

# The Common European Market? Perceptions and Challenges.

## Abstract

Since the fall of the Iron Curtain and subsequent EU enlargement in 2004, business activities with East European countries have been of growing importance for Western economy. Consequently, the emerging European markets have actively been utilized. This is proved by transferring of foreign production units to the Baltic States. Scandinavian business people have the perception of the Baltic States as countries with cheap workforce, strategically ideal location for transferring of production units and establishing of logistics centres. The aim of this Paper is to discuss the interpretive approach in studying the utilization of the new European markets and to point to the challenges such trend contains. Based on empirical findings from Scandinavian business activities in Latvia and Lithuania, this paper will discuss the following questions: How can the phenomenon of international business be approached, assuming that realities we live in are constructed? How does the social construction process manifest itself in the daily activities of new European markets and how can qualitative methods be used to reveal them? Do the new and old markets of Europe constitute a community? Three foci of analysis will be suggested, namely, the policy, the extent of common views and common ways of acting, and implications of the social constructions.

## Key words

East/West business, utilization of emerging markets, marketplace behaviour, perception, anthropology.

## Author

**Agnese Cimdina Barstad**

[aba@hials.no](mailto:aba@hials.no)

PhD candidate, Lecturer

University of Bergen, Dept. of Social Anthropology, Pb 7800, 5020 Bergen, Norway;

University College of Aalesund, Dept. of International Marketing, 6025 Aalesund, Norway

## Introduction

The Common European Market has been one of the key discussion objects since the enlargement of the European Union. As an anthropologist, I would like to start by reflecting on the very concept of the Common Market. According to Oxford Students' Dictionary (1998:124) the meaning of the adjective "common" is *belonging to, used by, coming from, done by, affecting, all or nearly all members of a group or society*. It means that the subject of the discussion is a market that, supposedly, belongs to and is used by nearly all societies of Europe, *sharing similar attitudes* (ibid), as the concept presupposes. Further, the same dictionary offers a concept "the Common Market" with the meaning – *an economic, social and political union of most western European countries* (ibid). So, regardless of the meaning of the adjective "common", this market is not common, however. The interpretations of the concept contain an inconsistency that, as this paper will show, can also be observed in the operations of today's European market. Since the enlargement of the EU the western and eastern parts of Europe have been united, and the new member states have become important participants in the common European market activities. But do the new and old markets constitute a community?

The discussion in the Paper is based on empirical findings from the study of Scandinavian production units<sup>1</sup> in Latvia and Lithuania where the author of this Paper conducted interviews and a participating observation in 2005. Since the fall of the

---

<sup>1</sup> Out of consideration for my informants, the names of persons and companies (ca 15) involved are anonymous.

Iron Curtain and subsequent EU enlargement in 2004, business activities with East European countries have been of growing importance for Western economy. Consequently, the emerging European markets have actively been utilized. This is proved by transferring of foreign production units to the Baltic States. Scandinavian business people still have the perception of the Baltic States as countries with cheap workforce, strategically ideal location for transferring of production units and establishing of logistics centres.

The investments by Scandinavian companies in and moving the activities of companies to the Baltic States have impacts both on the countries of origin and the countries that receive those investments. In the countries of origin, the effect can be the loss of jobs and shutting down parts of companies. On the other hand, it can also be an improvement of the competitive position of the companies that are active on foreign markets, which might, in fact, be crucial for the survival of these companies. The benefits of the recipient countries in this case are investments, working places, and a new competence. Such interaction, motivated and promoted by the common European market, should result in a win-win situation for both parties. Nevertheless, the perceptions these processes are based on do not represent common interests and cohesion of the European market.

Being an interpretive science, modern anthropology treats social phenomena as constructed, not naturally given, and the economic practices as closely integrated with other aspects of society. The opinion that business is an autonomous sphere, localized in bounded institutions and guided entirely by the mentality of goal-and-means is considered as too narrow. Anthropologists have always been keen to show that economic systems and business activities can only be understood if seen together with other aspects of particular society and culture. Marcel Mauss is one of the forerunners who expressed the need to see economy as a *total social phenomenon*, where politics, religion, culture, perceptions and the like find simultaneous expressions (Mauss 1990 (1925):1).

This study of utilization of new European markets is based on an anthropological conviction that approaching international business requires understanding of how people think and how they perceive the ongoing. Strategies occur to be based rather on perceptions than the objective reality (which in an interpretive approach hardly exists). Human behaviour is embedded in cultural constructions of the past and the present, and, in order to understand the ongoing in the European market, it is important to disclose implications of these constructions. The aim of this Paper is to discuss the interpretive approach in studying the utilization of the new European markets and to point to the challenges such trend contains. Based on empirical findings from Scandinavian business activities in Latvia and Lithuania, this paper will discuss the following questions: How can the phenomenon of international business be approached, assuming that realities we live in are constructed? How does the social construction process manifest itself in the daily activities of new European markets and how can qualitative methods be used to reveal them? Three foci of analysis will be suggested, namely, the policy, the extent of common views and common ways of acting, and implications of the social constructions.

