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## Trust, reciprocity and reputation in informal networks in post-Soviet Russia

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**Abstract:** This research explores the relationship between trust and informal networking using the example of *blat/svyazi*, simply translated as 'connections', in post-Soviet Russia. We find that a higher articulation of general trust does not reduce the trust in *blat/svyazi*, but rather both can coexist. Furthermore, the greater the importance a person ascribes to *blat/svyazi*, the greater the need to establish a reputation within his or her *blat/svyazi* network, and the greater the trust in *blat/svyazi*. Therefore, reputation has a mediating effect on trust in *blat/svyazi*. However, the more important reputation building is for a *blat/svyazi*-based network transaction as a guarantor for the transaction, the lower the trust in *blat/svyazi*. We assume that the latter mechanism takes effect due to the ambivalent nature that *blat/svyazi* developed during post-Soviet times, being today more cognitive trust-based, less social, and more money-centred.

**Keywords:** informal networks; informal institutions; *blat/svyazi*; trust; post-Soviet Russia; emerging markets; transitional economies.

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## 1 Introduction

Given the continuous interest in research on informal social networks – popularised especially through the high level of attention from studies on social capital (e.g., Adler and Kwon, 2002) – recent research in the international management literature has progressed towards a focus on country-specific informal networks and their unique natures. Among the most debated are, for instance, *guanxi* in China (Luo, 2000, 2011; Li, 2005, 2007a, 2007b; Chen et al., 2013), *wasta* in the Arabian region (Hutchings and Weir, 2006; Abosag and Lee, 2013; Alhussan et al., 2014), *yongo* in Korea (Yee, 2000; Lew, 2013; Horak, 2014, 2018; Horak and Klein, 2015) and *jeitinho* in Brazil (Amado and Brasil, 1991; Duarte, 2006; Park et al., 2018). The recent surge in research on its local forms and shapes can be explained by the increased economic importance of emerging markets (Ang and Michailova, 2007; Filippov, 2012). Such countries are represented by, for example, the BRIC group (Brazil, Russia, India and China). At the same time, the growing research interest can also be explained by the knowledge gap in understanding the prevalent and important informal institutions in the respective local markets (Estrin and Prevezer, 2010; Puffer and McCarthy, 2011). Not only do Western countries see increased competition from firms in emerging markets, but also investing and operating in BRIC markets means that foreign (most often Western) firms are operating under a different and unknown institutional framework (Peng et al., 2009; Peng, 2010; Bruton et al., 2014). Often, decision makers in headquarters and foreign subsidiaries face decision-making processes that involve taking into account a web of local social relations. Such relations are often far more dense and meaningful than those in their home countries. As engagement and integration are often not voluntary, but are culturally (and in the case of Russia to some extent politically) required to do business successfully (Horak and Yang, 2016), they essentially present the ethical challenge of whether to comply with the informal network rules or not (Horak, 2018).

Moreover, their persistence can explain the increased interest in informal network research. In reference to emerging markets, scholars used to assume that with a rise in economic growth, along with increased individual wealth, and at the same time the strengthening of the effectiveness of formal institutions, people would draw on informal ties and networks to a lesser extent. Consequently, these would recede and sooner or later expire (Guthrie, 1998; Fan, 2002; Hutchings and Weir, 2006; Wang, 2007; Peng et al., 2008; Cheng et al., 2009; Wilson and Brennan, 2010). In contrast, other scholars have assumed that informal ties and networks will not expire any time soon, but rather will dynamically adjust to the ever-changing environment as they may be engrained in countries' cultural contexts. However, as culture is a rather rigid construct, it will not change quickly (Hofstede, 2007; McCarthy et al., 2012; Smith et al., 2012; Horak and Klein, 2015).

In exploring the assumption that informal networks will recede in the course of economic and institutional development, Horak and Klein (2015) used the case of South Korea, a country that passed successfully through an economic and institutional transition, to show that informal ties and networks still play a strong role and have not receded. South Korea also represents a good example for informal networks in Confucian Asia (House et al., 2004). As the competition for jobs and individual progress grew in South Korea, people appeared to use and rely even more on informal networks (Renshaw, 2011). Research on other countries has suggested that informal ties and networks have a profound influence on economic decision making and interpersonal transactions, and that they will very likely not disappear any time soon (Minbaeva and Muratbekova-Touron, 2013). Given that the vast majority of people worldwide rely on economic transactions that are mobilised, organised and managed through informal ties and networks, it is a surprise that informal ties and networks have not yet developed into a management concept (Minbaeva and Muratbekova-Touron, 2013).

In Russia, informal networks are traditionally known by the term *blat* (in Russian: *блат*). While similar in content, nowadays the term *svyazi* (in Russian: *связи*) is more commonly used (McCarthy et al., 2012; Karhunen et al., 2018). Both describe a system of reciprocal favour exchange organised along informal ties; they are used to obtain consumption goods and services that are in short supply by circumventing formal procedures (Ledeneva, 1998, 2003, 2008). As *blat/svyazi* is a society-spanning phenomenon, it has been studied through the lenses of respective disciplines, such as political science (Hayoz and Sergeev, 2003; Ledeneva, 2013), socioeconomics (Ledeneva, 1998), history (Lovell et al., 2000) and management studies (e.g., Michailova and Worm, 2003; Puffer et al., 2010; McCarthy and Puffer, 2013). By indirectly referring to network theories (Granovetter, 1973; Coleman, 1988; Burt, 1992), it is commonly assumed that informal networks exist in every culture. However, it is important to understand that they often differ in terms of the nature, characteristics and intensity of their use. This has consequences for theory development and practice. This paper departs from the prior research conducted by Michailova and Worm (2003, p.509), who argued that:

...personal networking in former socialist societies differs from the West in terms of how extensively it is rooted and activated in social and business life and how business success is influenced by the quality and cultivation of personal relationships. This implies that personal networks need to be managed differently in different countries (...).

As canonically agreed by informal network research, an essential element for network cohesion is trust (Li, 2012; Luo and Yeh, 2012), which is regarded at a societal level as 'one of the most important synthetic forces within society' (Simmel, 1950, p.326). However, in Russian society, several studies have consistently reported a low degree of general trust, but a very high level of trust in people that are personally known (e.g., World Values Survey [WVS], 2009). As the same is true for business ties in Russia, scholars' explanation for this is the low level of effectiveness of the Russian bureaucracy, regulatory agencies and juridical system (Puffer et al., 2010), which drives people to rely more on relational contracts (Rousseau, 1995) that are developed over long periods of time. However, scholars have noted that due to common breaches of (relational) contracts and a low level of transparency in exchange relationships, business people often do not fully trust each other (Radaev, 2004). Michailova and Worm (2003) characterise informal networks in Russia as being marked by trust and cooperation that coexist with each other on the one hand, and as featuring power relationships and dominant behaviour on the other hand (Balabanova et al., 2018). Hence, the basic question of what shapes trust and how constituting antecedents interplay with and form trust in emerging markets in which there is institutional uncertainty adds knowledge to the conventional wisdom on social network ties (Granovetter, 1973; Burt, 1995). It is also of great interest to those managing the operations of multinational corporations (MNCs) in the emerging markets of the post-Soviet Union (Minbaeva et al., 2007; Kuznetsov and Kuznetsova, 2008; Nayir and Vaiman, 2012).

