

**Translation Mechanisms of International Market Shaping:
The Transformation of St. Petersburg Bread Market from 1997–2007**

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Abstract

There is a need to understand how indigenous markets transform following foreign entry. We refer to this transformation as international market shaping—the progression of a set of cross-border activities that contribute to changes in economic exchange. Building on the markets-as-practice literature and an explorative longitudinal single-case study conducted in the St. Petersburg bread market (1997–2007), we study international market-shaping mechanisms that translate a foreign company’s idea of a market into market practices. We contribute to the literature by identifying four translation mechanisms of international market shaping: advice, demonstration, requirements and management mobility.

Keywords: Market shaping, Translation mechanisms, Markets-as-practice, Dynamics, Performativity, Transformation

INTRODUCTION

Foreign entry often causes turmoil in indigenous markets. For instance, Demirgüç-Kunt, Huizinga and Claessens (1998) estimated that a foreign bank's entry decreases domestic banks' profitability. Conversely, the associated market structure changes could also result in increased productivity and export growth in host countries (Blomström and Kokko 1998), as foreign firms transfer technology to local suppliers (Blalock and Gertler 2008). In the context of East-West business, similar evidence has been found in Estonia, where local firms benefited from foreign direct investments (FDI) through the opening of new markets, the development of managerial and marketing know-how, and financial resources (Varblane and Ziacik 2000). The case was similar in Hungary, where foreign companies changed the way contracts were made in the dairy industry and drove improvements in raw milk quality (Gorton and Guba 2002). However, FDI's positive influence on growth dynamics is not universal among European transition economies (Tsitouras and Nikas 2015). This suggests that we need to better understand how markets transform and how market practices spread in a host country following foreign entry.

We refer to the phenomenon of market transformation following foreign entry as international market shaping. We define international market shaping as the progression of a set of cross-border activities that contribute to changes in economic exchange. This paper asks: What are the international market-shaping mechanisms that translate a foreign company's idea of a market into market practices? We approach this empirical research question within the context of European transition economies, as the findings are based on the explorative longitudinal single-case study conducted in the St. Petersburg bread market between 1997 and 2007. The longitudinal study is derived from the empirical research presented in doctoral dissertation by Pelto (2013).

Our view of international market shaping builds on the markets-as-practice approach, which relates to consumer culture and network approaches to markets, and more generally to the broader fields of economic and cultural sociology (Geiger, Kjellberg, and Spencer 2012). The markets-as-practice approach holds that markets are “performed”—i.e., ideas of markets bring markets into existence (Kjellberg and Helgesson 2010; Kjellberg and Helgesson 2006)—through “market practices,” or the activities of multiple calculative agencies that constitute and shape markets (Kjellberg and Helgesson 2007b; Hagberg and Kjellberg 2010; Azimont and Araujo 2007); translations linking different market practices (Kjellberg and Helgesson 2007b); and mediations connecting various transformation themes (Chakrabarti, Ramos, and Henneberg 2013).

Despite the fact that the markets-as-practice approach enables a novel approach to international market shaping, it is not clear how foreign entry influences market practices. In other words, although a foreign company can envision ideal markets, it is unclear through which market-shaping mechanisms ideas are translated into market practices, or how ideas about markets influence real markets (Kjellberg and Helgesson 2006). Thus, by studying the translation mechanisms of international market shaping in the St. Petersburg bread market, we contribute not only to East-West business or international business research, but also to the emerging literature on markets-as-practice.

The paper proceeds as follows. First, we introduce the markets-as-practice literature to the *Journal of East-West Business* readership, as well as to the wider international business community. Second, we describe our study’s methodology. Third, we describe the case in question and showcase the changes that occurred in the focal firm following the foreign market entry to the St. Petersburg bread market, as well as the related market transformations from 1997 until 2007. Fourth, we elaborate our research findings. We identify four translation mechanisms of international market shaping, namely, advice, demonstration, requirements and

management mobility. Finally, we conclude the study by discussing its contributions, as well as presenting our view on its limitations and suggesting topics for future research.

MARKETS-AS-PRACTICE

The markets-as-practice approach holds that markets are created and shaped as they are performed. Market practices construct the view of how markets work and are represented. The focus is on market practices, i.e., all activities that contribute to market constitution (Kjellberg and Helgesson 2007b). Consequently, markets are considered to be shaped by activities and interactions of different practice groups, as well as translations between practices (Chakrabarti, Ramos, and Henneberg 2013). In other words, markets do not simply pre-exist, but are instead constantly defined and shaped by various market actors (Kjellberg and Helgesson 2007b).

One example of this would be a supermarket, which brings together suppliers, customers and other actors, such as experts on packaging and presenting products on store shelves (Barrey, Cochoy, and Dubuisson-Quellier 2000). For instance, before packaged bread is available for purchase, a number of market actors enact market practices. In other words, bakeries, suppliers and retailers all partake in configuring the market by acting on their idea of the market. Kjellberg and Helgesson (2007a) similarly address how introducing self-service in Sweden's private food retail trade required efforts to reconfigure market practices by retailers and a major wholesaler. These efforts focused on the exchange's material framing (e.g., redesigning store facilities, interiors and the pre-packaging of goods), as well as on education and information campaigns directed at involved actors (both retailers and consumers).

