

Power as a Management Device for Networks?

Insights from Russia

Vera Belaya¹

Jon Henrich Hanf²

Abstract: Power can be considered to be one of the strongest and influential tools in vertical relationships along the whole food chain. Each member of a supply chain tries to assume a dominant position that gives control over other members and maximum revenues using their power. Retailers and manufacturers exist in a competitive environment and compete for the same consumers and carry the same merchandise. Each party tries to achieve maximum revenues using its power. The aim of our paper is to shed some light on this term as well as find out how power could be used as a managerial tool for chain management using the empirical setting of Russian agri-food business.

Key words: Power; Russia; Supply Chains; Management

INTRODUCTION

For many years managers as well as scientists have argued that the relationships from 'stable to table' are getting closer (coordinated). This observation is not limited to solely to livestock production but includes all food products. Reasons and outcomes are manifold; however common ground is that the tightening of business relations along the food chain goes hand in hand with stricter coordination of the same. Companies (retailers and manufactures) realize that in order to be competitive they need to create brands that are

¹ Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO). Theodor-Lieser-Str. 2, 06120 Halle (Saale), Germany.

Ph.D. student at Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO). Vera received her Master's degree in Business Administration in Agriculture from University of Applied Sciences Weihenstephan in Germany. Vera has published in Journal of Relationship Marketing, Russian Management Journal, Enometrica, Journal for East European Management Studies, Central Asian Journal of Management, Economics and Social Research, among others and presented several papers at a number of international scientific conferences. Her research areas include strategic management, supply chain management, power in supply chains and marketing channels, retail internationalisation.

E-mail: belaya@iamo.de

² Professor for International Wine Business, University of Applied Sciences Rhein Main. Von-Lade-Str. 1, 65366 Geisenheim, Germany.

Worked as a Senior Researcher at Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO) before he became Professor for International Wine Business at the University of Applied Sciences Rhein Main. Jon received his Ph.D. from Justus-Liebig-University Giessen in Germany. Jon has published in Agribusiness: An International Journal, Energy Policy, International Food and Agribusiness Management Review, International Journal of Cooperative Management and Journal on Chain and Network Science, among others. His research interests include consumer behavior studies, business to business marketing, and strategic management.

E-mail: jon.hanf@hs-rm.de

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recognized by their customers. At the same time such brands make it necessary that the brand owners coordinate the whole production process. In the literature authors argue that through chain management this task can be solved. Within this topic often the creation of trust and mutual relationships as management devices are suggested. However, in many discussions with retailers and manufacturers we did not have the impression that trustful relationships already exist, instead terms such as “pirates” and so on were used to describe the other chain participants. The interviewed managers rather draw pictures of powerful opponents that dominated chains. Even though power or powerful was mentioned most often we had the feeling that every person we talked with had a different idea / meaning behind the word power. Since power seems to be a central construct in vertical relationships along the whole food chain the first aim of our research is to shed some light on this term. Outlining the term power allows as afterwards looking for its sources. With this knowledge we can address the second aim of our research. We want to know whether and how power could be used as a managerial tool for chain management. After building this theoretical framework we continue with an empirical investigation of it. Hence our third aim is to conduct expert interviews on power as a managerial tool of chain management.

The forty interviews which lasted between 15-60 minutes were conducted in Russia. We deliberately have chosen Russia since many foreign companies have invested in the last years in this competitive market. As brands are of major importance many of them ‘imported their chain management concepts’ from their western European home countries. At the same time it can be observed that Russian manufacturers and retailers are copying these approaches. This creates the particular situation that out of strategic thoughts supply chains and their management should be and are being ‘designed’ by the brand owners (chain captains) that cover the whole food chain.

In order to fulfill our three research tasks we will continue as follows. In order to specify our research setting we will introduce supply chain networks and their main managerial challenges. Afterwards we will clarify the concept of power and answer the question where it esteems from. Furthermore, we will address in this paragraph the managerial use of power. The next chapter addresses our empirical investigation in Russia followed by a chapter on the discussion of our results. The article is terminated by giving some conclusions and a summary.