Unequivocally, research identifies trust as a vital force that keeps informal networks together. However, despite the considerable amount of trust-related research conducted in the last few decades, there is a knowledge gap in terms of the relation between different forms of trust in connection to the use of networks. Furthermore, based on the understanding of trust within networks so far, it appears that the common categories of general and particularistic trust (e.g., Luo, 2005), as used by the WVS, require extension to capture the unique features of *blat/svyazi*-related network trust. In this study, we use structural equation modelling to contribute to the literature on trust relationships. Structural equation modelling is an established and powerful multivariate approach for simultaneously testing and estimating models with causal relations such as those used in this study. We use this method instead of running separate confirmatory factor analyses, calculating factor score weights afterwards, and applying additional regression analyses to calculate the path coefficients for the relationships between latent constructs. Through structural equation modelling we are able to explore the role that different trust categories and its constitutive antecedents – favour exchange and reputation – play in post-Soviet *blat/svyazi* networks. Once again, the results will add to the extant knowledge concerning trust relationships and related constructs in informal networks, especially those dynamically developing in emerging markets.

We structure the remainder of the paper as follows. First, we outline the theoretical background by linking typical characteristics of informal networks to the construct of *blat/svyazi* in Russia with trust, which is an essential force for network cohesion. Second, framed by the foregoing arguments and based on the structural model developed, we derive research hypotheses. Third, we outline the methodological approach and test our hypotheses in a structural equation model. Thereafter, we discuss the results with reference to the established theoretical frame, point out limitations and propose directions for future studies on the transitional nature of *blat/svyazi* in post-Soviet Russia. The conclusion reflects on our findings.

## **2 Theoretical background and hypothesis development**

### *2.1 Characteristics of informal networks*

Informal networks can be characterised according to their structural and relational features. The latter relate to the well-known debate on the strength of ties between network actors. As classified by Granovetter (1973), such ties can be strong or weak, depending on the degree of reciprocal transactions performed with a partner, emotional involvement, intimacy, the level of trust and the time invested. Above all, it is the weak ties – compared to strong ties – that most benefit network members as they carry information further along the network. Furthermore, it is the weak ties that enable two unconnected networks to be bridged (Coleman, 1988), hence closing structural holes (Burt, 1995). This benefits the one connecting the two networks, as well as their members, by making more information available to all members. However, later research has noted that the benefits of weak ties may occur in rather individualistic Western countries, whereas in other countries (e.g., most East Asian countries) comparable weak ties often do not exist, and it is strong ties instead that lead to the benefits described (e.g., Lee, 2000; Yee, 2000; Yi and Ellis, 2000; Horak, 2014).

The strength of the cohesion of networks is an important structural feature and relates to the occurrence of opportunistic behaviour and free riding. As generally understood, the closer the network, the more its cohesive strength increases. In close networks, information travels fast and without interruption. Through this mechanism, consensus regarding shared values and norms can evolve quickly, providing a benchmark for building a reputation, which in consequence promotes the development of trust (Coleman, 1990; Burt, 2000; Aoki, 2007). A positive reputation appears to be the foundation on which the evolution of trust is based, which in turn intensifies transaction frequency and closeness. Reputation needs constant nurture and maintenance. The actor with (a positive) reputation accumulates social capital, solidarity within the network is strengthened and the network as a whole benefits from such a positive reputation among those outside it, which may attract outsiders to become new members and to contribute assets to the network (Lin, 2002).

Informal networks are often perceived as counteracting the effectiveness of formal institutions and tend to ‘act in the shadow of the state, often at odds with the goals formulated by rulers’ (Nee, 1998, p.86). However, although they are at times in conflict with and skirt formal rules, informal networks serve the wellbeing of neighbourhood communities (Lin, 1999), or make a job search successful (de Graaf and Flap, 1988; Montgomery, 1991; Granovetter, 1995, 1973; Lin, 1999; Marsden and Gorman, 2001).

The extant theoretical knowledge on informal social networks outlined above can be challenged in terms of the universality that it implicitly claims. As scholars have increasingly discovered certain fundamental differences in network characteristics and the motivations for engaging in informal transactions, it increasingly appears that the existing knowledge, instead of being universally valid, is rather Western-biased, that is, it represents the case in the Western world, with a strong Anglo-Saxon focus (Yee, 2000; Li, 2007a, 2007b; Lew, 2013; Horak and Taube, 2016). Hence, contextualisation becomes important, as the nature of social ties and the structure of networks may differ across cultures (Adler et al., 1986; Dowling and Donnelly, 2013). With this research, we

aim toward (a) a more contextualised approach on the one hand, and (b) a shift in focus from the macro level back to a specific case on the other hand, namely by exploring the informal networks in Russia, and focusing on the central factors of network cohesion, trust and reputation. Finally, by pursuing (c) a quantitative research approach, we seek to contribute to and extend the current knowledge about the mechanisms of informal transactions within informal networks.

## 2.2 Defining informal networks in Russia – *blat*/*svyazi* ties

Given the multiplicity of contexts in which they are used, informal networks in Russia are difficult to separate and define since they evolve. Whereas *blat* is a well-known construct in the literature, *svyazi* is a potentially competing term; it is currently unclear whether it is a replacement, a substitute or complement to *blat* (Karhunen et al., 2018). *Blat* itself is a term that is difficult to define (Ledeneva, 1998), especially in a different language, since terms that are deeply engrained in a specific culture are often difficult to translate into English, as is the case of *blat* (Berliner, 1957). Definitions of *blat* and *svyazi* (see Table 1) tend to be similar in the literature. They usually centre on their use to satisfy needs through informal channels or to shorten or circumvent the formal procedures required when dealing with officials and the administration.

The term *blat* has rather negative connotations, derived from criminal jargon (*blatnoi*, Ledeneva, 2008, p.126). *Blat* practices are often covered – Ledeneva (2008) uses the word ‘disguised’ – in a friendship rhetoric that appeals to mutual help and care (Ledeneva, 1998, 2008; Michailova and Worm, 2003). However, this is debatable, as the *blat* system may be characterised as predominantly instrumental rather than emotional; as such, social *blat* interactions would likely not occur if public offices worked efficiently. Today, however, as the meaning of the term *blat* has evolved, it is more common to talk about *svyazi*, which refers to informal exchanges that are less obligatory than *blat*. Today, the latter is more relevant to the older generation socialised during Soviet times, whereas the younger generation tends to use the term *svyazi*. Thus, there is a *blat*/*svyazi* blending in post-Soviet Russia today. However, there is currently no consensus in the literature about how *blat* and *svyazi* relate to each other. On the one hand, Berger et al. (2017) seem to identify no difference between *blat* and *svyazi*, and thus use them interchangeably. In addition, Ledeneva (1998) points out that both existed in the Soviet Union in parallel and worked in the same way. On the other hand, Batjargal (2007) treats them as two different constructs and suggests replacing *blat* with *svyazi*, which is believed to be a more neutral term referring to market-based networking. Scholars suggest that especially the younger generation connects the term *blat* with the Soviet Union style of networking, and thus no longer uses the term; rather instead *svyazi* is used (McCarthy et al., 2012). In the Russian literature, the majority of researchers assess *svyazi* as the transformation of *blat*. For instance, Ledeneva (1997) indicates that the younger (i.e., post-Soviet) generation might not understand the term *blat* any longer. She suggests that *svyazi* includes features of *blat* and uses the term in a broader sense. This idea is supported by interviews conducted by Efendiev et al. (2010) and Anisimov (2014), who suggest *svyazi* is an inheritor of *blat*.