### **Interpretations of reality.**

During the last decades a number of approaches to the study of social phenomena and humans as social beings have emerged. These approaches have appeared under a variety of names, i.e. relativism, discourse analysis, post-modernism, constructionism, post-structuralism, etc. Common to these approaches is the assumption of socially constructed reality: the categories with which we apprehend the world do not necessarily refer to real divisions, and our common way of understanding is not derived from the nature of the world as it really is, but is constructed between people through daily interactions in the course of social life. Such an approach can be understood as a theoretical orientation appealing to be critical of our assumptions about how the world appears to be. It invites us to be critical of the idea that our observations of the world unproblematically yield its nature to us and to challenge the view that conventional knowledge is based upon objective, unbiased observations of the world (Burr 2003).

Advocates for constructionism state that social phenomena and all our knowledge are created and reinvented in an ongoing presence; they are reconstructed interpretations without a steady core (Friedman 1994; Handler & Linnekin 1984), derived from looking at the world from some perspective or other (Burr 2003). History itself is not simply something that happens to people, but something they make within powerful constraints of the system within which they operate. Practice approach<sup>2</sup> attempts to see this making in the past or in the present, in the creation of novelty or in the reproduction of the same old things (Ortner 1984). Theory of social facts and collective representations requires an understanding of the way individuals internalize and recreate them. Internalized representations are not precisely stated by rules, but are loose associative networks that enable flexible reactions to the particulars of any given event. Schema theory<sup>3</sup>, suggested by Strauss and Quinn (1994), offers a model of cognition that incorporates emotions and motivation. In this model social actors not only acquire a sense of what is natural, but they also acquire strongly motivating senses of what is desirable. This motivation to enact some cultural understandings more than others is critical to their formulation of social process. Responses people make are created on the spot, but regulated because they are guided by previously learned prototypes and patterns of associations. Individual's emotions and motivations make a difference in how events are cognized and reconstructed.

If anthropology values the context and interpretation of details, then in the best traditions of economics is to focus on the key issues: to abstract from detail, to discard the peripheral, and to provide a simple account of the essential elements (Buckley 1998). Economic theorists are system-builders. A successful system-building in the social sciences requires fearless simplification. Any theoretical system that corresponds too closely to complex social reality will be too complicated to use. But simplification invites criticism, for there is always something of potential importance that gets left out of a theoretical system (ibid). Conventional economics has ignored

---

<sup>2</sup> The theory of practice (Bourdieu (1977, 1990), Ortner (1984, 1990) and Strauss, Quinn (1994) aims to explain how people living in a given historical context reproduce and change it. By seeking to explain the genesis, reproduction and change of form and meaning of a given social phenomenon, practice theory leads to awareness of the processes of reality construction.

<sup>3</sup> Schemas are described as generic versions of experience that remains in memory (Strauss, Quinn 1994: 285).

that the economic activity is embedded within a framework of social and political institutions and that cultural factors can be key determinants of economic performance (Buckley 1998).

Economic discipline is based on rationality. The explanation of behaviour is to be found in the *rational, persistent pursuit of self interest* (Buckley 1998:34). It has remained a central tenet of economic theory that the optimization of individual self-interest best explains human behaviour. It is important to highlight that exactly the modern Western world appears as the *self-evident home of rationality* here; rationality as the property of the Western observer, not of the “*exotic native*” that is assumed to be *hidebound by tradition and superstition, moved by symbolism and irrational passion* (Buckley 1998:29). The economist’s assumption of rationality is an effective response to practical needs to explain social behaviour in simple terms. But it presupposes the existence of a universal and objective rationality, the existence of which an anthropologist would hardly acknowledge. Armed with a demonstration of coherence of *emic*<sup>4</sup> thought, anthropologists assume that “rationality” is context-dependent and socially specified, and thus doubt the existence of any single rationality, analyzing the alien reality in its own terms.

Anthropologists view economy as consisting not only of market, but also of community (Gudeman 2001). In one guise, economy is local and specific, constituted through social relationships and contextually defined values. In other, it is impersonal, even global and abstracted from the social context: this dimension consists of separated but interacting agents. Both realms are ever-present, but we bring now one, now the other into practice and ideology (ibid). Sometimes these two faces of economy are separated, at other times they are mutually dependent, opposed or interactive.

### **The Socially Constructed Marketplace**

A marketplace can be constructed and perceived in a variety of ways. The European Market implies both an aggregate of individual transactions and a certain spatial extension. The concept “market as-a-place” has gradually been substituted by an understanding of the market as a process of buying and selling, until finally, the definite article that precedes the noun denotes an abstract aggregate geographical form (Dilley 1992 in Lien 1997:87f) – in this case the common European. As discussed above, such a concept presupposes a community, at least perceived, of common interests and common goals. But do the European markets constitute it?

Worldwide, the nature and configurations of trade are changing. The rise of the emerging market as a concept is a consequence of new ways of looking at developing countries (Montoya 2002). The liberalization and globalization of trade as reflected in changing political and economic constellations, new trade agreements, and communication technology are beginning to focus on the markets of particular countries that were previously more peripheral to the global economy. This kind of

---

<sup>4</sup> The main challenge in interpretive social sciences is to understand social processes and interaction on the basis of certain premises of action. This approach is labelled *emic* locating the actors’ own understanding of social situations at the centre of analyses. Understandings of cultural representations from the point of view of an outside observer are called *etic*. *Emic* and *etic* versions of social life are often, but not necessarily, contradictory.

construction contains a clear power aspect where one part is perceived to be mature and developed and the other emerging or developing.

