with rapidly changing market positions and finding new market opportunities. (Cravens, Piercy, Baldauf 2009, 35-36). For example in Japanese companies only personnel data was limited and protected by management, otherwise all information was accessible to workers. (Nonaka 2007) In contrast, it was noticed that in newly acquired Russian companies separate units had no system for knowledge sharing. Nevertheless, the interaction between individuals in a company was extremely active which surprised new owners. (Husted Michailova 2002, 23)

Both information and knowledge sharing demand on open culture and certain level of trust among individuals. A large amount of knowledge, especially unwritten knowledge owned by workers, is transferred through doing: body language, demonstrations of skills, and subsequent imitation and correction. The closer the individuals interact the more silent knowledge is possible to transfer. (Husted, Michailova 2002, 25) Product innovation is dependent on the tacit knowledge management capability of multinational's headquarters (Sheng et al 2015, 95). According to I. Nonaka (2007) the core idea behind process innovation, creation of new knowledge, is to re-create the environment according to a certain vision or ideal.

### **3.2 Different types of knowledge**

The growing interest towards knowledge management can be considered as a sign of a shift towards more intangible value system in companies (Bater, Cabos 2007, 15). Academic research innovation on the agenda was taken by I. Nonaka (2007) as early as in 1990. She was able to determine two main characteristics of knowledge: tacit and explicit (or codified). New findings in the theory was the observation of movement between these two knowledge forms. Nonaka (2007) describes knowledge diffusion in a company in a version of spiral. The knowledge transfer starts with an individual, for example in the interface of value creation, then it is forwarded to managers, who transfers the information further to the very top of the company. Knowledge quality experiences transformation within tacit and explicit parallel when being communicated further from the first knowledge creator. Important issue to notice in Nonaka's theory is that she describes knowledge creation in Japanese companies in culture that has values authority greatly.

Husted and Michailova (2002, 19-20) suggest tacit knowledge to be both shared in articulation and transmitted in undocumented form by experimentation, either learning by doing or imitating skills of others. By its characteristics tacit knowledge is challenging to share, duplicate and when applying it may result in preventing new product development. (Shen et al 2015, 95). Ståhle and Grönroos (2001, 32) believe tacit knowledge to be generally be more important as it provides explanations to processes. Sheng et al 2015, 95) agree stating product innovation is dependent on the tacit knowledge management capability of multinational's headquarters.

Articulated and commodified knowledge has a risk to get transferred to competitors. Due to this reason knowledge should be shared with caution. Ståhle and Grönroos (2001, 32) describe explicit knowledge to be easily forwarded in an understandable way. Nonaka (2007) highlighted explicit knowledge to have formal and systematic characteristics. Welch and Welch (2008, 342) argue that any explicit knowledge still demands support of tacit knowledge to provide needed meaning of perspective on information. Kiessling et al (2008, 162) suggest explicit knowledge transfer in cross-national organization to be possible possible 1) through country briefings, 2) operational manuals, 3) product prototypes, 4) information-sharing meetings, 5) training, 6) mentoring sessions and 7) job rotation.

Tacit knowledge is advised to be diffused through interaction, social context. It is believed, that tacit and new explicit knowledge is easier to transfer when personnel share overlapping information (Nonaka 2007). Kiessling, Harvey and Dabic (2008, 164) provided alternative definitions of knowledge. The three main attributes to knowledge management were indicated to be tacitness, complexity and specificity. With knowledge of these attributes executives are able to have more efficient knowledge management practices.

Knowledge diffusion in a company is described as a never ending process in which individuals transfer knowledge constantly. Depending on the knowledge type individuals were observed to exchange information forming new learning combinations: socialization, articulation, standardization and internationalization (Nonaka 2007, Rose 2007 205-209). However, many academics criticized the model during the last decade. Nonaka's theory was not possible to put to practice due to employees inability or unwillingness to share knowledge (Ståhle, Grönroos 2001, 37). It may appear to be very ambitious to manage the extraction of tacit knowledge from intellectual labor. The "know-how" of a responsible employee and possibility of giving away secrets are risks to name only a few of reasons. Inadequate language structure and a lack of trust are also key factors. (Riskowski 2007, 63). Welch and Welch (2008 343, 353) highlight the importance of common language. It is seen as an important factor to individual's capabilities to gain and use new knowledge.

Rose saw Nonaka's theory to lead to degradation in a company or department if practiced as suggested. He considered knowledge to transfer to be more dynamic, like modes of energy transfer by conduction, convective energy transfer or radiation. The innovation to original idea was that not only individuals but also objects, physical spaces and processes in organizations transfer information. "*Each process is enveloped by a unique combination of "knowledge form" and "organizational architecture"*". Company's architecture has a scale with *organic to rigid* continuums, and knowledge forms refer to its *tacticness to explicitness*. This way information transfer is not only dependent on individuals and could appear on larger scale. (Rose 2007, 225).

Supporting Rose's theory, Welch and Welsh (2008, 343) state knowledge communication to be possible to happen either systematically or by chance. Nevertheless, they see individuals in the center to information transfer as even the well documented explicit knowledge cannot be forwarded with all correct meanings without tactic knowledge support. This is argued to put pressure on cross-border communication.

Lloyd's theory accepts the fact that information is a more modified state of data and that the knowledge can be turned into wisdom. However, because the company is seen as a dynamic unity, he argues, it is more mature to see the information flows as a process that has no final stage. This way information is data in use. According to Lloyd's paper the movement from data to wisdom cannot be seen as a movement from the bottom to the top of the pyramid. He considers data, information, knowledge and wisdom phases a never ending dynamic process. Wisdom is considered to be part of organizational learning with a long shelf-life, whereas data is important in organizational learning with a short shelf-life. (Lloyd 2007, 5-7). The practical idea behind Lloyd's theory is that data is transformed into employees wisdom through acknowledging information, but it is also the wisdom of organization that contextual meaning to data.

Johnston and Peters (2012, 469) highlight that only recently knowledge management is considered more of a decentralized and less controlled function of executives. Only when an employee has understood the logic of information, it is possible to speak of learning and later knowledge creation. This way it is suggested that knowledge is always partly subjective and depends on a context.

The challenge facing companies wishing to gain a competitive advantage through knowledge management is to create a culture and environment in which knowledge sharing thrive. Without an appropriate organization culture, knowledge transfer is at the best very difficult and most likely will not occur (Ford, Chun 2002, 5; Rikowski 2007, 163). By organization culture one refers to differences in activities between company and its organizational sub-cultures (Hofstede 2017). In the case of Russian organization cultures, besides the difficulty to locate knowledge, it was extremely challenging to maintain transparency between all of employees of one organization respecting hierarchical structure and interpersonal ties. (Michailova, Husted 2003, 60)

### 3.3 Challenges in information sharing and innovation

Although Sheth (2011, 172) states that less developed markets of Russia, in compare with Western markets, are heterogeneous, he encourages companies to practice standardization and aggregation rather than serving all segments with adaptation. This finding is completed by Bahadir et al (2015, 610) perspective that companies are expected to innovate regardless the large amount of segments present in the market. Multinational companies are predicted to establish more research-and-development facilities in less developed markets, to which Russia belongs, taking advantage of skillful local labor (Sheth et al 2011, 178).

According to Michailova and Husted (2003, 60) main tasks in leading employees within a company lies with providing them with correct tools for knowledge sharing, influencing the environment, and offering appropriate incentives. At the same time, researches observe that it is misleading to assume that the employees would be willing to share knowledge. The management of intellectual capital is difficult for two reasons: 1) companies operate with human resources in competitive environment and 2) intellectual capital often consists of intangible components that are difficult to measure and manage (Stähle, Grönroos, 2001 24-25). Organization's structure refers to company's system of control, authority, and information dispersion. Organizations with more decentralized and flexible structures, which promote also informal communication and have attentive decision making are predicted to be more successful in innovation processes. (Cravens, Piercy, Baldauf 2009, 45; Sheng et al 2015, 99-100). Research indicated the fact that in organizations that do not promote knowledge diffusion across departments internal communication process becomes less dynamic, research and development are slower and the generation of new cycles of learning is not continuous. (Husted, Michailova 2002, 22).

Cravens, Piercy and Baldauf (2009,45) in their study came to the alike conclusion. It is not unusual for companies in easily predictable and low-risk business environments to have well controlled information management. The orders are forwarded from executive to subordinate levels in hierarchical manner on determined times. Current dynamic and more complex business environment requires more adaptive management style with two-way responsive communication. If employees of a company work together and are well networked with each other the information could be transferred fast and the organization is perceived in a uniform matter. (Stähle, Grönroos 2001, 91, 94). By sharing knowledge a company is able to make sure that its resources are used effectively, no duplication of same tasks, it secures the sharing of information to all parties and enables faster problem solving (Husted, Michailova 2002, 18).

Nevertheless, the theory of information and idea sharing differs from the practice. Michailova and Husted (2003, 59) successfully identified three main limitations of knowledge sharing to be related to the very nature and quality of knowledge, barriers

related to economics of knowledge sharing and information hoarding caused by individual behavior. Rikowski (2007, 158). ) on her part explains some of the most ordinary challenges with knowledge sharing to include work forces unwillingness to share knowledge or to share it in a specific way preferred in national culture. To name a basic example, in some cultures it is more acceptable to communicate one-way from managers to employees, while in other cultures open dialogue is something to be achieved with no regard of one's hierarchical status in company.

Ståhle and Grönroos (2001, 37-39) indicated some individuals to feel insecure when sharing information and others to embrace as simple habit as information withholding. The factors that limit free flow of information in organization are called knowledge blocks (Ford, Chun 2002, Rikowski 2007, 162-164). Michailova and Husted (2003, 59) successfully identified three main limitations of knowledge sharing to be related to the very nature and quality of knowledge, barriers related to economics of knowledge sharing and information hoarding caused by individual behavior. Ford and Chun (Rikowski 2007, 162-164) agree with them on the hoarding factor but add to the list such influential factors as difference in languages, different frames of reference, distrust and lack of management support.

According to Gupta and Govindarajan (2000, 475-489) main facilitators to knowledge transfer may appear at the same time or only partly. Five factors that were determined to affect knowledge flows are:

- *Value of source unit's possessed knowledge stock* - the more unique knowledge a subsidiary has the more knowledge flow it performs
- *Motivational disposition of the source unit regarding the sharing of its knowledge* - the less information hoarding subsidiary indicates the more knowledge exchange appears.
- *Existence, quality and cost transmission channels* – both formal and informal communication links determine the possible knowledge exchange activity
- *Motivational disposition of the target unit regarding acceptance of incoming knowledge* - openness to usage of information that was invented by others, outside specific subsidiary
- *The target unit's absorptive capacity for the incoming knowledge* - skills of individuals to recognize, integrate and apply knowledge new or familiar knowledge and homogeneity of receivers/senders

Popular belief is that foreign managers are not able to cope with integrating company's behavior or process in the new environments; both formal and informal norms dictate

individuals' willingness to share tacit knowledge; the behavior of managers in foreign environment may be different of what is expected by host country employees (Kiessling, Harvey, Dubic 2008, 162).

Research on cross-border communication between subsidiaries and headquarters indicated other factors to impact knowledge flows, besides the fact that communications blocks appear. In larger perspective challenges may occur in form of informal knowledge management practices, even without support of company's formal practices. Additionally, it was indicated that problem solving knowledge was fastest in communication leaving strategic knowledge to secondary importance. Naturally, nationality predicted some of cross-cultural differences as well. But the most important finding, however, was determined in a form of indication of several simultaneous types of knowledge flows in a company that were different (Ford, Chun 2002; Rikowski 2007, 168-170). As another questionnaire on sales and marketing department knowledge management revealed, it is considered challenging by headquarters that subsidiaries' communication with headquarters does not have as much impact on knowledge flows as communication with peer subsidiaries (Monteiro et al 2008, 102). This means that every company has to make decisions on what form communication to encourage and how to monitor the best possible diffusion of information. Even if sometimes it may not involve headquarters.