THEORETICAL BACKGROUND

Cooperation vs. Coordination in Supply Chains and Networks

The main two areas of interest when talking about supply chains and networks are cooperation and coordination. Even though both cooperation and coordination are equally important most often they are researched apart. Problems of cooperation arise from conflicts of interest. For the supply chain to work more efficiently, all parties involved - from raw material suppliers to consumers and every touch-point in between - will need to work more collaboratively and invest in technology that enables them to more easily share accurate product information. Collaboration proves to be important since, as Cooper et al. (1997) formulate, sub-optimization occurs when each organization in the supply chain attempts to optimize its own results rather than integrate its goals and activities with other organizations to optimize the results of the whole chain. Successfully formulating the appropriate strategy in a particular customer/supplier situation implies that all entities in the chain must work together, where financially independent entities try to get the dependent parts of the chain to “play” together, i.e. ensuring that the entities in a chain interact successfully to provide the necessary coordinated outputs (Kampstra et al., 2006).

Cooperation within the supply chain network is based on individual motivation of its actors. It is resolved by aligning interests through formal mechanisms such as contracting (where possible) (Williamson, 1975). Informal mechanisms such as identification and embeddedness may also serve to align interests (Granovetter, 1985; Gulati, 1995; Gulati and Sytch, 2005; Kogut and Zander, 1996). One can say that collaboration on the level of supply chain networks is claimed to yield significant improvements in multiple performance areas: it is believed to reduce costs, to increase quality, to improve delivery, to augment flexibility, to cut procurement cost and lead time, and to stimulate innovativeness.

Since cooperation is not always purely voluntary, powerful retailers have a major impact on how collaboration is practiced along the chain. Some supply chain actors may be forced to participate; others are not fully supportive of the idea to cooperate or desire more influence or support in the collaboration process. There appears to be a spectrum of collaborative relationships between forced participation and equal matching. Ideally the relationship should be based on equal matching (Kampstra et al., 2006). That is why the focal actor managing the whole supply chain network should use its power to align the interests of individual entities and stimulate active cooperation among the actors.

Solving problems of cooperation, however, does not automatically help to achieve coordination (Gulati and Singh, 1998). A supply chain network requires a great deal of coordination among the partners and these can only be efficiently aligned by a sophisticated management concept (Bogaschewsky, 1995). Whereas cooperation problems are rooted in motivation, coordination problems arise due to the limitations of participating actors that hinder them from possessing comprehensive knowledge of how others will behave in situations of interdependence. Problems of coordination emerge due to the lack of shared and accurate knowledge about the decision rules that others are likely to use and how one's own actions are interdependent with those of others (Geanakoplos, 1992; Milgrom and Roberts, 1992).

Chain and network parties are regularly confronted with exceptional or unclear situations, in which the desirable course of action is not immediately clear from the perspective of the whole chain or network. Coordination problems are situations in which one does not know which decision aligns best with other decisions in the chain or network. Various solutions for coordination problems have been formulated in a two-party context, like setting prices or quantities (income rights), organization/centralization (decision rights), regular meetings, installing information and communication technologies.

In case of coordination problems, solution mechanisms have to aim to enhance shared and accurate knowledge about the decision rules that others are likely to use and how one's own actions are interdependent with those of the others (Gulati et al. 2005). Formal mechanisms include programming, hierarchy, and feedback while informal ones are leadership, norms, culture, shared values and experience, and trust worthiness as well as a shared strategy. Especially, collective strategies can be used to forecast unpredictable behaviour by the other network firms. Additionally collective strategies can also be used to overcome coordination difficulties arising from interdependency among the network partners.

In order to be able to achieve successful performance of the chain it is necessary to coordinate this whole system, as well facilitate intensive collaboration between enterprises for the improvement of all internal and external material, information and finance flows. These two tasks can be fulfilled within successful supply chain management concepts using power as a tool for achieving compliance on the part of the power target.

Power in Supply Chains

Since many decades there is discussion going on about positive and negative sides of power. The negative side of power is seen in exercising coercion, which may reduce the frequency of exchange among actors and hinder conflict resolution (Lawler and Yoon, 1996) as well as create difficulties in fostering the information flow which threatens successful negotiation of an exchange (Giebels et al., 1998). Some research shows that power makes trading relations less cooperative and that power increases intrachannel conflict and decreases satisfaction (Gaski, 1984). Others argue that power places an overbearing advantage in the hands of retailers, which results in their and allows large and superior firms to exploit the small ones (Tokatli, 2007) to obtain superior economic returns (Perrow, 1970; Dore, 1983) and higher margins (Ailawadi et al., 1995). Suppliers have little choice but to comply with retailer demands and learn to live with inequitable returns (Corsten and Kumar, 2005). However, the concept of power is not necessarily opposed to the concept of co-operation (Dapiran and Hogarth-Scott, 2003) and should not always be seen in a negative light for a weaker party. A number of authors claim that power imbalance is not a barrier to the formation of close and workable relationships and demonstrate that suppliers achieve greater economic performance and develop their capabilities in collaborative relationships with powerful retailers (Corsten and Kumar, 2005).