Not only is the image of a particular market constructed, but also the practices within it. When doing business, an entrepreneur must initiate and coordinate a number of interpersonal relationships to effectuate his/her enterprise (Barth 1967). In international settings a diversity of business strategies can occur as each entrepreneur or company has its own unique interpretation of the industry and environment they operate within. Likewise, they have unique interpretations of how to do business. Over time, when companies operating in the same environment and industry have acquired understanding and experience, a common understanding of how to conduct business may emerge (Sørensen 2002). Where many persons act in a similar manner, one may expect that they agree on certain relevant evaluations and regard their own behaviour under the prevailing circumstances to be optimal in terms of these evaluations (Barth 1972). So it could be said that business is socially constructed when experiences, reflections, perceptions and actions of individuals interact to form common views and ways of acting (Sørensen 2002).

Thus the focus of interest is the interactions of business actors, how their worldviews interact and form common views and common ways of acting. No universal law can be found for whether common views and understandings will develop or not and how they develop. How an industry develops depends on the perceptions of the business actors involved and how they react to the actions of others. Social constructions are not planned, but emerge as a result of daily life activity and thus have no stable structure. So, how can we approach business as a social phenomenon then, assuming that it is a social construction? The author of this Paper suggests: to analyse business related policy; to reveal the extent of common views and common way of acting in the marketplace; and to depict the very process of social construction in everyday encounters taking place between an entrepreneur and environment he/she operates within and to point to the implication of these constructions.

### **Policy as a Total Social Phenomenon**

Policy can be viewed as a form of power which works upon the individual's sense of self; and which promotes norms of conduct to be adopted and internalized by individuals (Shore, Wright 1996). Policy increasingly shapes the way individuals construct themselves as subjects. Not only do policies codify social norms and values, and articulate fundamental organizing principles of society, but they also contain implicit models of society (ibid). Policy has important economic, legal, cultural and moral implications and can create whole new sets of relationships between individuals, groups and objects (ibid).

When approaching policy, we can feel a clear presence of power aspect in relation between West and East. Foucault (1977) argues that the effectiveness of power lies exactly in its ability to mask itself and hide its own mechanisms. To disclose the secrets of modern hegemony, we can focus on the mobilizing metaphors and categories that veil policy with political legitimacy. How are specific claims in policy used to present a particular way of defining a problem and its solution? How do policies construct their subjects as objects of power, and what new kinds of subjectivity or identity are being created? A closer look at the policy encouraging and regulating investments and aid for Eastern market development can reveal what

power aspects categorization contains. Circumscribed by popular stereotypes and captured into discourse of "escaping socialism", "joining Europe", "building democracy" and "establishing free market" (Buchowski 2001:9), Eastern Europe is still perceived as a region of transition. The dichotomous designations countries have been viewed within – "soviet" and "post soviet", "communist" and "post communist", "socialist" and "capitalist" – are historically moulded categories of thinking and cultural creations that prejudice our modes of reasoning. Many anthropologists of "transitology", such as Pine&Sue (1998), Buchowski (2001), Hann (2002), Humphrey (2002), Lampland (2002), state that such conceptualization is misleading in many ways and ask whether it makes sense to conceptualize the world in predetermined terms which are constructed in political discourse and reflect public opinion stereotypes and relations of power between East and West.

Communism and transition still seem to be essential and uniting concepts in dealings with East-European countries, int. al. Baltic, frequently associated with the processes of democratization, privatization, liberalization and "capitalization". But for how long will the countries with the communist past as the only common feature be put in the same boat? Asked about challenges in the Baltic markets, a Scandinavian manager operating in Latvia told:

*"A challenge is to get rid of Norwegian mentality when thinking of Eastern Europe. They think first and foremost of the cold war, greyness, of ugly looking people, and no pretty people".* His Russian colleague Aleksey interrupted him, by saying: *"Perhaps at the end of 90s it was like that, but not any longer."*

*"But let's imagine that we are still at the end of 90s",* the Scandinavian manager answered and continued:*"And they (Norwegians) think of secret agents, the military .... But when they come over they are surprised that there are plenty of pretty people. They don't see any greyness. They can not believe their eyes. Last week I talked to a businessman who just had been in Riga for the first time. He was shocked that he had not been here earlier, for many years ago. His perceptions about the greyness and difficulties related to bureaucracy turned out to be wrong. Latvia's problem is that it is still associated with communism".* At that moment Aleksey's 10-year-old son interrupted: *"What is communism, dad?"*

The communism past was foreign for the boy. Sooner or later, as the generations brought up under socialist regime disappear from the political scene, the category of post-communism and features characteristic to it are likely to break apart and disappear. Many younger people already reject terms "post-soviet" and "post-communist" together with the stereotypes tied to them. The "stamp" *post-communist* seems to be perceived as constricting, even insulting, imposed from outside that seems to imply constraints on the freedom of people to determine their own future. The Scandinavian manager deliberately tried to maintain the image of Latvia as a transition country escaping communism. His temperance in perceiving the Baltic States as equal to the Scandinavian was obvious. The "exotic" feature *communist past*, was taken for the reason of underdevelopment of the Baltic States, simultaneously attracting interest for participating in these countries as "know-how-to" experts to experience, deal with and take advantage of the existing disorders.