Kjellberg and Helgesson (2006) emphasize the role of ideas in market making. Ideas have a performative role in shaping markets, as ideas are translated into market practices. There are three intertwined market practices: exchange practices that focus on how exchange is

consummated, normalizing practices that focus on how normative objectives are generated and representational practices that describe how markets work (Kjellberg and Helgesson 2007b).

Exchange practices refer to the activities of buyers and sellers who consummate exchanges (Hunt 1982), including social interaction that enables economic exchange (Kjellberg and Helgesson 2007b). The questions refer to, for instance, what and how customers buy, why and when they buy, and why and how sellers produce and distribute the products. However, economic exchange is not isolated from the surrounding institutions, which influence the exchange practices.

Representational practices refer to activities that portray market actors and networks, including how they function as measured by certain standards (Kjellberg and Helgesson 2007b). As a result, representational practices become as important as exchange practices. Put simply, without representational practices, there is no market. Representational practices do not merely describe a given market aspect, such as how prices are set. Instead, the representation of an activity itself shapes the activity. For instance, the representation of market measures can shape the calculations and evaluations of marketing activities. In fact, market representations can be used to establish preferable directions for an actor spreading the portrayal of a preferable market (Azimont and Araujo 2007).

Normalizing practices produce objectives, rules and tools that market actors set with regard to how a market should look and function (Kjellberg and Helgesson 2007b). Normalizing practices also define what is being measured and how. This includes ideas of how the market should be shaped so that it works according to a market actor's interest, such as transforming formal institutions, setting certain rules for competition, setting voluntary standards or individual actors' strategies. Thus, normalizing practices can affect the economic exchange between buyers and sellers.

As described above, these market practices are not independent, but rather tightly intertwined. Therefore, it is important to understand the interrelationship between these practices. Kjellberg and Helgesson (2006; 2007b) call the transformation of market practices “translations.” Translations are the social processes through which ideas or other artifacts spread across time and space. They define how the world of ideas shapes the market. According to Callon (1986), there are four moments of translation—mechanisms through which the world takes its form—that explain the co-constitution of markets and knowledge on markets. Whereas the first two moments of translation (problematization and intersement) refer to individual sensemaking that leads to market ideas, the latter two moments (enrollment and mobilization) are more applicable to transforming ideas into market practices, and are therefore presented in the following section.

Enrollment of actors refers to actors’ commitment to making a specific market happen, i.e., commitment to new exchange, representative, or normalizing practice. Instead of referring to the idea of a market, enrollment refers to actions showing an obligation to new market practice rather than just the intention of changing behavior. Enrollment results from a set of multilateral negotiations and trials that eventually turn out to be successful (Callon 1986).

Whereas enrollment refers to individual actors committing to a new idea, mobilization of allies means that masses follow these representatives. The question is whether one can generalize from a single actor’s actions that there is a new practice, as well as whether one can identify a spokesman who mobilizes others. Mobilization requires actors and devices to represent new market practices that are representative in numbers and diagrams. One can observe new market practices when actual transactions occur and are represented (Callon 1986).

The market structures created as a result of translation enable and constrain new attempts to restructure markets, as they provide the extant qualifications of, for instance, the product’s

intrinsic qualities, packaging or products' placement on the shelves (Azimont and Araujo 2007). To change these new qualifications, a great deal of effort will be needed from a variety of experts to reconcile their market representations and to coordinate actions to transform market practices. As Azimont and Araujo (2007) note, there is a constant dialectic between different interest groups, as well as between the actors that support transformation and those who favor the status quo.

All in all, the markets-as-practice perspective perceives markets as constructed and shaped by concrete activities undertaken by several market actors (Kjellberg and Helgesson 2007b). These activities shape the way that other actors engage in exchange, view the market, and set objectives for market practices. Storbacka and Nenonen (2011a, pp. 247–248) suggest that markets or market configurations can be altered by changing mental models—images that influence how actors understand the world and take actions—or business models—“constellations of interrelated design elements, outlining the design principles, resources and capabilities related to markets, offerings, operations, and management.” They suggest that mental models and business models can be altered through market scripting and market propositions that suggest a focal actor's idea of a market configuration (problematization and interessement) and actors' engagement (enrollment and mobilization) in activities that constitute a shared view of the market (Storbacka and Nenonen 2011b). For instance, Biggemann et al. (2013) showcase how interplay between problems and solutions in Chile's mining sector transformed some market configurations in Australia, and as a result, initiated new development trajectories in market practices. However, research on this kind of translations has remained on a high-level of abstraction. Consequently, we do not understand the mechanisms that mobilize support for a new market view, or in other words, help to translate market-shaping ideas into market practices. Therefore, in this study, we take a closer

look at these transformations and translation mechanisms by empirically studying how a single foreign company shaped market practices in the context of European transition economies.

METHODOLOGY

We decided to conduct a longitudinal single-case study to identify the translation mechanisms of international market-shaping ideas, as this allows us to better understand underlying changes (Siggelkow 2007; Eisenhardt 1989) and to gain contextual insight (Piekkari, Welch, and Paavilainen 2008). More specifically, the chosen research method is useful because the area of research remains unknown, and the phenomenon benefits from an exploratory research approach (Yin 2009).

