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10. Towards understanding the role of social capital for value creation in business relationships: The case of Russia

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Abstract This exploratory case study aims to investigate the significance of the social dimension in the development of business relationships and consider its implications for value creation in industrial business networks. The findings demonstrate how social capital is developed through established social connections and continued social practices and indicate its instrumental role in accessing two types of scarce resources in a turbulent business context: reliable information and affordable financing.

Keywords social capital | business relationship | business network | value creation | Russia

10.1 INTRODUCTION

Previous research has demonstrated that small and medium-sized enterprises (SMEs) need to navigate industrial markets in particular ways in the volatile and unpredictable business context of Russia (Laine & Galkina, 2017; Taipale-Erävala et al., 2014). In particular, the lack of reliable formal institutions as guarantors of stability in Russia has been shown to lead to reliance on informal institutions among business practitioners, such as their personal networks (Puffer & McCarthy, 2011). In business network research, with the Industrial Marketing and Purchasing Group (IMP) at its helm, it has been established that firms need to interact in order to sustain and develop business operations (Håkansson et al., 2009). It is also recognised that social exchange between individuals is a central part of interaction processes that, over time, lead to interlocking businesses in relationships. Business relationships are essential for enabling the single firm to create bonds with other actors, establish ties for combining their resources and develop links for coordinating their activities. However, while the social aspect of business exchange has always been an important observation and implicit assumption of studies within IMP, it is rarely studied explicitly. In this spirit, Bondeli et al. (2018) suggested that social capital in the original interpretation of Bourdieu (1986) could conceptually reinforce IMP's treatment of social exchange in business relationships.

Bondeli et al. (2018) designed a cyclical model with the purpose of demonstrating how, over time, interaction between individuals as business actors reinforces social connections and facilitates accumulation of social capital through social practices. Social capital, acting as social obligations of the interacting parties, can in turn eventually be converted into various economic benefits if the need arises. As such, social capital may act as a social resource, providing access to economic resources buried in numerous interconnected relationships in business networks, thus facilitating value creation. This resonates with IMP's postulation that value is created not by single firms in isolation but jointly in business relationships that intertwine firms into networks (Baraldi et al., 2012). However, so far, IMP's lens has been focused on resource combinations between interdependent firms as the precursors of value creation in business relationships, while factors that enable access to resources to begin with have not been investigated.

For the present study, the cyclical model by Bondeli et al. (2018) has guided the data collection process and is used to analyse and discuss the findings from a case study of a business network consisting of several key supplier and customer relationships of a focal SME operating in food trade in Russia. The overall aim is to investigate the social nature of business relationships between SMEs in a turbulent market typical of the Russian business landscape. Within IMP, several researchers have pointed out that the social aspect of business relationships plays an especially important role in the Russian industrial market (Butler & Purchase, 2008; Mattsson & Salmi, 2013; Salmi & Bäckman, 1999). However, these studies have not investigated how the social dimension develops between individuals in business relationships in Russia. Nor have they considered the role of the social aspect in relation to mobilisation of resources and, in turn, to value creation in business relationships. In particular, this study proposes taking a step back to consider the role of social capital developed between business actors in providing access to each other's resources.

The overarching research questions are the following: *How do business relationships develop within the context of a turbulent market? What is the role of social capital for mobilisation of resources in these relationships?*

In this sense, the present study may offer new insights into the nature of business networks in a post-Soviet context characterised by unpredictability, as well as elucidate the role of social exchange between individuals in business relationships in the resource perspective. This may have further implications for the issue of value creation.

The rest of the chapter is structured as follows: First, theoretical considerations are presented in relation to the Russian business context and the main tenets of IMP research, along with an analytical framework. Second, this study's methodological approach is discussed. Third, case analysis and discussion of the main findings follow. The final section draws conclusions and suggests further research avenues.

10.2 THEORETICAL CONSIDERATIONS

Since the specific setting of this case study has far-reaching implications for the phenomenon investigated, the most conspicuous features of the Russian business context are addressed before presenting the IMP-based analytical model used to investigate the social dimension of business relationships.

10.2.1 SMEs in the Russian business context

Earlier research of the institutional environment in Russia demonstrates a challenging context within which Russian businesses need to navigate for survival. While Russia was believed to be transitioning from the Soviet planned economy to the Western-type liberal economy through the turmoil of the chaotic 1990s, after the turn of the century, it gradually became clear that Russia was no longer developing towards the Western model of a market democracy (Kurkchiyan, 2000). Conspicuously, in research over the following years, Russia has been referred to as a *network state* by Kononenko (2011), and its economic system has been defined as *network capitalism* by Puffer & McCarthy (2007). This means that Russian society is, in effect, governed by elite groups, labelled by Ledeneva (2013) as *power networks* consisting of extremely wealthy individuals who operate across the blurred boundary between the private and the public domains to devise political rules of the game that serve their own economic interests. These network references signify the lack of a functional legislative and executive structure that neutralises the power of the strong insiders and empowers the weak outsiders. In this context, small businesses are outsiders that have neither insight into the workings of the ruling networks nor access to resources available to insiders in big business. The market power is concentrated in the hands of a few 'cronies' who have gained control of industries through preferential treatment rather than fair competition (Åslund, 2019).