A similar image of the region was given by Rita, a Scandinavian section manager at a textile plant in Lithuania. Asked about experiences in the Lithuanian market, she told:

*" I have lived for a while and remember how it was here (in her country of origin) 50 years ago. I could say that Lithuania is approximately 50 years back in time, without meaning anything negative, but the stage of development is identical to that of 50 years back in time. Take the social guarantees as an example. In the case of an employee's illness they collect money at work. That is a nice and solitary thought, but at home it was like that a long, long time ago /../*

*Initially, I was very negative about moving production to Lithuania. It was in the year 2000. We had to dismiss 70 ladies. First time I arrived I was very sceptic about everything. It was cold, dirty; it was not like at home. But now when I have been there for several times I feel more welcome and safe. But I do not travel alone. Now we have our own apartment at the factory. The hotel where we used to live was terrible. It was awful. The standard was so low and the price was inadequately high...and the food was terrible. Breakfast was inedible, and it is not that we are fastidious /../*

*We have approximately 100 employees in Lithuania; people stand in line to work for us. Many of them have come to us from enterprises stricken by competition. They had not received any salary for a long time. Many had received their salary in linen tablecloths. We bought those tablecloths from them, so that they could get at least some money/../*

*Language was really a problem; none of them understood English. A typical Soviet problem. We offered an English course, but they (our employees) were not so clever and did not learn much. When I think of myself, I'm sure I would have learned much more during such a course/../*

*Gradually we have started to do business with local Lithuanian companies when it comes to various accessories and sewing machines. But in the beginning we used only suppliers' from our country; Lithuanian ones were not good enough. They do not have the same understanding of quality; they do not understand that things should be done exactly as we say, and not almost exactly. That is why we travel over there so often. Only now they seem to have understood that we want products of proper quality/../*

*Bureaucracy? It is terrible. We had to wait for a year to get electricity. It should be easier if they want people to be and produce there. We thought that it would get better after joining the EU, but we have not felt any difference. Too much paperwork, too much and unnecessary...it is unbelievable. They should find a solution for it ...all customs clearance and that kind of hassles, I think it is unnecessary /../*

*But all in all I think we have "scandinavized" them pretty well. We have really influenced our workers. It might be the gratitude for working here. They are very proud of working in our company. They do the outmost and sometimes even more than we can expect/.. I have been in several similar factories in Lithuania and I see that they do not come up to the same level, neither social, nor technological or financial. We are at a much higher level than they and do not feel any competition. I think Lithuanians might rather feel it from us because everyone wants to work for us. They are loosing their workers to us /../*

Rita's story is nothing outstanding. Similar stories have been told by a number of Scandinavian managers who have moved their production to the Baltic States. Their image of and experience in the Baltic markets is connected with a heavy bureaucracy, untidy settings, their own superiority and cheap hardworking workforce which, although outdated, have a potential for development and thus can be taken advantage of. Herself and her Scandinavian colleagues Rita perceived as "know-how-to" experts helping out of misery, setting standards of how things should be done correctly. Foreign companies entering and participating in these markets view

the situation as unpredictable. They often have to face a situation that is impossible to plan and to predict beforehand. Indirectly the Baltic market, perceived as emerging and new, and with good potential of development, is constantly compared to the Scandinavian market, which is perceived as developed, mature and superior. Such perception of the Baltic markets has been a drive for the establishment of several industrial parks. By now there are approximately 10 such parks in Latvia whose role on both national and international level is to develop, co-ordinate and invest in building, infrastructure and premises for small and medium sized enterprises. In some occasions parks have been established with the support of authorities of the country of origin. Also the company Rita works for gradually moved in an industrial park managed by Scandinavians in Lithuania.

Asked about the policy of his enterprise, a director of that industrial park located in Lithuania answered:

*First and foremost we offer safety, security 24 hours per day, predictability, made-to-measure buildings, rental contract for 15 years, common administration, and custom and accounting services. We help our tenant companies with infrastructure and ensure a good communication with local authorities, and we can assist in employment processes. For companies in the market entering phase it is a big help. Everything is made-to-measure for the needs of a particular company or production unit. It is much easier than to buy a building, fit it up, fix all infrastructure and bureaucracy staff in the very phase of establishing. We open the door to the local society, we arrange contacts with local authorities, we help with local knowledge and we help to find employees who speak English. We see ourselves as investors, door openers and organizers. We relieve from difficulties of establishing enterprise in a foreign country - in a transition country of Eastern Europe. Many things do not function there the same way as here at home.*

When images of East European countries are combined with a developmentalist perspective in which state-society relations in “less developed” world are seen as reflecting a prior position in the development of the advanced industrial nations, the temptation to compare “them” to our own past proves irresistible to many. In policies regarding Eastern Europe an implicit metaphorical connotation is that transition is development. Reconfiguring basic categories of political thought to create new kinds of political subjects is one of the most effective strategies governments and organizations can employ to achieve the power (Shore, Wright 1996). The categories “new member states”, “post-communist block”, “developed”, “underdeveloped”, “Eastern”, “Western” carry a weight of historical and political baggage. Development categories have been developed by the West in order to produce and legitimize a world structure in which “the West” assumes a hegemonic position (Escobar in Sørensen 2003). Aid is not only a humanitarian project; it also reproduces Western hegemony over the third world via categories and pictures that are produced of poor countries (Nystad 2003). Such categorization has a great power aspect as it partly overrides other means of identification and as the countries become the primary basis for allocation of Western assistance. The idea about transition as development has power-effects exactly because alternative understandings are being suppressed and because it introduces the West as the yardstick for measurement of progress (Sørensen 2003, Nystad 2003).