**Table 1** Definitions and characteristics of *blat/svyazi*

<i>Definitions and characteristics</i>	<i>Reference</i>
“ <i>blat</i> is the use of personal networks and informal contacts to obtain goods and services in short supply and to skirt formal procedures.”	Ledeneva (1998, p.1)
“In conditions of shortages and a state system of privileges, <i>blat</i> practices serve the needs of personal consumption and reorganize the official distribution of material welfare through an informal exchange of ‘favors of access’ to state resources.”	Ledeneva (2008, p.120)
“Personal favoritism, known as <i>blat</i> , involves reliance for favors upon personal contacts with people in influential positions. <i>Blat</i> takes many forms, such as giving money, goods, or services to people in power in exchange for something of value, such as a job, promotion, contract, or access to influential people. Securing a favor sometimes involves payments to a series of individuals who are instrumental in gaining access to the final decision maker.”	Puffer and McCarthy (1997, p.1297)
“(…) a system of informal inter-personal networks operating on principles emphasizing reciprocal exchanges of favors. An intricate web of <i>blat</i> networks emerged in the Soviet Union as a result of the communist takeover of the public sphere, which in conjunction with the chronic shortage of goods and commodities gave birth to an immense shadow economy in which favors were a key currency.”	Aliyev (2013, p.89)
“ <i>Blat</i> is rooted in cultural traditions and has generally been seen as necessary, ethical, and reasonable in order to conduct business, as well as to obtain personal favors.”	Puffer et al. (2010, p.450)
“[Oligarchs] drew on social networks developed in the Communist period, i.e., <i>svyazi</i> to gain access to privatized property, obtain government favors and to generally position themselves above the law when accruing personal fortunes.”	Berger et al. (2017, pp.449–450)
“ <i>Svyazi</i> is defined as a social network that involves giving and receiving favors in order to get things done or to obtain access to funds or state property.”	Berger et al. (2017, p.450)
“Under the Soviets, <i>Svyazi</i> was recognized as a social mechanism that supplemented the rigid economic system of the planned Communist economy” (…). “ <i>Svyazi</i> is often considered as an unethical or illegal access route to state property, cash or even a well-paid job.”	Berger et al. (2017, p.450)
“The term, <i>svyazi</i> , or connections, has emerged as the preferred term for the practice of favors in post-Soviet business. In fact, the generation born since the 1980s would hardly be familiar with the term, <i>blat</i> , but would recognize the practice as <i>svyazi</i> .”	McCarthy et al. (2012, p.31)
“So although <i>blat/svyazi</i> is still a broadly accepted, culturally based informal institution in Russia, it has the potential to escalate to bribery in the current environment of weak legitimate formal institutions and a pervasive bureaucracy.”	McCarthy et al. (2012, p.31)
“‘You’ve got to have ZIS’. ZIS in this context is (...) standing for the first letters of the expression ‘acquaintances and connections’ ( <i>znakomstva i svyazi</i> ). The necessity of ZIS in everyday life (...).”	Ledeneva (1998, p.27)
“(…) the closed nature of <i>blat/svyazi</i> networks reflects the Russian cultural traditions that are said to have produced an inclination to distrust individuals, groups, and organizations outside one’s personal relationships.”	Karhunen et al. (2018, p.8)

Nevertheless, since it can be assumed that seniors rather than juniors occupy leadership positions today in administration, business and/or politics, it is likely that the normative ethics engrained in informal networking still follow ideals of *blat* to some extent. In the long run though, *svyazi* ideals of less strict obligations in informal transactions may dominate. The evolving nature of *blat*, its blending and overlapping with *svyazi*, and the resulting difficulty in separating the two from each other have lately been recognised by scholars. Hence, to address these challenges and to name informal networks appropriately in Russia, McCarthy et al. (2012), as well as recently Karhunen et al. (2018), have chosen the denomination *blat/svyazi*. Given the current state of the literature, we follow their approach in this study.

Comparative research reveals more about the nature of *blat/svyazi* networking and shows that sociability is more often a by-product or a necessity in the *blat/svyazi* system compared to, for instance, *guanxi* in China, which has traditionally followed a group culture based on Confucian ideals. Whereas *guanxi* can be characterised as essentially sentimental – but often instrumentally used – today *blat/svyazi* may be characterised in the opposite way, as primarily instrumentally based rather than resting on cognitive trust; that is, it exists to satisfy a need and sociability is merely a by-product. This distinction is important as it influences the perception of trust relationships. In this paper, we assume that in addition to the conventional distinction between general and particularistic trust, a further category, network trust (Kim, 2000; Lew, 2013), is potentially useful as it more effectively captures the nature of the social structure of certain societies, especially those described as network societies (Kumon, 1992; Kim, 2000). Moreover, following Delhey and Newton (2003), it is important to take the network perspective of trust into account as this category has developed based on a different history than in, for instance, Western countries. People in countries formerly under communist rule have:

...developed circles of private and unofficial contacts among people who could help each other solve the daily problems of scarce resources and services, within a wider society that was pervaded by general suspicion and mistrust created by the state. As a result, the form of social trust that developed in Communist societies was particularistic and limited, compared with the more generalized trust typically found in the West. (...) In this case, network theory may be rather better at explaining social trust in ex-Communist systems (at least among the older generation) than in Western ones. (Delhey et al., 2011, pp.98–99)

Whereas informal network ties are quite pronounced, particularistic trust, which we propose should be in a different category, is likewise strong: ‘East Europeans know those whom they trust, and trust those whom they know’ (Rose, 1994, p.29). *Blat/svyazi*, which occupies a unique category of its very own is also underlined by Puffer and McCarthy (1997, p.1298): ‘Similarly, community norms do not bring *blat* into conflict with other norms.’

### 2.3 General trust, particularistic trust and *blat/svyazi*

Although there is no uniformly accepted definition of trust, the majority of scholars would agree on certain essential elements of trust, which include positive expectations for future actions, or, as a fundamental factor enabling trust to emerge, a willingness to be vulnerable (Rousseau et al., 1998; Morrow et al., 2004). Trust can be defined

simply as the ‘extent to which one believes that others will not act to exploit one’s vulnerabilities’ (Morrow et al., 2004, p.49). In addition, Gambetta (2000, p.218) defines trust in more detail as:

... a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action, both before he can monitor such action (or independently of his capacity ever to be able to monitor it) and in a context in which it affects his own action.

Thus, trust features a certain level of confidence that a positive outcome of an action will occur in the future, while relying on honesty and fairness as guiding principles.

Generalised trust has become a key topic of research in the social sciences as it is regarded an essential component for the development of social capital, which in turn ensures a stable democracy, civic action and economic development (Putnam et al., 1993; Putnam, 2000; Adler and Kwon, 2002; Sobel, 2002). It is believed that the higher the level of general trust in a society as a whole, the more likely it is that social capital will emerge. In complex societies characterised by frequent interactions with strangers, general trust is functional and is regarded as important in interpersonal (economic) transactions (Nannestad, 2008; Delhey et al., 2011). Viewed through the economic lens (in terms of wealth creation) and the sociological lens (in terms of social peace and civic engagement), the societal dynamics or the need for the development of a higher level of generalised trust becomes evident. Following modernisation theory, kinship and pseudo-family ties are said to diminish in line with increased democratisation and economic development, which are characterised by formal institutions and more open social ties (Durkheim, 1933). Scholars have observed this development, for instance, in the case of China (Guthrie, 1998; Brennan and Wilson, 2010). As for Russia, based on the preceding discussion, we assume that a higher level of general trust makes people less prone to rely on *blat/svyazi*. Therefore, we put forward the following hypothesis:

*H<sub>1</sub>: The higher the level of general trust, the lower the trust of an individual in blat/svyazi.*