Michailova and Husted's research (2003, 74) provide number of recommendation to overcome the knowledge sharing blocks. As a result, more open exchange of information is achieved by building trust and by carefully forcing foreign employees to make changes in their communication style, if transfer of knowledge is not considered natural in organization. When the question is about foreign business environments with hostile attitude towards knowledge sharing, case study of foreign companies' participation in Russian firms, the academically accepted list of knowledge transfer is encouraged to have to be adapted. This is due to the fact that knowledge recipients were observed to be more likely to hold back from using information from outsiders. Knowledge flow does not appear for two reasons: strong feeling of belonging to a group that is considered their "own" and the suspicions towards knowledge possessed by foreigners. (Husted Michailova 2002, 23-24).

Johnston and Peters (2012, 482-483) argue marketing department to be dependent on sales department's ability to recognize innovation due to their networking abilities internally and externally in organization's network. They suggest, however, that the task of marketing department is to design and execute cross-functional strategic planning that would support sales unit's task. Nevertheless, it is valuable to note what appeared to be controversy: research of Sheng et al (2015, 106) indicates that product innovation ability of multinational company or its subsidiaries is not dependent on new, extremely local and not generalized knowledge provided by one subsidiary. The innovation possibility grows if multinational company develops social cognitive capability. Company's innovation

ability is dependent on task efficacy, organizational structure and building trust between company's members. This finding encourages companies to reconsider their operations. If host market subsidiary is considered to have better assets in technology level it is advised for home market parent to trust the partner and invest in research and development in host markets rather than force "know-how" from home markets. (Berry 2015, 1453)

Higher level employees are always trusted with task in providing conceptual framework for subordinates to understand better their own knowledge creation experience (Nonaka 2007). For example managers are encouraged to affect information hoarding by practicing more open management culture. This could be practiced by rewarding the knowledge transmitters, explain the better the goals of company to all employees, give feedback and show clearly that they are committed by sharing their own knowledge. (Michailova, Husted 2003 59, 62) Additionally challenge may be caused by the fact that people interpret information in own perspective. Managers are encouraged to pay attention to the fact that knowledge may shift in meaning when transfer by different individuals. (Nonaka 2007)

### **3.4 Knowledge management between host and home markets**

Customers' value requirements are impacted by characteristics and scope of changes in markets. Very often competitive environment are examined in the beginning of business operations and are easily regarded as stable when the customers are found. However the monitoring of new businesses is essential part of strategy thinking since company's executives are in charge of both planning of new business models and finding new types of competition. (Cravens, Piercy, Baldauf 2009, 34, 37) There is great amount of research that proves country of origin to affect multinational organization's preferences concerning organization structures, control systems and culture. Correlation was found also between global strategy and country of origin of multinational organization. (Gutpa, Govindarajan 200, 481).

This paper suggests sales unit management to be possible to expand to subsidiary management theory. As Piercy, Cravens and Lane (2012, 11) state "Managers' control competencies consist of how well the sales manager performs the control activities of monitoring, directing, evaluating, and rewarding sales people assigned to the manager's sales unit.", argument of this thesis is that control of parent company does affect sales performance of subsidiary if the management is proper. Interviews with Russian management indicated that instead of strong belonging to a company, employees feel loyalty towards people. If the managers were able to promote open dialogue as the financial rewards are proven to not to have wanted impact in long-time perspective. (Michailova, Husted 2003, 75)

The purpose of common language in international company is to allow and improve cross-communication among network members. However, standardization of foreign language may place responsibility of knowledge accumulation, dissemination and absorption solely on managers of subsidiaries. (Welch, Welch 2008, 345-346).

According to Gupta and Govindarajan (2000, 477) economic level of foreign country vs. home market indicates attractiveness of subsidiary's knowledge value. The more advanced markets have more possibilities to be perceived as opinion-leaders. In case of foreign operation, parent company's knowledge assets provide different amount of added value to knowledge receivers, for example foreign subsidiaries. Value of subsidiary's newly inherited performance asset depends on type of transferred information and technological capabilities of subsidiary. However, not all provided knowledge is of use to subsidiary. (Berry 2015, 1438)

Berry (2015, 1440) implies the proportion of research and development activities between home and host markets to indicate preferred technological development level. For example some companies perceive research and development function of company in home markets to ensure their control. Nevertheless, the trend suggest that innovations are becoming more international as technology clusters continue to grow in different parts of globe. Nonaka (2007) supports this idea stating companies representing continuous innovation to have ability to respond quickly to buyer's needs, serve new markets, develop faster new offerings, and have advantages in implementation of emergent technologies. Sheng et al (2015, 97, 99) state innovation process to be built on motivation to share knowledge by participating parties, headquarters and subsidiaries, and their task efficacy. Common pursue of solution is strong enough factor to have effect on communication flow. In the new time of knowledge economy effective leaders are supposed to manage intellectual capital by 1) extracting value of intellectual labor and turn it into commodities, 2) second step is commodification knowledge into patents and software for instance, 3) transfer of knowledge from the employees to organization's capital of company. (Rikowski 2007, 69).

Berry (2015, 1439) is certain in her claim that for example concerning innovations, parent company's knowledge value is not equal to all of its subsidiaries. The knowledge is determined to be of a new asset for foreign units which have less developed technological characteristics. The logic is that most experienced partner in communication may not benefit at all from useless knowledge.

## 4 INTERNATIONAL PERSPECTIVE

### 4.1 Market characteristics, culture and language

Change is constant characteristic to contemporary markets (Cravens, Piercy, Baldauf 2009, 34). Solution oriented, smart companies do not build sales organizations only around individual product or geography, they take into account also customer viewpoint, raises questions relating to efficiency, complexity, and flexibility (Storbacka, Polska, Sääksjärvi 2011, 40). Nevertheless, growth in Eastern Europe and Russia were recognized to impact expansion decisions of foreign companies due to attractiveness of their markets potential (Baldauf, Lee 2011, 211) and development level (Sheth 2011, 167). Size of host markets are primary reasons for foreign multinationals to enter these countries. However, from the perspective of international management, identified difference in home and host countries' skills influence knowledge diffusion possibilities (Kiessling, Harvey, Dabic 2008, 159). For example, academic literature supports the fact that when managing knowledge largely varying cultures require different practices. Although there are not that much scientific literature on the subject of implementation of knowledge management with people from different backgrounds. Mostly the issues lies with focus on organizational culture rather than national culture (Rikowski 2007, 131).

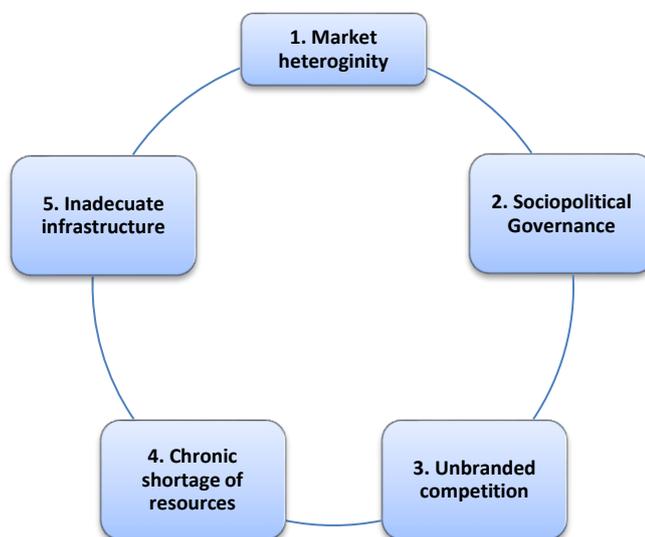


Figure 5. Five special dimensions of emerging markets (Sheth 2011, 168)

Russian market, as an example of emerging markets, characterized to differ from developed markets in five aspects that are illustrated below: market heterogeneity, sociopolitical governance, unbranded competition, chronic shortage of resources and inadequate infrastructure. It has advantage in compare to Western business environments offering

access to new buyers for branded products and services who are not aging as rapidly as in Nordic countries. When examine the competitive situation it is important to notice local companies as are recognized to also expand their operations through fast exploiting both acquisitions and organic growth due to proper technology level and local market advantages. (Sheth 2011, 166-167)

Majority of organizations practicing world trade either comes from or does business in three main commercial areas: North America, Western Europe and Japan and the Pacific Rim. (Honeycutt et al 2003, 4). Companies are advised to concentrate on forming more specific market focused strategies for relevant markets. (Cravens, Piercy, Baldauf 2009, 34) Sales forces organization that is suitable for market is critical to sales people' respond to market opportunities; they influence performance and it affects revenue structure of a company. (Zoltners, Sinha, Lorimer 2006, 82).

Language impacts are proven to either limit or enable international communication flow. The most influential factors in terms of linguistic knowledge management perspective are cost of knowledge translation; form of knowledge transfer face-to-face vs. technology driven; existence of specialized teams within company network is important; allowance of existence to social networks that ensure message transfer on local languages; language enables trust; staff movements improve communication; motivation is also considered to be a key element to knowledge transfer. (Welch Welch 2008, 346-353). Rikowski (2007, 162) concludes "...*language differences can create knowledge blocks and that cross-cultural differences can explain the direction of knowledge within and international subsidiary*".

Honeycutt, Ford, Antonis and Simintiras (2003, 18-19) define culture to be *all of the behavioral traits that we acquire from and share with members of our society*. Culture is defined by something that people project and learn from each other. Whenever individuals decide to belong to a group, a culture has an opportunity to emerge. In this paper the closer look is paid to culture affected sales organization. As these sales jobs have both material and abstract elements. Material aspects include levels and types of technology and consumption patterns in a given society. Abstract elements refer to issues like values, attitudes, ideas and religion (Jobber – Lancaster 2006, 174). When comparing different cultures theory on cultural dimensions of 1991 by Hofstede remains most widely used approach. Nevertheless, theory on cultural dimensions was later criticized by some academics to be uncomplete. (Hofstede 2017; Piercy, Low, Cravens 2011, 111). Bahadir, Bharadwaj and Srivastava (2015, 598) argue that Hofstede's cultural dimensions are static and don't take into account the development level of markets as for example Germany and Russia have different development level markets, when comparing countries.

As the root of cultural theories lies with original Hofstede's (2017) four dimensions first presented in 1980s and later expanded by adding two new dimensions, we look into the theory only briefly to later see how the perspective is possible to apply into cross-

cultural knowledge management in sales organizations. Hofstede's framework on national cultures allows comparison on management style. National cultures of countries were scored with dimension characteristics. Determinants are

- Power distance index – Power distribution in a society
- Individualism vs. collectivism – tightness of social networks among citizens
- Masculinity vs. femininity – society driven by competitiveness or consensus orientation of its members
- Uncertainty avoidance – society's tolerance towards uncertainty accepted norms vs. practice
- Long-term vs. short term normative orientation – indication of society's change perception, open mind or loyalty towards traditions
- Indulgence vs. restraint – strict social norms or acceptance of gratification

According to Rouziés and Macquin (2003, 66), governance of sales organizations differed most in four dimensions. These were the extent of supervision, distance to management, the absence of bottom-line orientation, and the use of input criteria for evaluation purposes. Piercy, Low and Cravens (2011, 111) agreed on only two important dimensions: power distance and uncertainty avoidance. High power distance, inequality degree between individuals, in culture's norms could be considered as possible determinant of more formal relationship between executive and subordinate. Low power distance, more equality norms, usually indicates collaboration, cooperative, and less formal relationships. High uncertainty avoidance allows companies to set rules, regulations and formal controls to make employees to feel more secure. Low uncertainty avoidance indicates less concerns about risk or more tolerance towards complex issues. Organizational culture that accepts high power distance, in terms of strong tradition of clear hierarchy is more likely to cause blockage in knowledge flow from lower levels to higher levels. (Michailova, Husted 2003, 62-63) Kiessling, Harvey and Dubic (2008, 160-161) on their part see that economies' transition towards market based economy happens through economic, political and social change, which in its part results in uncertainty.