Furthermore, excessive regulation through abundant fuzzy laws provides discretionary authority to officials who execute it selectively and in a particularistic way, which inevitably impels ordinary business practitioners to violate some of the contradicting laws (Ledeneva, 2006; Yakovlev, 2006). In effect, many Russian SMEs, either willingly or unwillingly, operate partially in the shadow economy to circumvent complex regulations, and the size of the shadow economy remains substantial. The institutional dysfunction is aggravated by poorly developed financial markets, with Russian businesses facing difficulties especially due to the chronically ailing banking sector, which was further impaired by Western sanctions in the aftermath of the Crimea annexation (Åslund, 2019). For small businesses, which are by default less endowed with resources than big business, this implies a lack of attractive financial services – most importantly, affordable loans.

Hence, the business landscape that Russian SMEs navigate can be characterised as unpredictable and even hostile. In effect, Russian SMEs contribute just 20% of GDP and provide only 25% of employment, compared to 58% and 67%, respectively, in the EU (Russel, 2018). In the absence of stable institutional frameworks, SMEs face the need to find alternative ways to solve everyday problems and ensure their survival. Thus, informal institutions assume a compensatory function for formal institutions, with personal networks serving as the most important source of support and with business practitioners relying more on personal than organisational relationships. The critical role of personal networks and social interaction for business in Russia has been highlighted in a number of studies, often in relation to entrepreneurship (Batjargal, 2003; Butler & Purchase, 2008; Puffer & McCarthy, 2001; Salmi & Bäckman, 1999). However, while the pervasiveness of the social component in Russian business interaction has been recognised in general, there are no dedicated investigations into exactly how the social resources in business practitioners' personal networks translate into economic resources for their firms, or, in other words, how the social dimension is related to value creation in business networks.

10.2.2 An IMP-based model for analysing development and use of social capital in relation to value creation

The social aspect of business relationships is one of the core premises in the IMP perspective for studying and analysing business exchange (Håkansson, 1982;

Håkansson et al., 2009). However, most IMP-based studies take the social dimension of business exchange as a given rather than positioning it as a point of departure for investigation. In addition, although organisations are considered as made up of individuals, and case studies are based on interviews reflecting the viewpoints of individuals, interaction is essentially presented as a phenomenon on the aggregate organisational level rather than on the individual level of interacting managers. Similarly, the actor-resource-activity (ARA) model, which is a cornerstone of IMP research, is best suited for studying business relationships on the organisational rather than personal level. Its focus is on analysing interdependencies between firms as actors, adaptations of their activities in business operations and combinations of their resources for joint value creation (Håkansson & Snehota, 1995). One of the main tenets of IMP research is "no business is an island", which conveys the intrinsic interdependency of firms in business networks (Håkansson & Snehota, 1989). However, while interdependencies are understood as mutual investment patterns that lead to alignment of firms' material and immaterial interfaces, the material dimension has been given most attention (Baraldi et al., 2012; Prenkert et al., 2019). Therefore, the role of the social dimension of business relationships based on interaction processes between particular individuals calls for further exploration. Bondeli et al. (2018) attempted to explicate the social dimension within the ARA model by conceptualising the circular creation of social capital as part of business exchange processes. While the social dimension of business relationships has commonly been placed solely in the actor layer of the ARA model, this conceptualisation exposes the social content also in the activity layer and, especially, stresses the resource nature of social capital, as originally interpreted and described by Bourdieu (1986), thus placing it in the resource layer. Social capital is a particular feature of business relationships, representing a set of social obligations that can be used to mobilise and give access to other actors' resources. The creation of social capital depends on exchange processes over time during which actors establish social connections and engage in social practices with each other. As such, creation of social capital is interrelated with the social practices and social connections of actors over time (see Figure 10.1). Social capital interpreted as social obligations accumulated during the interactive process between individuals is thus a personal resource of business practitioners acquired within their business networks. This resonates with the original interpretation of Bourdieu (1986) that defines social capital as "the aggregate of actual or potential resources" accruing to network members through relationships of "mutual acquaintance and recognition" (p. 51).

Figure 10.1: The cyclical model of creation of social capital, adapted from Bondeli et al. (2018).

Using the concept of social capital to investigate the development and the role of the social dimension in business relationships is, in this study, a way of approaching the ultimate question of value creation. Although social obligations "cannot act instantaneously, at the appropriate moment, unless they have been established and maintained for a long time, as if for their own sake" (Bourdieu, 1986, p. 54), social capital is, in the long run, a reliable source of future profits, and thus a social resource convertible into economic resources. Thus, although social capital is not directly involved in value creation, it may be construed as an instrumental resource that facilitates value creation through providing access to other resources in a business relationship. While the concept of instrumental resources was introduced in IMP research by Prenkert and Hallén (2006), the social dimension of business interaction has not yet been viewed in this light.