In contrast, people who draw predominantly on particularistic trust, which is often seen as being at the opposite pole to general trust, can be found in smaller, familial communities with close personal interactions and tight social sanctions (Delhey et al., 2011). Although different types of particularistic ties may exist (Tsui and Farh, 1997; Farh et al., 1998; Luo and Chung, 2005), particularistic trust in network societies often draws on similar bases. These bases have been identified as related to attending the same educational institution (i.e., high school or university) and being born in the same place (i.e., town, city or region) (Luo, 2000; Yee, 2000; Lew, 2013; Horak and Klein, 2015; Horak and Taube, 2016). Although we define trust in *blat/svyazi* networks – network trust – as occupying a special category, in addition to generalised and particularistic trust, trust in *blat/svyazi* has a nature similar to that of particularistic trust. Thus, we assume that those actors who prefer to draw on particularistic ties in economic transactions also place more trust in *blat/svyazi*. Hence, we propose the following hypothesis:

*H<sub>2</sub>: The higher the level of particularistic trust, the higher the trust of an individual in blat/svyazi.*

## 2.4 Reciprocity and favours

As *blat/svyazi* can casually be described by the saying ‘I scratch your back, you scratch mine’ (Ledeneva, 2013), it is conventionally associated with a frequent exchange of favours (Ledeneva, 1998; Michailova and Worm, 2003). Because *blat/svyazi* is a dynamic construct that changes and adjusts to the demands of its environment over time, it is difficult to define it precisely and irrevocably (Ledeneva, 2013). In its traditional meaning, *blat/svyazi* was widely viewed positively as it contributed to balancing the shortages present in a planned economy. In a traditional sense, reciprocity, as an attachment to favour giving, even delayed, is a central informal network norm that is of crucial importance to make the *blat/svyazi* system work. There is no urgency in both directly and personally compensating for a favour received: ‘Instead, the favour would be repaid by somebody in the social network at some point in the future’ (Onoshchenko and Williams, 2014, p.256).

Hence, an important facet of *blat/svyazi* is its characteristically social nature, in which the motivation for the creation of trust is pursued through reciprocity. Thus, *blat/svyazi* is naturally suited to the ideals of Soviet societies, in which caring for and being able to help out and support friends is seen as the model for ethical behaviour, which is pursued with pride and increases the status of those able to provide help (Williams et al., 2013). The importance of engaging in reciprocal favours is high, not to say mandatory in the form of an ethical network norm, because if one simply refuses to do so, there will be no access to everyday goods and services, and even the potential for social exclusion. From a trust research perspective, reciprocal transactions are regarded as a central vehicle for establishing trust. Hence, reciprocal favours over time may lead to an increased level of trust in *blat/svyazi*-based transactions. Based on these arguments, we propose the following hypothesis:

*H<sub>3</sub>: The greater the importance of reciprocal favours, the higher the trust of an individual in blat/svyazi.*

## 2.5 Reputation building and *blat/svyazi* trust

The reputation of an actor affects the level of cooperation within the network. Reputation can mobilise others in a network to help and is therefore a motivator for each single member to engage in interpersonal exchanges. Actors tend to maintain or strive to increase their reputation, and they avoid actions that may potentially harm their reputation. Acting against the norms of a network can lead to social and material sanctions that arise from peer pressure imposed by other network members (Corten et al., 2016), whereas a good reputation leads to certain benefits. As reputation theory – viewed from a network angle (e.g., Lin, 2002) – has established, the reputation of an actor determines the actor’s command over the resources at his or her disposal. Hence, reputation can be regarded as a ‘network asset’ (Lin, 2002, p.235).

Reputation develops as a by-product of interactions within social relations in a rather closed network. Without interactions, reputation cannot arise, and without a certain level of network closure, it cannot evolve. However, single actors can influence the group reputation (and vice versa), as:

...[the] greater the reputation of certain actors and the more actors enjoying a high reputation, the more the group's reputation increases. Identification with a more reputable group also enhances an actor's own reputation. Reputation and group solidarity enhance the sharing of resources (Lin, 2002, p.230).

Based on insights from reputation theory, in the case of *blat/svyazi*, one can state that a higher reputation does not lead solely to benefits in terms of acquiring goods and services for daily use. Rather, in the case of high-level elite networks, a high reputation is also a precondition for gaining access to important decision makers in the administration, cadres and politics (Ledeneva, 1998, 2013). Hence, reputation becomes a mediator, guaranteeing access to high-quality networks if *blat/svyazi* itself is the only available channel. The more important *blat/svyazi* is in an environment, the more attention actors will pay to safeguarding *blat/svyazi*-based transactions through reputation. Based on the above, we put forward the following hypothesis:

*H<sub>4</sub>: The greater the importance of blat/svyazi, the greater the need for a good reputation of an individual within his or her blat/svyazi network.*

Furthermore, by extending the theoretical discussion above, the literature suggests that the higher the reputation an actor possesses, the more the reliance on *blat/svyazi*-based transactions increases. In this case, again, reputation fulfils the role of a guarantor, mediating between *blat/svyazi* importance and trust in *blat/svyazi*. As reputation can only be established in a rather closed network, frequent exchanges predominantly take place therein as 'there is an association between a group's reputation and the incentive for individual members to engage in persistent and maintained social exchanges and to identify with the group (...)' (Lin, 2002, p.230). As recurring exchanges within a closed network lead not only to the establishment of reputation, but also to the development of trust, we propose the following hypothesis:

*H<sub>5</sub>: The greater the need for a good reputation, the higher the trust of an individual in blat/svyazi.*

## *2.6 Blat/svyazi and low trust*

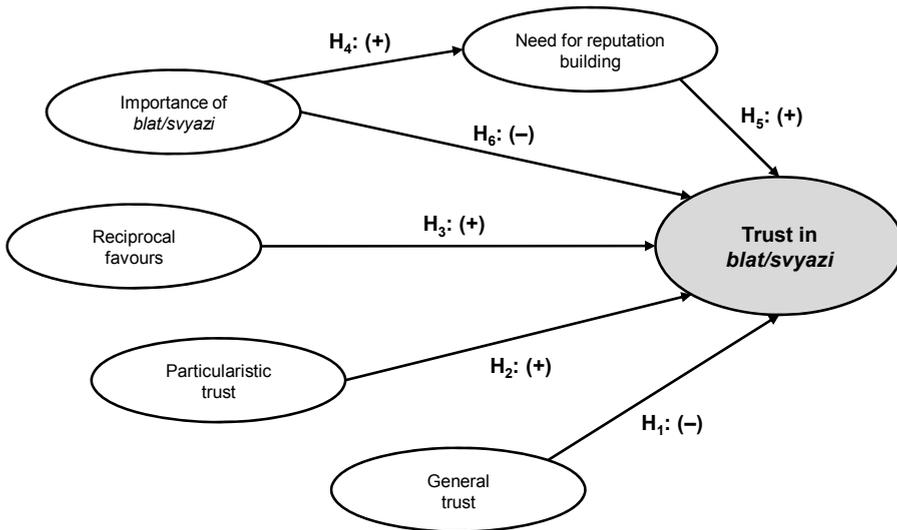
Estimating the level of reputation is difficult as each network member may have an individual opinion about the reputation of other network members. This leads to suspicion and uncertainty, which constantly surrounds – and hence challenges – the success of a transaction. Thus, should a flavour or notion of distrust accompany a *blat/svyazi* transaction, the more important will be the success of such a transaction. This is simply because the crucial factor on which network members must rely is the vague construct of reputation, which plays a decisive role as a mediator. This, however, becomes problematic because of the differing morals applied. Scholars have pointed out the dual morals of *blat/svyazi*, which consist of a common morality (at the network level), but may at times be substituted by a micro-(or dyadic) level morality. In this regard, it is important to recall that *blat/svyazi* combines stabilising and corrupting tendencies (Ledeneva, 1998). If the tension in involving *blat/svyazi* at a dyadic and private relational level becomes strong, the ethics of behaviour can change. For instance, affective relations (Lew, 2013), such as those found in family or quasi-family ties, follow different and much stronger ethics of behaviour than those towards others generally in a *blat/svyazi* network. An example of this includes actions for preferentially organising employment for a family member, such as a brother or sister, over a stranger, even though the stranger might be much better qualified for a certain task (Ledeneva, 1998).