Analysis of categories used in policies give a potential to disclose how policies work as governing instruments in the field of international business. On the one hand the policies to assist market development in Eastern Europe could be seen as responses



that mainly aim at reducing the heritage of plan economy, conflicts, poverty, and corruption. But, on the other hand, it is obvious that the same policies regulate the Eastern markets and aim to influence the Eastern business milieu to be friendly to Western investments and companies. These policies define what are acceptable and legal forms of markets and strategies, how they should be regulated and by whom, just as they establish different categories and classifications of people, which serve as the basis for determining access to assistance, resources and rights. They also legitimize particular kinds of intervention in that they point to a gap between how the situation is and how it ought to be.

Policy is not only a written document. Policy can be found in the language and concepts of political speeches, in written documents produced by the government, in service delivery, in peoples' experiences in their interactions with street-level bureaucrats etc. (Shore, Wright 1996). Policies can be read as cultural texts, as classificatory devices, as narratives that serve to justify or condemn the present, or as rhetorical devices and discursive formations that function to empower some people and silence others (ibid). The study of policy can lead straight into issues of norms and institutions, ideology and consciousness, knowledge and power, meaning and interpretation, the global and the local. The study of policy can also provide an insight in the historical development of common views, emergence of vocabulary, and the parties forming public discourses.

### **The Process of Social Construction and Implications of Perceptions**

*Once upon a time there was a Scandinavian who went to Latvia. He had money, but no experience. Then he found someone who had experience, a local man. After some time the Scandinavian had no money, but he had the experience. But his Latvian partner had both money and experience (manager of a Scandinavian company in Latvia).*

Business activity is a process and contains a chain of transactions between an entrepreneur and his/her environment. An entrepreneur must initiate and coordinate a number of interpersonal relationships to effectuate his/her enterprise (Barth 1967). Social construction of business reality takes place through these interpersonal relationships, through interactions of individuals who base their actions on experience, perception, and reflection. When assuming business activities as series of interactions, it is essential to find out how experience and perceptions form the basis for these practices. How do the experience of managers and their perception of the situation influence the strategy of the company? What performative consequences managers' or entrepreneurs' perception of reality in the marketplace have?

To examine various ways in which alliances between western company and local market are conceptualized and how the key concepts of business reality are perceived by the participants can be a good point of departure for analyzing strategies and performances in the marketplace. To capture the views of actors in order to understand the interactions in the marketplace is important. Social relationships, cultural views and ideas about how the world works and should work influence functioning of a multinational company; these views affect both policies and private initiative.

For the observed companies the motives for moving production from Scandinavia to the Baltic States are mostly alike. Around year 2000 these companies experienced

serious financial problems in the country of origin. In order to survive, they moved their production to either Latvia or Lithuania. Today they are doing it excellently because opportunity for cheap production functions very well. The experiences passed on to me reflected what image of the market Scandinavian managers had constructed during their stay in Latvia and Lithuania:

*Pieces of advice we got before entering the Baltic markets were many, for example: "if you have a building project you have to reckon with 10% of building expenses for bribing". But you can push through a building project much faster in Latvia than in Norway. Most likely you will have to pay bribes also to customs officers if you do not have good contacts there. We do not do that because our secretary has her people there (in customs). But from others I have heard that they have to bribe customs officers to get their products through customs. They need to have black money to pay to the customs officers. It becomes a tradition. Usually they have one person who fixes these things for us.*

*Another thing that strikes me is that people get judged by "faces".. Your place in a given network, what kind of network you belong to is essential... if you do not belong to any, you are not interesting either because you can not be taken advantage of. What you really can means only 50%. In Scandinavia you earn your own salary, it does not matter whose son you are. Everything is based on mutual services in Eastern Europe; you give a service and you get one back.*

*Things here are unnecessarily complicated. We had an audit for the last three years now. Ok, we had some imperfect documents. But the audit requested that our bookkeeper documented everything we had done during the last three years. It is wrong. Perhaps she expected something. Back at home you would have a list of imperfections and remarks, and that's it.*

This manager perceived practices in the local market as regulated not so much by official rules and standards as by habit and a variety of corrupt practices to resolve or avoid disputes. The conviction that in practice legislation only provides guidelines, but actually everything is mainly regulated by interaction on a personal level between the supervisory institutions on one side and the manager on the other was expressed by several informants. Legislation seemed to be perceived as vague or contradictory, creating an environment in which consistency can only be secured by maintaining good relations with the people in charge.