Philosophically, we build on critical realism, which assumes that there is a reality that is independent of observers while simultaneously accepting that the world is also socially constructed through subjective interpretation of realities (Welch et al. 2011; Easton 2010). Critical realism does not aim to explain matters through universal cause-effect linkages, but through causal mechanisms that link entities, mechanisms and events.

For this empirical study's research object, we chose Fazer Bakeries and its investment in Hlebny Dom, a bakery in St. Petersburg, Russia. The case is described in greater detail in Pelto (2013). The case comprises a cross-border acquisition and the transformation this induced in the local bread market. The first reason this case was selected was because it represents a Western firm's entry into a European transition economy. The second reason was that the investment was made in 1997. Therefore, because some time had elapsed, international market-shaping practices were more likely to be detectable. The third reason was that there were no other foreign owned bakeries in St. Petersburg, which made it easier to assess the translation mechanisms of the focal firm's market-shaping ideas on the local bread market. The fourth reason was that the food sector is generally assumed to be more embedded in its local network

than, for example, a car manufacturing assembly factory; thus, it was expected to have a more local view on international market-shaping mechanisms in the chosen context.

Fazer Bakeries is a division of the Fazer Group, the origins of which lie in a family business founded in 1891 when Karl Fazer opened his first café in Helsinki, Finland. In 1997, Fazer Bakeries acquired shares in Hlebny Dom, a Russian bakery in St. Petersburg. Fazer Bakeries continued to expand its operations in Russia when it acquired the Zvezdney bakery in Moscow in 2005. Hlebny Dom itself also expanded within St. Petersburg and acquired two bakeries: the Murinsky bakery (in 2002) and the majority stock of the Vasileostrovsky bakery (in 2003). By the end of 2007, Fazer Bakeries had a total of 7,166 employees, 3,690 of which worked in Russia in its St. Petersburg and Moscow bakeries. In 2007, Fazer Bakeries' turnover was 490 million euros (EUR), 47 percent of which originated from Finland, along with 34 percent from Russia.

As we focus on the market shaping process, this study is inherently longitudinal. The case study's examination period spans the first decade (1997–2007) of the company's presence in the St. Petersburg bread market. The research time (i.e., the time spent in the field gathering case study data) spans 2005–2007. Thus, some real-time data from the period's last years was also available (Langley 1999; Blazejewski 2011). By producing longitudinal, contextual accounts of the past, retrospective research was able to identify and analyze continuities and transformation, patterns and trends of events that, together with their context, allow for understanding how the market transformation actually developed (Soulsby and Clark 2011). As noted by Jenkins (1990), this kind of longitudinal case study is likely to reveal more about the changes and links between actions within a single industry. The idea is not to identify exactly when something happened, but rather to reveal what else happened at the same time, before or after to show how new bread market ideas appeared and developed.

This study employed interviews as its key method of data collection. Interviewing about past events offers researchers insight into how these events and their contexts were experienced, while the insiders' perceptions can also be employed to explain real-time processes (Soulsby and Clark 2011). However, retrospective interviews in particular pose a challenge, as interviewees are fallible due to memory loss or personal reinterpretation of past events (Soulsby and Clark 2011). The only way to at least partially overcome these difficulties is by triangulating the evidence, which implies using multiple informants and complementary written material (Blazejewski 2011; Soulsby and Clark 2011).

A total of eight face-to-face interviews were conducted between 2005 and 2007, five of which were conducted in Finland in Finnish and three in Russia in Russian. In addition, one interview was conducted via email. We focused on market actors, as we believed that the actors involved in the practical shaping of markets could identify the relevant market practices (Kjellberg and Helgesson 2007b). Five of the interviews were conducted in the focal company, two in supplier companies and two in customer companies. We intended to have more interviews with other market actors, but the general difficulties in gaining access to Russian companies directed the study to predominantly adopt a focal company (i.e., the investor's) perspective on the transformations that followed its entry into the local bakery market. In this sense, limited access to market actors could pose a risk to this research's credibility, as the emphasis is on the investor company's perspective. However, data was also collected from other organizations and from secondary sources, and this data triangulation improves the findings' credibility. Secondary written documents were utilized in both preparing for the interviews and in complementing the information gained from them.

This study's explorative nature called for using semi-structured interviews. The interviews were conducted with the help of interview guides, including pre-determined themes that varied depending on who was interviewed. Hence, interviews with the investor company and its

subsidiary naturally addressed partly different issues than those with local supplier and customer companies. For instance, interviews with the focal company addressed such themes as: 1) The state of the St. Petersburg bakery business before and at the time of the entry; 2) reasons for the entry; 3) the selection of the acquisition target; 4) changes in the acquired company regarding organization, production technology, product types and quality, packaging, sales and marketing, as well as changes in relationships with suppliers, distributors, customers, competitors and officials; 5) the current situation in the St. Petersburg bakery market; and 6) the entry's spillover effects on the local market. The interview guides were employed as checklists during the interviews to ensure that all topic areas were covered, as well as to direct conversations so that they remained on course (cf. Daniels and Cannice 2004). However, the interviews did not adhere precisely to the form and order of the pre-determined questions.