10.3 METHODOLOGICAL APPROACH

To examine how business relationships evolve in personalised business networks, a qualitative case study was conducted. This methodology is especially useful when an in-depth understanding of a contemporary phenomenon in its real-life context is desired (Mason, 2002; Yin, 2009). The study concerns several key supplier and customer relationships of a food trading SME in Russia. An interpretive analysis was employed, which assumes that people create and associate their own subjective and intersubjective meanings as they interact with the world around them. This allowed an analysis of the different views of individuals from the focal firm and the selected key business partners regarding their relationships.

The focal firm and its loosely connected subsidiaries manage stores and lorries that serve many cities and regions in Russia. The firm was founded in the early 2000s and, at the time of data collection in 2017–2018, had about 30 employees and an annual turnover of about 12 million euros. Its primary business is food trading, while it engages secondarily in tendering and transportation. Its current trading business consists of roughly 20% import and 80% domestic trade. The firm's suppliers are mainly large producers and/or international traders, and its main customers are mainly small foodstuff producers and traders in the home market. As a trading company operating in a highly volatile and unpredictable business context, the firm puts great emphasis on agility in its operations, as it strives to buy and sell goods at the most appropriate moment to earn a profit. Therefore, to sustain efficient operations, it is dependent on a large network of established relationships with suppliers and customers. To investigate the nature of this interdependence, six of the closest business relationships of the focal firm were studied on both the supply and the customer side: two supplier relationships and four customer relationships (see Figure 10.2) where all the six partnering firms are SMEs involved mostly in food trading, similar to the focal firm. These relationships differ in closeness and duration, which provided a variation of relationship characteristics through which the role of social capital could be investigated. Processing the data, a content analysis approach, after Patton (2002), was used to search for and identify pertinent patterns and similarities in the responses representing the different relationships.

The data was collected in 2017 and 2018 through in-depth, semi-structured interviews and observations, both at firm sites and during social gatherings between the business partners. In this explorative study, eight business practitioners were interviewed: two from the focal firm, two from the supplier side and four from the customer side. The same researcher collected all the data to ensure consistency. Purposive sampling was employed: the two directors in the focal firm were asked to choose some of the closest relationships on the supplier and the customer side. The two directors then arranged meetings between their partners and the researcher since business practitioners in Russia are known to be sceptical towards researchers (Ivanova-Gongne et al., 2018). This way of approaching new respondents helped establish the rapport necessary for ensuring candid conversations.

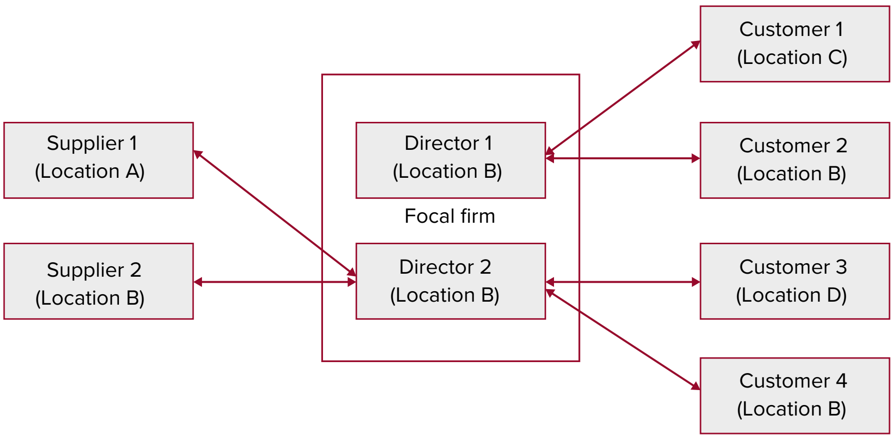

Figure 10.2: The focal network of six business relationships.

All eight participants are at the helm of their firms as either owners/co-owners and/or general directors. This implies that they are especially knowledgeable informants, given that business relationships between Russian SMEs seem to hinge on personal relationships between individuals in key positions. The respondents were asked questions about the background of their firms, their key business relationships, and especially the development of their social entanglement with each other, as well as business interactions between their firms. Each interview lasted from 30 minutes to four hours. The interviews were conducted face-to-face in Russia at the various geographical locations of the respective firms and during the participants' business and leisure trips. In addition, observations were made of the interviewees' interaction with their partners by witnessing phone calls and face-to-face conversations both in the business context and during social gatherings. The respondents at the focal firm were interviewed several times and followed up through phone calls and chats.

Data analysis was guided by the abductive approach, as suggested by Dubois and Gadde (2002), aided by two conceptual models. While the ARA model developed by Håkansson and Snehota (1995) was employed to investigate the business side of the relationships with an emphasis on the resource layer, the model of creation of social capital proposed by Bondeli et al. (2018) formed the conceptual centrepiece for analysing the social dimension of the relationships. The development of social entanglement between individuals in each of the relationships was analysed through the constructs of social connections, social practices and social capital. This allowed for an assessment of patterns related to the social obligations potentially arising between the individuals over time, and their mobilisation with an objective of value creation through accessing various resources in their business relationships.