Trust is said to emerge in networks that consist of predominantly emotional or sentimental ties. However, the role that emotional trust plays might be challenged in the case of exchange relations that exist solely for the purpose of overcoming economic shortages of goods and services, for which friendship or other sentimental social constructs play a minor role in accession and consumption. Recent literature has indicated that *blat/svyazi* networks tend to develop in this direction; that is, the traditional socio-emotional face of *blat/svyazi* as it was in Soviet times becomes increasingly insignificant in the transaction and rather takes the shape of cognitive trust (Butler and Purchase, 2004; Ledeneva, 2013). Thus, as *blat/svyazi* is an important mechanism for organising goods and services, or satisfying needs in general, and society as a whole depends on *blat/svyazi*, there actually is no longer any real need for emotional trust to play a decisive role. Hence, the greater the importance of *blat/svyazi* to secure a transaction, the less important emotional trust itself becomes. Therefore, we put forward the following hypothesis:

*H<sub>6</sub>: The greater the importance of blat/svyazi, the lower the emotional trust of an individual in blat/svyazi.*

Figure 1 depicts the proposed overall research model with corresponding hypotheses. We discuss measurement scales, data gathering and results in the next section.

**Figure 1** Proposed research model and hypotheses



### 3 Research methodology

#### 3.1 Measurement scales and data gathering

In this study, we explore the role that different trust categories and the constitutive antecedents of trust – favour exchange and reputation – play in post-Soviet *blat/svyazi* networks. As we break new ground in this research, our multi-item measurement scales

partly draw upon existing scales in the literature related to informal networks as no pre-tested scales are available to explore *blat/svyazi*-specific features. For example, we apply scales from Horak and Klein (2015) concerning *yongo* networks in South Korea, and the WVS (2009), but adjusting them to the Russian context. To prevent a language-based bias (Costa et al., 2014), the original questionnaire was compiled in English and translated back and forth to and from Russian. A second translator undertook back translation according to the recognised method by Brislin (1970, 1986). Discrepancies between the two versions were resolved between researchers and the second Russian translator by carefully checking and critically discussing the final version of the questionnaire, as well as undertaking a pre-test with Russian-speaking individuals not taking part in the research.

The authors gathered data in two waves in 2014 and 2016 in three urban centres and major university cities in Russia, that is, Novosibirsk (Siberia), Moscow and Kazan (Tatarstan), with the help of research assistants who were comprehensively briefed prior to the survey. The places were chosen due to existing contacts in the region with access to a diverse subject pool. The interviewers approached respondents among: (a) businesses, with which a prior contact already existed and which had agreed to participate in the survey; (b) fellow students; (c) family members and extended family of the research assistants. Hence, our convenience sampling approach produced a diverse demographic dataset featuring representatives from all age groups, genders and occupations. The respondents participated in a self-completed questionnaire, administered by an interviewer in written form to clarify questions during the survey. We offered an additional online questionnaire upon request if time was scarce for the respondents to complete the questionnaire in the presence of an interviewer. Data were gathered from a homogeneous group of  $n = 174$  Russian respondents who fully completed the questionnaire. The overall results display a slight tendency for completion by younger Russians, with males and females distributed nearly equally within our sample.

**Table 2** Sample characteristics

<i>Demographics</i>	<i>Specification</i>	<i>Value</i>
Gender	Male	90 (51.7%)
	Female	84 (48.3%)
Age	< 25	35 (20.1%)
	25–34	89 (51.1%)
	35–44	21 (12.1%)
	45–54	17 (9.8%)
	55–64	9 (5.2%)
	> 65	3 (1.7%)
Education	High school	15 (8.6%)
	Bachelor	106 (60.9%)
	Master	34 (19.5%)
	Doctorate	9 (5.2%)
	Miscellaneous	10 (5.7%)

**Table 2** Sample characteristics (continued)

<i>Demographics</i>	<i>Specification</i>	<i>Value</i>
Job	Students	10 (5.7%)
	Private organisation or self employed	96 (55.2%)
	Public organisation, civil servant, University or other	54 (31.0%)
	Miscellaneous (housewife, unemployed etc.)	14 (8.1%)
Religion	Orthodox	99 (56.9%)
	Muslim	21 (12.1%)
	Atheism	22 (12.6%)
	Miscellaneous	32 (18.4%)
Income	< 300,000 RUB	78 (44.8%)
	300,001 to 600,000 RUB	62 (35.6%)
	600,001 to 900,000 RUB	19 (10.9%)
	> 900,001 RUB	15 (8.7%)

In addition to gender, Table 2 presents sample characteristics, such as age, education, job description, religious beliefs and income, all gathered as categorical variables to increase willingness to provide personal information from respondents. As can be seen, over half (55.2%) of those in the sample work for private organisations or are self-employed, and hold a Bachelor's degree as the minimum educational standard (60.9%); only 5.7% of the sample population comprises students. Finally, more than half of the sample are traditionally Orthodox in terms of religious beliefs (56.9%), and around four-fifths of the respondents (80.4%) earn a yearly income up to RUB 600,000. According to Trading Economics, the average yearly income in Russia in 2016 was around RUB 432,000 (approximately US\$ 7000) ([www.tradingeconomics.com](http://www.tradingeconomics.com)). As this study does not provide any point or interval estimates for the participating population but examines the relations between antecedents, for example, general and particularistic trust or reciprocal favours, and the dependent variable trust in personal *blat/svyazi* networks, we deem our sample appropriate for this kind of research (Calder et al., 1981).

### 3.2 Reliability and validity of scales

We checked the reliability of all scales used for antecedents and trust in a person's *blat/svyazi* networks by performing structural equation modelling in SPSS Amos 23. We applied a two-step approach, as recommended by Anderson and Gerbing (1988) for separate estimation and re-specification of the measurement model, with confirmatory factor analysis prior to the simultaneous estimation of the measurement and structural models. In the first step, we removed items with less than 0.40 factor loadings to improve the measurement model estimation (Bagozzi and Yi, 1988). After the cleaning process, the model contained 15 items for antecedents such as general and particularistic trust, reciprocal favours, the importance of *blat/svyazi*, the need for reputation building as a mediator and the dependent variable trust in *blat/svyazi*. Table 3 exhibits the remaining items, means, standard deviations (SD) and factor loadings with averages per dimension depicted in bold letters next to each latent variable. All scale endings – exogenous and endogenous constructs – were administered using a five-point Likert-scale format, ranging from '1 = strongly disagree' to '5 = strongly agree'. In addition, the Cronbach's

alpha ( $\alpha$ ) and the composite reliability (CR) of items belonging to each latent variable were also calculated and displayed as measurement properties of the constructs used. Finally, we present path coefficients ( $\beta$ ), significance levels ( $p$ ) and the hypothesis number in discussing our results in the next paragraph, related to the right-hand side of Table 3 (significant values highlighted in bold).