Study conducted by Moncrief (1988, 45-61; Honeycutt et al. 2003, 43, Murphy – Li 2011) proves that among other basic day-to-day activities there are some certain country specific expectations and obligations for sales personnel to deliver on a proper service level to a customer. Sales people were supposed to train customers and set displays in Germany. Americans were on the other hand more involved with prospecting their customers and expediting their orders. Danish salespersons helped their customers with the after-sales process in inventory actions and product demonstrations. The study explained that these activities were not exclusive to certain country representatives, but gained more attention in the culture in question. Entertaining of customers and active long-distance travelling were common to sales people from countries with high population rate. This proves that even when operating globally the sales organization has to be localized and

the job evaluation should suit management style. Moreover, Rouzies and Macquin (2002-3, 63, 68) determined that cultural backgrounds affect sales person – customer negotiations from the perspective of presenting “smart selling”. By this statement they refer to educational institutions in countries are the leading determinant of cross-national differences in managerial practice. So the people who have likewise backgrounds are able to find a suitable way for business interaction than those from different cultural backgrounds. Behavioral strategies are understandable to both parties.

Research of Naumov and Puffer aimed to identify how Russian culture corresponds to Hofstede’s cultural dimensions (2000, 109, 115). The Russian respondents of report defined themselves to be moderate in individualism, masculinity, and power distance. Indicators of paternalism and uncertainty avoidance in the society were noted to be high in compare with other cultures. In compare to Hofstede’s vision of Russian culture, Naumov and Puffer research indicated Russians to feel belonging to more individualist culture. There is no common opinion whether Russians are extreme individuals or tending to group together, which would confirm collectivism aspect in this dimension. Although the indicators of Russian society does appear to have at least partly collectivist character, the sense of collectivism wasn’t visible in cross-functional project of examined companies. Most of departments were led focusing on achieving goals appointed to them rather than company’s strategy. (Michailova, Husted 2003, 71) To be perceived valuable communicator and innovator, a particular unit should be able to produce original knowledge on its own that is useful to other members in network (Gupta, Govindarajan 2000, 477).

A study results of Validova and Pulaj (2016, 7) indicate current acceptable leadership style in Russia to be autocratic leadership, but the new generation appreciate more transformational leading. However, respondents were predicted to shift towards autocratic management approach as soon as they will actively participate in working life. Reasons behind these conclusions were found to be in controlling need over their future business, in contrast to insecurities of inconsistency of the environment in transitional economy and business policies assigned by authorities.

As Rikowski (2007, 164) sums knowledge process and its’ sharing with Hofstede’s cultural dimension: Cultures high in individualistic dimension, such as Nordic countries, might have more practises in knowledge sharing and transfer in compare to collectivism dimensions, in Russia knowledge is not shared as often. The difference is seen also with power distance perspective, as cultures with lower hierarchical structures expect two way communication. The analyses of femininity vs. masculinity may indicate clear competition level that affects free knowledge flow. Michailova and Husted (2003, 62-63) identify organizational culture that accepts high power distance, in terms of strong tradition of clear hierarchy, to be more likely to cause blockage in knowledge flow from lower levels to higher levels.

Fragmentation perspective suggests culture to be possible to structure only loosely. From the other hand, integration perspective suggests workforce's value systems can be adjusted to fit in with the dominant culture in the firm. Nevertheless, knowledge flow within organization's structures is possible. The key difference here lies with the managerial approaches. The integration perspective assumes that managers are able to control the worker's value system and knowledge management processes, while loose and flexible management approach of fragmentation perspective allows to facilitate, not dominate, knowledge flows. (Rikowski 2007, 133, 156)

Honeycutt et al (2003, 23-31) provided a theory on components of culture that can be explained by understanding "*the various ways in which culture is manifested in the thoughts, word and actions of a society*". The theory is based on factors impacting sales work:

1. Communication is. either verbal or non-verbal. Interpersonal communication process is something to be taken into account as well as challenges when interacting on other than one's native language. Nonverbal communication has its own role in building trust between any parties
2. Religion or the lack of it and the effects on personnel's actions and behaviors.
3. Education affects both as a status and knowledge metric and can allow or block sales people from interacting with higher level decision makers.
4. Aesthetics as cultural component determines what is visually appealing and appropriate to society's members.
5. Social organizations explain belonging of individual to several parallel groups of society simultaneously.
6. Technology level provides a perspective on the tools and material aspects of culture.
7. Time has different meanings in national cultures.
8. Values and norms in terms of cultural behavior such as work orientation, decision making and either ethnocentric or polycentric view of accepted practices.

However, academic findings also reveal that explaining differences of sales organizations globally may require more interpretations of both political stability and citizenship as income and employment conditions. These are considered contextual variables to efficiency. (Piercy, Low, Cravens 2011, 112)

Business culture that accepts and promotes inequality among lower and higher level of employees does not seek utilize new ideas from employees. Hierarchical organizational culture of company may cause barrier for knowledge sharing among other challenges. (Husted, Michailova 2002, 24). From the capability point of view companies should be committed to transparency, in a way that larger amount of employees have access to

shared data. (Storbacka, Polsa, Sääksjärvi 2011, 48). Organization cultures are important to knowledge creation, sharing and utilization (Husted Michailova, 2002,7, Rikowski 2007, 161).

Due to the fact that sales solution are executed mostly cross-functionally, a project is carried out with help of many experts, sales people are expected to be active in communication with different networks within a company. (Storbacka, Polsa, Sääksjärvi 2011, 40). Without considering different units as a part of larger entity, the knowledge sharing is primarily dependent on managers. This was recognized to be extremely inefficient in research of companies in Russia. Executives saw knowledge as a source of individual power rather than resource to be shared. Additionally, the managers were overwhelmed with execution of other time-taking tasks as part of their daily routine. (Husted and Michailova 2002, 22)

Welch and Welch (2008, 354) argue language to have substantial impact in cross-national knowledge, and that its influence should be examined in its own right rather than part of cultural theory. They proved language to determine 1) individuals who are able to access and transfer the information and knowledge, 2) possibilities to articulate knowledge, 3) times and willingness to knowledge communication and 4) in what form the information is shared.

## **4.2 Information sharing**

If company fails in knowledge transfer situation, its passiveness may lead to a significant loss of competitiveness for a firm. *"By sharing knowledge between its members, an organization avoids redundancy in knowledge production, secures diffusion of best practices, and enables problem solving by making relevant personal knowledge available to the problem-solving process regardless of where it is originally obtains and stored in the organization."* (Husted, Michailova 2002, 26).

The main idea behind practicing business is the vital need for companies to extract value from employees (Rikowski 68, 206). When focusing research on knowledge management of one subsidiary it is easier to monitor its knowledge outflows and inflow level. Knowledge sharing with other subsidiaries and parent corporation or headquarters depends on a company. Knowledge outflows are stronger from subsidiaries with valuable operational capabilities. (Gupta, Govindarajan 2002, 474-475). Academic research provides strong argumentation on highly demanding Russian national and organizational cultures that make knowledge sharing in a company problematic (Husted, Michailova 2002, 17).

It is proven that in cross-border mergers, acquisitions or euro-driven performance comparisons are luckily to create challenges to managing sales organizations abroad. Study

of selling styles in Europe gave strong indication that managing practices should be aligned with employee's cultures. (Rouziés, Macquin 2003, 70). In international knowledge management context language issue were noticed to have great impact almost as much as cultural issues. Welch and Welch (2008, 340-341) describe language to be a mental modal that has effect on individual's activity and behavior.

When employees of international company are communicating in foreign language they lose their connection to national culture of home country and feel stronger belonging to company's culture. To compensate exclusion of familiar group by culture and to efficiently solve operational challenges of work personnel of a company have tendency to form own language-based networks that could remain unnoted by executive level of employees. To efficiently cope with workload employees seek support in informal interaction in their "mother-tongue" rather than corporate language.(Welch, Welch 2008 342, 345). Group efficacy, or feeling of not belonging to it results impacts explanations of self image of a subsidiary in terms of knowledge attractiveness as a partner. Image of unskillful unit does not motivate to efficient interaction with others and may drive degradation process. Whereas motivation to share and receive knowledge roots in ability to recognize and dictate one's strengths and value. (Monteiro et al 2008, 94). Visible initiative and ambitions are regarded inappropriate for lower level employees. *"Features such as strong centralization, dominance of formal rules, one-man authority, and no tolerance towards pluralism and diversity constitute a context that does not invite the sharing of ideas, knowledge, and information across levels-neither top-down not bottom-up."* (Husted, Michailova 2002, 25).

Employees' choice of using familiar "mother" language in corporate communication is not based on recreation of a country specific culture in organization, but it provides possibility to access and transfer critical information overcoming language barriers of company's official working language (Welch, Welch 2008, 342). As organizations are considered to operate in rational way, it was discovered that individuals seek for easiest solution to appeared challenges and look for information from known sources. (Monteiro et al 2008, 92). Knowledge sharing is seen limited when employees seek for answers only from small and familiar environments. This way gathered information remains random in compare with best knowledge provided by company's experts. The risk lies also with accessing fragmented information that is open to individual preferences and not companies official strategy. (Michailova, Husten 2003, 59). This important finding suggests the possible innovation and information cluster of employees to stay on unsupported level of communication in a company, for instance on customer relationship management level.

Kiessling, Harvey and Dabic (2008, 171) state cultural distance to have impact on organization's interaction development and its external environment. Cultural distance may limit knowledge management and affect company's network flexibility. Husted and Michailova (2002, 19-20) indicated four factors that may cause differences in knowledge

sharing between Western and Russian employees. 1) Business alliances between Russia and Western countries are rather new, when taking into account historical isolation of Soviet Union. 2) Usually the knowledge seekers and knowledge providers are in the same culture, but expanding the perspective to two or more differences in values, beliefs, religious and social backgrounds, expectations and codes of behavior puts more pressure on the processes. The aspect of interaction with Western and Russian employees has higher cultural distance. 3) Importance of common language is significant in knowledge sharing. It becomes in importance when dealing in cross-cultural environment, risk of misunderstandings increases substantially. 4) People of collectivist cultures feel more insecure with dealing with outsiders which does affect effective knowledge management.

Managers of cross-national organizations are advised to plan working in cross-functional teams, socializing with foreign colleagues and train and share knowledge about both cultures. (Michailova, Husted 2003,74). If for some reason subsidiary remains isolated from communication with other subsidiaries it is likely that it underperforms in compare to other subsidiaries that take part in intensive knowledge transfer, although these factors do not have clear causality (Monteiro et al 2008, 103).

There could be a number of reasons explaining specific qualities of knowledge management with Russian firms. As a result of research by Husted and Michailova (2002, 26) some core factors were indicated in the interviews of Russian parties. 1) Some problems related to knowledge managements were indicated to be reinforced by Russian cultural and organizational context, such as believe that only supervisors are allowed to have development ideas and others follow. 2) Lack of incentives was also considered as a major factor limiting knowledge flows within and across departments of a company. 3) Fear of failing was surprising for Western representatives which explained the slowness of learning curves. 4) The mistrust towards knowledge from outsiders is something that companies have to take into account and overcome in cross-border knowledge management. 5) Formal status and physical distances are factors that affect greatly interaction within Russian companies, it is upon Westerners to either accept local habits or introduce different management styles that are more productive for knowledge communication.

In some business cultures it is very challenging to make managers to believe that they could learn and extract information from their employees. As the communication is supposed to be transferred from higher to lower levels in a company there is no need to discuss issues with workers and the hierarchical status remains unquestioned. (Husted Michailova 2002, 24). It is not usual for managers to be familiar with practices of efficient knowledge implementation (Nonaka 2007).

## **5 METHODOLOGY AND RESEARCH DESIGN**

In this chapter the chosen research methodology is described and explained. Since the study is not quantitative, but collected with interview method of qualitative approach. The quality of study is justified with presenting research method and design, followed by data collection procedure and analyses.

### **5.1 Research method and design**

Research strategy refers to number of decisions about research methodology (Hirsijärvi, Remes, Sajavaara 2002, 126). Quantitative research would allow to use more data, but as case companies differ it would only make generalization harder. Qualitative research is considered to be the most appropriate approach to collect needed information for sales theme perspective. However, academic literature, see qualitative and quantitative research to complement each other.

