

Highlight, copy & paste to cite:

Butler, B. & Purchase, S. (2004). Personal Networking in Russian Post Soviet Life, *Research and Practice in Human Resource Management*, 12(1), 34-60.

Volume 12:  
Issue 1  
Editorial  
Regular  
Papers  
Research  
Note  
Reviews

## Personal Networking in Russian Post Soviet Life

Bella Butler & Sharon Purchase

### ABSTRACT

Liberalisation of the Russian economy potentially offers Western investors business engagement opportunities in an environment significantly different from Western culture. Knowledge of the institutional, managerial and contextual nuances, which include *blat*, is vital for the effective management of human resources, and thus, successful building of multinational enterprises. This paper gives an explanation of the meaning of *blat*, analyses the main features of *blat* as personal networking and provides some common examples of using *blat*. By analysing prerequisites of *blat* in the communist regime as well as in the conditions of the market economy, it is argued that despite the shift in the current use of *blat* it is ingrained in the Russian psyche, and consequently, has a strong impact on business relationships and management of human resources in Russia. Such accommodation of *blat* contributes into the understanding of the Russian unique set of norms and standards for doing business and practices of human resources management.

### INTRODUCTION

With the fall of the Berlin Wall in 1989 the former communist countries in Eastern Europe and Russia moved towards democracy and the free market system. Although, Western entrepreneurs were allowed access to a previously closed system they struggled to operate in these markets (Puffer 1994, Puffer & McCarthy 1995, Hisrich 1996, Arino, Abramov, Skorobogatykh, Rykounina & Vila 1997, Barnes, Crook, Koybaeva & Stafford 1997, Sedaitis 1998, George 2000). The renewed Russia is a very large economy and potentially an advantageous marketplace for Westerners – possibly even a “promised land” (Paramonov 1996: 2) for those wishing to face the challenges of a fast changing country.

Serious issues still remain unresolved when Westerners try to partner with Russian enterprises or to form strategic alliances. The problems on the surface include mafia connections, bribery, extortion, and even murder. Clearly, such criminal behaviour is unacceptable to Westerners and Russians alike (Puffer & McCarthy 1995). However, beneath the surface there are other less sensational activities which are, nevertheless, both undesirable and unethical from a Western perspective. One of the most remarkable cultural features of Russian managers is “*blat* which has acted as oil in the wheels of Russian business” (Barnes et al. 1997: 477). *Blat* (the informal exchange of favours) is a term which expresses personal networks in Russia. *Blat* emerged in the

early socialist state and is still highly relevant today. Although *blat* practices were first observed in the academic literature fifty years ago (Berliner 1957), research on *blat* is very limited. This is due to the imperceptible character and elusiveness of *blat* relationships. In effect, previous researchers did not feel that *blat* relationships are significant. The paper presents and explains the underlying constructs and nature of *blat* and concludes by advising Western managers how they can benefit from its use.

## PROHIBITED BUT POSSIBLE

That statement that '*blat* oils the wheels of Russian business' expresses the main meaning of *blat*, that is, to get around obstacles or to access what is otherwise inaccessible. *Blat* was first observed by Sovietologists in 1950s (Crankshaw 1956, Berliner 1957). A comprehensive sociological study (Ledeneva 1998) was undertaken in the middle of the 1990s based on discussions with people having fresh memories of the Soviet past and who had enough time to reflect on the changes in the post-Soviet period. Recent publications on Russian managerial culture (Blackwell 1991, Stojanov 1992, Puffer 1994, Puffer & McCarthy 1995, 2003, Puffer, McCarthy & Naumov 1997, Hendley, Murrell & Ryterman 2000, Hunter 2003) have continued research into *blat*.

In general, previous research of *blat* derives from three main areas:

- Sociology where *blat* was studied in a social context as an instrument of satisfying basic needs of common people in everyday life (Ledeneva 1998, Ledeneva, Lovell & Rogachevskii 2000).
- Business ethics where *blat* was briefly mentioned as a peculiarity of the Russian business class (Blackwell 1991, Stojanov 1992, Puffer et al. 1997, Hendley et al. 2000, Hunter 2003).
- Cross cultural analyses of Russian and Western managers that pointed out the different attitudes towards *blat* by Western and Russian managers (Puffer 1994, Puffer & McCarthy 1995).

Despite continuing research into *blat* there are still some aspects of it that have not been addressed, namely:

- The contemporary perception of *blat*, and the meaning ascribed to it by the different groups of Russian business class, has not been studied.
- *Blat* as a cause of a conflict of interests among individuals, businesses and the public has not considered.
- *Blat* as a part of the ethical values of Russian managers has not been analysed.
- The advantages and disadvantages gained over the system by common people when using *blat* have not been identified.