**Table 3** Measurement properties of antecedents, mediator and dependent construct

<i>Factor name</i>	<i>Mean</i>	<i>s.d.</i>	<i>Factor loading</i>	<i><math>\alpha</math></i>	<i>CR</i>	<i><math>\beta</math></i>	<i>p</i>	<i>Hypotheses</i>
<b>General trust</b>	<b>3.87</b>	<b>1.04</b>						
I believe people of another religion can be trusted.	3.79	1.08	.842					
I believe people of another nationality can be trusted.	3.89	1.02	.963	.944	.947	-.167	.070	H <sub>1</sub>
I believe people of another ethnicity can be trusted.	3.92	1.01	.966					
<b>Particularistic trust</b>	<b>2.42</b>	<b>1.06</b>						
I trust people more who were born in the same city/region as I was.	2.21	1.07	.769					
I trust people more who graduated from the same university or high school as I did.	2.63	1.04	.709	.722	.707	<b>.335</b>	<b>.009</b>	<b>H<sub>2</sub></b>
<b>Reciprocal favours</b>	<b>3.25</b>	<b>1.24</b>						
I can easily ask anybody of my <i>blat/svyazi</i> network for a favour even if I do not know him or her personally.	2.61	1.31	.449					
I can ask people of my <i>blat/svyazi</i> network I directly know if they know someone who can help me.	3.88	1.16	.929	.587	.670	<b>.386</b>	<b>.035</b>	<b>H<sub>3</sub></b>
<b>Importance of <i>blat/svyazi</i></b>	<b>3.79</b>	<b>1.13</b>						
Having <i>blat/svyazi</i> ties is very important to get things done.	3.93	1.06	.854					
<i>Blat/svyazi</i> ties are important for me to do my job successfully.	3.53	1.27	.748					
<i>Blat/svyazi</i> ties are important when dealing with public authorities and bureaucracy.	3.97	1.08	.823	.849	.854	<b>.417</b>	<b>.000</b>	<b>H<sub>4</sub></b>
I believe these days, the influence of <i>blat/svyazi</i> ties is losing importance. They don't have any influence anymore. (reversed)	3.72	1.10	.646			<b>-.224</b>	<b>.047</b>	<b>H<sub>6</sub></b>

**Table 3** Measurement properties of antecedents, mediator and dependent construct (continued)

<i>Factor name</i>	<i>Mean</i>	<i>s.d.</i>	<i>Factor loading</i>	$\alpha$	<i>CR</i>	$\beta$	<i>p</i>	<i>Hypotheses</i>
<b>Need for reputation building</b>	<b>4.00</b>	<b>1.02</b>						
My reputation within my <i>blat/svyazi</i> network is important for me.	3.98	1.01	.950	.820	.834	<b>.210</b>	<b>.056</b>	<b>H<sub>5</sub></b>
I don't care much about my reputation within my <i>blat/svyazi</i> network. (reversed)	4.01	1.03	.732					
<b>Trust in <i>blat/svyazi</i></b>	<b>3.15</b>	<b>1.10</b>						
I regard the members of my <i>blat/svyazi</i> network as friends.	3.78	1.09	.723	.514	.533			
People I know personally can be trusted.	2.51	1.10	.473					

All four antecedents and the mediator display satisfactory CR for this kind of research, which is relatively new in the area. The values are .947 for general trust ( $\alpha = .944$ ), .707 for particularistic trust ( $\alpha = .722$ ), .670 for reciprocal favours ( $\alpha = .587$ ), .854 for importance of *blat/svyazi* ( $\alpha = .849$ ) and .834 for need for reputation building ( $\alpha = .820$ ). Trust in *blat/svyazi* also shows satisfactory CR of .533 ( $\alpha = .514$ ). We also measured and report Cronbach's alpha values for all seven constructs and obtain satisfactory results (see  $\alpha$  in brackets). Moreover, all the concept-to-domain coefficients (factor loadings) displayed in Table 3 are statistically significant, thereby demonstrating high convergent validity for the constructs. Following Fornell and Larcker (1981), discriminant validity for the exogenous variables was estimated by comparing the average variance extracted (AVE) for each individual-level cultural dimension and involvement in the technology domain with the squared correlation between the two. Table 4 shows that the AVE for each factor is far greater than the squared correlation.

**Table 4** Correlations of independent constructs and average variance extracted

<i>Factor</i>	<i>AVE</i>	<i>General trust</i>	<i>Particularistic trust</i>	<i>Reciprocal favours</i>	<i>Importance of <i>blat/svyazi</i></i>
General trust	.856	1			
Particularistic trust	.547	.026	1		
Reciprocal favours	.532	.136	.050	1	
Importance of <i>blat/svyazi</i>	.596	.051	.048	.188	1

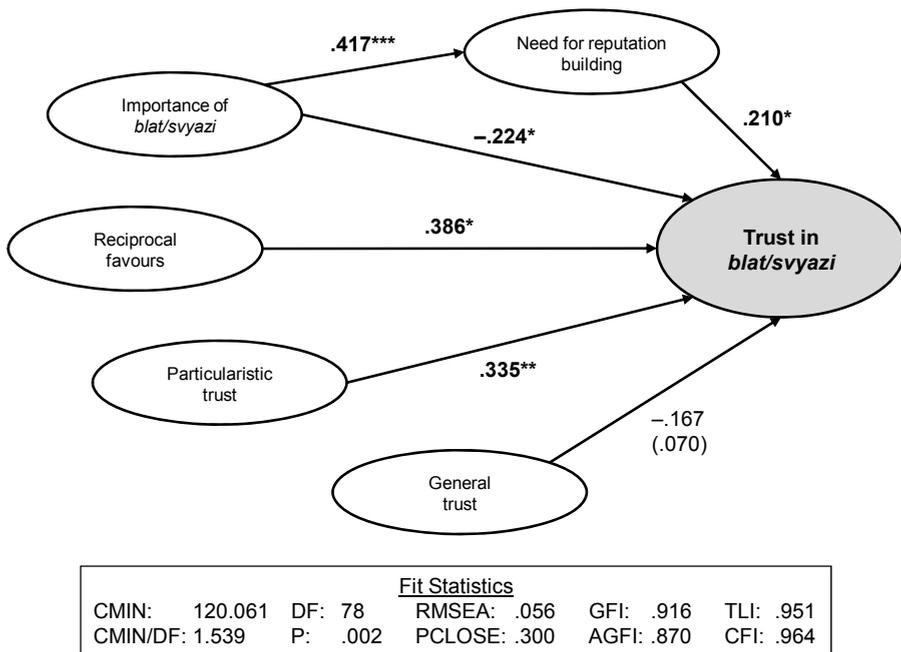
## 4 Results

### 4.1 Model fit

We simultaneously tested the six hypotheses concerning the relationship between diverging antecedents, the mediator and trust in *blat/svyazi* through structural equation

modelling. We applied the maximum likelihood estimation (MLE) for the path coefficients in our model, which – according to Hu and Bentler (1998) – is sufficient for sample sizes of  $n = 100$  and above. Moreover, West et al. (1995) recommend MLE as a standard procedure for smaller sample sizes, and McDonald and Ho (2002) argue that MLE is quite resilient to violations of multivariate normal distribution (see also Olsson et al., 2000). Hence, we deem the sample size and estimation method sufficient for our basic study. We also applied well-known fit indicators from the literature on structural equation modelling, which we discuss in detail below (e.g., Byrne, 2009; Hair et al., 2009). Figure 2 displays the modelling results with path coefficients and fit statistics. The overall fit of the structural model and the applied measurement model are very satisfactory. The  $\chi^2$  statistics demonstrating the goodness of fit of the model yield a value of  $\chi^2 = 120.061$  with  $df = 78$  and a  $p$ -value of .002 (Bentler and Bonett, 1980; Hoelter, 1983; Tanaka, 1987; Byrne, 2009). Several other goodness-of-fit indicators, such as  $\chi^2/df$ , GFI and AGFI for overall fit, as well as CFI and TLI for measurement model fit, have also been developed and simultaneously used to avoid poor model evaluation (Bentler, 1990; Tanaka, 1993; Hu and Bentler, 1999; Jackson et al., 2009).