Methodology of this paper was qualitative research in form of case study. Qualitative research is a suitable approach to understand and clarify the subject without being limited by the immeasurable amount of information entity. One can't simply say for certain what are the right and wrong answers, but one can explore the issue from multiple perspectives (Hirsijärvi-Remes-Sajavaara, 2002, 151). Flick in his book (2006, 11-12) suggests that the possibilities lie within the concept of the pluralization of life worlds. Qualitative research methods allow to clearly isolate causes and effects, to more easily understand theoretical relations, to measure and divide phenomena, to create research design allowing generalization of findings, and to determine general framework. The main reason behind the choice of qualitative research in this paper is personal preference of researcher. In this paper chosen research method is qualitative semi-structured interview method as it allows to quickly develop a subject on a theme that could not be foreseen as important in the beginning of interview. Describing real-life events with limited knowledge on the subject is more precise with interviewing professionals. The allowance of complementary questions during interview was valuable. Case-study approach can describe a phenomenon in understandable way and the interviewee is allowed to present subjective opinions. The exploratory design has advantages in compare to strict structure of quantitative approach. (Eriksson-Kovalainen 2008, 5, 116.)

Eriksson-Kovalainen (2008, 7) demonstrate that there are different ways to conduct qualitative research. But as this is simplified picture on the issue examined, this research is conducted within the expectations of case study research. The interest lies within get-

ting an insight into the foreign sales management sphere from the point of view of individuals who are in charge of sales. The report considers sales executives of case company to be the right people to explain current state of international management.

In this interview research questions had to be modified, due to differences in case companies' foreign sales structures. As academic research provides rather homologous perspective on good knowledge management, the literature overview did not provide enough universally approved ways of managing international sales force. Case studies conducted with qualitative research methods are sometimes considered to be "anecdotal descriptions" due to lack of scientific strictness (Eriksson-Kovalainen, 2008, 115-116). It is generally accepted that reliability and validity of a study determines its quality. In terms of this research, reliability was taken into account as far as it was possible regardless of shortage in data material. The collected knowledge would provide overview on optional organizational strategy solutions, but quite alike goals of case companies: to increase sales in demanding Russian markets. The question of validity is of greater importance since the subjective aspects of qualitative research has more uncertainty factors. By this one means that such factors as 1) recognition of relation is questioned, 2) wrong questions could be asked and last but not least 3) the rejection of relations could affect a study in a wrong way. These were taken into account as much as possible, but to the large extent the validity of this research was ensured by the fundamental knowledge on the examined issue. (Flick 2006, 369-372)

Theoretical framework described in Chapter 2-4 was used as a foundation to research questions. One of the main challenges with research agenda was in finding right experts from different companies. Choosing the right person in the firm to have the larger perspective of both international sales management and knowledge transfer needs and possibilities demanded time. This paper provides summary and analyses on three case companies and one expert interview. The interviews were conducted with employees in charge of foreign sales of three companies of different industries and one expert of Finnish-Russian trade organization.

Instead of generalization, the interest was with finding the opinions on most productive execution of sales in Russia. The focus was on the aspects that are not similar to businesses to gain understanding on their choice of certain organization model and knowledge transfer possibilities as international strategies differ. Convenience sample was chosen to be the strategy to the choice of case companies: 1) Chosen companies had at least three years of business experience before entering foreign markets and were active in Russia with sales for over five years. This allowed to have stronger correlation between their foreign performance and market knowledge accumulation skillfulness (Ciszewska-Mlinaric 2016, 63). 2) It was difficult to find alike companies that had same positioning with life cycle of business. The uniting factor was the market situation, stagnation in economic

cycle in Russian business environment. All case company representatives argued the business is either not growing or declining in Russia. 3) All case companies had to modify their foreign sales organizations after market entry. This third criteria is probably the most important when analyzing sales development. Only the companies that change and adapt are able to explain development

## 5.2 Data collection and analyses

The challenges of this particular research were with issue of sales that many consider sensitive subject and unwillingness to share information. To gain better understanding of the business context, interviewees were chosen based on their belonging to country of company's origin, Finland, and experience of managing sales activities in foreign countries, also Russia. This ensured their ability to see differences in sales organizations and business cultures. All interviewees were working in Finland, mainly capital region, so their ability to extract knowledge about Russian markets and to share parent company's information provided useful perspective to the matter of managing international sales. Unfortunate, but predictable factor was anonymity of interviewees when discussing sensitive information about companies' market strategies. It allowed free flow of conversation with only little tension when discussing their own responsibilities.

Originally the research was planned to analyze five interviews with sales executives in cross-border businesses. However, the empirical data was gathered only in four case-study interviews since the fifth interviewee did not want to comment company's operation in Russia despite his responsibility on sales performance in all markets.

The interviews were conducted with people in charge of international sales, who are familiar with company's expected knowledge transfer needs. The conversation revealed information on what is considered to be effective sales organization and what kind of market intelligence is gathered in company's international operations. The qualitative data was analyzed and emerging patterns were identified. The hypothesis for this research was that companies actively collect marketing intelligence from sales people. This was a direction indicating hypothesis that wasn't verified statistically (Hirvelä et al 2002, 148-149). During the expert interviews, however, it was clear that further research would need more measurable variables to see differences and limitations for data comparison.

The research was conducted interviewing on representative from each organization. Collecting information from one person has several limitations (Fey, Denison 2003, 191), however it allowed to interview more different companies. Due to interview time, January 2017, the participants were chosen by their ability to answer questions during period of one month. Research has shown that employees of a company has alike descriptions of

corporate culture (Fey, Denison 2003, 191), so the key was to find people in contact point of sales in Russia but higher decision making levels in Finland.

The intention was to not only find differences between the academic world and daily practice in international sales, but to identify reasons for similar or different business capabilities and activities. It is possible to evaluate the issues in focus in detailed way, as the case study approach allows gathering of accurate information from a unique case. Case study is also a good approach to exploratory study. (Hirvelä et al 2002, 123).

The literature review discussed in this paper provided a framework for interviews with experts. All of interviewees were contacted by similar email and a request for an interview if they felt like they are the right people to comment on agenda. As there was no people in charge of communication and report summaries on foreign sales, the executives were recognized to be the only ones to know on the state of sales in Russia.

The sales executives responsible for foreign operations shared their knowledge in 37-85 min guided interviews. The advantage of guided interview was that the materials were somewhat systematic and comprehensive, but the conversation remained friendly and more emotionally attached. (Eriksson-Kovalainen 2008, 82). The information was of great importance for gaining understanding of the working principles and strategic goals of the case companies. The empirical research is concentrated solely on the sales functions concerning sales units in foreign markets. The research purpose is both exploratory and descriptive. The main research question is how Finnish companies manage sales force in Russian markets and how developed is their knowledge transfer practices. The interviewees were allowed also to bring up some topics that were not planned in the interview process. Possibilities of different sales structures and strategies in foreign markets demanded additional attention, so interviewees were free to explain their business model and achieved practices. As the subject of sales force management is very dependent on environmental agendas, there was no way to predict all the issues raised urgent to the discussion. Semi-standardized interview allowed interviewee to answer open questions freely expressing their "subjective theory". Further it was analyzed in the light of academic theories. (Flick 2006, 155).

Case companies were chosen by their field of operation in business-to-business sphere. Experts were encourage to speak freely as after ensuring confidentiality of the interview concerning name of the company. In this paper I refer to companies by Company A, Company B and Company C. To ensure safe gained information fourth interview was with representative of Finnish-Russian Chamber of Commerce.

- Company A is global supplier of raw materials for different industries. Their product portfolio is large containing raw materials as supplements for food industry to plastics for building industry companies. Company A both manufac-

tures itself and resales production depending of the business. Company has practiced business in Russia since the collapse of USSR and each of their businesses is managed as separate operational unit. The Sales organization has developed from matrix model, where each salesperson sells all products, to specialist in different product units. Sales personnel of one sales unit are located in different markets and each team is led by product category manager.

- Company B manufactures and sales office furniture. Their service range provided needed growth in chosen markets, but most of their international presence lie with export activities on global scale. Company B has 5-10 years of expertise operating in Russia, but only last year it took down their local sales organization in that market and now operate through resellers with pure export model. The company withdraw their Russian sales subsidiary due to economic difficulties in foreign markets.
- Company C operates in building industry. It has operated in Russia for more than 10 years. Being pioneers in new and efficient production innovation the practices were copied by Russian competitors during past years. The development of foreign competitor field and winning of large governmental order led to transformation of operations into partnership with Finnish competitor in Russian markets. Sales organization in Russia remains local, however the difference in its governance is visible in exceptional leadership position of market manager also known as country sales manager. This differs business in Russian in compare to company's other foreign market business in Sweden.
- Finnish-Russian Chamber of Commerce (FRCC) was chosen as one of experts in this paper due to their experience in helping Finnish companies in Russian markets. As it states in the official site of the association (FRCC 2017) *FRCC was founded in 1946. It is a non-profit organization, whose mission is to promote companies' business and competitiveness as well as economic relations in Russia and Finland. The FRCC's vision is to be a pioneer... offering companies various services in the fields of market research, company operation, export promotion, training, information, and consultation.* FRCC was also interviewed as a case company in terms of managing local personnel. This interview indicated that in fact international human resource management has a lot in common with foreign sales management and has a lot to offer in research of knowledge sharing.

After the interviews were transcribed, each interview was read and divided into themes that covered certain part of theoretical framework of thesis. Comments were inserted into

excel chart with small summaries on categories of actual comments. The interview parts were then compared and comments put in order to respond themes.

There is no universal appropriate method for analyzing and interpreting interviews. The trustworthiness of a research is evaluated in validity, reliability and generalizability (Eriksson-Kovalainen 2008, 291). The research method explained well the issue of foreign sales management and knowledge transfer. The interviewed people did have most knowledge in their company on the subject. Generalization of research is possible although the findings are not claimed to be universal. Reliability of research was conducted as precise and carefully as possible. Interviewees were provided with the same amount of information before the interview. Three of four interviews were taken face-to-face to ensure comprehensive understanding of expert's personality. One interview was conducted by phone. The interview times were flexible, but each meeting took less than two hours.

### **5.3 Limitations to the study**

This paper does not strive to find similarities between case companies' sales operations, but rather to provide some insight on cross border knowledge sharing in day to day operations of sales work. As the interviewees are working in home markets and some visit Russia only rarely, the chosen people were suitable examples to study the flow of market knowledge and customer understanding from foreign sales department.

Due to large scale of sales work and different operation fields of case companies it was challenging to find a common measure of expertise for interviewees. Nevertheless, the choice of professionals was done by contacting Finnish executives, who have the most experience in sales and who are responsible for sales performance in foreign markets. The insight provided by interviewees allowed to gain perspective on the issues that Finnish companies face when managing sales in Russia.

The lack of resources such as time and possibility for deeper analyses of strategic sales information of companies are considered limitations to this research. There is more potential in foreign sales organization theories than the academic literature covers. Successful market entry is easy to explain, but systematic market analyses and adaptation of sales are considered strategic assets and are protected on higher executive levels. Better understanding of company's perspective on strategic role of sales as most important information provider would allow the researcher to explore the dynamics between home and host organizations. The time restrictions and sample size are limitations to generalization of findings, nevertheless, the information is possible to gain and there is access to tactic knowledge. Being familiar with the research process the researcher would investigate more the theories on subjectivity of interviewees and gain more insights from their employees.

## 6 RESEARCH FINDINGS

### 6.1 Research findings

*“Multinational corporations use their overseas subsidiaries to access tacit knowledge about host countries.”*

–Shengs, Hartmann, Chen and Chen (2015, 94)

The issues of profitability in operations abroad is essential to expansion and development to number of businesses with Finnish origin. While international academic research focuses on cases of multinational companies and their communication, there is greater need to monitor expansion possibilities for medium size companies and ensure their success in developing operations.