The gaps left by previous research on *blat* have determined the direction of this study. By engaging a social network perspective, this study aims at analysing *blat* through its underlying constructs and *blat* frameworks. Furthermore, the extent to which *blat* continues to affect the decision-making process in contemporary Russian enterprises will be investigated.

## DEFINITION AND ORIGIN OF THE WORD BLAT

There is no unified, agreed meaning of *blat* and the term cannot easily be translated into English (Michailova & Worm 2003). For most Russians, however, it is an obvious word which does not need definition. As noted by one of the earliest observers of *blat* Joseph Berliner (1957: 182), " ...the term *blat* is one of the many flavoured words which are so intimate a part of a particular culture that they can be only awkwardly rendered in the language of another..." . The comment by Berliner (1957) supports the argument that *blat* has become ingrained in the Russian psyche, and

therefore, has a strong impact on all spheres of human relationships in Russia, including business relationships.

There are working definitions of *blat*:

- *Blat* is an exchange of 'favours of access' in conditions of shortages and a state system of privileges; 'favours of access' are provided at the public expense (Ledeneva 1998).
- *Blat* exchange is often mediated and covered by the rhetoric of friendship or acquaintance: sharing, helping out, and friendly support, mutual care. Intertwined with personal networks *blat* provided access to public resources through personal channels (Ledeneva 1998).
- *Blat* involves a "reliance for favours upon personal contacts with people in influential positions" (Kryshtanovskaia 1994: 9).

The common examples of using *blat* are: getting commodities and services in times of shortages, booking hotels and holiday resorts (especially in the peak season), entry into popular universities, getting prestigious jobs and promotions, and obtaining apartments. *Blat* is most obvious in retailing where shop assistants have always been the target for critics and anecdotes (Krokodil 1989). Everyone could be useful to a certain extent when giving favours within one's competence at work. For example, a receptionist at a cinema could hold tickets for prestigious premieres for people of her circle or other useful people and make them unavailable for the common public (Gudilova 2002).

*Blat* has two main meanings. Its first meaning refers to personal networking which is the focus of this paper. According to dictionaries of etymology (Fasmer 1964, Shanskii 1965), the term *blat* came to Russia from the Polish *blat*, meaning 'someone who provides an umbrella, a cover'; this in turn is taken from Yiddish *blat* which means 'close, familiar', 'one of us', 'one of our circle'. This meaning of *blat* contributes to its human face. Indeed, people give special treatment and help to those of their circle. However, often this help is provided to meet the expenses of those who are out of their circle. In this sense, another meaning of *blat* can be employed.

The second meaning of *blat* alludes to insignificant criminal activity, such as minor theft. This meaning of *blat* is not the focus of this paper and will not be discussed in further detail. It is to be argued that it is precisely the second (i.e., criminal) meaning that explains the fact that most people either pretend to have nothing to do with *blat* or refer to it in other words. For example, rather than say 'I obtained it by *blat*' one could say 'I received it from an acquaintance'. In a business context it is acceptable to say 'I solved this problem using my connections' rather than to say 'I used *blat*'. There is a common presentation of one's own case when using *blat* giving the interpretation of friendship. On the other hand, one can certainly recognise *blat* in the practices of others.

Although widespread, *blat* practices are not universally or evenly distributed across society. Personal attitudes towards *blat* vary with different types of individuals – from *blat*meisters to *blat* non-users (Ledeneva 1998). Some people might be proud of obtaining something by *blat*, while others are likely to experience shame for being forced into employing *blat* even in the case of an emergency. The various attitudes towards *blat* and the different degrees of involvement in *blat* relationships are reflected by this paper in a conceptual model.

## BLAT AS A PERSONAL NETWORK IN FORMER COMMAND ECONOMY

One of the key meanings of *blat* is communication within one's circle, or one's personal network. According to Michailova and Worm (2003) the three main features of personal networking are:

- Social resourcing.
- Continuity of relationship.

- Coexistence of trust and cooperation on the one hand and power and domination on the other.

## Social Resourcing

As *blat* exists not only within one's own network, but also between *blat* network members, the phenomenon has become termed 'set *blatnyih*'. Within 'set *blatnyih*', the members are involved in both double and multisided relationships. Such relationships are expressed by the term 'social resourcing' or the ability to access various types of resources through one's social connections. An example of social resourcing is altercasting as described in the following example: Exchange is often facilitated by participants outside the double-sided relationship. Hence, obligations might stretch to people whom one does not know directly or will never meet. In such a network persons A, B and C have mutual commitments of exchanging favours. In spite of this, only A and B as well as B and C are involved in double-side relations. Thus, even without knowing each other, A and C are mutually committed through their involvement with B.