In addition to the interviews and secondary written material, this study also utilized observation to a limited extent. First, in connection to the interviews, one of the researchers was invited on excursions to the case company's two bakeries; one in Vantaa, Finland and the other in St. Petersburg, Russia. These excursions provided an opportunity to observe the two production facilities and to compare them to each other. Second, one of the researchers was able to observe the St. Petersburg bread market from the consumer perspective both during and prior to this study during her numerous visits and stays in the city in 2000–2007. Thus, the researcher had a pre-understanding on how bread was sold in St. Petersburg in the beginning of the 2000s, as well as how the bread market and retail trade had transformed over the early years of the 21st century. All in all, different data sources seemed to emphasize the same issues being the most important ones, which suggests that, to an extent, data saturation was achieved. However, further interviews, especially in other organizations, would have provided even more examples and detailed descriptions on the examined phenomenon.

The transcribed data was transferred to a QSR Nvivo, which was employed to analyze the data. We employed a strategy of temporal bracketing, especially for describing international market shaping. Temporal bracketing refers to a method of structuring descriptions of events (Langley 1999). Thus, the data was ascribed to successive periods or phases, allowing us to examine how actions or events in one period led to a transformation of the market and affected actions in subsequent periods (Langley 1999). This strategy suited the purpose and approach of this study quite well, as it incorporates context into the analysis, therefore enabling a more contextual approach in a single-case setting. Furthermore, in temporal bracketing, the form of sensemaking is used to identify mechanisms, which corresponds to the aim of this study.

CASE STUDY EVIDENCE

A brief overview of the bread market in Russia

Traditionally, the consumption of bread has been very high in Russia. However, during the early years of its economic transition, Russia's bread production diminished significantly (See Figure 1). In 1990, the production of bread and bakery products reached 18.2 million tons, whereas ten years later in 2000 this production had fallen to 9 million tons, less than half of what it once was. Since 2000, the production of bread and bakery products has been more stable, but it has still continued to decline by approximately four percent annually.

[INSERT FIGURE 1 ABOUT HERE]

The deep decline of bread production in the early 1990s can be partly explained by artificially low bread prices during the Soviet era. This caused extensive waste, even leading to bread being used as fodder. During Soviet times, there were only a few types of bread, which were produced in accordance with the standards of Gosplan (the committee responsible for various aspects of the planned Soviet economy). Little if any consideration was given to the bread's taste or quality. In every city, bread production was concentrated to just a few big bakeries

feeding the local community. Bread was sold as a bulk product, and the end customers did not know the origin of the bread they bought, as there was neither labeling nor packaging.

Bread selling transformed tremendously throughout the early 2000s. Specifically, the retailers changed from traditional stores to modern supermarkets and hypermarkets. Today, both traditional and modern retail concepts coexist in Russia. Traditional retail types include, for example, Soviet-style department stores, specialty stores, individual vendors, kiosks and city markets. However, the share of modern retailing increased rapidly in Russia in the early 2000s, a trend that also affected bread selling. In 2002, the majority (i.e., 63%) of consumers in St. Petersburg still bought their bread at traditional bread stores. However, a few years later, discounters and hypermarkets were considered the most efficient trade formats for bread distribution and promotion.

Simultaneously, the value of Russia's bakery market grew steadily in the 1990s and the early 2000s. Table 1 presents the volume changes of the retail trade turnover of bread and bakery products in Russia on selected years between 1992 and 2014.

[INSERT TABLE 1 ABOUT HERE]

The volume of bread and bakery products' retail trade turnover has grown since the economic transition, although the production volume of bread and bakery products has diminished. This can be explained by Russian consumers' increased purchasing power, which led to consumption shifting toward better quality and, consequently, more expensive bread and bakery products (Ylä-Kojola 2006).

During the past few years, the devaluation of the ruble and high inflation has weakened consumer purchasing power in Russia, which has naturally also affected the bread and bakery market (Fazer Annual Review 2015). However, compared to many other food industry sectors

(e.g., dairy and meat) that were strongly affected by the trade sanctions set in 2014 following Russia's annexation of Crimea (e.g., Panov et al. 2014), the development of Russia's bread and bakery market has remained relatively stable (Ratushnaya and Savenkov 2017). The Russian bread and bakery market has mostly relied on domestic production, and almost all of the bakeries' necessary ingredients have been available domestically (Ylä-Kojola 2006). Hence, the import ban on many foodstuffs has had relatively little effect on the market of bread and bakery products. Despite the continuing decline of bread consumption volume, the bread and bakery market value is expected to grow in the future due to increasing demand for expensive quality products (Ratushnaya and Savenkov 2017).

However, in spite of the market growth, the Russian bakery industry has not attracted many foreign investors. In fact, the only significant foreign player has been the Finnish Fazer Group. In the following section, we look more closely at what kind of changes Fazer's entry into the St. Petersburg bread market caused to Hlebny Dom (the local bakery acquired by Fazer Bakeries), as well as the related market practice transformations following the entry in 1997–2007.

Changes in Hlebny Dom

In 1997, Finnish Fazer Bakeries acquired Hlebny Dom in St. Petersburg, Russia. Before that, Fazer Bakeries attempted to acquire another bakery in St. Petersburg, but due to lack of trust between the parties, the long negotiation process did not lead to a deal. After that, Fazer turned its eye toward Hlebny Dom, which was at the time the second largest bakery in St. Petersburg with a market share of approximately 15 percent. It had already begun to restructure production and had invested almost USD 20 million in three new Western production lines and one forming line. The team of managers, who were also Hlebny Dom's major owners, thought that finding a good foreign partner would be the best option for the company's development, and the ensuing acquisition negotiation between Fazer and Hlebny Dom was straightforward.