The experiences of another Scandinavian manager were not of the same kind:  
*I thought there was a bureaucracy in Latvia, but, you know, I would say the absence of bureaucracy also can be a problem. That is the case in Latvia, no coordination among instances, no resistance...*

*Audit is much better here than in Norway. An audit in Norway is just about the account. But in Latvia it is about the whole company, health, and environment, how you treat pallets and waste. It is a very good way of conducting an audit. And the majority of Norwegian companies are really trying to have only one account. Of course, they are not more "clean" than they are at home. But just the fact that they are really trying to be "clean"...*

*Bribing, is it really necessary? No, in Lithuania we found out that he who claimed that bribe was requested at customs was the one who took the money himself, not the customs officers. Our attitude is as follows: if we come to the point when someone requires money for issuing permission we have rights to have, we take our loss and go home. We will involve media and give the signal to other investors.*

Whether the quoted perceptions are true, does not matter. Corruption does not exist only as a definite practice – a bribery or misuse of public office for a private gain (Cimdina-Barstad 2003). To a great extent, corruption exists only as a discourse element: an idea about action and its models. The same can be referred to international business practices. Scandinavians do not have a common opinion of what constitutes the challenges in the Baltic markets, the milieu for business is perceived differently, and experiences are different. A Scandinavian manager can warn others against widespread corrupt practices in dealings with bureaucracy in Latvia, although himself he says he has never experienced corruption. Nevertheless, it does not mean that such opinion conforms to the absolute truth. But for those who have such opinion it does not matter whether they are provable; for them they are true. And they base their actions on their perceptions and images; perception of reality influences the practice.

The construction of an image of a particular market is based not only on a real experience, but also on various myths. As stated above, social phenomena and our knowledge are created and reinvented in an ongoing presence; they are reconstructed interpretations without a steady core (Friedman 1994; Handler & Linnekin 1984), and derived from looking at the world from some perspective or other, and is in the service of some interests rather than others (Burr 2003).

An unambiguous explanation for why a company has to wait for electricity for 10 months does not exist. Is it due to a useless bureaucracy? There are different needs, societies' and companies'. Companies complain about bureaucracy, for private profit and efficiency is their motto. Each entrepreneur wants to be prioritized. But is it in the interests of societies and communities to give him/her that cable for electricity? Perhaps the foreign manager should have known and counted on it that it took ten months to get electricity in the country he/she moved to.

If a private company wants to avoid environmental requirements and avoid paying vacation pay to their employees; if they want approval of a production building without separate dressing rooms for men and women, they are busy and experience the local bureaucracy as difficult. In all likelihood, by entering an emerging market, they have expected to be able to avoid some of the rules they have to follow at home. If you do not succeed, it is better to blame corruption and bureaucracy instead of your own incompetence. You have not understood that you are in another country with rules that may be different, but which should be followed anyway. When a company is being established in foreign settings, it has to adjust to the behaviour in the local marketplace: both local authorities, regulations, competitors and consumers. Culture implies different gender relations, different needs and desires, different degrees to which society accepts hierarchy in organization, different interpretation of legality and rule, and different working values in general.

“The state” and “the market” are being constructed in the imagination and everyday practices of ordinary people. There are numerous *situated knowledges* (Gupta 1995:392) through which to imagine “the state” and “the market”: statistics, dealing with managers and with particular government agencies, the pronouncements of politicians and so forth. Everyday interactions with the state bureaucracy are, according to Gupta (1995), the most important ingredient in the constructions of “the state”. Clearly, it is not possible to deduce actors understanding of “the state” entirely

from his/her personal interaction with the bureaucracy and authorities. It is apparent that he/her also parrots reports he/she obtains from public culture<sup>5</sup> and policies. Both representations of the state and of the market are constituted, contested, and transformed also in public culture. In many East European markets discourse of corruption can be central for understanding of the relationship between the state and social groups precisely because it plays the dual role of enabling people to construct the state symbolically, to define themselves as citizens and to make their choices. In the earlier writings the author of the Paper has shown how the perception of reality influences the practice (Cimdina-Barstad 2003, 2004). The perception of the high level of corruption may stimulate corrupt actions that are not necessary, and easily lead to actual bribery or abuse of authority (Cimdina-Barstad 2003, Sedlenieks 2003, Gupta 1995, Karklins 2002). Likewise, in the marketplace, the connotations business participants have of the East European markets facilitate the understanding of motivation for participating in these markets as well as behaviour that very likely is a performative consequence of these connotative perceptions.

### Concluding Reflections

If a common opinion of what constitutes the challenges in the Baltic markets is absent among the Scandinavians, then opinion of what makes the Baltic markets attractive is quite common:

*Neither Latvia, nor Lithuania has raw materials. The domestic market (in the Baltic States) is not interesting for us because it is too small; purchasing power of Latvians is too flimsy. We are here neither because electricity is cheap, nor because regulations are suitable. Actually, there is more or less the same regulation in the whole EU. Statistics show that the Baltic States do not have expert knowledge or special skills of high level, only an average level. We are here because of one thing; there is still a very comfortable price for work force. That is the main reason we entered Latvia. And it is the main reason for most of Scandinavian companies which enter this location. And it is close to Russia. Using Latvia as a base for elaborating further in Eastern Europe is the smartest thing. As long as work force is cheap. Latvia's location is outstanding; it is close to the huge markets in Russia and Ukraine. We are evaluating Odessa now; perhaps we are going to go in for Odessa in the nearest future (a Scandinavian manager operating in Latvia and Lithuania).*

Talks that the enlargement of the EU has facilitated international business in Europe were not foreign for Scandinavians, but not all of them could agree to it:

*Business opportunities in Latvia have not improved since the 1st of May. A big problem for Latvia now is the lack of work force; everyone is fleeing from Latvia now. It is not only a problem for Scandinavian companies coming here; it is a big social problem for Latvia. It was not joining the EU market, but cheap work force; that was the main reason we moved our production here. We came here at time when joining the EU was not even an option for Latvia. Maybe it would even be better for us if Latvia would not have joined the EU. Then we could still live with the conviction that we helped our sister nation in East through democratization processes. Now there is no point of being Norwegian in Latvia any longer. Before Norwegian investors had a very good standing in Latvia; now Latvia's focus is towards Brussels. There is no sense for Latvians to cooperate with Norwegian institutions because there is more money to get in the EU system (a Scandinavian manager operating in Latvia).*

---

<sup>5</sup> Gupta (1995) defines public culture as a zone of cultural debate conducted through mass media, other mechanical modes of reproduction, and the visible practices of institutions such as state.