Thorelli (1986) considers power a central concept because of its ability to condition others and to stimulate necessary actions without the emotional attachment trust creates (Ireland et al., 2005). So this ability of power distinguishes it and allows using it as an effective tool in coordinating and promoting

harmonious relationships, solving conflicts, and enhancing performance of the whole network and its members (Bierstedt, 1950; Blau, 1964; Bachmann, 2001). Power also corrects organizational problems, when incomplete contracts fail; it intervenes and let the transaction work out (Sodano, 2006). Stern and Heskett (1969) theorize that power plays can be used to achieve integration, adaptation, and goal attainment in marketing channels. However, in order to discuss the effects of power on supply chain management, one needs to be specific on the nature of the power and its origins.

Most definitions of power within studies on marketing channels are based on the definition by El-Ansary and Stern (1972), who define power as ‘the ability of a channel member to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution’ (p. 47). Power in supply chains is defined as ‘the ability of a firm to own and control critical assets in markets and supply chains that allow it to sustain its ability to appropriate and accumulate value for itself by constantly leveraging its customers, competitors and suppliers’ (Cox, 2001). The concept of critical assets in supply chains is based on the idea that some resources are considered to be scarce or unique and that with the combination of high value, uniqueness and scarcity, particular supply chain resources become critical assets. Hu and Sheu (2005) view power in terms of a strategy-influencing source that is oriented from one channel member to another. As a result, power is viewed as a effectively applied means to gain certain objectives by utilizing influence strategies, once the power over another firm was attained (Hu and Sheu, 2003; Payan and McFarland, 2005). Other recent literature on power in supply chains and marketing channels uses more or less similar definitions of power and simply rephrase aspects of using power to influence other firms to act in a desired manner for economic gains (Ireland and Webb, 2007) or to get them do things that they would not normally do (Reid and Bojani, 2009) and having a great deal of influence over the other members (Cant et al., 2009).

According to the literature it can be differentiated among power bases (Dahl, 1957), power sources (French and Raven, 1959), power means (Gaski, 1986), power exercise (Gaski, 1986) and power outcomes (Cromwell and Olson, 1975). The term ‘power base’ was firstly described by Dahl (1957): “the base of an actor’s power consists of all resources, opportunities, acts, objects that he can exploit in order to affect the behaviour of another”, and is basically synonymous with resources available to the actor (Blood and Wolfe, 1960; Blalock and Wilken, 1979; Wrong, 1979). It is however not the same as French and Raven’s power ‘base’, which has been redesignated ‘source’ here and in other literature to distinguish it from Dahl’s construct.

For example, coercive power is power (ability to influence decisions, actions and intentions of others) based on the corresponding power base (ability to punish others for noncompliance or the so called punitive capability). The punitive capability of the power holder is the base of his power, which he can rely on as a resource he possesses. Another example is legitimate power. If we assume that someone has a legitimate right to make demands, and expect compliance and obedience from others, he has a base for his power. He than can use his power by combining his ability to influence decisions, actions and intentions of others and the legitimate right merging it into legitimate power. Please see appendix 1 for other examples of power bases and power sources. Therefore, the term ‘power source’ refers to power of an actor which uses the resources available to him at the moment.

Power resources, the raw material of influence attempts, include financial resources, expertise, information, services, legitimacy, legitimacy, or status (Dwyer et al., 1987), as well as A’s possession of attributes (e.g., attractiveness) or rightful claims of A on B (e.g., B’s contractual obligations) that may motivate B’s compliance. The same underlying resources can serve as the foundation for more than one base of power (Frazier 1984). When attempting influence, A must select the resources to use as well as the manner in which those resources are exercised. Exercising the same power resource(s) in different ways is expected to have different attitudinal effects.

The sources of power delineated by French and Raven (1959), including coercive, legitimate, referent, expert, reward and informational power (Raven and Kruglanski, 1970) (figure 2). Power, could be viewed in this context as power sources stemming from the power bases available to the power holder. A firm’s total power is a combination of several power sources depending on the available bases or resources to the power holder.