However, the acquisition process faced difficulties when Russia was hit by economic crises in 1998. At the time, many foreign companies decided to withdraw from Russia, as the devaluation of the ruble significantly reduced consumers' purchasing power. Nevertheless, Fazer continued with its investment in Hlebny Dom, though it changed its acquisition approach from directed issue to capital contribution. In this way, Fazer did not lose financially during the crisis.

Afterwards, Fazer increasingly invested in the company by buying shares directly from the three major owners and the workers' collective. In 2004, Fazer's ownership of the company reached almost 80 percent, and it remained around this percentage until the end of 2007. In 2007, Hlebny Dom was the market leader in St. Petersburg and its surroundings with a market share of over 30 percent. It was also the leading company within the whole of Russia's bakery industry.

[Insert Figure 2 about here]

After acquiring Hlebny Dom, Fazer initiated a number of changes to its organizational structure, personnel and processes. The investor's representatives emphasized changing the production management and creating product development departments. However, from the perspective of the acquired Hlebny Dom, the most important changes were those concerning sales and marketing organizations. This was quite natural as, due to the Soviet past, there was a significant lack of knowledge on these areas. New staff members were recruited as the restructuring proceeded. Fazer also offered training to Hlebny Dom's staff, including: international executive training, the so-called Putin's special training programs, and in-house training. Furthermore, a great deal of learning, especially in technical matters, occurred through less formal tutoring.

All in all, Fazer brought major changes to Hlebny Dom's production technology, as well as its product range and quality. Engineers from Finland often visited St. Petersburg to train staff in operating the machines. This development made the company a market leader that was imitated by its competitors in the St. Petersburg area.

Transformation of bread

In the Soviet era, all bakeries specialized in producing particular types of products according to the state's Gosplan. At that time, Hlebny Dom's product range comprised only a dark and a light bread, along with pryaniks, a traditional Russian ginger bread. The production machinery was outdated, with most of the production equipment dating back to 1934 when the company was founded. After the privatization of bakeries in 1993, Hlebny Dom's managers came to understand that they had to produce a range of bakery products in order to compete with other bakeries. New products required new machines, and so the company bought three production lines from Western Europe. Thus, some restructuring had already occurred in the company prior to Fazer's investment. However, with Fazer's entry, Hlebny Dom received more capital for acquiring new production lines and know-how on modern production technology.

Most importantly, Fazer began producing sliced and pre-packaged bread in a market that had so far only consisted of bulk bread. Although Hlebny Dom's new production lines were good, they lacked the two final steps, namely, cooling and packaging. Thus, new machines were acquired from Europe. The products were warmly welcomed by both consumers and especially large retailers. The modern retail chains liked that Hlebny Dom was able to produce in uniform quality.

In 2005, three new production lines were launched in Hlebny Dom. New equipment made it possible to significantly widen the product assortment. Whereas Hlebny Dom's product range

consisted of less than 30 different product titles at the time of Fazer's acquisition, by 2006, less than ten years later, it had grown more than tenfold, reaching 320 product titles.

Transformation of the downstream supply chain

Fazer made remarkable changes in Hlebny Dom's sales, marketing and distribution system. One of the first things that Fazer did after the acquisition was create sales and marketing organizations:

“The biggest problem was that we did not know how to sell well at the time. [...] After Fazer came, first we changed the sales director, we totally changed the sales department and searched for new staff, a director and other personnel, and we wanted to learn from Fazer how to sell.” (General Director, Hlebny Dom)

Setting up its own sales organization changed the practice from passive to active sales. Previously, stores called the bakery to place orders. For the end customers, they introduced the idea of packaging bread and putting a brand on top of the package. As one interviewee explained, *“Fazer has brought this [branded bread] thinking to St. Petersburg”* (Business Controller, Fazer Bakeries). Regarding retailers, the new sales organization decided early on to focus on modern retail chains.

Although the retail sector was still underdeveloped during the turn of the millennium, modern retail concepts had begun to appear. Consequently, the company decided early on to treat retailers as the most important customer category, before the competition. New products based on Fazer's knowledge transfer to Hlebny Dom were welcomed by the modern retailers. In addition, Fazer brought key account management knowledge to the company, enabling better service to large retailers. In 2006, the share from retail chains in Hlebny Dom's sales was well above 60 percent.

Hlebny Dom strove to fulfill the modern retail sector's emerging requirements concerning product deliveries' timeliness, quality and accuracy, and the company tried to establish partnership-type relationships by including product information sharing and merchandising support with major retail chains. Nevertheless, probably the most significant change that Fazer initiated in St. Petersburg, and which greatly contributed to Hlebny Dom's success among modern retailers, was creating a new distribution system. At the time of Fazer's entry, the products of all St. Petersburg bakeries were distributed by a monopolistic transport service provider, HlebTrans, a joint company of several local bakeries in which the city government also had a stake. The bread was distributed in wooden crates that were loaded on metallic trolleys and into trucks. The wooden crates had to be manually emptied onto store shelves.