The research was conducted by interviewing key performance managers of foreign sales in Russian markets that operate from Finnish head offices. All of case companies were present in Russian markets for more than five years. Case companies were chosen according to their experience in having own sales in the market at some time of business in Russia. International companies tend to manage sales Russia in a way that match structurally their home market model. The interest of this thesis is whether the sales structures are modified during business's presence in respond to host markets. All foreign businesses are challenged in Russia by volatile economic cycles. Common characteristic of case companies was recognized as struggle in changing markets. The business environment spurs companies to reconsider and develop their organizations. This allowed to see possible adaptation and development of sales structures over longer period of time. It is possible to assume that in less volatile markets companies would be able to practice same business model without adapting it.

According to resource based view company's success depends on effective exploitation of unique resources of a company. When managed properly, sales function could provide long-term competitive advantage. (Leigh, Cron, Baldauf, Grossenbacher 2012, 498). Academic research proves sales work to differ in business-to-business environments as explained in chapter 1. Case interviews support this statement and provide more insight to this issue. After explaining the sales structures of case companies I further reflect the findings to the theory part and in the next chapter make some conclusions on current state of information sharing between home country and host country sales organizations of Finnish companies that operate in Russia. According to the interviews Finnish home market and Russian host market differ greatly.

*“Russian market is segregated in terms of locations (in terms of purchase power): St. Petersburg, Moscow and the other areas. It is typical for Finnish companies to grow business starting from St. Petersburg area...Differences lie with legislation, bureaucracy, price and quality expectations. Other thing that is often noticed is the importance of building trust with partners, as it is insufficient to only exchange cards. It is important to get to know your partner before doing business... to be friends. And there is the economic stagnation in 1998, 2008-2009, then the growth is of extreme speed and now it is recessions again. It is more of a rollercoaster than elsewhere.”*

FRCC representative

Each of the case companies found solution that is suitable to their organization to practice effective business in foreign markets. According to the interviews, Company A employs a group of sales people, local specialists with knowledge of English, who are divided to different locations in Russia, but the unit is managed as one organization no matter the distance. Company B, on the other hand, employs sales people that perform sales coordination to practice export of products to their foreign retailers and dealers. Export products are different from products to their core Scandinavian markets. It is interesting modification from subsidiary presence to more flexible sales structure, as an adaptation to changed market conditions. Their sales people are Finnish citizens and are located in Finland. Company C has continuous production in Russia and sales activities are crucial to sustain business viable, however, they see strategic co-operation with competitor in foreign markets allowing to take advantages of production on scale. Company C’s foreign subsidiary organization consists of local citizens who are led by CEO of Russian operations. This differs from company’s other foreign sales structure. In practice, this market CEO performs a role of country manager and is in charge of coordination with Finnish unit director, who later on his part decides on the discount rates, project deadlines and other practical issues. To meet regulation of Russian authorities, officially, company A has also local CEO. However, his unofficial task in the company is purely administrative support to foreign operations and he lives in Finland.

Company A’s representative states role of sales to be the most important in their company as their business unit buys and sells packaging solutions to and from partners. Company B practices foreign sales as pure export activity, so they see the department as a part of larger entity, yet as very important part that allows expansion of sales activities to large global clients. Company C practices both sales and production activities in Russian market, but the operations differ from business in Finnish and Swedish markets, due to different standards and customer expectations in markets.

### ***6.1.1 Sales management in foreign market***

As chapter 2 and 3 suggest, successful management of foreign sales has a lot in common with management for foreign operations in general. Russian markets are described to be extremely volatile and require adjustment of operations. This opinion was presented both in academic literature and during interviews.

According to interview with FRCC representative, Finnish headquarters had to be in control and constantly monitor operation abroad in the past. Foreign organization structure had Finnish manager in charge and there was lack of trust toward local employees. Both Company A and C representative confirm this description. The change happened few years ago. According to the FRCC representative there could be many reasons leading to it. It could be explained by the change of generation, modification of Russian business culture and availability of qualified working force. This led to development that resulted in locally managed subsidiaries and partner businesses. There was no need for expatriates, so Finnish companies adapted. Company C representative explained how building industry changed and now there are only few Finnish expatriates left in St. Petersburg area. Finnish companies learned to trust locals in company leadership. One hadn't to be present all the time and could monitor sales on distance with help of technology. Information gained in interviews indicates that case companies and companies in their network that have investments and practice sales in Russian do visit their foreign office once or twice a month.

Russians resistance towards new information and feedback coming from outside, shatters stability and natural order that is valued in a familiar community. This leads to protective attitude stating that the approaches of foreigners won't be acceptable in new Russian business culture. This way individuals justify to continue working and not share information as before. (Husted Michailova 2002, 24). There are companies that withdrew their operations from Russia. To someone's opinion it was a result of lasting stagnation in economic cycles and low rouble exchange rate. Company A manager explains the failing to be caused by high hierarchy command chain build by foreign managers. In his opinion foreign companies lacked the understanding of local business cultures and monitored only numerical performance. This caused failing in surviving dynamics of economic cycles.

Nevertheless, the yearly barometer questionnaire of FRCC indicates that in spite of all the challenges in Russian markets only few companies are truly willing to leave it. This is explained by the fact that as one competitor leaves the market share is divided by other companies. It is hard to gain it back. So temporary losses or operation on break-even level are compensated by lower cost of advertisement or labor. According to the feedback to FRCC, another trend that appeared during past few years indicates Finnish companies to

establish production units in Russia. This is result of sanctions against foreign export that allows to cut costs.

The representative of FRCC expert provide his insight to logical and most effective way to building sales in Russia: an effective model to business growth abroad is gradual growth, move from light to more permanent presence in markets. Company C executive agrees suggesting companies to start expansion by hiring an agent or representative and then if the demand is found to continue by establishing own organization. Depending on the business, for example warehouse issues and regulations affect the required management level. Companies are able to take advantage of market research in economies where labor costs are lower, which allows one to assume it is highly recommended for Finnish firms to invest more in research and development in Russia.

*“It all depends on the stage of business development. The latest trend is that companies that have been practicing business for longer time, and have subsidiary, these companies started to move towards lighter structures to lower costs. They would take down subsidiary and keep an agency or representative office –which is lighter model. It depends on what and where to sell, what is the geographical business area. Nowadays, the lightest version is webstore. The development could further be own dealership followed by representative or agency. Afterwards one could establish subsidiary or co-operation business (with other company or competitor), -- resource demanding subsidiary is more difficult to manage (in Russia) also due to local regulation differences”.*

FRCC representative

*“Experience in the field. One can teach specialists to sell, -- the understanding of working industry is very important. We manage from Finland one way, day-to-day sales are made another way, -- and what kind of people should we have?”*

Company C representative

*“The most important issue (with strategic sales) lie with business’s life cycle. You have to find right people so that you can practice sales on distance, so that you have trust. Otherwise you have to travel to look after.”*

Company A executive

The manager of company A argues that in their unit he is the person in charge of their sales, but in other units it could be Russian or Swedish colleague. The development in international business led to the situation where company can hire most skillful person to be in charge rather than hire someone to monitor by his country of origin. Companies

have also changed their approach in teaching new skills to their employees. All three case companies brought up issues of changing product and service portfolios. Company A modified sales organization from generalists, one salesperson offers complete product portfolio, to product specialists. Company B's transformation allowed employees to sell services in support to products. Company C teaches its employees to stay more proactive and have dialogue with head office.

Of all three case companies, company B has lightest foreign sales structure. The B manager was the only interviewee, who announced that in their company sales department, as front line employees, is not the function which decides on strategy, but it is the task of head executives to lead and sales follow as any other department. Additionally Company B's sales are impacted by its marketing department's strategy.

Company C has classic form of foreign subsidiary with local sales. The manager highlighted the importance of 1) market knowledge, where the operations are planned execute and 2) finding the trustworthy people who can commit to company's targets. To their opinion every market differs, so its requirements and regulations should be met. Production that demands manual labor is more cost effective in Russia as in Nordic countries, so their company may have more research and development on more technology and quality driven production in Sweden.

### **6.1.2 Cultural differences, leadership and language issues**

In their research Husted and Michailova (2002, 19, 21) focused on the issues that are characteristic to Russian business and organizational realities in communication. Culture in this context was seen as a set of activities and interactions of a specific group, not as larger society characteristic. This is due to the fact that in Russia there are many cultures, religions, languages etc. so the description of whole country with all societies was seen misleading in terms of one explaining national culture.

*“Our company is considered to represent Scandinavian leadership practices. We have very low hierarchy, which is characteristic to northern countries. The further you go (from Finland), the higher the hierarchy goes“.*

Company B representative

All three interviewed sales executives assured that their companies do practice Scandinavian leadership model, which differs them from local business culture in Russia. It is appreciated by Russian employees and partners. The attitude of workers and business culture have great role in achieving set targets as much as the overcoming of long-distance

challenges of human resource governance as mentioned in previous chapters. Company C executive mentions most visible differences in leadership style in Russia as hierarchy structures in power. Nevertheless, Company C sees that one has to manage business appreciating local customs with some variations. Foreign subsidiary management is alike home country organization with lower hierarchy human resource model, but it still does differ from Finnish or Swedish business organization. The attitude of workers and business culture have great role in achieving set targets as much as the overcoming of long-distance challenges of human resource governance.

Company C executive clearly stated that their company uses English when communicating in international context. Nevertheless, Company C promotes to have local oriented way of practice business, which allows Russian operations to differ from management practice in home or other host markets:

*“Of course strategy and research are decided on executive level. – graphical guidelines, -- issues like information technology, but all operational activities are local. – Marketing is local activity.”*

Company C representative

Interviewed sales managers mentioned few differences that were noted in day-to-day operations with Russians. The lack of initiative from employees could have explanation defined by Husted and Michailova (2002, 23) as fear of making mistakes. This means that by hoarding information and not discussing the problems with superiors an employee cannot participate in a normal learning process. Instead, one tries to avoid reflecting at any possible cost by practicing: "we do not make mistakes" approach. This systematic way of working creates a contrast to western way of seeing possible failures as opportunities to reflect, learn and develop. Manager in company A comments this by explaining the trust in relationship between manager and salesperson. When analyzing agreed targets and how they are met, both parties have to be honest. If the subordinate alleges that the targets will be met and the executive sees that the activity is on inefficient level, the executive should explain how one should reach the objectives. Organization culture should remain inclusive. One could only provide directions and support.

*“Let’s put it this way, a team of Finns or Swedes are more likely to openly express what tools they need, in compare to Russians. When I started working with Russians, the greatest difference in sales management was lack of initiative. -- I rather change a person (sales team member) who demands briefings by authorities”*

Company A representative.

*“There has to be clear planning and set targets. If you won’t give instructions, they won’t come up on their own there.”*

## FRCC representative

Husted and Michailova (2002, 24) found out that working in groups with higher and lower level employees causes difficulties as hierarchical status is questioned and challenged. Formal status was found to affect greatly possibilities to make decisions and changes. Sheng et al (2015, 97) agreed that centralized and dictated decision making limits transfer of tactic knowledge.

*“We embraced some customs from Russia. -- When we are managing our Russian unit it could be clearer management approach: there is no doubt who is in charge. – Communication is straight forward. – Nevertheless, it is more of Scandinavian leadership than local (Russian)”*

FRCC representative

*“Of course it (multiculturalism) appears, but it is funny concept, all people are different even in Finland.. Feels like, cultural influence decrease in meanings.”*

Company B manager

One of the most surprising qualities of Russian business culture was defined as a fear of making mistakes (Husted, Michailova 2002, 23). This means that by hoarding information and not discussing the problems with superiors an employee cannot participate in a normal learning process. Instead, one tries to avoid reflecting at any possible cost by practicing: "we do not make mistakes" approach. This systematic way of working creates a contrast to western way of seeing possible failures as opportunities to reflect, learn and develop.

*“..There are differences between Westerners and Russian, but if you know, there are differences, you won't be surprised. Of course you get irritated when Russian gives you a hell of a lot of explanations why something wasn't done... that is just the difference in practice. You either start educate people that we do what is agreed or you just live with it... Those are the differences you learn to cope with, it depends on your own attitude. If you want everyone to do how you do it, then it won't work... “*

Company A executive.