Figure 2 Structural equation modelling results



The relative chi-square ( $\chi^2/df$ ), an index of the extent to which model fit is reduced by dropping one or more paths, should be less than 3.0 (Carmines and McIver, 1981). For this study, the value of  $\chi^2/df = 1.539$  shows superior overall model fit. For the remaining four indices, a value above .9 is evidence of good model fit (Doll et al., 1994; Hair et al., 2009). For our model, three values are above .9 (GFI = .916 for overall model fit;

CFI = .964 and TLI = .951 for measurement model fit). We deem a result of AGFI = .870 for overall model fit in relation to sample size, which is slightly below the recommended cutoff, to be of no great concern as all other fit values show satisfactory results. Moreover, this kind of empirical study is relatively new, and our sample size is on the lower boundary ( $n = 174$ ) as data concerning private informal networks are by nature difficult to gather. In this context, the root mean square error of approximation (RMSEA) is also considered one of the most informative indicators of goodness of fit as it estimates the amount of error of approximation per degree of freedom and also takes into account sample size. The RMSEA value for our model is .056, which is only slightly less than the recommended value of .05 to be considered a close fit of the model (Browne and Cudeck, 1992), and the corresponding PCLOSE = .300 shows the statistical insignificance of RMSEA to be higher than .05, with a threshold level of 1 (Hair et al., 2009). These results suggest that the hypothesised model describes very well the relationship between general trust, particularistic trust, reciprocal favours, the importance of *blat/svyazi*, the need for reputation building and trust in *blat/svyazi*.

Figure 2 also displays the results of hypothesis testing in terms of path coefficients, with  $\beta$  weights and corresponding significances. Except for general trust, all dimensions show significant effects on trust in *blat/svyazi*, as hypothesised. In detail, H<sub>1</sub>, stating that the higher the level of general trust, the lower the trust of an individual in *blat/svyazi*, is not significant ( $\beta = -.167, p \leq .070$ ). As expected, the sign shows a negative effect, but perhaps because of the relatively low sample size, we do not see significance concerning the relationship between general trust and trust in a person's *blat/svyazi* network. In contrast, H<sub>2</sub>, stating that the higher the level of particularistic trust, the higher the trust of an individual in *blat/svyazi*, is confirmed ( $\beta = .335, p \leq .01$ ), as is H<sub>3</sub>, indicating that the greater the importance of reciprocal favours, the higher the trust of an individual in *blat/svyazi* ( $\beta = .386, p \leq .05$ ). Hence, particularistic trust and reciprocal favours between individuals, whether in the form of direct support or built up social capital that can be utilised at some point in the future, strongly influence the individual's recognition of trust in his or her *blat/svyazi* network. We also find support for H<sub>4</sub>, indicating that the greater the importance of *blat/svyazi*, the greater the need for a good reputation of an individual within his or her *blat/svyazi* network ( $\beta = .417, p \leq .001$ ). In addition, H<sub>5</sub>, which states that the higher the need for a good reputation, the higher the trust of an individual in *blat/svyazi*, is confirmed ( $\beta = -.210, p \leq .01$ ). Therefore, reputation fulfils a significant role as a guarantor that mediates between *blat/svyazi* importance and trust in *blat/svyazi*. Finally, H<sub>6</sub>, stating that the greater the importance of *blat/svyazi*, the lower the emotional trust of an individual in *blat/svyazi*, is also confirmed ( $\beta = -.224, p \leq .05$ ). As scholars have pointed out, there are dual morals in *blat/svyazi*, consisting of a common morality at the network level that might be substituted by a dyadic-level morality in single business transactions. If *blat/svyazi* is a pervasive way for organising business transactions, and the business sector is willingly depending on *blat/svyazi*, there is less need for emotional trust to play a decisive role. Table 5 displays the overall results from testing our hypotheses.

**Table 5** Overall results of hypotheses testing

	<i>Hypotheses</i>	<i>Result</i>
H <sub>1</sub> :	The higher the level of general trust, the lower the trust of an individual in <i>blat/svyazi</i> .	Not significant
H <sub>2</sub> :	The higher the level of particularistic trust, the higher the trust of an individual in <i>blat/svyazi</i> .	Confirmed
H <sub>3</sub> :	The greater the importance of reciprocal favours, the higher the trust of an individual in <i>blat/svyazi</i> .	Confirmed
H <sub>4</sub> :	The greater the importance of <i>blat/svyazi</i> , the greater the need for a good reputation of an individual within his or her <i>blat/svyazi</i> network.	Confirmed
H <sub>5</sub> :	The greater the need for a good reputation, the higher the trust of an individual in <i>blat/svyazi</i> .	Confirmed
H <sub>6</sub> :	The greater the importance of <i>blat/svyazi</i> , the lower the emotional trust of an individual in <i>blat/svyazi</i> .	Confirmed

## 5 Discussion

Our results show that trust in informal networks does *not* decrease as general trust increases, an effect assumed by institutional theory-oriented scholars (e.g., Peng et al., 2008); rather, it appears that both forms of trust can coexist. Furthermore, the conventional distinction between low- and high-trust countries (either general or particular) might be extended – and sharpened – by considering network trust within a society. This may help hone the measure of how we define a nation’s trust level. For instance, South Korea is conventionally seen as a low-trust society (Fukuyama, 1995). However, scholars have shown that informal networks are pronounced, dense and a key characteristic of South Korean society (Lew, 2013; Yee, 2015), important in business interactions (Horak, 2014, 2018; Horak and Yang, 2016), still persisting, and apparently intensifying (Renshaw, 2011; Horak and Klein, 2015), even given the current status of South Korea as a wealthy and industrialised economy with effective and stable formal institutions. As pronounced trust within these networks is the glue that keeps them functioning, it is difficult to speak of Korea as a typically ‘low-trust’ country while scholars call Korea a ‘network society’ (Kim, 2000) in which network trust is highly pronounced. Although in the Russian case the form of trust that was, is, and will be dominant – emotional or cognitive – is debatable, ignoring the role network trust plays ignores an important facet of a society’s culture. Having said that, we also discover that a particularistic society in which a favour culture is pronounced supports trust in networks (H<sub>2</sub>, H<sub>3</sub>). Based on our results, we believe that the lens of network trust can contribute to a better picture of how pronounced trust may be in a society.