10.4 CASE ANALYSIS AND DISCUSSION

The case analysis is developed from the overall judgement of the importance of interpersonal relationships in the Russian business context, through the investigation of social capital development in the six relationships, to the consideration of implications for value creation enabled by mobilisation of resources. Due to the exploratory nature of this research, which attempts to develop nascent understanding of the social dimension's role in relation to value creation in business networks, this discussion heavily relies on the empirical material, preserving the participants' own voices wherever possible.

10.4.1 Interpersonal relationships

The most distinct trait of business relationships in this study is their interpersonal character. When talking about each other's businesses, the respondents refer to them by their partners' given names and, on occasion, have difficulties remembering the – frequently changing – names of their partners' firms. As expressed by customer 2, "the name changes but the people remain the same". This reflects the Russian business reality where SMEs are often intentionally driven bankrupt, making contractual obligations difficult to enforce, which orients business practitioners towards people rather than firms. Supplier 1: "Well, this is a question of reputation. And not of the company, but of the person. Because suppose, I have never tied my business to companies, because what is a legal entity? It is a paper. A company name is a paper. But a person, a particular person who stands behind this company and whom you can specifically make responsible, it is a person, and not a name on a paper."

Consequently, the accent is placed on personal traits and capabilities of partners rather than credit ratings or other indicators of their firms' performance. Director 2: "That is, why talk about firms, even if, suppose, a person has established a firm. Some firm, right? Why talk about this firm? I talk about the person, because now this person has established this firm and then will establish another one. What difference is it to me? The main thing is the person, and not what he has called his boat, relatively speaking. This is like a captain on a boat, right? If the captain is good, what difference does it make what boat he works on?"

The main explanation seems to lie in the significant risk of encountering malfeasance, which is an important factor that businesses need to safeguard themselves against in a way that compensates for the dysfunctional judicial system. Some of the respondents stress that the chaos that reigned in the nascent business market in Russia in the 1990s is not completely exhausted, and malfeasance in seller-buyer interactions is still fairly common, with certain business actors disappearing after receiving goods. Supplier 1: "It is not all that easy, you know. It happened to me that I lost one and a half million. Yes, and, I had not got this one and a half million from an uncle. I earned it and I lost it. So there. Others lost even more."

With inept law enforcement agencies and malfunctioning courts, the chance of recovering lost money is negligible, while contract terms are frequently not respected, even in established business relationships. Director 1: "A client may – and in the recent times it has become a broad practice – he may place an order, you present him documents, he stamps and signs them, even maybe transfers a certain sum of money, and then says: listen, let's reduce the quantity because I can't fetch it all."

While illustrating the utter insignificance of formal agreements, the business practitioners' reliance on informal agreements instead seems to be an effect of the turbulent and volatile business environment where even planning a couple of weeks in advance is uncommon. Customer 2: "Well, no-one signs... Well, suppose, if there is an order, we handle it. That is, the client doesn't write: well, today I will load this, and in two weeks I will load that. There is no such planned economy." The need to quickly respond to changing market conditions renders contractual obligations too rigid even for short-term contracts, while long-term contracts are literally non-existent in this industry. Director 2: "We have no such thing in Russia. No long-term deliveries, there is no such thing."

Thus, the longevity of business relationships is based on unspecific informal loyalty rather than specific formal contracts. Director 1: "I don't know such clients that we might have that would precisely adhere to a contract. There are faithful clients: those who will buy from us, other conditions being equal. If someone has it cheaper, they will not silently steal away into a mire but they will call and say: well, so and so, there is such an offer, let's discuss, so to say, our possibility, what you can do. Well, as a rule, in most cases we meet them halfway, because these faithful ones, they are not so many." This illustrates a fluid business network where continued business interaction between firms is a function of personal rather than organisational interdependencies. Director 2: "And for it to last from year to year, well, this is more about personal relationships." Contrary to the current paradigm within IMP, material interdependencies in the studied network are difficult to discern, with all the respondents unanimously claiming that it would be relatively easy to substitute their supplier or customer (or be themselves substituted), although it would be unpleasant to lose them as people.

Hence, interdependencies seem to hinge on personal relationships that serve as a way of securing business operations endangered by the overall unpredictability and potential malfeasance in seller-buyer interactions. Therefore, the following analysis of the six business relationships is conducted on the individual level, investigating the social entanglement of one specific individual in each firm with one specific individual in a partner firm.

10.4.2 Development of relationships: Creation of social capital

Table 10.1 below specifies the three building blocks of social exchange – social connections, social practices and social capital – for each of the two supplier relationships and each of the four customer relationships. Although these constructs are not easily operationalised, in this analysis, they are identified using the clues from the conceptual paper by Bondeli et al. (2018). Social connections are considered to be in place when there is evidence of shared values, solidarity, reciprocity and trust between the partners. Social practices designate ongoing social exchanges between the partners, both inside and outside business situations. Finally, social capital is identified through social obligations between the partners that, in the words of Bourdieu (1986), are "durable obligations subjectively felt" (p. 52), expressed especially as that "nonspecific indebtedness which is called gratitude" (p. 54).