In a network, favours might not be asked for one's own benefit. "It was much easier to ask for a friend, or for an institution, just to put in a word for somebody" (Ledeneva 1998: 37). Asking in order to help another is perceived as more acceptable and respectable than asking for one's personal needs. This emphasises the social character of *blat* networks. Thus, *blat* relationships are used to access various types of resources through one's social connections.

## Continuity of Relationships

Russians like to develop close long-term personal relationships which are a prerequisite for the existence of *blat* (Sedov 2004, Vandysheva & Gamov 2004). Close long-term personal relationships are used to protect individual and group interests for personal gain. For example, people maintain contacts with their school and university friends, with friends from military service, with former neighbours, acquaintances that one met at holiday resorts and cruises and others who can be trusted. Some of these contacts are stronger and last longer than others. For example, people from one's home town will often remain close to an individual and might expect mutual favours during their lifetime. However, acquaintances from a holiday might be mutually useful for a short term only.

People often support each other and grow together personally and professionally (Ryzhova 2004, Tchumanova 2004). In this matter, long-term personal relationships of former Komsomol (Young Communist League in the former Soviet Union) officials help them to survive and succeed in business and in maintaining opportunities to acquire greater wealth for people of their circle. When interviewed on 23 February 2004, one of our respondents in Russia indicated, most of the current 'new Russians' – wealthy Russian businessmen – are former Komsomol officials. Their ability to 'go through' various issues in business can often be explained not only by their excellent self-discipline and organisational skills gained in the Komsomol, but to a large extent by having everywhere a circle of former colleagues and acquaintances. They still have better access to government funds and permissions, bank loans, and resources. The former Komsomol officials support each other and keep some spheres closed to outsiders (Chermianinova 2004, Ryzhova 2004). Another aspect of the continuity of relationships is that the person doing the favour does not expect an immediate return. Instead, reciprocation usually takes place later when it is really needed (Michailova & Worm 2003). The common answer one might give when offered the reciprocation would be: 'We are people of one circle. We will square accounts later'.

## Coexistence of Trust and Cooperation on the one Hand and Power on the Other

*Blat* is based on emotional trust rather than on cognitive trust. Emotional trust is based on emotional ties between individuals. Cognitive trust is based on a trustee's knowledge about the person he considers trusting. Favours are given not for one's experience and knowledge, but for

being 'one of our circle', and thus, are based on emotions rather than thoughts. As explained by L. Suslov, the director of Moscow building company Elcofin (Suslov, 2004), 'He is our neighbour, therefore, his company was chosen as our supplier'.

Blackwell (1991) highlighted the following example to illustrate how *blat* relates to the features of personal network. Hellof and Fitzgerald, two Canadian business people, who entered the Russian market with an educational project in the early 1990s experienced the necessity of *blat*. These two Canadians had their first lesson in the importance of *blat* when they needed to get tickets to Leningrad (formerly St Petersburg) to meet Mr. Efimov, one of the project managers in Russia. Getting tickets for the Leningrad train required waiting in line for nine hours, while flying to Leningrad was by the circuitous route to Helsinki, Finland, and back to Leningrad. When the Russian project manager, Mr. Efimov, acted, within a few hours a first-class automobile was ready to transport these Canadian business people to Leningrad. Answering questions on his experience of dealing with the Soviets, Fitzgerald said that it is important to find the right partner – who understands the Westerners for starters (Blackwell, 1991). This example highlights how the Canadians' continuous relationship with one of the Russian project managers (Mr. Efimov) gave them access to resources (luxury and in-time transportation), that were generally unavailable.

Another important point learned by the Canadian businessmen was that in Russia people rely more on personal relationships than on formal relationships. One of them expressed the lesson having said that he would never put stock in any kind of contract. In contrast, looking somebody in the eye and shaking his hand made him feel confident. He continued that Marina (Kalinina, an influential professor at the State Academy of Management in Moscow, who arranged a large part of the project in Russia) never signed anything with them. But they had developed a personal relationship with her. This example shows that individuals value friendship much more highly than a contract. Furthermore, the case is evidence that *blat* is based more on emotional trust rather than on cognitive trust. In addition, communication with powerful individuals (Mr. Efimov and Prof. Kalinina) is a crucial point in *blat* relationships. In this example close personal relationships with powerful individuals have been used to overcome the obstacles imposed by the system. The next section gives an explanation why people in Russia rely more on personal contacts than on formal contacts to solve their business problems.

## THE IMPACT OF BLAT ON BUSINESS OPERATIONS IN RUSSIA

There are historical roots from former command economies which predominate personal relationships over formal ties in solving business problems. The two main historical roots are (a) the necessity of survival under the communist regime, and (b) the Russian collective life style. The first root is that during the 74 years of the communist regime, the Party and Ministries' instructions were above the law. In such conditions people could not be sure the law would protect them. This forced them to form close personal relations or even to 'beat the system'. The fear of a lack of legal protection led to a reliance on trusting relationships – a phenomenon that has been found in other countries such as China and Italy (Fukyama 1996, Hamilton 1996).