Coercive power enables an individual to mediate punishments to others. For example, to dismiss, suspend, reprimand them, or make them carry out unpleasant tasks. It is usually based on the expectation of punishments and/or threats and relies on the belief that punishments will be forthcoming or rewards will be withheld unless the requested behaviour is exhibited (French and Raven, 1959; Blau, 1964). In the supply chain network context coercive power reflects the fear of a network member to be punished if he fails to comply with the requirements of the focal company. However, consistent use of punishments and/or threats may encourage the affected firm to dissolve the trading relationship; because of this, coercive power is normally employed when the power advantage is clear and the influenced party's alternatives are limited (Bowersox et al., 1980).

Legitimate power stems from internalized values which dictate that there is a legitimate right to influence and an obligation to accept this influence. This kind of power is based on some kind of a commonly accepted code or standard and usually involves positions and not personal qualities of individuals. It is also called position power and usually accompanied by various attributes of power such as uniforms, offices etc. It is based on the belief by one firm that another firm has the 'right' to prescribe behaviour (French and Raven, 1959). A focal company in this case should be recognized in the eyes of the network members as having a right to make specific decisions and expect compliance with regard to these decisions.

Referent power is based on an individual's ability to be attractive for others and build loyalty and depends on the charisma and interpersonal skills of the power holder. French and Raven define the source of referent power as "a feeling of oneness... or a desire for such an identity". Identification can be said to occur when an individual accepts influence because he wants to establish or maintain a satisfying self-defining relationship to another person or a group (Kelman, 1958). It is difficult to identify specific instances of pure referent power in interfirm relationships; referent power usually occurs in conjunction with some other form of power and plays a stabilizing role (Beier and Stern, 1969). In the supply chain context this power is observed when network actors want to join a network.

Expert power (also called informational) is derived from the skills or special knowledge of an individual or a group in a specific subject. This knowledge applies to the restricted area in which the specialist is trained or qualified. The degree of power depends on the scarcity and the need of these skills for others. It is worth to mention that this source of power may generate a response of trust and credibility. In case with a supply chain network the expert power of a focal company can be achieved if the network actors perceive or believe that it possesses a special knowledge valuable for them. For example, manufacturers are often expected to have special knowledge about new products and promotion to assist the dealers.

Informational power stems from the ability to explicate information not previously available and the ability to demonstrate the logic of suggested actions with this information (Raven and Kruglanski, 1970). This kind of power does not demand to be a professional or an expert, but rather requires possession of new and up-to-date information and provides confidence to the power holder in debating. If a retailer representing the holder of informational power has new information about the consumer demands, then it can use it to persuade suppliers to deliver their products and become a part of a supply chain network.

Reward power depends on the ability of the power holder to offer or mediate rewards to others. It is based on the degree to which the individual can give others a reward of some kind such as recommendations, desired gifts, and increases in pay or responsibility. If a focal company can mediate rewards due to the access to resources which are valuable for other supply chain network actors, then it can make the actors to perform in the way the company desires. A firm's ability to use rewards as a source of power may increase after rewards have actually been employed, because the perceived probability of the promise to deliver is intensified (Cartwright, 1965).

In order to use power the power holder needs to apply specific mechanisms or tools, because they can be targeted to a specific channel member and to a specific behavior or performance. Possession of power does not mean that it has to be necessarily used. We refer to the phenomenon 'power mechanism' which indicates communication mediator by which power subject becomes aware of the existence of power. We refer to this phenomenon 'power means' which is consistent with the term used by Gaski (1986) indicating communication mediator by which power subject becomes aware of the existence of power. Therefore, for each power base, there is a power source and a set of power means or mechanisms which can be used to exercise power. The exercise of power sources refers to an activity: the granting of rewards or imposition of

punishments. It may also be recognized that exercised power represents not only an outcome but a successful outcome, since there is no such thing as an unsuccessful attempt to exercise power. Power means the ability, not the inability, to alter behaviour. Its exercise is at the discretion of the power holder. If an attempt to exercise power is unsuccessful, it is merely confirmation that the power did not exist in the first place (Gaski, 1984). The whole sequence of the events within the power process consists of power bases, power sources, power means, power source exercise and power outcome. With regard to the outcomes Heinemann (2008) suggests that compliance and resistance are two typical influence outcomes with compliance referring to the willingness to comply with the agent's requests in a rather apathetic sense and with resistance referring to the target's opposition to the request. The concept of power outcomes addresses the question of who makes the final decision or ultimately possesses the control, or in Cromwell and Olson's (1975) terms, 'who wins'. Baldwin (1971) discusses the timing of threats, promises, rewards, and punishments in relation to the subject's expectations and actions (i.e., compliance/noncompliance)

Drawing upon the statement of Stern and Heskett (1969, p. 299) who said that "power need not imply coercion or use of force; it may be any degree of compulsion from the gentlest suggestion to absolute domination", we delineate power mechanisms each corresponding to their power types (French and Raven, 1959): *coercive power* (monitoring, threat, punishment) and *non-coercive power* (*legitimate power* (cooperative norm, legalistic plea, legal contract), *referent power* (appeal, recommendation, request), *expert power* (expert advice, consultation, training), *informational power* (information exchange, debate, persuasion), *reward power* (promise, approval, reward)).