The cell entries display an overall adequacy judgement by the authors ranked as *weak, adequate* or *strong* (Miles & Huberman, 1994), which are supplemented by short data-based comments. The adequacy rating refers to the indicative nature of the empirical material in relation to the interest of the present research – the role of social exchange in business relationships in the Russian industrial market context.

Table 10.1: Overall assessment of the building blocks of the social dimension in the investigated relationships

Building block Relationship	Social connections	Social practices	Social capital
Supplier 1 – Director 2	*Adequate* Duration: 2 years (from the supplier's current firm start-up), came in contact through another business partner. Well-developed common values and solidarity, evolving trust and reciprocity.	*Strong* Routine interaction: every day. Meeting in person: every other month (despite different locations), many leisure activities (dining, drinking, fishing, racing, sea and forest trips), also with spouses.	*Adequate* Considerable gratitude and social obligations, mobilised for access to information, with further potential.
Supplier 2 – Director 2	*Adequate* Duration: 5 years, initiated at a trade fair or through a business enquiry, closer social contact later through another business partner. Well-developed common values and solidarity, stagnating trust and reciprocity	*Adequate* Routine interaction: delegated to another manager employed by the supplier. Meeting in person: once a month (due to same location), many leisure activities (dining, drinking, fishing), visits in the supplier's restaurant, the supplier's cottage (sauna), several journeys in Russia and abroad with a circle of close business partners.	*Weak* Moderate gratitude and social obligations, mobilised for access to information.
Director 1 – Customer 1	*Strong* Duration: 10 years, initiated through a business visit. Well-developed common values, solidarity, trust, reciprocity.	*Adequate* Routine interaction: once a week. Meeting in person: twice a year (due to different locations), some leisure activities (dining, sightseeing).	*Adequate* Considerable gratitude and social obligations, mobilised for access to information, with further potential.
Director 1 – Customer 2	*Strong* Duration: more than 13 years, initiated when both worked in different firms, 2 years in the current firms (from the customer firm's start-up). Well-developed common values, solidarity, trust, reciprocity.	*Weak* Routine interaction: once or twice a week. Meeting in person: once or twice a year (despite same location), few leisure activities (drinking).	*Adequate* Considerable gratitude and social obligations, mobilised for access to information, with further potential.

Building block Relationship	Social connections	Social practices	Social capital
Director 2 – Customer 3	*Strong* Duration: 13 years (from the director firm's start-up), 6 years in the current firms (from the customer firm's start-up). Well-developed common values, solidarity, trust, reciprocity.	*Strong* Routine interaction: twice a week. Meeting in person: once a month (despite different locations), many leisure activities (dining, drinking), visits in the customer's cottage (sauna), visits in the director's home, celebrations, also with family members.	*Strong* Deep gratitude and social obligations, mobilised for access to information and financing.
Director 2 – Customer 4	*Strong* Duration: more than 13 years, initiated when both worked in different firms, 9 years in the current firms (from the customer firm's start-up). Well-developed common values, solidarity, trust, reciprocity	*Strong* Routine interaction: twice a week. Meeting in person: twice a month (due to same location), many leisure activities (dining, drinking), gatherings within a circle of close business partners.	*Strong* Deep gratitude and social obligations, mobilised for access to information and financing.

10.4.3 Social connections

Following Bondeli et al. (2018), social connections, consisting of shared values, solidarity, trust and reciprocity, are a prerequisite for the creation of social capital, but are not equivalent to social capital. Although the duration of the six relationships in this study varies, all of them exhibit well-established social connections.

All the respondents appear to appreciate the same values, among which honesty seems to be most important. It is indeed valued to the extent that several of the respondents are willing to go against their own business interests rather than misguide their partner. Reliability is another value that is commonly mentioned in the sense of expecting a business partner to be "a man of his word" who will make no attempts to exploit his bargaining position, which is exemplified in a characteristic given to customer 1. Director 1: "Well, and he himself as a person, in principle, he doesn't get impudent in some situations. That is, he sees the limits adequately. That is, where he sees that a three-rouble discount would be enough to solve the problem, he will not insist on ten roubles." In this respect, it is worth pointing out again that the common values are solely personal traits, and not organisational properties as is usual in Western corporate culture. This comes forth especially in the focal firm contacts' insistence on conducting business only with "sane" and "sensible" people, which is a way of defining their standard of decent business practitioners.

In all the studied relationships, the participants clearly exhibit solidarity with each other. This is expressed in utter respect of the mutual goal, which is to earn a good reputation and a fair profit. This is further extended to their mutual motivation to provide for their families and children, which is expressed in several interviews. Therefore, in their relationships, they act in professional solidarity with each other, although they have conflicting interests as sellers and buyers and even sometimes as competitors in the same market. This is, for instance, expressed by several interviewees in their understanding of their partner's choice to go for a better deal, such as the following description of a decision taken by supplier 1 to sell goods to another customer for a higher profit. Director 2: "I understand his logic. I would have acted the same way. And I like that he tells me this honestly and openly."