The first root is best illustrated by the following example of how personal relationships were used for survival in the communist regime and to 'beat the system'. Personal relationships were crucial to meet planned outputs by enterprises under the Communist regime. As J. Stiglitz, the former Chief Economist of the World Bank, observed, "the government would give enterprises quotas on output, without providing the inputs needed" (Stiglitz 2002: 138). Fixers (people responsible for suppliers), so-called 'pushers', had to employ *blat* and even bribery to obtain scarce goods from other sources. 'Pushers' were "specialized in offering incentives to contractual partners for contract fulfillment and in finding scarce goods from other sources" (Hendley, Murrell & Ryterman 2000: 636). These transactions were illegal under Soviet law, but meeting the plan justified skirting the law. Not many enterprises could have succeeded without some participation in such activities.

The second root is that 'take-and-give' practices and mutual protection have a long history in

Russia. This is embedded in networks which are typically formed and maintained by Russian people. Russians have always been mutually dependent in achieving their goals, for example, in sharing seasonal works such as harvesting or house maintenance (Kelly 2000, Ardichvili & Kuchinke 2002, Burton 2002). Another point of personal networks stems from the dependence of peasants on their landlords in the era of serfdom and bondage as well as from dependence by subordinates on their managers during the communist period. Managers have had a high level of involvement in personal lives of their workers. They have been responsible for providing salaries, housing, recreation and resort facilities, and childcare. In effect, relationships between managers and staff can, thus, be described as paternalistic.

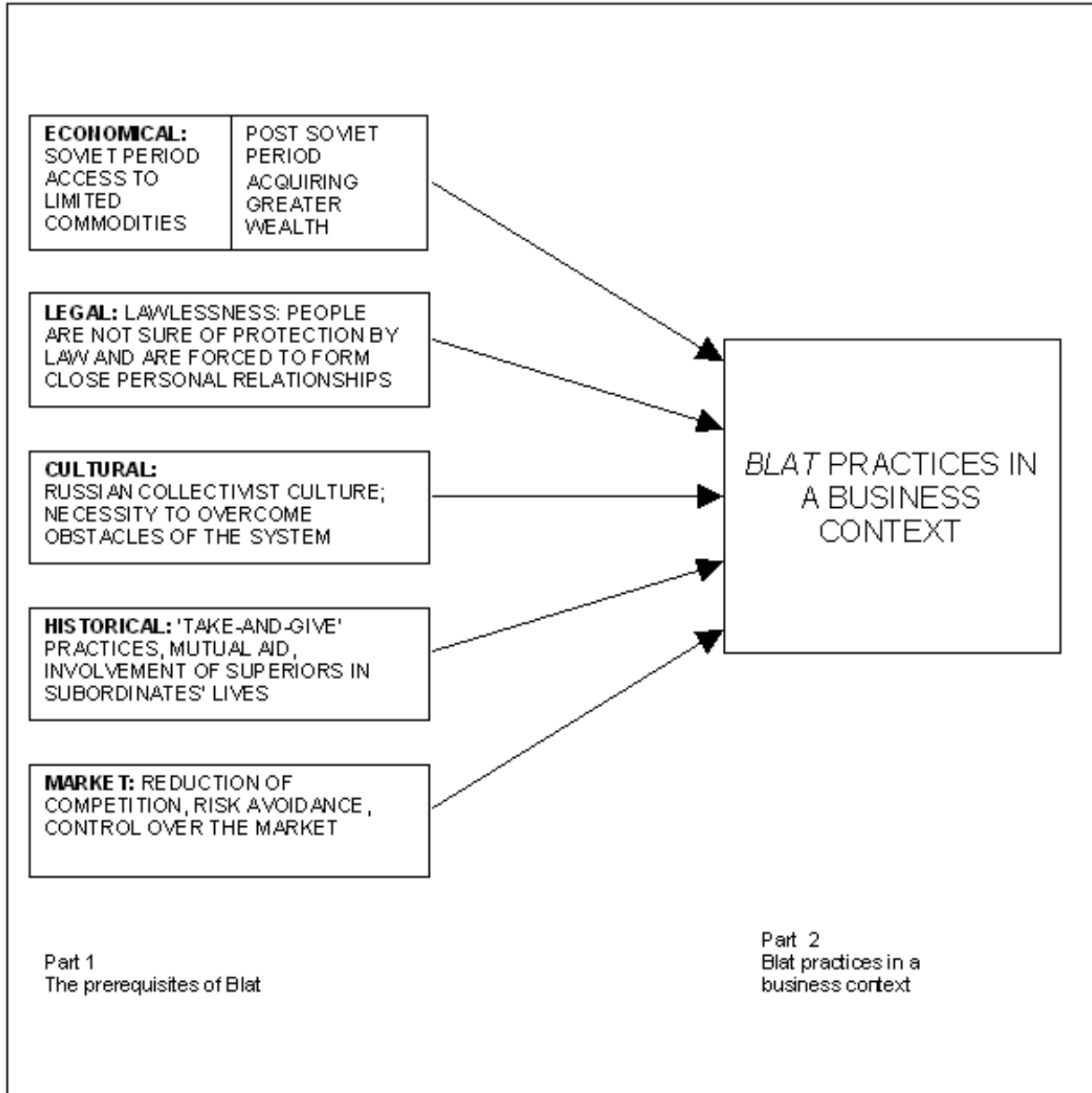
Overall, *blat* historically began as a way of ensuring continuous trusting relationships and allowed access to scarce resources. Personal relationships are a prerequisite for the development of the *blat* networks that operate on emotional trust. Today in Russia, *blat* allows people access to social resources for advantages in both their social and business life. The next section discusses the underlying constructs of *blat*.