So the question arises "Is it enough to use information exchange across the supply chain to insure that suppliers comply with the management requests of supply chain captains or are stricter measures necessary such as punishments and negative sanctions to insure that the whole supply chain is operating successfully?" Our research aims at investigating the situation of power influences in supply chains and networks in Russian agri-food business with distinct attention to cooperation and coordination issues.

METHOD, DATA AND SAMPLE

Expert interviews

We conducted exploratory expert interviews with the aim to reveal the opinions of experts in the field of Russian agribusiness (academic and research institutions, politicians, directors and managers of consulting and market research companies, producer and retail associations, foreign retailers, foreign and Russian branded food processors and farmers in Russia) about relationships of international food retail and processing companies with their suppliers in Russia (farmers in case of processing companies and processors and fresh produce farmers in case of retail companies).

The interviews were held from the 19th of October 2009 till the 29th of January 2010. 40 telephone semi-structured in-depth interviews lasting from 15 to 60 minutes per respondent were carried out. The questions were first pre-tested on 5 personal interviews. Then the interviewees were informed about the interviews via email. After receiving their consent, the calls were given at the time appointed by the interviewees. We made a thorough selection of the interviewees which were chosen according to their leading positions in order to effectively gather relevant information (Blankertz, 1998; Merkens, 2000; Patton, 1990). Specifically, we employed an expert (concentration) sampling (Patton, 1990). The persons chosen were in positions with a high level of concentration of appropriate information. The applied technique makes particular sense in view of the above mentioned research questions.

We observe that international retailers and food processors usually export their business concepts, such as supply and quality chain management. Such companies with Foreign Direct Investments are influencing supply chain management concepts in Russian agri-food business at all stages of the chain. Foreign retailers introduce their new procurement and management concepts while working with local food processors, as well as directly with producers. International food processing companies impose their management concepts on Russian producers and motivate them to improve the quality of the supplies. At the same time a lot of Russian retailers and processors begin to copy the management strategy of foreign companies, so there is a spill-over effect on Russian management.

We used the following four blocks of questions in the expert interviews: 1) power influence of foreign retailers and food processors upon their suppliers; 2) power mechanisms that foreign retailers and food processors use to manage suppliers; 3) possible effects of using power mechanisms for managing food supply chains. More details on the expert interviews can be found in the appendix 1.

MAIN RESULTS AND DISCUSSION

Power influence of foreign retailers and food processors upon their suppliers

(1) Distribution of power in the agri-food supply chains

The most powerful in the supply chain are the retailers because they have direct contact with consumers. Since retailers have a lot of suppliers to choose from, they may dictate their terms of trade. Nowadays, the power is on the side of the retailers. All suppliers dream about working with a big retailer. Agri-food suppliers in Russia have no or very little power over retailers. It is connected with the competition among the suppliers. Retailers offer to suppliers very attractive ways of selling their products and have direct contact to consumers. They often have more information on consumers' preferences and demand. Our interviewee from the retail sector said: *"I would say that we have power parity, since there are also some big branded processors which have not less power than retailers."*

With respect to producers one can say that power is in the hands of the processors. There are several reasons for that. First of all, the processors represent a very important channel for agricultural products. Since producers cannot process, they are dependent on processors to buy their agricultural products on time and at a good price. One of our interviews remarked: *"Can you imagine, if the producers produce their milk and cannot sell it? They have to have reliable processors which will buy their milk and market it further."*

Power of suppliers differs depending on the status of the supplier. When it is a preferred supplier he has more power than a small and unknown supplier. Power is generally said to be in the hands of retailers, though some big branded international as well as Russian processors might also have a lot of power over the retailer.

(2) Bases of power

We also asked our interviewees about where they think the power actually comes from. Among the answers were: access to the market; number of alternative buyers or suppliers; access to resources; switching costs; size of the company; expertise in management and logistics systems; good connections with administration. One of the interviewees said that the following principle is working in dairy industry *"he who has access to the market, he has the power"*.