In all the relationships, the interviewed partners state that they trust each other, with one of them describing his level of trust in his partner as "99%". In all the answers, trust is claimed to be experience-based, with a long history of decent business conduct, devoid of attempts at deceit, playing the most important role. Trust is personalised, meaning that the history of trusting relationships follows partners as individuals, and not their firms. In half of the studied relationships, the personal acquaintance predates the partners' current firms by many years. Whether a particular owner or director can be trusted is a matter of his personal traits of character and, in turn, acts as a prerequisite for developing a close relationship with his firm. Trust as an attribute of interorganisational relationships therefore makes no sense in the network studied.

Reciprocity is reflected in frequent small favours, which is common in the majority of the studied relationships. Such favours may be arranging for a quicker loading, helping out with transportation of small quantities and selling or buying at slightly lower or higher prices than the competitors. Such reciprocity in the routine operations may, over time, create unspecific indebtedness between the partners, which is instrumental for developing social obligations when coupled with continuous socioeconomic interaction.

Hence, the social connections that evolve over time constitute a stable social structure between individuals who build lasting relationships with each other more than between their firms. This social structure seems to remain more or less unchanged, in contrast to the inter-firm structure where business entities arise and perish, keeping the interorganisational landscape in flux.

10.4.4 Social practices

Social interaction between individual business practitioners is conceptualized as social practices, meaning a continuous series of social exchanges where they learn how to act in relation to each other (Bondeli et al., 2018). Social practices both reinforce the established social connection and serve to develop social capital in the relationship. All the studied relationships, with one notable exception, exhibit continuous routine interaction by phone or other means of communication on a daily or weekly basis. The frequency of face-to-face interaction ranges from a couple of times a year to monthly meetings. While some of the partners are located in other regions, the geographical distance does not always reflect the frequency of physical meetings. Therefore, social practices are considered stronger where the partners meet often despite the distance and weaker where the partners meet seldom despite the proximity.

In all the investigated relationships, the participants point out that their business interaction is informal, which all of them prefer to formal business conduct. All of the interviewed business partners socialise with each other, to a greater or lesser degree, both inside and outside the business context, with a wide range of leisure activities practiced especially in the circle of close business partners that has formed around director 2. Supplier 1: "We may go skiing or go racing or go to the woods and drink vodka, like all we Russians can." The researcher who collected the data observed two remarkable instances of such leisure activities. One of them was a Friday evening office drinking party with director 1, director 2 and customer 4, while another one lasted through a long weekend of intense socialising with director 2, supplier 1 and supplier 2 partying before and during a fishing trip with selected business partners and their spouses. While such leisure gatherings seem to be organised for the sake of pleasure, without ulterior motives, these purely social activities intertwine the respondents in an ever tighter personal network with each other.

However, the quality of social practices alone does not seem to compensate for their quantity. As the relationship with supplier 2 demonstrates, when social interaction between the owners is limited to leisure activities only, with routine interaction delegated to another manager on the supplier side, these kinds of social practices alone, however jovial they might be, do not seem to lead to accumulation of sufficient social capital in the business relationship. Director 2: "I do not receive any preferences out of this. Out of my drinking vodka or fishing with him, I do not receive any preferences. Because, in a way, business is business, and this is like that. Again, as I say, he does not participate in the life of his company." This points to the importance of frequent social interactions in the business context, which in the other relationships is achieved through daily or weekly contact between the partners where both business and personal issues are discussed. When one of the relationship partners is detached from this kind of routine contact, this leads to fewer possibilities for reciprocal exchange of favours and trust building that are expected to strengthen the existing social connection. This confirms that creation of social capital is a circular process where continuous reinforcement of each of the three building blocks is important.

10.4.5 Social capital

According to Bondeli et al. (2018), relationships do not imply the existence of social capital in and of themselves, but the social structure and content of relationships are prerequisite for the creation of social capital as a potential feature of personal relationships.

The strength of social capital in particular relationships is determined by evaluating whether social obligations between the partners are developed enough to serve as a substitute for contractual obligations. In other words, the magnitude of social capital is substantial if contractual obligations are no longer needed to regulate business interactions in a particular relationship. This is best expressed in the following description of one respondent's relationship with director 2 in the focal firm. Customer 3: "I will render him different kinds of help as far as my possibilities stretch. As far as my possibilities stretch, that is… If I have a possibility, like… Well, as of today, I have a possibility to give a thousand roubles. If tomorrow I have a possibility to give a million, I will give him a million. That is, I can give it without any receipts, without anything. I know that he will pay back." The certainty of mutual social obligations as a substitute for contractual obligations in this relationship is confirmed in an equally vivid statement about customer 3. Director 2: "And, like, you see, I understand that he will in no circumstances let me down. Well, he will not ditch me, relatively speaking, right? If something should happen, he will sell his last underpants, but he will pay off."

In general, based on the interviewees' accounts, written contracts are not viewed as an important instrument for regulating business interaction in relationships where social capital is present. Instead, social obligations secure everyday business, reducing the need to follow formal procedures, which in turn facilitates agility.