## CONCEPTUAL MODEL UNDERLYING BLAT

Figure 1 depicts the conceptual model underlying *blat*. The figure includes the prerequisites of *blat* (part 1) that indicate the predictable relationships between each prerequisite and *blat* practices (part 2). The prerequisites of *blat* have been inferred from the preliminary investigation based on the detailed literature review and recent interviews with Russian managers from diverse backgrounds. These prerequisites can be applied in different contexts both singularly and with any combination and they do not necessarily affect the underlying constructs of *blat*. The *blat* underlying constructs influence *blat* practices in a business context individually as well as through amalgamation.

The conceptual prerequisites of *blat* and their affect on the *blat* practices in a business context are described, beginning with the most frequently mentioned and ending with those that have appeared less in the previous research.

Figure 1  
The *Blat* Underlying Constructs



## Economical

In the Soviet period, everlasting shortages stimulated the need to access quality, scarce commodities and services unavailable to the common people. For example, " Individuals would exchange favours such as accepting goods from an enterprise manager in return for facilitating his child' s admission to a university" (Puffer & McCarthy 1997: 1298). In the market-oriented economy, *blat* may be used to improve one' s business by gaining preferential bank financing, special terms in contracts, or to gain access to influential customers. The use of *blat* would provide access to the services that require fees in normal circumstances. Examples of the use of *blat* are demonstrated in the avoidance of fees and charges to save money, such as medical treatment, higher education, and registration of various documents in both public and private organisations by using personal connections, such as friends or their friends in appropriate institutions (Sedov 2004, Vandysheva & Gamov 2004). These examples show that the current use of *blat* is different from its use in the communist time. Thus, today *blat* is used not just to overcome obstacles posed by the system (shortages and limited choice of commodities), but also as a source of acquiring greater wealth.

## Legal

In the Soviet period, and in the even stronger post-Soviet time, people have been experiencing lawlessness. The habitual bias of the law enforcement bodies and their representatives is the protection of state interests and the property of the socialists. By contrast, the protection of the

legal rights and interests of Russian citizens, including private owners, is not perceived as the main task of law enforcement bodies. Entrepreneurs, not having found formal legal protection, are thus obliged to seek special arrangements by buying unlawful services from state officials (Levin & Satarov 2000). Some commentators argue that the "shortcoming of the legal system are a key factor stymieing development" (Hendley et al. 2000: 627) and point out that enterprises are turning to private security firms for assistance, and these firms are performing state functions. For example, Russian businessmen have to be sure that the completed work will be paid by the clients and the delivery for their production will be accomplished just in time. As many Russians are not sure of protection by the legal system they have been forced to form close personal relationships and to look for protection and warranties to conduct and further develop their businesses from officials as well as from informal security firms.

## Cultural

The two crucial elements of Russian culture which contribute to *blat* are collectivism and the mentality of survival. The spirit of collectivity has very deep roots in Russian culture. Russian society, over the centuries, has been filled with governing authorities that restrained personal freedom (Ledeneva et al. 2000). These authorities are represented by the Russian elite and their values are a major element of the Russian Orthodox faith in which people are encouraged to sacrifice personal interests to the common good. The political conditions under the tsars and the economic power of the landowners were based in the same autocratic and oppressive philosophies (Kelly 2000, Ardichvili & Kuchinke 2002, Burton 2002). Under the communist regime of declared proletariat equality, centralised authority, subjugation of the individual and collectivist values predominated. Furthermore, a reward system that recognised collective rather than individual achievements was designed (Veiga, Yanouzas & Buchholtz 1995, Puffer & McCarthy 1997). Transition to the market economy has not noticeably changed collectivist values of Russian people (Veiga et al. 1995, Michailova & Husted 2003). In effect, it is typical for Russians to act as members of a cohesive group within one's own circle, or one's personal networking, and to secure favours for others members of such groups. Thus, due to the high level of collectivism within Russian culture the practice of *blat* through personal relationships is vital to reserve assets, privileges and others favours for one's circle.