Another opinion is competition. If there are many suppliers and few buyers – the classical illustration of the model of Porter – then the buyers have more power. If it is the other way around then the suppliers have more power. In other words, the bigger the number of the agents, the higher is their bargaining power. Since there are more suppliers than processors and retailers, suppliers have less power.

The next condition of having power was mentioned to be access to resources. One of our interviewees stated: *"Power has anyone who has access to critical resources. Even the seller of theater tickets will apply his power on you, because you do not have what he has. The same situation is in the food industry. If you have a resource which others do not have and would like to have, and it gives you power."* Those companies which have capital and financial resources are more powerful. Foreign companies have a better chance to attract foreign banks; therefore, they become more powerful than Russian companies with insufficient financial resources.

Another condition of having power is dependence. After establishing long-term relationships both partners become dependent on each other due to developed working systems, commitment, etc. They cannot exchange the partner right away, which makes them vulnerable and less powerful.

All of the mentioned conditions of bases of power were found to be consistent with the classification of power according to French and Raven (1959). For example, access to the market and the number of

alternative buyers or suppliers are evident bases of legitimate power; size of the company and good connections with administration reflect the possession of referent power; expertise in management and logistics systems is a clear base of expert power; access to resources could be regarded as a base of reward power.

Power mechanisms that foreign retailers and food processors use to manage suppliers

We were told that in Russia there is a system of bonuses and fees which retailers use with their suppliers. Retailers take a payment for each assortment position, or SKU (Stock Keeping Unit). Sometimes instead of SKU other terms are used, but the essence of calculations with suppliers is the same. One of our interviewees told us a real story illustrating the hidden character of bonuses and fees: *One big Russian meat processing company supplied sausage to a big Russian retailer. The production costs of the unit of sausage were 140 rubles. The sausage was however found in the shelf of the supermarket at a price of 240 rubles. Therefore, the question arises: "who gets the 100 rubles?". According to the conducted investigation, the retailer was officially buying the product from the producer at a price of 180 rubles indicating the official profit of 60 rubles per unit. However, the unofficial price was 140 rubles which equals to the production costs. The retailer claimed that the 60 rubles was the profit, but in reality it got 100 rubles profit. The 60 rubles were in reality the fee for preferred shelf space of the product and the rest of 40 rubles were negotiated by the retailer to be the profit of the retailer. As you see the processing company had no choice but to work with 0 profit, just in order to be able to sell the products offered in the favourable shelves."*

Another interviewee explained to us how the mechanisms of punishments and rewards are used on the example of milk: "Actually suppliers of milk are already used to indirect sanctions and punishments. For example, depending on the number of bacteria in the milk they are paid according to the quality classes. If the milk contains not more than 150000 bacteria, it belongs to the 1st class and is paid with 11 rubles per kg. If this number is between 150000 and 250000 the milk is 2nd class and is paid with 9 rubles per kg. So if the farmer wants to get more money, it is motivated to deliver better quality milk."

With regard to using information exchange as a means of influencing the suppliers we were explained: "Under no conditions the key information can be shared in Russia. This is a rule – no one shares the information – regardless of the status the relationships have."

We were able to classify the mechanisms which were mentioned by the interviewees according to the power types:

coercive power (cutting the price; terminating the relationship; delistings; fines; payments for accommodation of the goods on a shelf; replacement of the Russian operators due to a difference of credit rates; establishment of an economic pressure in process of achievement of a monopoly position; long period of payment from retailers for delivered goods (between 45 and 120 days); obligation of the supplier to pay the "entrance ticket"; compensation to the retailer in case of robbery in the supermarket; obligation of the supplier to lower the price during the time of promotions and discount periods in the supermarket; obligation of the supplier to pay the costs of exchanging the goods from the shelves of the supermarket in case of low demand by consumers; obligation of the supplier to pay the costs of advertising in the mass media and promoting the goods; providing to the retailer the monitoring of the prices for the specific goods in the region);

non-coercive power (written contracts; lobbying of interests through power structures at a legislative level; negotiations and discussions; investments into the production and cooling equipment; financial assistance to producers in the form of credit or leasing; assistance programs with farmers to guarantee the quality of the products; trainings and educational activities; attractive terms of payment, quality audit; regularly controls our production process; financial support and technical assistance programs for suppliers; transfer of know-how and innovative technologies.)