The academic research on sales management describes the merger of country and corporate culture. Case companies describe similar occurrence. It is most evident with companies in business-to-business industries. New employees embrace corporate culture and

start to maintain it themselves with time. Company A manager evidenced this happening in their organization. With some guidance on company's policies on what is encouraged and which behavior is not suitable in new workplace. As an example one mentioned bribes and illegal activities. To companies that practiced business in Russia for several years the reputation is important. The more legal cases a company rises against local authorities wrong doing, such as unjustified arrest of products in customs, the less conflicts there will be in the future. However, the company has to have resources to deal with time consuming procedures to prove to be right and educate workers to appreciate legal approaches to deal with challenges. Although the local workforce has the knowledge on what is the right way of handling problematic issues, it is the company's responsibility to insist on "by-the-book" approach as Company A executive explained.

All three of case companies chose English as communication language with Russian sales organizations. FRCC admitted to balance between languages encouraging communication in the most convenient language depending with whom one communicates. This way Russian employees are able to speak Russian, and Finns are able to speak their mother tongue, when necessary, parties turn to communication in English. None of the interviews saw language differences as a limitation to exchange information. Company B representative states that as the official language is determined to be foreign, one has to keep in mind that not all employees speak other than their mother tongue.

All product materials are translated into local languages of productions main markets: Finnish, Norwegian, Swedish and Danish. It is unfair to expect partners to understand English. Nevertheless, company has a strict policy to not to translate marketing materials to other than these languages: the dealers and retailers are in charge of translations to other languages.

*"-- In these cases (when employee is not able to communicate properly in company's official language, English), we make special arrangements or provide translator if needed."*

Company B manager

### **6.1.3 Marketing and innovation**

Marketing activities are expected to match demands of customers and partners in operational markets. However, academic research data indicates that companies tend to form marketing strategy for foreign markets based on home market insights. According to scholars, marketing was planned and accepted in head office and forwarded to foreign practice in most examined cases. The interview result suggest that similar approach is with innovation, research and development activities. In all of three companies innovation

was at least at large part had to be discussed with head office and all executives that were in charge of sales were well informed on where research is done and how should it be developed if put into practice on larger scale.

Based on this paper's interviews, Finnish companies that operate in different markets simultaneously tend to keep alike marketing plans to ensure ability of comparison of campaign results. All of the interviewed executives considered sales independent and separate from marketing function in company. However, the interviews showed the marketing adaptation and execution to be forwarded to local sales people or partners in Russia. Companies A and C had more fixed market presence, own subsidiary and a team of sales people in different locations of Russia, this allowed their marketing to be planned in head offices in Finland. The execution and adaptation rights were delegated to local professionals in Russia. Both managers ensured that this approach had best results as employees in host market were experiencing trust although instructed from abroad.

Manager of company A stated that in their company marketing is done by sales people. As the company is not afraid for differences in marketing approaches and products are known for their high quality, their employees are eager to position themselves as experts and trustworthy partners rather than ensure same marketing materials. In the future the company is planning to develop marketing to contain more than guidelines and not to be as much dependent on needs of sales departments. In Scandinavian countries partners and employees are able to read English, but in Russia the information is required in local language that does affect marketing material personalization. It is a choice of their company to not to communicate with partners and customers with company letters. Instead the company relies on their employees.

*“It is the basic job of our sales people. – It is salespersons communication towards our partners that provides information about state of market and what (products) are on demand. – And same goes for customers, they (sales people) have to find information and deliver it.”*

Company A manager

Company B sales follow strict marketing plan that is provided by marketing department for each of Nordic markets. This company practices action plan that strategy for every time of the year. Outside Nordic markets the marketing materials are provided only in English. Otherwise company would have no resources. This is not considered a challenge from the perspective of sales department. In late 2017 the company will complete business model transformation: Company B builds new intranet solution which allows partners and dealers to look for furniture catalogue online with minimizing contact with sales managers.

*“The sales want tools (to conclude sales), the marketing want unite brand image. – One tries to find balance.”*

Company B representative

Company C representing building industry focuses marketing to be practiced by Russian sales people. Finnish head office provides foreign employees with basic guidelines, but as the differences in business are noticed, the marketing is trusted with local people. As FRCC specialist explained, the times when local subsidiaries had to be managed on site are gone. If one is able to find right people, the management is possible in spite of geographical distance.

Executive C was well informed about the research and development in their industry. Historically, Nordic companies differed greatly in terms of operation development in Russian building markets. However, over time, as locals learned to modify their warehousing procedures and educated workers in the Russian markets, the industry became more competitive and profits decreased. When asked about innovations in their company, manager C mentions Swedish markets, where their company is also present and where the cost of manual labor is more expensive. The operations are developed to consume less time and the actual labor share is planned decrease even more in the future. One would conclude that in the Nordic markets the operations are developed with modern technology. In Russian markets, as the deals are more price sensitive, the rouble is low in value and the labor is cheaper, development is not expected to happen quickly. However, the company is able to take larger risks in terms of project delivery, for example to provide projects if the schedule appears tighter than required as and there is no guarantee that the production would be ready in time. Company C does not have plans to use Russian subsidiary for innovation.

Company B has a policy that the innovation comes from the headquarters. As the company's main markets are in Nordic countries the innovation is not required from any partners or retailers outside the main business clusters. For example the manager B stated, that large retailers in Central Europe are asked for insight on markets, but the product innovation is decided elsewhere.

*“We are the ones who has to make the decision: is it the kind of feedback that needs to be forwarded or only a subjective opinion. One needs to analyze the data, what is its origin? If dealers would run our product development would be a mess. There are all kind of needs in each country. We are active listeners and we take steps that are important for us”*

Company B executive

Company A manager, being in charge of international sales in his unit trusted his workers with product innovations. The company policy was that different product units had

geographically different research and development locations. Their salesperson is able to provide customer with small sample of new material or packaging locally, but for the placed order quantity the manufacturing was with named partner. Manager A unit's manufacturer was in Sweden. Sales people were allowed to contact the manufacturer or laboratory with development request even without informing manager A in advance. He would collect this information later in their monthly reports or CRM. If the innovation was brought to light and evaluated to be expensive, salesperson in charge of the account contacted the customer and asked, if he would sponsor the development. Company A has other units that had their laboratories and production in Russia. So the innovation was not dependent on the salesperson's working area. The important determinant is the quality of production and the manufacturing partners were chosen accordingly with little difference on where they are located as the logistics were taken care of.

*“They (sales people) could bring it (an idea) up to me (rather than from me) as they know better that the market is lacking this or this has potential. Sometimes I came up with something, and it goes in up-down direction. But the best scenario would be if it came from them to me.”*

Company A executive

#### **6.1.4 Reporting systems and communication**

When companies have clear strategic agreement with an employee, or a partner, to inform managers about market's new opportunities, it is much likely for an employee to find and transmit the needed information. If information flow is continuous and company finds resources to use it, this company ensures its ability to improve business performance. (Ciszewska-Mlinaric 2016, 55). In their research Michailova and Husted noted (2003, 60) that regardless of examined companies size, age, or industry, the business environments dealt with alike challenges regarding knowledge-sharing in Russia. These were knowledge hoarding, denying and underestimation of mistakes and suspicions towards new knowledge diffusion provided by foreign partners. In company A managers are instructed to provide needed support to sales people, but initiative of front line employees is ensured by allowance to contact people in charge rather than always inform the closest manager of their needs. This one Russian salesperson may contact his colleague in Central-Europe for a new sample or contact Swedish colleague about product specifics. If there is a challenge the employee is able to turn to his manager. There is no standard for solution, but help could be found in additional training of worker or company could provide some new tools to sales people. From the perspective of sales management these activities demand face-to-face meetings and should be planned in advance. As some sales

people want to communicate more often than others and length of reports could be decided depending on personalities of employees. The difficulty in management on distance appears to be the balance of allowing independence and support when required.

Husted and Michailova (2002, 25) observed that physical proximity is essential for building strong trust among interaction of both parties, Russians and Westerners, especially in the beginning of technological and managerial knowledge transferring. In case of one company it was proven that as co-operation continues, Russian business culture took over, but if the knowledge provided of foreign company is not of high complex it is possible to maintain larger physical distance. In this case Russian company was able to continue operating "the local way". However, in the point of view of researchers mutual trust is essential from the very beginning of co-operation regardless of the complexity of transferred information and one should not thrive to achieve comfortable level of communication, but efficient knowledge management system.

*“-- If my sales people, for some reason, would try to hoard information in our company we would quickly show the door. It is quite black and white for me. We don't play games or talk politics with this issue... It is common interest.”*

Company A representative.

The results of interview strongly indicate that the sales management and report systems are copied from home market of a company to its Russian sales organization. Company B representative explained the collected information to be numerical data, hit rates, profitability. No other market information nor innovation ideas are reported on continuous basis in this company. Sales people in charge of foreign sales get market information when communicating with partners, but they do not have any strategy why or to whom pass it on. . Informal control system as organizational climate *“represents shared perceptions of what really matters in the organization and what types of behavior are supported, rewarded, and facilitated”* (Brown, Samaraweera, Zahn 2012, 381).

Manager of company A collects more casual information on activities that are reported such as visits to customers, project management speed, development of sales margins and control rate. Additionally, company A has set strategic targets for each units that are re-evaluated once a year. These could be successful market entry, planning of merger or discovery of strategic information on demand development.

*“You have market analyses no matter in which markets... you have to analyze is there a room for a new player, what is the case of competition, what is possible to achieve, pricing levels, what is common*

*sense... In countries like Russia it is important to have a platform. Administrative backup should be in order: logistics, legal background, credit surveillance, hedging, etc.”*

Representative of Company A

Building company C balances on numeric reports and Russia specific information as operations there differ from other markets. However, company C executive saw their asset in continuous work in promotion of company’s values to employees, this ensures that values are reflected in sales work.

*“Number of deals, projection to next year’s sales, meeting customers measurements, prices per unit, profits per sold item... there are also targets on customers (satisfaction)”*

Company C representative

*“Once a monthly sales meetings where we discuss general guidelines and day-to-day issues. They ask me and I ask them... for all... we don’t have formal reporting system, but I want to hear good and bad issues every month. A short email just about business issues about project management or it could be overall information about meetings or lost deals or that someone was sick...”*

Company A representative

Company A representative considers market analyses provided by large consulting companies to be too superficial and not as practical as it is needed in other than consumer oriented industries. It usually contained information on economic development rather than indicators on sales management.

Company B representative trusts dealers and retailers with collection of market information and changing customer expectation. Representative B experience with working in business-to-business indicates it is more time effective to interact with trustworthy foreign partners than to explore many expensive country specific analyses of industries.

*“(Apart from Scandinavian) it is mostly our dealers who trades abroad. We support them as well as we can and as much as it is beneficial for us... we monitor all the time if our dealer network is optimal.”*

Company B representative

Company C manager was not able to find reliable source of market information in Russia. As a part of local building industry union in St. Petersburg area all companies that

practice business are provided with one market report. Due to the fact that both the company and its competitors have the same information, gathering of market intelligence to achieve advantage is of extreme importance. Company C collects this silent information by communicating with other Finnish company executives in the building industry in Russia and interviewing their foreign country manager.

Informal control system as organizational climate “*represents shared perceptions of what really matters in the organization and what types of behavior are supported, rewarded, and facilitated*” (Brown, Samaraweera, Zahn 2012, 381). Company A manager highlighted the importance of face-to-face interaction with sales people to gain more knowledge about customers and markets.