The value of the Baltic markets seems to be that of strategically advantageous location with low production costs. Latvia and Lithuania are perceived as good places for starting internationalization and obtaining experience in the internationalization of production, so that later production can be established in or moved to other places in the Eastern Europe or world in general. The Baltic States are used as a *runway* for other East European countries. The advantage is the ability of Baltic people to communicate with the whole Russian part of the world; they understand the Russian language and culture, which is necessary for operating in the Russian markets. Simultaneously, they are perceived as the most western part of the Eastern Europe that makes cooperation between Baltic and Scandinavian people easy. A concern that arises is about what the strategies of these enterprises are when production costs in Latvia are not low any longer.

*Last week I was in China to check the opportunities for production. I think those who register abroad now choose China instead of Baltic States. It looks like we will have to move our production there as well, perhaps in one year already. We have been in Latvia for 6 years now. What is frightening here is that Latvia is getting more and more expensive. In 15 years it might be as expensive as Scandinavia and then there is no sense to be here. Sweden is expensive, Norway even more, but at least there are clear settings and predictable rules to follow. Either Latvia has to do something about it, or it will be impossible to be here. I do not dare to invest 17 millions here in production equipment which I cannot move away. I need predictability. I'm not sure whether we can stay and produce here for 20 more years. We have been checking Ukraine as well (a Scandinavian manager operating in Latvia).*

If we keep in mind the concept and idea of the Common European market discussed above, an essential question remains open. It is obvious that Latvia as an emerging market is an advantageous production place. But does Latvia need to be utilized by manufacturing that takes the sewing machine under its arm and leaves “the day after”? How can we talk of common interests if foreign companies come here to produce as long as costs are low and plan to move away when production costs become too high? What they take with them and what remains in the country they leave is an important problem for discussion that policy makers should take into consideration. As long as the competence is not transferred to the local people, investments have no long term value. Appearance that Latvia is still stimulating simple production by welcoming any kind of investments could be a concern for Latvia. Likewise, it should be kept in mind that the reputation is essential when attracting foreign investments, and then it is not an advantage to be associated with a country where one can avoid environmental demands, vacation pays and taxes.

Even though the market of the enlarged Europe is regarded as common, the experiences and attitudes of the Scandinavian managers prove the opposite. Premises and positions for participation in the “common” marketplace are all too unequal. As long as one part will be perceived as developed and superior and will have the aim to utilize the other part, perceived as emerging and less developed, inequality among participants will persist and the idea of the common market will be hard to fulfil.

### **Conclusion: Anthropologist in the Marketplace**

The aim of this Paper was to depicting business reality as a social construction. The first part of the Paper was devoted to the discussion of constructed realities. The second part focused on how the social construction process manifests itself in the

daily life of international business - Scandinavian utilization of emerging markets in the Baltic States - and how it can be analysed.

Why the conviction that anthropologists in particular are in a unique position in studying a marketplace as a social phenomenon? An anthropological study of international business can reveal specific discrepancies between Western and local Eastern business cultures and marketing techniques as experienced by business people, their local competitors and consumers. Understanding, which the various actors involved in such cooperation have, of how one does business, how one approaches customers, how one treats competitors and authorities, and how one creates a suitable environment for doing business is of great importance in the daily operations of an international company.

Assuming business reality as the result of the interplay between individual constructions, the study of the interplay between individuals becomes a natural focus. The best way to understand interplay is to take part in it. Simultaneously we have to reflect which perceptions this interplay is based on. Business reality is a *mixture of uniqueness and commonly agreed upon ways of perceiving reality and ways of acting within it* (Sørensen 2002:8). If we want to understand the individual manager's actions, it is essential to reveal how he/she understands reality. The ideal in such study is to maximize interaction between the researcher and the subjects to be studied in order to reveal how the subjects perceive reality, their experiences and the motivation for intentions of their actions.

Daily life in the company was the starting point of my research and this reality was approached systematically, without any pre-conceived ideas and hypotheses. It is important to keep in mind that reality is not governed by universal rules and repetitions as in positivism. The realities to be studied are in a continuous flux. In-depth interviews; interactions and conversations with managers, traders, consumers and officials; participating in meetings within the company and in encounters with competitors, local authorities and consumers are ways how to carry out a participatory observation in the company. Being in the marketplace provides the acquiring of insight in a particular business environment and industry and increases the chances of comprehending the meaning of what is happening from the people's point of view. Anthropological conventions such as a naturalistic observation, contextualization, maximized comparisons, and sensitized concepts are integral parts in the market researcher's toolkit (Sherry 1995). Ethnography can make it possible to grasp the particular complexities and dynamics of the local market situation that are concealed by aggregated statistical data and presentations based on generalized categories.