Effects of using power mechanisms for managing food supply chains

With regard to the effect of some mechanisms on relationship our interviews recommended to us using specific mechanisms for establishing long-term relationships and others for achievement of better

coordination in the chain. We were told that in Russia it is not recommended to rely on promises made in an oral or informal way. Everything has to be written down in order to make sure that the contractual arrangements will be fulfilled. Such mechanisms as emotional appeals do not function in Russia. People are motivated by full purse and financial stimulation. Only if people know that they will have price cuts for insufficient quality or not punctual delivery, they will follow the rules of the game. As far as educational and consulting activities are concerned Russians need to be accompanied at all steps of the projects. Consulting services should really be project-bound and constant. The same is true for monitoring of Russian producers' activities. In order to make sure that everything goes well, foreign partners need to check and watch the development from the very beginning. In that case Russian producers also appreciate international companies which offer assistance and are always there for them at any stage of the project.

Such mechanisms as threats and penalties were considered to be not very effective because they show that the company has aggressive intentions. One of our interviewee from the retail sector said to us: *"We do not use any coercive means such as threats, sanctions or fines, because they do not allow us to reach our goal which is to have long-term relationships with our suppliers. Any kind of coercive measure may destroy the motivation of the suppliers, therefore we use other worked out management approaches with our suppliers, but not punishments."* One representative of a Russian supplier company told us that they do not cooperate with big retailers because they are known for their system of entry bonuses it tried to avoid working with big retailers because they demanded paying bonuses which are in other words bribes. Big retailers were told to have in general very high demands and are difficult to work with. For example, big retailers might return the products to the supplier if they couldn't sell it.

Another recommendation with regard to the use of mechanisms states: *"Through contracts the buyer can guarantee the trade conditions and can punish or go to court if the conditions of the contract are not fulfilled. But the most reasonable thing would be to try to understand why the supplier cannot fulfill the certain terms of the contract and try to support it through consultation and educational activities. I think that punishments and threats are not successful in building long-term partnership."*

Such mechanisms as bonuses and business talks seem to be more effective for maintaining a harmonious relationship. Identification with the company as well as approval or disapproval of actions was explained to be not very efficient in Russia due to the Russian mentality. Collaborative discussion, persuasive arguments, educational activities or qualification opportunities were told to be used for suppliers which are motivated and interested in long-term work. Such mechanisms as financial support and technical assistance programs for suppliers, transfer of know-how and innovative technologies were reported to be successful for creating long-term relationships with suppliers. In order to control suppliers in Russia the penalties and fees might be effective in the first moment, but they do not solve the problem at its root. One needs to investigate why this supplier cannot fulfill its contractual obligations.

SUMMARY AND CONCLUSIONS

Power may have different effects on coordination and cooperation depending on its origin and the way it is applied. It can destroy a cooperative relationship or help solving problems of coordination and aligning actions. The knowledge about these effects should be skillfully used for effective supply chain management. Besides, when solving coordination and cooperation problems, managers should weigh the expected costs and benefits before using power. Our recommendations can help managers to understand different interactions of these factors, and to design their management practices to successfully manage food supply chains and networks in Russia.

We found out that the interests of retailers often are different from those of suppliers; therefore, there appear conflicts of interests. Our interviewees indicated that relationships of foreign retailers and food processors with their suppliers in Russia could be characterized by the following groups of problems: quality of agricultural supplies; Russian management style and mentality; opportunism and absence of trust; administrative barriers, transport, logistics and infrastructure problems.

Our findings indicate that power may originate from access to resources; number of alternative buyers or suppliers; switching costs; size of the company; expertise in management and logistics systems; and favour of or good connections with administration; access to the market. These findings are consistent with the

classification of French and Raven (1959). In general the power in the supply chain is increasing the closer it gets to the end consumer. One can say that power is generally in the hands of retailers, though some big branded international as well as Russian processors might also have a lot of power over the retailer.

We found out such mechanisms as threats and penalties were not recommended to use very often since they might destroy the motivation of the partners. On the other side, coercive power mechanisms are widely used in Russia and often could have a hidden character. For example, retailers require Russian suppliers to pay the "entrance ticket"; to provide the monitoring of the prices for the specific goods in the region; to compensate to the retailer the robbery in the supermarket, etc. Non-coercive means could include not necessarily a direct financial bonus, but rather special assistances, services or privileges like a status of a preferred or leading supplier or a special favourable self space for their products.