This is expressed in the following example of a business interaction with customer 1. Director 1: "Well, we simply give them a possibility not to be tied to payments. That is, they place an order, come, load, and pay. There is also such a thing that we load on the same day, they don't need to place an order the day before. So, he calls and says: can we load today? As a rule, we accept this."

In effect, in all six relationships, the partners operate with more or less flexible payment terms and generous credit limits. In a business reality where handling a contract breach through the legal course is either an impossible or at least a cumbersome process, such benevolent attitudes between the business associates clearly indicate accumulated social capital in their relationships, as demonstrated in the following description referring to director 1. Customer 1: "Well, first of all, I am obliged to him because the products are loaded unconditionally on credit, and the size of this credit is practically limitless, and, in principle, any deferral of payment may be agreed on, within reasonable limits. So, therefore, I think that I am already obliged to him for this. That is, this is actually a big help for us from their side." This declaration of gratitude illustrates that accumulation of social capital is an infinite process, with social obligations creating further social obligations through continuous interaction, in line with the circular model of creation of social capital.

At the same time, while the duration of the personal relationship seems to be conducive for developing social obligations, time alone does not explain their strength. This analysis indicates that strong social capital is developed only in those two relationships where both strong social connections and strong social practices are in place. This further confirms the tight interrelation and the mutual reinforcing function of the three building blocks of the social dimension, as the circular model of creation of social capital suggests.

10.4.6 Access to resources and implications for value creation

Social capital appears to provide access to resources in all the studied relationships, which indicates its instrumental nature in the sense of the definition by Prenkert and Hallén (2006). These resources are otherwise unavailable or at least difficult to access for business actors who cannot draw on counterparts' social obligations to them. However, the kind and the value of resources provided seems to vary depending on the magnitude of the social capital accumulated in each of the relationships. Two kinds of resources have been identified in this study as accessible through social capital as an instrumental resource: information and financing.

10.4.7 Information

Reliable information is stressed as a particularly valuable immaterial resource by all the informants in this business network. First of all, a well-functioning information flow is critical for determining the right time and price for sales and purchases in the rapidly changing market situation that is characteristic of trading without long-term contracts. Director 2: "You don't get to know something somewhere. Suppose, there's a good, adequate offer, but you don't have time to trace it, and it passes, and you get to know about it, like, oh, it was yesterday… It turns out that the day before yesterday one could buy it and earn a million, and you, like… You get to know it after someone has bought it already." The network members are in regular contact with each other, most of them several times a week, to discuss market developments and give advice. This kind of market information sharing is characterised by lack of self-interest, which is reflected in a number of statements, such as the following description of the relationship with customer 1. Director 1: "Well, of course I share information with him all the time. Sometimes I simply call to tell him that, suppose, he doesn't need to sell some goods cheaply if I see that they have started moving, that the price is rising."

Interestingly, the intensity of social practices, coupled with the presence of social capital, may have an additional reinforcing effect on information access. In a specific example, contact frequency with director 2 as a consequence of a friendship that has developed appears to have implications for information exchange. Supplier 1: "That is, well, to put it this way, I may call him a couple of times, or two-three-four-five times, more in a week than the rest, other clients. And it does not have to be work related. But, if I have called him, right, I may convey some information to him that I have not had time to convey to these clients or those clients."

Another kind of valuable information that several respondents emphasise is information about other business players in the market. Customer 1: "We often give them information about a given client's financial state." Given the risk of malfeasance and the lack of reliable public registers, network members are critically dependent on their partners' knowledge of other market players to evaluate their credibility. In some cases, by verifying credibility of certain market players, business partners may even act against their own interests if these market players are their direct or indirect competitors. Notably, the credibility of other firms is often evaluated through the personal reputation of their owners or directors, as illustrated by the following description of a typical conversation with director 1. Customer 2: "Sometimes he asks me about a client: do you know that Vasya or Petya, what is he like? Or I call him and say: do you know that Vasya or Petya? You know, whether he is a decent client or not."

10.4.8 Financing

While reliable information is a resource that becomes available even with a relatively modest magnitude of social capital in a relationship, financing as a vital material resource is accessible only by virtue of strong social obligations, that is, well-developed social capital. Only two relationships exhibit social capital accumulated to this degree: those with customer 3 and customer 4. Customer 4 explains that he and director 2 lend money to each other on some occasions, for instance when cash is needed to pay for some goods. Customer 4: "But this is not for all firms, this is an absolutely particular case. Financial cooperation is an absolutely particular case. When someone somewhere lacks money and someone can give a loan, give a loan in cash. This is a particular case, there is no such thing with other firms. Only if there are long personal relations exactly between firm bosses, firm founders, is it possible, and in other cases there is no such thing."

Another example illustrates more significant financial support from director 2 for his customer's start-up. Customer 3: "His step, when we started developing our business, it helped me a lot. It helped me a lot. That is, he understood that he could lose out, he could lose out, and, at the same time, he went for it." This kind of financial support, while requiring a substantial magnitude of social capital to materialise, in turn leads to further strengthening of social capital in the relationship that lasts even after the dues are paid. Customer 3: "You know, I think that I have already paid him these debts. But my turn of character is such that I myself will still feel that he helped me somewhere and I am somehow obliged to him."