### References

- Barth, Fredrik 1967:** *The Role of the Entrepreneur in Social Change in Northern Norway*. Universitetsforlaget, Bergen.
- Bourdieu, Pierre 1977:** *Outline of a theory of practice*. Cambridge University Press.
- Bourdieu, Pierre 1990:** *The logic of Practice*. Polity Press UK.
- Buchowski, Michal 2001:** *Rethinking Transformation. An Anthropological perspective on Postsocialism*. ABEDIK Poznan 2001.
- Buckley, Peter 1998:** *International Business. Economics and Anthropology, Theory and Method*. Macmillan Press LTD, Great Britain 1998.

- Burr, Vivian 2003:** *Social Constructionism*. Routledge, London, New York.
- Cimdina Barstad, Agnese 2003:** *Culture of Corruption? Interpreting corruption in soviet and post-soviet contexts*. Thesis submitted for the Cand.Polit. Degree. Department of Social Anthropology, University of Bergen.
- Cimdina Barstad, Agnese 2004:** Årsaker til korrupsjonsvekst i det postsovjjetiske Europa – et antropologisk perspektiv. Nordisk Øst-Forum. Nr.4-2004. Norsk Utenrikspolitisk Institutt, Oslo.
- Friedman, Jonathan 1994:** History and the politics of identity. *Cultural identity and global process*. London.
- Foucault, Michel 1977:** *Discipline and Punish*, New York: Pantheon.
- Gudeman 2001**
- Gudeman, Stephen 2001:** The Anthropology of Economy. Community, Market, and Culture. Blackwell Publishing.UK.
- Gupta, Akhil 1995:** “Blurred boundaries: the discourse of corruption, the culture of politics, and the imagined state”, *American Ethnologist*, 22,2,1995.
- Hann, Chriss 2002:** “Farwell to the socialist “other” in *Post socialism. Ideals, Ideologies and Practices in Eurasia*. Ed. Hann, C.M. Routledge, London, New York. 2002.
- Handler, Richard & Linnekin, Jocelyn 1984:** “Tradition, Genuine or Spurious” *Journal of American Folklore*. Vol.97.1984
- Humphrey, Caroline 2002:** “Does the category “postsocialist” still make sense?” in *Postsocialism. Ideals, Ideologies and Practices in Eurasia*. Ed. Hann, C.M. Routledge, London, New York. 2002.
- Johanson, Martin 2002:** Entering and Participating in the Turbulent Russian Market: Internationalization as a Search and Discovery Process. *Journal of East-West Business*, Vol 8(3/4) 2002. The Haworth Press, Inc.
- Karklins, Rasma 2002:** *Typology of Post-Communist Corruption*. Problems of Post-Communism.Vol.49. July/August 2002.p.22-32.
- Lampland, Martha 2002:** “The advantages of being collectivized: cooperative farm managers in the postsocialist economy“ in *Postsocialism. Ideals, Ideologies and Practices in Eurasia*. Ed. Hann, C.M. Routledge, London, New York. 2002.
- Lien, Marianne E. 1997:** Marketing and Modernity. Berg :Oxford, New York.
- Mauss, Marcel 1990 (1925):**The Gift. The Form and Reason for Exchange in Archaic Societies. W.W. Norton New York, London 1990.
- Montoya, Miguel 2002:** “Emerging Markets, Globalization, and the Small Investor: The Case of Venezuela”. Ed. Cohen, J. and Dannhaeuser, N *Economic Development. An Anthropological Approach*. Alta Mira Press, USA.
- Nystad, Knut 2003:** Gavens Makt. Norsk utviklingshjelp som formynderskap. Pax Forlag A/S, Oslo 2003.
- Ortner, Sherry 1984:** Theory of practice. Theory in Anthropology since the sixties. University of Michigan.
- Ortner, Sherry 1990:** “Patterns of history: Cultural Schemas in the Foundings of Sherpa Religious Institutions” in *Culture Through Time. Anthropological Approaches*. Ed. Ohnuki-Tierny, Emiko. Stanford University Press. Stanford, California.
- Oxford Student’s Dictionary 1998,** Oxford University Press, UK.
- Pine, Frances & Bridger, Sue 1998:** “Introduction: transition to post-socialism of survival” in *Surviving Post-Socialism. Local strategies and regional responses in Eastern Europe and the former Soviet Union*. Routledge, London, New York. 1998.

**Sedlenieks, Klavs (2003):** *Corruption in the Process of Issuing Building Permits*. Centre for Public Policy Providus, Riga, Latvia.

**Shore, Chris & Wright, Susan 1997:** *Anthropology of Policy. Critical Perspective on Governance and Power*. Routledge, London, New York.

**Strauss, Claudia & Quinn, Naomi 1994:** Cognitive / Cultural anthropology” in *Assessing Cultural anthropology*. Ed. Borofsky, Robert. McGraw-Hill, INC.USA.

**Sørensen, Birgitte Refslund 2003:** *Anthropological Contribution to Forced migration Studies. Critical analysis and ethnography*. Conference paper, available at [http://idp.ntnu.no/conference\\_papers.asp?page=literatur&literaturid=-39200865](http://idp.ntnu.no/conference_papers.asp?page=literatur&literaturid=-39200865)

**Sørensen, Jull Olav 2002:** Business Reality as Social Constructions. Methods of Analysis. Draft presented at The Third International Conference “International Business in Transition Economies” in Riga, September 9-11, 2004.