*“Their (specialist sales people) job is to know their markets -- in principle, they have to investigate their markets -- we don't have that much reporting systems. Our CRM system is not what you usually expect, but it is possible to monitor project lifecycle. It is your job to write down issues, so that you remember them, but at the same time those facts are for guidance and executives and sales managers and a tool for employees”*

Company A representative

The case of market information management was considered challenging for Finnish companies operating in Russian markets. None of the interviewed sales managers were buying market information to develop their operations in Russia. The interviewed employees of case companies state key indicators in sales management to be quite similar both in home market and foreign market performances. These findings might indicate that in reality there is not that much room for new information to flow as only alike results are collected. All three case companies' managers stated, they have not witnessed communication between their subsidiaries or dealers. Furniture company B manager explained their dealers' lack of communication between each other by good information packages of their furniture catalogues online and the fact that their dealers had different relationship with them. Company B was main partner only to some of its dealers, other dealers would offer their products only seasonally or as addition to their services or represented brand portfolio. Company B manager saw negative side of free information flow among dealers, if there appeared some. The company won't be able to control the information or correct it, if it was not accurate. Company C explained communication between Finnish office and Russian subsidiary as essential, but due to differences in markets did not see any use in communication between Swedish and Russian units. Company A manager wished his sales people would seek for more advice with each other rather than asking his opinion and advice. But although he communicated with foreign employees in English and they all met in fairs and monthly meetings, the employees did not show signs of active information exchange.

*“If they (Large Finnish companies, which operate in Russia) trust their local (Russian) organization or if they have some kind of representation or subsidiary in Russia. -- If the company does not trust their Russian dealer, I suggest they follow our medias. -- We (FRCC) could help them, but if companies need more than just industry analyses (for Russia), they should be more active towards us. -- My former place of work was with market research company, and our largest business was with providing market research on Russia. Finnish companies are not interested in it. -- Now, when there is more instability the interest is awoken again. -- The problem could be that in middle size companies there is no assigned responsibilities of who monitors markets and who reports about it.”*

FRCC representative

Representative of FRCC recommends to contact also organization named East Office of Finnish Industries, if the companies looking for help are large corporations or if they are interested in networking. Smaller companies or startups are guided to turn to organizations like Helsinki Hub. Nevertheless FRCC representatives agrees with findings of this research paper concerning willingness to purchase market information. Finnish companies are not actively looking for market research.

## 7 CONCLUSIONS

In this chapter the empirical research data is summarized and analyzed in light of provided theoretical framework presented in Chapters 2-4. The limitations of this study were presented earlier in Chapter 6. This study intended to understand why and how sales organizations are managed in foreign markets and how practice differs from academic literature theories. The purpose of following chapter is to exhibit the findings of this study and provide conclusions from the theoretical and managerial perspectives. In addition, there are some suggestions for future research.

### 7.1 Theoretical discussion

This paper first presented theoretical background to the issues of international sales management. International selling is discussed in academic research from different perspectives such as international business, cultural and sociological studies, sales management etc. Mostly the complete subject remains undiscovered due to large scale of adaptations of sales operations and different structures of companies (Baldauf, Lee 2011, 212). Additionally, sales needs of companies are dependent of their businesses' life cycles (Zoltners, Sinha, Lorimer 2006, 89), order delivering mode (Jobber and Lancaster (2006) and the industry they operate in. There is evidence that some companies chose to practice multiple selling models simultaneously to meet their customers' demand (Storbacka, Polsa, Sääksjärvi 2011, 44).

There has been a change in role of sales people (Honeycutt et al 2003, 5; Leigh, Cron, Baldauf, Grossenbacher 2012, 505-508) which affected sales organization structures of companies. Their work differ from original order taking and includes strategic tasks such as gathering and delivering of tactic information (Lyus, Rogers, Simms 2011, 39-40). Sales departments have great role in providing market information and business forecasts as they operate on the frontline of a company between internal processes and customer's or partner's representatives (Zoltners, Sinha and Lorimer 2006, 86; Sheng et al 2015, 95, 107). Building relationships with buyers are of high importance in terms of both monetary advantages and gain of tactic knowledge (Cravens, Piercy, Baldauf 2009, 43). Taking into account complexity of foreign markets it is logical to assume that market information extraction and forwarding should be great priorities for all companies participating in international trade. Additionally, sales people are required to balance marketplace feedback and make adjustments to organizational knowledge. This should be taken into account then planning organization's strategy and organization structure from the very beginning of international operations.

To answer the first question, how sales are managed in foreign markets there is no universal answer. They are managed in a way that is most suitable for each company depending on its life cycle, executive competence and resource availability. Sales should be adapted as companies transform in market and develop new strategies. The empirical research suggest Finnish companies to trust more their Russian employees which transformed the sales organization structures into more fixed solutions. If companies' resources allow, the interviewed expert recommend to establish subsidiary with hiring locals to manage the business.

Successful management of knowledge flows ensures company's competitive advantage (Michailova, Husted 2003, 59). Tactic knowledge is generally of more value, but more difficult to forward (Sheng et al 2015, 95). It is considered to be executive's duty to promote values and responsibilities within companies' structures (Nonaka 2007). When applied to cases of companies with foreign subsidiaries the issue of communication could be examined from the perspective of communication of headquarters and subsidiaries rather than only executives and subordinates (Monteiro et al 2008, 102). Depending on the relationship of headquarters in home market and structure of subsidiary the units are able to learn from each other (Gupta, Govindarajan 200, 409). If foreign subsidiaries, or partners, feel their knowledge exceeds skillfulness of home market organization they will seek strong allies elsewhere. Knowledge transfer is possible only with knowledge intensive parties (Monteiro et al 2008, 94).

Then there is a question of communication ability within a company. Cross-functional information diffusion and decision making is essential for company's practice of market oriented strategy, it enables effective market sensing (Cravens, Piercy, Baldauf 2009, 35-36). The findings also suggest there could be several information flow systems in a company (Ford, Chun 2002; Rikowski 2007, 168-170). Common control system, which is determined to all sales activities, has a positive effect on unit's performance (Piercy, Cravens, Lane 2012, 11, 14).

The possibilities for innovation increases, if company with foreign operations develops social cognitive capability. Innovation is argued to be dependent on task efficacy, organizational structure and building trust between company's members. (Sheng et al 2015, 106). If host market subsidiary is more advanced in its business and operations the home market company is advised to not to force familiar know-how on host market operations (Berry 2015, 1453).

Markets of Russia are considered to be volatile. Depending on the academic research referral these markets are described as markets in transition (Kiessling et al 2008, 160-161) or emerging as described by Sheth's five dimension characteristics (2011, 168). The attributes of both categorizations are certain level of economic development that differs from Western countries, heterogeneity of market and political situation in the country. As Russian culture was not noted to have largest impact on sales work nor contemporary

business culture. From the classic culture dimensions Power Distance is indicated to have most impact on communication in international context (Hofstede 2017, Michailova, Husted 2003, 62-63). The language differences, however, do appear to have larger impact on communication (Welch Welch 2008, 346-353). In the case of Russian organization cultures, besides the difficulty to locate knowledge, it is extremely challenging to maintain transparency between all of employees of one organization respecting hierarchical structure and interpersonal ties. (Michailova, Husted 2003, 60). Due to certain shared characteristics of Russian business environments, it was logical to extend research to several industries in the market.

Companies invest in knowledge management for different reasons. The knowledge management in a company provides competitive advantage and differentiates its operations from competitors. It allows companies to adapt to market's needs and to be more efficient. In case of foreign sales management knowledge transfer is vital for control from the home market organization and resource advantage of host market organization. Innovations are created mostly in open company cultures and they do ensure development in business in long term. Companies are advised to invest in efficient reporting systems to be able to participate in processes when needed, but to be able to not to be present controlling each minor operation. Knowledge management is essential in overcoming differences in markets.

Company's investment in knowledge management allows it to gain strategic resources. Nevertheless, the interviews suggest companies to collect strategic knowledge only from their employees and partners in Russia. Mistrust in market research provided by locals, differences between home and host markets, communication blocks, expensive and not precise enough reports, etc. These are only few reasons among others alike, why companies do not make more use of existent reports. Instead, Finnish companies rely on their experience and manage knowledge transfer. However, there is an opportunity for companies to improve their processes if the information and tactic knowledge are considered of more value to development of foreign operations and as gained advantage for home company. There is room for improvement in communication between subsidiaries and home and host markets' salesforce. None of the interviewed experts named a person who is in charge of information management in their company. Instead the sole responsibility of sales people's performance was on sale managers, who reported on the results and important factors, to their opinion, further in the command chain.

Finnish companies have experience in practicing business in Russia. Based on the interviews with sales executives and expert from FRCC the assumption was made that Finnish companies do monitor markets and are able to adapt to Russian business conditions and develop their sales organizations utilizing resources they have for foreign trade. Most active companies manage to practice high investment organization models, such as subsidiaries abroad, others prefer lighter presence in foreign markets that is achieved with

export activities or dealer agreements. Most remarkable development in operations of business in Russia is change in governance systems of foreign sales. Since 1990s Finnish companies employed hundreds of Finns in Russia. Only in St. Petersburg area there were many companies with local employees, but they were managed by Finnish executives who spent most of their time in foreign markets. In response to changes in economic cycles of Russian markets the organization structures of business changed. Nowadays, there are more reporting systems and companies invest in local trustworthy employees. There is no need for constant presence of home market representatives to ensure business success.

*“Current economic situation indicates the great importance of monitoring turbulent markets, as prices and consumer behavior change rapidly... Otherwise companies are forced to withdraw operations like Stockmann, which was not able to adapt.”*

FRCC representative.

In contrast to academic research, interviewed experts of Finnish companies were not indicated to either see Russian companies as leaders in research and development nor consider the host market environment suitable for cost effective innovation. However, they have the opinion that there is exceptional know-how in many industries in Russia, and monetary rate of rouble remains low. These factors allow foreign companies to established cost effective production, which preserves their competitive advantage during period of political driven protectionism in response to sanctions. From the perspective of sales management country specific, so called Russian cultural issues, were not considered to be of a challenge for Finns. The universal opinion of interviewees was that all people are different and business should be practiced despite employees' country of origin. The Scandinavian management approach does support this leadership model. As most of companies chose English as their communication language the foreign local employees are seen to assimilate with new company culture and its values.

All four interviewees explained that Russian markets are not the easiest to practice business. In compare to Finnish business environment and more transparent operations, there are no clear and trustworthy data on Russian market which makes management more demanding. Due to these characteristics the companies are encouraged to invest in knowledge transfer and build structures to obtain information. Sales people are company's front line employees who are able to collect and transfer information when managed well.

The greatest theoretical contribution of this paper is the fact that foreign sales management research remains inefficient in its quantity. The sales work differs and companies adapt their organization structures in response to market need to their best knowledge. The knowledge, however, is subjective and executives rely heavily on foreign employees

skills. The interviews suggest Finnish companies are left alone in their decisions on how to develop their sales operations and which communication systems to choose. Market change affected the weakest companies in Russia and those that remain active are eager to protect their knowledge and grow their market share.

## **7.2 Managerial implications**

This case study indicates some recommendations for companies who are practicing sales in Russia. Managerial contribution of this paper is information on the literature about foreign sales organizations and their structures. Interesting perspective is how sales organizations are chosen and developed by sales executives. However, this case study has its main contribution in describing how different sales work may be, even when considering simplified business-to-business sales work abroad. Interviews allow one to analyze information that companies collected for years. Sales executives shared their experience and provided insight which could help to avoid some miscalculation when practicing sales abroad. In the times of sanctions and economic cycles that are not favorable to foreign trade in Russia, the experience of Finnish companies comes to great importance. Empirical research suggest there are also many possibilities to improve existing business models in the future.

The companies are recommended to monitor markets constantly and allow their employees to use company resources, such as time and technological tools, to collect information and communicate it. Too often companies decrease investments in knowledge management after planned market entrance or purchase of a company in host markets. In volatile markets sales force and allies defined by sales executives provide needed support and advice in changing market situations.

This paper is an example of case study of companies that are quite unique in their operations. As there is insufficient amount of research about management of foreign sales and knowledge management between home and host markets, companies were forced to examine their business opportunities with caution. The Scandinavian leadership approach is appealing to Russian employees. If the common communication language between units is other than either mother tongue, but English, it is easier for employees to identify company culture.