The mentality of individuals and entrepreneurs has been strongly influenced both by the necessity to survive in conditions of all-including restrictions under communism and by instability of post-Soviet time. The rigid demands of the communist system created a situation that forced people at all levels to break the rules to achieve desired results. For example, it was a common practice to give false production figures to give the impression of meeting the centrally planned output targets, and accordingly, to obtain rewards (Puffer & McCarthy 1997). The chaotically evolving legal structure of the period of transformation to the market economy only worsened this attitude of Russian business people (Levin & Satarov 2000). Nowadays, as a result of the mentality of survival, the ends often justify the means. In effect, people display a very flexible interpretation of ethical or unethical behaviour under certain circumstances. The mentality of survival makes acceptable the use of *blat* in the interests of certain groups and individuals and against the interests of others.

## Historical

'Take-and-give' practices and mutual protection have a long history in Russia. Mutual dependence stipulates forming and maintaining personal networks by Russian people. Many centuries ago, Russian society was arranged around the greater family communes, which later evolved into larger units called mir (Michailova & Husted, 2003). Peasants relied on each other in the harvesting times, building and maintaining the family house and other major works. In the 1930s, the place of mir, which used to be based on an extended family, was taken by the Soviet collective farm that maintained mutual help and protection. In the communist period of central distribution, public enterprises and their managers provided their employees with housing, child



care, medical services, resort and recreation facilities and retirement benefits (Stiglitz 2001). Consequently, managers were involved in workers' personal lives which led to paternalistic relationships between managers and staff. It is still common in the relationships between managers and employees in Russia to give mutual favours to each other. Furthermore, if managers ask employees for favours that extend their direct job responsibilities, for example, to reach the important customer using employee's personal contacts (Chermianinova 2004), it is highly likely to be accomplished by the employee. A number of our respondents (Chermianinova, Ryzhova, Suslov & Vasiliev 2004) highlighted in their interviews the importance of personal relationships in the Russian business environment, that is, to make things happen a manager needs to approach people personally (Suslov 2004). All told, mutual protection and involvement managers in personal lives of their employees have deep roots in Russia. They emphasise the significance of the personal relationships, and thus, *blat* in the Russian business context.

## Market

A consequence of the transition to the market economy is that enterprises use networks which include state officials and private security firms. They strive to gain control over the market and avoid possible risks by employing *blat* and/or other forms of networking. The network can provide benefits to the participants, for example, through an elevation in social status or by sharing information about trading partners (Hendley et al. 2000). It can also impose costs such as the shame of being branded as untrustworthy or the lost profits from foreclosed trading opportunities with network members. According to the survey conducted by Hunter (2003), nine of 22 firms surveyed, reported that they employed *blat* in some way or in ways to gain advantages or eliminate difficulties in doing business. Most of the market share leaders in this sample had diversified themselves. Upon successful diversification, presumably, they acquired the wherewithal to provide themselves with certain critical resources, such as cash flow or capital, sources of raw materials, access to product lines and expertise (Hunter 2003). In essence, they had created owned networks – by definition more formal than the Chinese Guanxi – to internally satisfy their resource needs. Thus, it can be argued that the diversified firms had reduced their necessity to trade favours via *blat* in the open marketplace. The effect was similar to that resulting from trading of favours intended to create a shield from purely 'arm's length' transactions.

Transformation of the economy also resulted in the establishment of nurturing connections which are used by businessmen to reduce competition and avoid the risks of a free market. The result is that firms tend to employ 'connected' firms and officials to provide themselves with resources and effective distribution chains and to get officials' support or/and funds for business development.

## MANAGERIAL IMPLICATIONS

*Blat* still remains a very sensitive issue in Russia. It influences business decision making in order to decrease competition and to achieve mutual protection in a free marketplace. *Blat* has to be taken into account by those who are going to operate in the Russian market. The following results of this study can be used by Western managers to deal with *blat* and benefit from it without being perceived as corrupt.

1. The meaning of *blat* and the problems which it helps to solve have changed. *Blat* is no longer required to obtain necessary inputs to meet the planned output. In contrast, access to the distribution system is vitally important and it has become necessary to use *blat* to adhere such access. *Blat* causes direct impacts on conflicts of interests among individuals, businesses and the public. To gain greater personal wealth, groups of individuals use *blat* even if it is disadvantageous to the organisation.
2. The *blat* relationships are useful for Westerners to gain benefits such as building trust in inter-enterprises relations, security of business partners and clients, governmental support

of business activities, and to access to the required resources. At the same time, Westerners have to be aware that they may face the following negative consequences of using *blat* such as: limited competition, loss of quality and costs due to connected producers and suppliers and then, limited, business contacts, long term losses as a result of potential betrayal of the public interests by groups of individuals and organisations.