The preliminary results show that depending on which source the power mechanism originates from, it may have different effects on cooperation and coordination. The 'stick or carrot' method (coercive or reward power) might have superb effects on coordination, since it provides extrinsic motivation to comply with the requirements in order to achieve favorable outcomes, but its overuse might hamper cooperation. On the other hand, other non-coercive power types (legitimate, expert power, informational and referent power) might be more appropriate to facilitate cooperation but less effective for coordination, since are less likely to be used in targeting a specific behaviour or performance, though could provide intrinsic motivation and alignment of interests. The knowledge about these effects should be skillfully used for effective management of supply chain networks.

Further steps of this research would include conducting a survey of foreign companies and their outlets registered in Russia, operating in the area of wholesale and retail trade of food and beverage products and in the area of production and processing of food and beverage products (database of Russian Chamber of Commerce and Industry) and testing out theoretical assumptions in Russian agri-food business.

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Appendix 1-a. Information about conducted expert interviews

1) №	2) Date of interview	3) Job title of interviewee	4) Type of institution	5) Duration of interview
1	19.11.2009	Expert analyst	Russian association of milk producers	25 min.
2	26.11.2009	Executive Director	Russian association of retail companies	30 min.
3	26.11.2009	Assistant of the Deputy Chairman	State Duma	30 min.
4	30.11.2009	Managing Partner	Russian consultancy company	20 min.
5	30.11.2009	Project Coordinator	Russian consultancy company	15 min.
6	01.12.2009	Managing Director	German consultancy company	15 min.
7	01.12.2009	Long-term Expert and Project Coordinator	German consultancy company	30 min.
8	02.12.2009	Manager in Finance & Administration	International branded confectionary company	15 min.
9	02.12.2009	Head of Government Department	German Cash & Carry and retail trade operator	20 min.
10	02.12.2009	General Director	Russian beef producer	25 min.
11	02.12.2009	Specialist on Operational Planning	Russian branded milk processing company	15 min.
12	02.12.2009	Key Account Manager	Russian branded milk processing company	15 min.
13	03.12.2009	Category Development Manager	International branded non-alcoholic beverage producer	40 min.
14	07.12.2009	Agricultural Policy Advisor	Russian agricultural policy representative	20 min.
15	07.12.2009	Head Cooperations CIS countries	German agriculture association	35 min.
16	07.12.2009	Senior Researcher	German higher education institution	60 min.
17	07.12.2009	Business Consultant	German consultancy company	25 min.
18	07.12.2009	Senior Agricultural Economist	US agricultural policy research institution	20 min.

Appendix 1-b. Information about conducted expert interviews

1) №	2) Date of interview	3) Job title of interviewee	4) Type of institution	5) Duration of interview
19	07.12.2009	Manager of International Sales for Retail Sector	International market research company	15 min.
20	07.12.2009	Partner	Russian consultancy company	45 min.
21	08.12.2009	Professor and General Director	Russian consultancy company	15 min.
22	10.12.2009	General Director	Russian branded meat processing company and retailer	30 min.
23	10.12.2009	General Director	German ingredients supplier for food processing industry	30 min.
24	10.12.2009	General Director	German market research institution	30 min.
25	10.12.2009	<i>B. Senior Credit Risk Manager</i>	International trade company	30 min.
26	21.12.2009	<i>C. General Director</i>	Russian grain producer	15 min.
27	23.12.2009	<i>D. Managing Director</i>	German consultancy company	15 min.
28	23.12.2009	<i>E. Professor and Senior Adviser to Director</i>	International agricultural policy research institution	40 min.
29	23.12.2009	<i>F. Retail Manager</i>	Russian market research institution	15 min.
30	07.01.2010	<i>G. Sales Manager</i>	German seeds breeding and producing company	15 min.
31	13.01.2010	1) Special Adviser	Federal Ministry of Agriculture	20 min.
32	13.01.2010	2) Consultant	Russian agricultural consultancy company	15 min.
33	19.01.2010	3) Category Manager of Purchase department	German retailer	15 min.
34	21.01.2010	4) Manager of image projects	Russian branded brewing company	15 min.
35	22.01.2010	5) Consultant	German consultancy company	15 min.
36	28.01.2010	6) Manager of Department of Operations Retail	Russian retail company	20 min.
37	28.01.2010	Manager of Department of Commerce	Russian retail company	15 min.
38	28.01.2010	Manager of Purchasing Department	Russian retail company	15 min.
39	28.01.2010	Public Relations Manager	Russian retail company	15 min.
40	29.01.2010	Professor of Marketing	Russian higher education institution	15 min.