The importance of mutual informal financing between firm owners is augmented due to the lack of acceptable financing options through formal institutions in Russia, which makes such financing an invaluable resource. Since it is accessible only by virtue of well-developed social capital, its significance as a social resource for SMEs in the Russian context seems to be paramount. While only two of the relationships studied demonstrate this kind of fruition of accumulated social capital in monetary terms, the durability of social capital as a social resource implies a long credit horizon and may materialise at a later point in time, as expressed in the following statement. Customer 2: "Well, simply we walk the same roads, anything can happen in life. The time will come. I don't set some time limits, like tomorrow you owe me that much or that much. It will come." Hence, although some of the business associates have not yet capitalised on their social obligations, a time lag is in fact one of the specific features of social capital as a dormant resource that may be mobilised when the need arises.

10.5 CONCLUSION

This exploratory study set out to answer the following research questions: *How do business relationships develop in an industrial network within the context of a turbulent market? What is the role of social capital for mobilisation of resources in these relationships?*

The findings indicate that the business relationships studied are significantly affected by the turbulent market conditions in the absence of a balanced institutional climate in Russia. In this context, efficiency in business operations is bolstered not so much through developing material interdependencies between firms, as is often the case in Western industrial markets, but through building interpersonal relationships that serve as informal institutions compensating for ill-functioning formal institutions (Mattsson & Salmi, 2013). Efficiency is thus achieved through agility and flexibility gained by cutting time-consuming formalities, rather than through mutual alignment formed by locking partners in heavy interdependencies, as is the ruling paradigm in IMP (Baraldi et al., 2012; Prenkert et al., 2019). Hence, business relationships in turbulent Russian markets develop to a great degree along the social dimension, with interdependencies buried in the more stable social structure, rather than the more fluid material structure, of business networks.

The social dimension is developed through social connections and social practices mutually strengthening each other and leading to creation of social capital, which in turn continues the reinforcing cycle between these three building blocks of social interaction (Bondeli et al., 2018). The present analysis indicates that the strength of social capital is not only developed over time but is also dependent on the strength of social connections and social practices in business relationships in terms of their depth and intensity. Accumulation of social obligations, which social capital consists of, is thus not a given in any interpersonal relationship between business partners but is the result of a continuous, although not necessarily conscious, effort of socialising in both business and leisure contexts. In effect, social obligations serve as substitutes for contractual obligations in the Russian institutional environment where formal agreements may be difficult to enforce. Hence, when terms for a specific deal are agreed upon, it may be effectuated efficiently without further formalities or payment concerns, by virtue of the partners' social obligations towards each other.

Social capital as an instrumental resource, following the definition by Prenkert and Hallén (2006), is shown in this study to play a significant role in accessing two kinds of resources that are otherwise difficult to gain in the challenging industrial markets in Russia: reliable information and affordable financing. As long as unpredictability and malfeasance remain fairly common characteristics of the Russian business reality, the value of timely and reliable information on market fluctuations and on market players will remain high. This immaterial resource, while difficult to gain under the relatively harsh market conditions, is shown to be accessible in business relationships even with a moderate volume of social capital. Accessing the financial resources of business partners requires, in contrast, a considerably larger volume of social capital. Its value is accentuated by the ill-developed financial sector in Russia, which makes affordable financing a crucial resource for the survival of SMEs. These findings confirm the role of social capital as a resource that provides access to other resources in a business network, as proposed by Bondeli et al. (2018), while also indicating the importance of its strength for accessing especially valuable resources.

These preliminary insights point to the decisive role of social capital for accessing important resources available to other actors in a business network, especially when access to such resources elsewhere is hindered by inadequate institutional conditions. Furthermore, this has implications for value creation in business networks. While value creation in business relationships has been viewed in a close relation to resource combinations in IMP literature, such as Håkansson et al. (2009), value creation is also a matter of access to resources, which precedes their utilisation. Therefore, social capital appears to be an important precondition for joint value creation between SMEs as disadvantaged market players with no position in, or influence on, the power networks governing the business landscape, such as that of industrial markets in Russia.

Although this exploratory study provides some preliminary insights into the social dimension in relation to value creation in business relationships, its scope is limited to one business network in a specific industry in the Russian business context. The importance of social capital indicated in this study warrants further investigation of the intricate socioeconomic fabric of business interaction in other similar, and dissimilar, business landscapes. The model of creation of social capital applied in this study has proved useful for elucidating a nuanced picture of the social dimension. At the same time, although the building blocks of social connections, social practices and social capital have been assessed on the scale from weak to adequate to strong, these relatively subtle constructs are not easy to separate and quantify, which calls for continued efforts in their operationalisation as analytical tools. Finally, as this study has shed light on the role of social capital as an instrumental resource with implications for value creation, it calls for adopting a broader view on the process of value creation that transcends the context of resource utilisation to further investigate factors that condition access to material and immaterial resources in business networks.

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