Many companies state that it is easier to find skillful employees, however, the interviewees emphasize employees to be chosen by their ability to embrace company values and initiative, which are important factors for management on distance. Nevertheless, three of four interviewees highlighted the importance of personal relations with business partners and employees. Although the business is practiced on distance, parties knew the

importance of traditional communication methods: face-to-face interactions. Hiring trustworthy sales people in foreign subsidiary is vital for success of operations. One of the main contributions of this case study is the conclusion that there is a lot in common in managing sales force and other foreign unit.

When developing business operations, Finnish companies are advised to adapt their sales organizations in Russia. Sales should reflect company's needs and its business lifecycle. As the resources are limited foreign operations are advised to be grown from light to more investment driven organization structures.

Measurability of effectiveness in sales in foreign market apart from the numeric data is indicated to remain low and to be dependent on managerial competence. Both in home and foreign markets. Based on this finding, the companies are advised to invest in communication and customer relationship management systems. If the employees decide to leave company, get promoted to different executive level or change working department within company the tacit knowledge will be lost. Proactive collection of information and its continuous analysis will save companies resources in future.

### **7.3 Suggestions for further research**

Due to limitations of this paper, all management models that allow international sales activities could not be investigated as precisely as sales management demands. However, as there was no research done on the subject of communication matters with foreign sales between Finnish companies and their Russian sales people, the research did provide perspectives on different operation modes that are used by case companies and explained their practices. All case companies had to adapt their sales organization to better meet foreign market needs after their market entrance and business experience for over five years. This finding allows one to see the development that is happening in organizations over time.

Foreign organization structures of case companies of the empirical research were examined in the light of knowledge sharing perspective between Finnish and Russian employees. As the structures of companies differed, the interview questions had to be adapted. If the resources allow a research of more alike companies would allow to examine differences in foreign operations in detail. Especially the communication perspective from Russian subsidiary or sales partner to home market organization in Finland would share light on the knowledge management reality. Interesting perspective would be the communication between marketing and sales in foreign markets as all interviewed sales executive claimed Russian sales people and partners to be in charge of local advertisement except the visual guidelines.

The interviewed sales executives were indicated to not to take advantage of all of the information that was available in terms of official market research, but to trust their subordinates and partners when gathering information on their own. None of interviewed sales managers was aware of information exchange between companies' foreign employees or dealers, if located in different units. The communication that remains uncontrolled by head office or sales executives, but exist might be valuable.

## SUMMARY

The existing academic literature on sales management has sufficient amount of information on what companies have to take into account when planning income growth. Earlier research describes well latest development in communication models and knowledge sharing possibilities within companies. International business provides many perspectives on intercultural co-operation. However, the perspective on issues of foreign sales management remains insufficient. After entrance of foreign market there are no clear instructions on how companies should develop their organization models, what signals to monitor in markets and how to build lasting but safe partnerships with customers or partners. Sales management strategy for foreign markets could help many companies to ensure success of their international business. This paper contributes to the research in the field of cross-national knowledge management and provides reporting system suggestions. These are rather neglected perspectives.

The purpose of this paper was *to understand and clarify what are efficient models to manage sales of Finnish companies in Russian markets*. This objective was divided into three sub-objectives:

- How sales force is managed in foreign markets?
- Why companies invest in knowledge sharing?
- What are chosen sales strategies of Finnish companies in Russia?

First chapter introduced research agenda and research structure. Chapter two, three and four defined theoretical background to the subject of research framework: theories on sales management, knowledge management and international perspective on business. Chosen theme is extensive and it has many angles to examine. As the management of sales in foreign market reminds international human resource management, some of the theories were introduced to present latest findings in that field. Knowledge management is comprehensive subject, so theories on communication flows, innovation possibilities and recipient-transfer insight was essential. Cultural aspects were discussed through perspectives of cross-cultural communication, language issues and prejudices towards unfamiliar parties. There are many factors that may affect successful sales management in foreign market and theoretical framework provided some insight on how many issues one has to take into account. The complexity of case-study subject was also visible in the research findings. It was evident that each company preferred its own way of overcoming cross-border challenges and developed its operations to suit market needs.

Chapter five describes methodology behind qualitative case-study. Chosen research method was semi-structured interviews with three Finnish companies and one interview with FRCC representative. Two company representatives and FRCC expert were interviewed face-to-face in Helsinki and third company was interviewed by phone. It was important to get to interview people in charge of foreign sales or who know challenges of

Finnish business in Russia. However, the chosen interviewee had to have limited presence in Russia to examine knowledge exchange. All sales executives asked to be provided with anonymity to ensure that there is no threat of sharing some sensitive strategic information. Chapter six was dedicated to research findings and analyses of information gained from executives and FRCC representative. Case companies were chosen based on their experience in Russian markets, over five years of business abroad and their business-to-business industries. Companies represent packaging and manufacturing (company A), furniture (company B) and building (company C) industries. The fact that companies had different sales models in Russia was unexpected, but provided valuable insight on needs and resource availability of companies. By resources one refers also to the knowledge management possibilities.

The research findings suggest there are no universal guidelines on how to effectively manage and develop sales organizations. In compare to home markets sales, the numeric reporting systems are considered incomplete and hiring of expats is now more expensive. The issue of market information and difference in clients' needs have great impact on knowledge sharing. Without intelligent operation planning in highly competitive environment, companies are likely to fail in performance both sales and marketing. In even larger extent, as marketing is considered local activity, companies are dependent on their employees' competence. There is evidence that companies often fail in providing income when managing foreign employees abroad in a way that suits best home market employees.

According to scholars best practices of international sales management are still not explored to demanded level. Scarce research number on international aspect of sales jobs together with dominant research method of comparing a small amount of host market sales to sales in United States based companies does not provide all answers to successful business expansion. The findings are not offering universal conclusions to suitable sales organization structures nor do they define proposals on expected communication patterns for these companies (Baldauf, Lee 2011, 212-213). However, it can be suggested that regardless of the documented cases sales management is developing and companies are constantly learning to improve their organizations. Knowledge flows appear in companies even when not noticed or encouraged. It depends of the competence of executives to extract needed information and make sure it is transferred to unit or person, who can benefit from it. Employees are expected to develop their skills and be able to look for the right kind of information to be forwarded.

Concluding, the main findings of the empirical research were mostly in line with the theoretical framework. The most surprising empirical finding was the fact that sales managers in charge of foreign sales do not buy market analyses about Russia. According to semi-structured interviews, all information that is of benefit to strategic decision is gained through communication with Russian employees and personal relations of executives.

Most of sales managers were indicated to rely on their network rather than reports executed by consultants or experts.

The interviewees explained they did not see cultural differences a challenge to business. Despite cultural dimensions and other theories, the truly important factors in managing sales in foreign markets are trusting relations with employees or partners and agreed values. As sales activities are well documented one is advised to focus attention on strategic information that is essential for business growth. However, the companies were indicated to modify their sales organization to suit their resource management, which does appear logical, although in contradiction with some advices presented in academic literature. For example some companies may consider export model or partnership with competitor more suitable than recommended subsidiary with own sales personnel. Another finding that differed from theoretical framework was that although sales are culture sensitive activities, in business sales could be managed quite effectively no matter the market. The key factor is the competence of management, negotiated targets and trust.

In spite of the limitations of the study, the findings enriched the existing literature on the perspective of foreign sales management, although the managerial implications would benefit from larger number of case companies. As the aim of this study was to present different approaches to successful sales management, it delivered on description on differences in sales organizations. Companies that have experience in Russian markets are the same companies that succeed in gathering information from well managed sales people.

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## APPENDICES

### Appendix 1 Operationalization Table

Objective of Study	Sub-objectives	Theory background	Interview themes	Analyses chapter
To understand and clarify what are effective ways to manage sales organizations of Finnish companies in Russia?	How sales force is managed abroad?	Role of sales in a company, Sales structures, Sizing Sales to fir business opportunities, Control issues, marketing intelligence gathering, International sales, , co-operation with marketing + reporting systems	How sales organization developed? Does sales organizations differ in different countries, Finland vs. Russia? Whare are responsibilities of your salespoeple ? What do affects sales work in Russia? Is sales unit affected by company’s values and strategy? How sales co-operate with other department? Does your sales and marketing departments work together? Who decides on marketing activities in host markets? What are your reporting and communication systems, are those market specific? tuloksellisuutta?	2. Sales managemnt
	Why companies invest in knowledge management?	International management, knowledge management/transfer, knowledge types, communication frequency & information isolation, capability level of management, innovation possibilities of subsidiaries	How do you share knoelwdge within company? Do you have certain reporting systems? DO all of your departments and employees participate in knowldge management? How do you make sure everyone is included in dialog? What in the direction of communication flow, is it regulated? How often do you communicate with your employees abroad? Do you have research and development operations in your company, where innovation is created?	3. Knowledge management
	What are chosen sales strategies of Finnish companies in Russia?	Management style,cultural theories, language issues, Analysis of Russian market ja its characteristics, research on international sales experiance in foreign markets	What is leadership style in your company?Do cultural or language issues matter in international business? What is characteristic to doing business in Russia? What are most common challanges? Do sales organizations differ depending on markets? How expirienced Finnish companies are in foreign markets? What is ability of Finnish companies to extract market and other knowledge from Russian markets and/or their employees? How much Finnish compenis rely on market research, what information companies are looking for?	4. International perspective

## Appendix 2 Interview questions

### A. Background information

Name and title

Experience in working with sales

What is sales organization structure in your company, who is in charge of sales?

How did your foreign operations develop?

### B. Company information

Company presentation: industry, market position, turnover, number of employee in home vs. foreign markets?

What is company's experience in international business?

Official company language?

Please describe your leadership/management style? Is there company culture?

### C. Sales organization

What is your sales organization structure in Finland and abroad? How it changed?

How would you describe strategic sales management?

Who are your clients, do all get same service/offering? Is there differences in target groups?

How many departments in your company take part in serving customer, how do you communicate? How effective order, producing and delivery processes do you have?

Who is contact person?

What is your unquestionable strength? What information to your partners' appreciate?

What information do you look for?

How does your sales department reflect your strategy?

How often do you meet with your Russian employees? What do you trust with them and in which situations do you participate?

### D. Russian markets

What is characteristics to Russian market? Demographics, location specific approach, purchase power, pricing, etc.

Is it different to supervise foreign employees in compare to local? Is sales work different in Russia?

Did you have challenges with Russian culture/business culture?

Does business differ in Russia, what about your foreign clients and partners?

Did you have to educate your foreign employees?

How easy it is to compare sales in home and foreign markets? Are operations same?

#### E. Knowledge management and innovation

What is the direction of communication flow, outflow/inflow/communication between subsidiaries? What do you usually discuss via email or face-to-face?

How quickly it is possible for your sales people to gain needed knowledge? Do you have unofficial communication channels, for example between units/ among sales people or partners in different countries?

How and what do your foreign sales employees report to you?

What is competence level of sales people and managers?

Is there resources in Russia to be leading in research and development? Do you take advantage of their know-how/innovation? Are foreign employees skillful?

Is there enough educated workers? How do you ensure your workers' competitiveness? Are you always aware of your workers communication? Are they taking initiative?

Do you promote innovation or idea sharing, how?

#### F. International business in Russia

Are you international company? Is your business international, how? What is your organization culture? How do you promote your values and strategy?

Is your company offering the same in Russia and other markets?

Do you have alike organization structures in sales and otherwise?

Who is in charge of marketing in your company, in home vs. host markets? What information marketing & sales exchange? What do you require market oriented marketing?

How much did you have to adapt? What do you consider best practices when doing business in Russia? What is most suitable for Finnish companies?

What are current business trends in foreign market? Is there development in organization structures/management approach?

Have you purchased market research on Russian market/industry that you operate in?

Have you bought any market related reports, and did the information meet your expectations?

### **Appendix 3 Information on research interviews**

Company A Anonym. Interview 9.1.2017.

Company B Anonym. Interview 10.1.2017.

FRCC representative. Interview 26.1.2017.

Company C Anonym. Interview 31.1.2017.