On the one hand, according to H<sub>4</sub>, concerning the importance of *blat/svyazi*, and H<sub>5</sub>, concerning the need for reputation, we can now say that the more important informal networks (i.e., *blat/svyazi*) are, the more important related informal institutions (i.e., reputation) are in securing transactions. Reputation has a mediating effect on trust in *blat/svyazi* as the greater the need for reputation building, the higher the level of trust in *blat/svyazi*-based transactions. Therewith, we confirm theoretical debates on the importance of reputation and reputation building in informal networks (Lin, 1999). On

the other hand, according to H<sub>6</sub>, stating that the more important *blat/svyazi* is for a *blat/svyazi*-based network transaction as a guarantor of the transaction, the lower the trust in *blat/svyazi*, we assume that the latter mechanism exerts an effect due to the ambivalent nature that *blat/svyazi* developed during post-Soviet times, that is, being more cognitive trust-based, less social, more money-centred and more distant from the traditional Soviet personal ideals of mutual help and caring about each other. This confirms propositions that *blat/svyazi* became more money-oriented ('monetization', see Ledeneva, 2008, p.132). The persistence of *blat/svyazi* – and at the same time its transformation – adds an important case to the debate regarding the consistency and evolution of informal institutions. Whereas most scholars (the 'institutionalists') either assume informal institutions will recede with further economic development, or (the 'culturalists') believe in their persistence, as we outlined at the outset, the third group of scholars taking a position in between the two is currently rather small (Li, 1998, 2007a, 2008; Guo and Miller, 2010). As our results speak more in favour of the latter group, the case of *blat/svyazi* shows that informal institutions may be cultural, and hence may persist, but crucially are able to transform and adjust to the environment.

## 6 Implications

### 6.1 Theoretical implications

The results of this study have implications in terms of extending knowledge concerning informal networks, and research on trust and its related antecedents. They also have relevance for current research on the persistence of informal institutions. As Michailova and Worm (2003) remarked, informal networking differs in the East compared to the West, and we have tried to explore the unique characteristics of *blat/svyazi* in greater depth. What is interesting for the literature on informal networks is the fact that the characteristics of *blat/svyazi* seem to change depending on the context. *Blat/svyazi* is an ambivalent construct, which makes it hard for empirical research to capture and quantify it. For instance, it cannot be classified clearly as consisting of weak or strong ties. *Blat/svyazi* ties can be both, depending on those with whom these ties are concluded. As a consequence, effective informal norms and behavioural ethics differ. Given this background, by understanding the nature and characteristics of informal networks first, scholars may reassess the consequences of weak and strong ties according to conventional network theory. Furthermore, since the basic thoughts on informal networks have mostly been developed in the Anglo-Saxon world, their implied universality claim can be challenged as it lacks the context of a non-Anglo-Saxon environment.

### 6.2 Practical implications

The insights generated in this research have implications for international management in a Russian context. Whereas local managers naturally know best how to deal with *blat/svyazi*, it is especially foreign managers, that is, international staff and/or expatriates at all job levels, who most often are unfamiliar with the Russian business environment. Furthermore, headquarter personnel who have decision power over the Russian

subsidiary may have a less detailed understanding of the informal institutional environment in Russia. For positions that are rather externally oriented to the firm, that is, sales management, purchasing, dealing with stakeholders and managing government–business ties, an important basic notion international firms should consider when intending to send an expatriate manager to Russia is whether this person has a chance to perform effectively in the intended function. Establishing and maintaining networks in this context should be regarded a key competence, not a secondary soft skill. The assignment of an expatriate is usually limited to a rather short period (i.e., 3–5 years), and there is doubt concerning whether influential networks can adequately be built in such short periods. Instead of training and sending an expatriate for the named positions, firms may be better advised to fill key positions with local managers who already possess *blat/svyazi* ties to key stakeholders, and at the same time reorganise sales departments and acquisition teams so that the potential of informal networks in Russia can fully be exploited. However, what is most critical when pursuing this approach is certainly that managers adhere to the formal code of conduct of the firm, to local laws and regulations, as well as – and this is most important aspect for a firm to nurture – the ethical ideals that are engrained in the corporate culture. The challenge for the local manager in charge lies in developing a sense of ethical conduct and matching this with her or his behaviour in establishing informal networks in Russia. In other words, the manager needs to draw on the positive aspects of networking that help the company to succeed, and at the same time be careful and anticipatory not to engage or be instrumentalised by others to engage in any unethical activity, that is, corruption, bribery and cronyism. Moreover, the firm needs not only to establish a code of conduct for informal networking itself, but likewise implement mechanisms for monitoring managerial behaviour in this regard, as well as expending efforts to increase the transparency of managerial actions in general.

## **7 Limitations and future research**

The indications of this research have to be viewed against the backdrop of its limitations. Undertaking empirical research exploring the dynamics of informal networks in post-Soviet Russia is not an easy endeavour since data are not easily accessible. Furthermore, to the present day there are no validated scales available that have been exclusively designed to explore *blat/svyazi*-based informal network characteristics. This is a general challenge when researching dynamically developing indigenous network constructs. Gathering empirical data on such a private and – at times – sensitive asset that *blat/svyazi* ties constitute is difficult. Therefore, our sample size is rather small. The study used the convenience sampling technique to gather data within parts of the Russian society; although this is a valid data-gathering technique used in business and the social sciences, its results should be considered in light of the researched target group. Hence, we do not consider our study as representative for the whole of Russia. While we have broken new ground, focused on an equal composition of male and female respondents, and ensured geographical heterogeneity in the subject pool, future inquiry should consider a greater number of respondents across Russian society in its entirety.

Moreover, as we have found that *blat/svyazi* has transformed over the years, our research solely reflects the status quo. Further detailed longitudinal studies may capture a more profound understanding of informal networks in post-Soviet Russia that might

build upon the results of this research, and/or take statistical data from additional studies and other areas of Russia into account. While our sample pool is derived from cultural centres, such as, for example, Moscow, Kazan and Novosibirsk, other smaller or rural areas of the Russian hemisphere might show different results concerning the dynamics of *blat/svyazi*. Furthermore, we suggest that future research apply qualitative methods or a combination of qualitative–quantitative research designs to study the characteristics of *blat/svyazi*, which will shed more light on the potential differences in perception across different demographics, hence contributing to a more precise understanding of the construct. Overall, this will lead to a better understanding of the characteristics of the *blat/svyazi* construct, which again will contribute to more precise scale development for future empirical inquiry.

Another limitation can be seen in relation to our efforts concerning the development of a further trust category, that is, network trust. We suggest this new category be established next to the conventional categories of general and particularistic trust, as it better reflects a dimension of trust that is typical of societies in which networks are prominently pronounced (e.g., China, Russia or South Korea). Whereas we see first indications in our study that speak in favour of this construct, we are hesitant to rule out completely the case of causal inference in our data. While we have tried to separate particularistic trust from network trust, it will certainly require more effort to validate the construct. Hence, to establish network trust as a further category of societal trust, next to general and particularistic trust, we hope future research will expend efforts on continuing research in this direction.

## 8 Conclusion

Overall, we view informal networks (here, *blat/svyazi*) as not disappearing but persisting as a result of interest in the current debate on institutional dynamics in the international management literature. We have found that a higher level of general trust in a society as a whole does not lead people to lose trust in informal networks, but rather both can coexist. We propose the introduction of a new category, that is, network trust, in addition to general and particular trust. Network trust, namely trust in *blat/svyazi* in this research, explicitly considers the existence of networks in the debate at a national level of trust. Hence, network trust provides an alternative measure of trust next to the conventional categories. In countries in which informality and networks are highly pronounced (e.g., China, Russia and South Korea) and a part of the cultural environment, this is in particular important in gaining a better understanding of the trust construct at the societal level. Based on our results and the underlying influence of informal networks on political decision making and business transactions in Russia, and potentially on other emerging markets, more knowledge is needed concerning their nature and characteristics. Hence, we recommend that further research be undertaken to explore informal networks in non-Western countries, taking the local context explicitly into account to understand informal network constructs and their dynamics in more detail.

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