“At first we thought that we couldn't distribute with such a system, we had wooden crates and whatever spoke trolleys. And when we calculated how much bread and how much iron and wood we transported every day, when 25 percent was bread and the rest in the truck was something else, we figured that it was extremely inefficient and unhygienic and so on.” (Director, International Projects, Fazer Bakeries)

As the distributor was unwilling to develop its activities, Fazer decided to create its own distribution system for Hlebny Dom in 1998. In 1999, a EUR 6 million in-house logistics system was launched. New plastic bread crates were developed together with the crate provider Arca Systems. In addition, the crates were distributed by the company's own fleet of modern delivery trucks. The logistics system redesign involved the entire crate movement process, including such functions as customer returns and cleaning. Even though the former distributor tried to convince retailers not to buy from Hlebny Dom, its new logistics system enabling higher levels of customer service instantly became the company's major competitive advantage. The system has since become a “Russian standard,” as domestic competitors not only in St. Petersburg but also in Moscow and other regions have since imitated the concept.

Transformation of the upstream supply chain

At the beginning of Fazer's activities in Russia, there was a lack of suppliers in many product categories, such as packaging materials. Therefore, foreign suppliers were initially utilized. However, as soon as local suppliers with sufficient quality appeared in the market, sourcing was directed to them. Fazer also contributed to developing related industries by setting detailed specifications and quality requirements for local suppliers.

Finding good suppliers was not always easy, and Hlebny Dom, in a way, developed suppliers for themselves, such as by setting strict quality requirements and introducing systematic quality control. Although no formal training or technology transfer was offered to local suppliers, Hlebny Dom desired close cooperation with their suppliers and was able to help them by utilizing its own network relations.

Fazer also gradually began to make changes to the sourcing activities of its Russian subsidiary. More importantly, the aim was shifting from ad hoc transactions with suppliers toward more strategic sourcing. As a result, Hlebny Dom initiated written contracts with all major suppliers, which was unusual in the market.

Subsequent transformation of the market

Hlebny Dom's changes initiated reactions in the market. Hlebny Dom introduced a variety of new products to the St. Petersburg bread market, including packaged and sliced bread, as well as single portion bread. In other words, it *demonstrated* what kind of bread could be sold in the market. These new products were then imitated by local competitors. New bread launches were usually copied with approximately six months, which was the time needed for Hlebny Dom's competitors to ready new lines for production. The changes to the St. Petersburg bread market were remarkable. While 90 percent of bread products were sold unpacked in 1999, just four years later the share of unpacked products was only 10 percent. Similarly, the share of sliced

bread increased phenomenally. For instance, in Lenta, one of the biggest retail chains in St. Petersburg, 80 percent of bread was already sliced in 2006. Thus, the share of unpacked loaves of bread rapidly diminished in the market. This shows how customers changed their *requirements* for bread in St. Petersburg. Although this development could partly be seen as a side-effect of the growth in purchasing power in an emerging transition economy, it is evident that the impact was much stronger in St. Petersburg than elsewhere in Russia:

“[T]he quality of St. Petersburg bread is the best in the country. Not only the actual quality but the new technology, slicing, colourful packaging. But this is shown also in prices: bread here is 40–50 percent more expensive than elsewhere in Russia, including Moscow. This is connected to the fact that at the time, the Fazer Group acquired a chunk of shares in Hlebny Dom, actively invested money, made technical restructuring, developed production and planned new sorts of product. Competitors were forced to follow.” (Director, Fresh Food, Lenta)

Hlebny Dom introducing a new distribution system with a new type of plastic bread crate resulted in interesting changes in the market. In other words, Hlebny Dom *demonstrated* a modern form of distribution to retailers and its competitors. For the retail stores, packaged bread delivered in hygienic crates is easier and faster to handle. Therefore, the retailers began to *require* similar distribution systems and bread crates from other bread suppliers. Thus, the crate became a local standard that later spread to other Russian regions by the expanding retail chains. In addition, Fazer *advised* retailers on the benefits of the new in-house distribution system, which was welcomed by retailers and later copied by other bakeries. Soon, all major local bakeries had their own transport fleets and employed plastic bread crates. This diminished the role of HlebTrans in St. Petersburg’s bread distribution.

As Hlebny Dom invested heavily in production technology and distribution systems, for example, it *demonstrated* what was possible with modern production technology, forcing local bakeries to follow the company's example and to make investments that they probably would not have made otherwise:

“Karavai, being second in the market, has to develop both technology to improve quality and its sales and marketing systems. It is very hard even for Karavai to match the requirements of the competition.” (General Director, Hlebny Dom)

In the face of increasing competition, many small and financially weak bakeries were forced to either merge with other companies or to close down their operations altogether. Thus, there was a strong trend of bakery business concentrations following Fazer's investment in Hlebny Dom:

“For instance, Smolninsky Bakery at the Ligovsky Avenue stopped due to competition. Another example of failing because of the competition is the united production of several small bakeries in Ivan Chernih Street. They terminated the union and most of them closed down. Yet another example is the Vasileostrovsky factory that initially produced good quality products but had bad marketing and sales departments. They failed in competition and offered Hlebny Dom the controlling stock and became our subsidiary.” (General Director, Hlebny Dom)

Although the St. Petersburg bakery industry would have almost certainly been restructured without a foreign company entering the market, the foreign entry played a significant role in the process:

“It [Fazer's entry] did speed up the restructuring process there for sure. It is of course difficult to guess when you cannot test how long it would have taken until the situation

would have changed. It would have changed at the latest when the churning started, which began strongly a couple of years ago [around 2004] and is developing at a huge speed.” (Senior Vice President, Legal Affairs and M&A, Fazer Group)

In order to remain competitive, local competitors were interested in hiring Hlebny Dom’s managers, and recruitment companies approached Hlebny Dom’s staff with job opportunities. In fact, several people were hired by other foreign companies and local competitors. By hiring Hlebny Dom’s staff, competitors were able to benefit from the skills and knowledge gained through the in-house training and experience from working for Hlebny Dom. In other words, Fazer’s idea of the St. Petersburg bread market was spread through *management mobility*. The recruitments also helped local competitors to copy the company’s Western organizational structure.