3. There are differences among various classes of Russian business in their attitude towards *blat*. Hence, the established business classes that were formed in the conditions of the command economy value old connections higher than connections of a recent period of time. By contrast, the new businessmen – who have begun their business during last decade – are more market oriented. They value trust in relations based on knowledge higher than connectedness.
4. Westerners have to be familiar with the differences among types of enterprises in their *blat* practices. From an employment perspective, for example, private enterprises are expected to be less dependent on *blat* than public enterprises due to their desire to please the customer rather than the superior. Private enterprises are more rational in their practices and this fact limits their opportunity of employment of ‘useful’ or ‘connected’ people who are not appropriate for the job. The size of enterprises also makes attitudes towards *blat* different. A large company can afford to employ some ‘useful’ or ‘connected’ people even if they are not significant for the company business, whereas a small firm usually has a small staff and can not employ people who do not fit into the business process.
5. There are the network effects from using *blat*. These effects are expected to be both advantageous and disadvantageous. The advantages from *blat* include building trust in inter-enterprise relations, security business partners and clients, governmental support of business activities, access to investment and/or loan for business development. The disadvantages from *blat* are limited competition, problems with hiring the best staff, operating outside the law, keeping privileges and nurturing corruption. Overall, the expected network effects from using *blat* are to secure and support business transactions.

## CONCLUSION

Obtaining and using *blat* is a necessity for operating in Russia. From a business perspective, *blat* gives the businessperson access to resources and opportunities that would not otherwise be closed to them. This research aims at further extending the understanding of *blat* and how it is used in human resources management of modern Russia. *Blat* is a complex topic that is difficult for Western people to understand and with which to deal. Further investigation into current *blat* practices will assist Western business people gain a better understanding of Russian business practices and contribute to knowledge on the use of personal networks for business purposes in Russia.

As Russia becomes more involved in the world economy, it is anticipated that its business practices will become progressively affected by, and affiliated with, the norms of the broader international economic order. If this trend continues, there will be an increasing number of non-Russians participating in business communication with Russians. They should appreciate that Russia, like other nations, will continue to have its own special set of norms and standards for business practices and human resources management. To expect otherwise would be unrealistic considering the unique influences of Russia’s history, politics and culture. When accommodating the norms and business practices of various Russian business groups, the underlying constructs for questionable and confusing business and human resources practices must be understood. Studying *blat* prerequisites provide a more thorough and fair analysis of Russian practices of human resources management than is possible by evaluating them according to forejudged criteria.

## AUTHORS

**Dr. Bella Butler** is a lecturer in strategic management in the School of Management, Curtin

University of Technology, Western Australia. Her research interests include business relationships, management in transformed economies, and management of Russian-Western organisations.

**Dr. Sharon Purchase** is a lecturer in marketing at the Business School, University of Western Australia. Her research interests include business relationships, international marketing, and electronic relationships. She has published in the *Industrial Marketing Management Journal*, the *Australasian Marketing Journal*, the *International Marketing Review* and the *Journal of Business-to-Business Marketing*.