Although Hlebny Dom did not offer any formal supplier training, it developed its suppliers’ operations by setting stricter *requirements* on quality, reliability and delivery, as well as by giving *advice* to its suppliers on whom to cooperate with to solve technological problems, thus more closely integrating the suppliers to the company’s operations and development. As a result, suppliers improved the quality of their supplies, widened their product portfolio and invested in new technology. Hlebny Dom’s influence on suppliers also influenced its competitors. For instance, machinery suppliers were mentioned as an important channel of technical know-how, as they *advised* Hlebny Dom’s local competitors:

“Equipment suppliers are willing to sell information, and, well, that is quite surprising. They might not dare to sell our recipe directly or anything, but they are able to sell or give advice in connection to their supply concerning a basic recipe to start with. And that is... I would say it is one of the most effective channels.” (Director, International Projects, Fazer Bakeries)

Furthermore, managers of different bakeries are acquainted with each other via, for instance, the local bakers' union, which Hlebny Dom's former general manager was once the chairman for. Thus, there were many channels available for *advising* competing firms.

TRANSLATION MECHANISMS OF INTERNATIONAL MARKET-SHAPING

IDEAS

The examined case describes interesting events shaping the bread market in St. Petersburg, Russia. Fazer's idea of a bread market was intended to be followed by other actors in the market. As more actors picked up the idea, it remarkably influenced these ideas' existence and survival. In the end, we witness interesting transformations in what was sold in the bread market (exchange practices); how bread was sold, distributed, and supplied (normalizing practices); and how the local bread market was viewed (representational practices). We discuss these market-shaping ideas through four translation mechanisms that we identified, namely: advice, demonstration, requirements and management mobility.

Advice

Fazer organized and offered many kinds of training for its staff in Hlebny Dom. There was more hands-on training for the staff through factory visits to learn about efficient use of equipment. In addition, there was formal training for the managers to acquire the same knowledge as other managers and executives in Fazer's international operations. Managers were trained in general management, marketing, sales, supply chain management, financial and technological know-how, and skills. These internal training sessions helped share the idea of the market from Fazer's headquarters to Hlebny Dom. It is worth noting that no formal training was given to other market actors.

However, Hlebny Dom also advised its suppliers on whom to cooperate with to solve technological problems and by integrating the suppliers closer to the company's operations and

development. Hence, the company wanted to integrate their suppliers into their operations and offered them some consulting concerning, for example, acquiring new production technology. Interestingly, machinery suppliers also translated Hlebny Dom's idea of the bread market by giving advice to other bakeries.

All in all, advice giving can be seen as a way to mobilize masses to follow the advice giver, who acts as a spokesman for the market transformation. These findings resonate with the importance of setting the new mindset both internally and externally (Storbacka and Nenonen 2011b). Training has also been discussed as a way to teach customers (Harrison and Kjellberg 2010) and other stakeholders (Jaworski, Kohli, and Sahay 2000) about the new idea of the market.

Demonstration

Hlebny Dom's idea of the market was translated to other actors through demonstration. In other words, the competitors imitated Hlebny Dom's production technology, as well as its new products and distribution system. The company's new products, such as packaged, sliced and single portion bread, demonstrated that higher margins were available once the competitors moved away from bulk bread. In addition, Hlebny Dom demonstrated that bread distribution can be done more efficiently with one's own fleet and plastic bread crates. As a result, all major bakeries in the St. Petersburg bread market followed Hlebny Dom's example and quit collaboration with HlebTrans.

Here, it is emphasized that it is not only the focal firm that shapes the market via demonstration, but the customers also take the role of lead-teachers demonstrating how a product works or what its unique benefits are. Similarly, retailers demonstrated that they prefer selling uniform quality sliced, packed, single portion, branded bread distributed in plastic crates.

Through demonstration, other market actors can see a new practice when actual transactions occur and are presented. Thus, demonstration is a way to mobilize other market actors to engage in new market practices. Although demonstration's role as a translation mechanism is novel to market-as-practice literature, its inclusion is strongly supported, as its role has been recognized in literature for spillover (Blomström and Kokko 1998), innovation diffusion (Swan 1973) and innovation networks (Aarikka-Stenroos and Sandberg 2012; Harrison and Waluszewski 2008).

Requirements

Although Hlebny Dom did not offer its suppliers any formal training, it significantly developed its suppliers' operations by setting stricter requirements on quality, reliability and delivery. As a result, suppliers improved their supplies' quality, widened their product portfolio and invested in new technology. The introduction of new products and distribution systems raised requirements from the modern retailers to Hlebny Dom's competitors. Thus, competitors were partly forced to follow the example and to invest in new production and distribution systems.

Similarly, customers changed their requirements for bread, as Hlebny Dom had demonstrated what kind of bread could be available. These requirements caused changes in the range of bread provided by Hlebny Dom's competitors, as they tried to survive in the business by answering the customers' changing needs. Evidence shows that the companies that were unable to answer the requirements of customers and major retailers were forced out of business.

Through requirements, it is possible to see that there is a new market practice from a single actor's actions. Other actors are not merely shown examples to adjust to new market practice, they are required to transform. Thus, requirements can be seen as a way to mobilize masses to shape markets. Introducing a standard is one way of approaching requirements. Their role in market shaping has been noted earlier (Azimont and Araujo 2007). As a result, it is understood

that not only are buyers and sellers setting the quality and price for exchanged goods, there is in fact a wider range of market actors who partake in setting the requirements (Sjögren and Helgesson 2007).

Management mobility

In addition to simply following the market information and market actions of a foreign firm, management mobility is another translation mechanism for international market-shaping ideas. Trained managers moved to local bakeries to benefit from their knowledge and skills. This helped competitors to copy the company's organizational structure. In addition, one of the sales managers was recruited by one of the modern retailers in St. Petersburg. Thus, the knowledge on sales and marketing was available to the clients.

Although management mobility can be seen as a way to mobilize allies by having people who share the idea of a market as a part of other market actors, management mobility's role has not been studied enough to explain how it transforms market configurations. Nevertheless, there has been interest in general labor mobility's influence on market actors. For instance, studies on economics indicate that labor mobility is an important source of spillover effect (Fosfuri, Motta, and Rønde 2001; Balsvik 2011). For instance, Blomström and Kokko (1998) suggest that training a multinational company's employees may benefit indigenous companies when they change jobs.

CONCLUSIONS

This study showcases how a foreign company, Fazer Bakeries, had their own ideas about the bread market and how it enrolled transformations in St. Petersburg, Russia by initiating changes in its subsidiary, Hlebny Dom. After the foreign company entered the market and introduced packaged, sliced, branded bread, there existed two conflicting versions of the bread market in St. Petersburg, Russia. We identified four translation mechanisms of international market

shaping that were employed to mobilize market actors to share the foreign company's view of the market. These translation mechanisms are: advice, demonstration, requirements and management mobility.

Our findings contribute to international business literature. We introduce market shaping literature to the international business community, along with introducing the concept of international market shaping, which we define as the progression of a set of cross-border activities that contribute to changes in economic exchange. Prior to this, foreign companies' influence on local market practices was absent in international business research.

Our study contributes particularly to East-West business literature by showcasing how a Western company transformed a local market in a European transition economy. This study also presents how different markets intertwine, as the bread market was partly influenced by the rapid modernization of Russia's retail sector. At the same time, a major foreign bakery entering the local bread market was a remarkable source of transformation to market practices in the retail sector.

We also contribute more widely to market shaping literature by discussing the translation mechanisms of market-shaping ideas. Although it has been acknowledged that ideas are important in forming and shaping markets, it has remained unknown just how ideas turn into market practices. By showing how a foreign company transformed the market practices of indigenous actors, our research findings are valuable to any company or manager with a unique view of the market and a need to enroll and mobilize transformation. Thus, we contribute to requests for better understanding of how market practices emerge (Kjellberg et al. 2012), as well as how a single market actor can influence the existing market practices (Storbacka and Nenonen 2012). Particularly, our research findings emphasize practical translation mechanisms that can be useful in spreading the idea of a market. Whereas the description of the changes

made in the subsidiary indicates the process of enrollment, the novel set of translation mechanisms refers to allies' mobilization.

Although we highlight the role of a single firm in market shaping, we do not claim that the case company was the sole driver of the market's transformation. In line with previous research (Kjellberg and Helgesson 2007b), we consider markets to result from various interlinked practices by several co-creating actors. Furthermore, we agree with Biggemann et al. (2013) that market-shaping practices are not necessarily deliberate. For instance, the distribution system and plastic crates were developed to serve the retailers, and consequently to strengthen Hlebny Dom's position in the market. However, introducing the crate had unintended consequences, as the retailers began to require similar distribution methods from other bread suppliers, making the crate a local standard.

As for limitations, the results are based on a single-case study, and therefore we cannot generalize on translation mechanisms' influence on international market shaping. Furthermore, there are likely other translation mechanisms that were not identified in the case setting. Nevertheless, we argue that the research findings identify important mechanisms of international market shaping that are unique to the domain literature. In addition, we have consulted multidisciplinary literature in order to increase our findings' trustworthiness. In the future, more research in different contexts could aid in obtaining a more holistic view on the translation mechanisms that shape international markets. In addition, it should be noted that it is difficult, if not impossible, to separate changes caused by the Hlebny Dom's activities from those caused by, for instance, the general economic development and related industrial restructuring. We admit that the emergence of modern retail chains or the increasing purchasing power of consumers would have probably resulted in similar changes. In this sense, more research is needed in order to understand the link between evolving market practices and contextual factors. However, we consider market shaping to begin with an idea that needs to

be translated to the market. In this sense, there is no difference whether the idea is initiated by modern retailers, end customers or bakeries. Instead, it is more important to understand the translation mechanisms that help to spread ideas across time and space.

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