## REFERENCES

- Ardichvili, A., & Kuchinke, K. (2002). *Leadership styles and cultural values among managers and subordinates: A comparative study of four countries of the former Soviet Union, Germany, and the US*. [On-line]. *Human Resource Development International* 5:1 Available at: <http://www.tandf.co.uk/journals/> [2003, September 28th].
- Arino, A., Abramov, M., Skorobogatykh, I., Rykounina, I., & Vila J. (1997). Partner selection and trust building in West European-Russian joint ventures. *International Studies of Management & Organization*, 27(1), 19-37.
- Barnes, J., Crook, M., Koybaeva, T., & Stafford, E. (1997) Why our Russian alliances fail. *Long Range Planning*, 30(4), 540-550.
- Blackwell, G. (1991). *Glasnost gives UWO business students a chance to bring capitalism to the Soviet Union*. [On-line]. London Magazine. Available: <http://ourworld.compuserve.com/homepages/paulfitzgerald1/ent.htm>. [2003, September 28th]
- Berliner, J. (1957). *Factory and manager in the USSR*. Cambridge: MA.
- Burton, M. (2002). *A survey of corruption in Russia* [On-line]. Available <http://mywebpages.comcast.net/msburton/corruption.htm>. [2003, November 17th]
- Chermianinova, V. (2004, February 28th). The use of *blat* (telephone conversation)
- Crankshaw, E. (1956). *Russia without Stalin*, London: Cambridge University Press.
- Fasmer, M. (1964). *Etimologicheskii slovar' russkogo iazyka*. Moscow: Russian Language.
- Fukuyama, F. (1996). *Trust: The social virtues and the creation of prosperity*. London: Penguin.
- Gudilova, V. (2002, October). *Joy of non cinematographic citizens*. [On-line]. Nesavisimaia Gazeta. Available <http://www.ng.ru>. [2004, May 31st].
- Hamilton, G. (1996). *Asian business networks*. New York: Walter de Gruyter.
- Hendley, K., Murrell, P., & Ryterman, R. (2000). Law, relationships and private enforcement: Transactional strategies of Russian enterprises. *Europe-Asia Studies*, 52(4), 627-656.
- Hisrich, R. (1996). The Russian distribution system: Problems for entrepreneurs and new venture entrance. *Management Research News*, 19(8), 1-18.
- Hunter, J. (2003). Determinants of business success under "hypocapitalism": Case studies of Russian firms and their strategies. *Journal of Business Research*, 56, 113-120.
- Kelly, C. (2000). Self-Interesting giving: Bribery and etiquette in late imperial Russia. In Ledeneva, A., Lovell, S., & Rogachevskii, A. (Eds.), *Bribery and blat in Russia: negotiating reciprocity from the Middle Ages to the 1990s* (65-94). London: MacMillan Press Ltd.
- Kryshtanovskaia, O. (1994, December). Portrait of the contemporary business elite. *Delovoi Mir*, 28, 2-21.
- Ledeneva, A. (1998). *Russia's economy of favours: Blat, networking and informal exchange*. Cambridge: Cambridge University Press.
- Ledeneva, A., Lovell, S., & Rogachevskii, A. (2000). *Bribery and blat in Russia: Negotiating*

- reciprocity from the Middle Ages to the 1990s*. London: MacMillan Press Ltd.
- Levin, M., & Satarov, G. (2000). Corruption and institutions in Russia. *European Journal of Political Economy*, 16, 113-132.
- Michailova, S., & Husted, K. (2003). Knowledge sharing hostility in Russian firms. *California Management Review*, 45(3), 36-52.
- Michailova, S., & Worm, V. (2003). Personal networking in Russia and China: Blat and Guanxi. *European Management Journal*, 21(4), 509-519.
- Paramonov, I. (1996). Business with Russia: Reality and Prospects. *Montana Business Quarterly*, (Winter) 1996, 2-6.
- Puffer, S. (1994). Understanding the bear: A portrait of Russian business leaders. *The Academy of Management Executive*, 8(1), 41-54.
- Puffer, S., & McCarthy D. (1995). Finding the common ground in Russian and American business ethics. *California Management Review*, 37(2), 29-46.
- Puffer, S., & McCarthy, D. (1997). Business ethics in a transforming economy: Applying the integrative social contrasts theory to Russia. *Journal of International Economic Law*, 18(4), 1281-1304.
- Puffer, S., & McCarthy, D. (2003). Gaining legitimacy: Management's challenge in developing and transitioning economies. In H. Lane, M. Mendenhall, M. Maznevski & J. McNett (Eds.), *Managing Global Complexity* (8-31). Oxford: Blackwell.
- Puffer, S., McCarthy, D., & Naumov, A. (1997). Russian managers' beliefs about work: Beyond the stereotypes. *Journal of World Business*, 32(3), 258-276.
- Ryzhova, V. (2004, January 15th). The use of *blat* (telephone conversation).
- Sedaitis, J. (1998). The alliances of spin-offs versus start-ups: Social Ties in the genesis of post-Soviet alliances. *Organisation Science*, 9(3), 368-381.
- Sedov, A. (2004, May). Receive medical treatment free of charge means became a cripple. [On-line]. Komsomolskaia Pravda. Available <http://www.kp.ru> [2004, May31st].
- Shanskii, N. (1965) *Etimologicheskii slovar' russkogo iazyka*, Moscow: Russian Language.
- Stiglitz, J. (2002). *Globalization and its discontents*. Sydney: Penguin Books Australia Ltd.
- Stojanov, C. (1992). The post-Socialist transformation: A unique (re)-modernization? Research in social movements. *Conflicts and Change*, 14, 211-235.
- Suslov, L. (2004, February 23rd). The use of *blat* (telephone conversation).
- Tchumanova, N. (2004, January 18th). The use of *blat* (telephone conversation).
- Vandysheva, O., & Gamov, A. (May, 1999) Stand In Line for Special Signals. [On-line] Komsomolskaia Pravda. Available <http://www.kp.ru> [2004, May 31st].
- Vasiliev, A. (2004, January 25th). The use of *blat* (telephone conversation).