

**UNIVERSITY OF VAASA**  
**FACULTY OF PHILOSOPHY**

Alexander Poltavchenko

**COMPARATIVE ANALYSIS OF GOVERNMENT REGULATION OF  
BUSINESS IN FINLAND, RUSSIA AND GERMANY**

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Public Management

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**UNIVERSITY OF VAASA****Faculty of Philosophy**

**Author:** Alexander Poltavchenko  
**Master's Thesis:** Comparative analysis of government regulation of business in Finland, Russia and Germany  
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**Supervisor:** Esa Hyyryläinen  
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**ABSTRACT:**

New, modern and old conservative business sectors are facing the problem of cooperating with public authorities. Modern world always brings new challenges, where government should balance between supporting the business and competition and caring about citizens by protecting them with different laws. Three chosen countries represent different attitude of business towards government and its regulation. All of these countries have different culture and background, different ways of doing business. That is why their comparison might give a good understanding of this phenomenon. It should be also mentioned, that idea of regulation is strongly connected with the concept of trust. Because building trust between business and government is one of the main conditions for normal functioning of all processes in the country.

The main goal of this paper is to compare and analyze political, economic and social situations in Germany, Russia and Finland. Talking about the research problem it is important to notice, that it is impossible to suggest one type of regulation fitting for all the countries. It is very important to find the suitable balance between the regulation and freedom in government – business relations. Thus, it is necessary to study what solution would be better for every particular country.

In this work there were studied 2 main concepts – Regulation and Trust. Phenomenon of regulation attempts to understand, what the idea of regulation is and what kind of ways are there to explain it. In addition 5 main purposes of regulation and all global approaches to understand it are identified. The concept of trust was studied in this work as well. It is very wide phenomenon and it has been studied for a long time by different sciences. Trust can be called one the most important topics in sociology. In these frameworks it was examined by such scientists as Francis Fukuyama, Anthony Giddens, Sztompka, Simmel and Garfinkel. Giddens and Toennis were considering trust from economical point of view, trying to understand it on a personal level. These two approaches together with economical approach will be examined in this Thesis work.

To provide the data for the empirical research of this work the method of expert interview was chosen. To summarize the results it is possible to say that all of the respondents agreed that today the situation in political, economical and social life is very special – many different crises and other problems. However it is hard for all of the respondents to say that regulations are too strong for this time. Of course, some of them are quite tough and probably not necessary, but at the same time in all of the countries government is trying to help business with ‘positive’ regulation and such help is not considered as extensive.

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**KEYWORDS:** Regulation, trust, control, business regulation, governance, public management.



## **1. INTRODUCTION**

The introductory chapter presents the background for the present thesis and provides the big picture on the research objective and the structure of the thesis. Section 1.1 discusses the background of the study by overviewing both relevant prior research and the analyzed case and briefly discusses the structure of the thesis and the content of the following chapters. Furthermore, in section 1.2 the research objective and questions are presented.

### **1.1 Background of the study**

Governmental regulation of business is getting very topical nowadays. New, modern and old conservative business sectors are facing the problem of cooperating with public authorities. Modern world always brings new challenges, where government should balance between supporting the business and competition and caring about citizens by protecting them with different laws. This topic is very controversial as some of the authorities may use their regulation tools for different – objective and subjective purposes.

It is necessary to mention current economic and political situation in the world. In these stern times some states decided to buy a part or even whole certain private organizations to help them to survive. At the same time it seems to be very interesting and important to analyze the corruption part of state regulation. Under the regulation of the private business, governmental structures sometimes can understand wrong things as nationalization of private business, providing new laws etc. For example in Russia some people really often talk about rightness of the fact, that the Government owns 100 per cent of oil- and gas-producing companies. Is it necessary in this situation or is financial crisis is just an excuse?

I'd like to briefly elaborate on the reason of choosing Russia, Finland and Germany in particular as the object of this study. These are states with very different cultures, histories and people. Due to this fact I suppose that government, state structure and relations between state and business are very different in the states mentioned above.

Three chosen countries represent different attitude of business towards government and its regulation. All of these countries have different culture and background, different ways of doing business. That is why their comparison might give a good understanding of this phenomenon.

It should be also mentioned, that idea of regulation is strongly connected with the concept of trust. Because building trust between business and government is one of the main conditions for normal functioning of all processes in the country.

The concept of trust is very wide and it has been studied for a long time by different sciences. Trust can be called one the most important topics in sociology. In these frameworks it was examined by such scientists as Francis Fukuyama, Anthony Giddens, Sztompka, Simmel and Garfinkel. Giddens and Toennis were considering trust from economical point of view, trying to understand it on a personal level. These two approaches together with economical approach will be examined in this Thesis work.

Section 2.1 “Regulation” attempts to understand, what the idea of regulation is and what kind of ways are there to explain it. In addition 5 main purposes of regulation and all global approaches to understand it will be identified.

In the Chapter 3 of the present thesis methodology of this research will be explained. Chapter 3 also presents the process of research, major characteristics of qualitative research, as well as features of the research method of the present study - expert interview.

## **1.2 Research objective and questions**

The main goal of this paper is to compare and analyze political, economic and social situations in Germany, Russia and Finland. Talking about the research problem it is important to notice, that it is impossible to suggest one type of regulation fitting for all the countries. It is very important to find the suitable balance between the regulation and freedom in government – business relations. Thus, it is necessary to study what solution would be better for every particular country.

Finally, the following hypotheses were chosen:

“In the current political, economic and social situation regulation, measures provided by government towards the business are too strong”.

Sub-hypotheses of this research are the following:

- Business’s attitude towards the government and its regulations is rather negative
- In European countries regulation is stronger than in Russia
- Trust level between business and public authorities is poor in each country
- Attitude towards the regulation does not differ depending on the business field.
- Both private organizations and public authorities think that regulation system should be modernized.



## 2. THEORETICAL FRAMEWORK

### 2.1 Regulation

The concept of regulation is very controversial. It is studied in many fields of science - in economics, in politics, in sociology and in psychology this phenomenon plays the important role. Usually it is strongly connected to the 'control' concept, although these are different notions especially from the public management point of view. That is why in this chapter there will be considered regulation form political point of view and in the next one - notion of control.

Usually people explain the word "regulation" in frameworks of governmental intervention in peoples freedom and choices — through laws and rules that are made by government or any other public authorities or 'regulators'. However some scientist think that equality between perceptions of regulation and the understanding of the concept as government intervention is incorrect. For example, the definitive legal dictionary, Black's Law Dictionary, defines "regulation" as "the act or process of controlling by rule or restriction." In the same way we can find a definition in 'The Oxford English Dictionary'. Here "regulation" is defined as "the action or fact of regulating," and "to regulate" is defined as "to control, govern, or direct." To different expert groups regulation can mean very different things, e.g. for lawyers it is connected to the rules of administrative agencies.

So what does regulation mean? According to the definition of David P. Baron written in the book *Design of Regulatory Mechanisms and Institutions* (1989:1349) "the implementing rule is a binding legal norm created by a state organ that intend to shape the conduct of individuals and firms. The state organ, the regulator may be any legislative, executive, administrative, or judicial body that has the legal power to create a binding legal norm. This general definition is broader than "restrictions," "rules promulgated by administrative agencies," "laws that serve interest groups," and related common perceptions of the word "regulation." For all practical purposes, regulation certainly means intervention in the private territory.

Professor of law in the University of Arizona Barak Orbach claims in his article 'What is regulation' (2012: 53), that "regulation is state intervention in the private domain,

which is a byproduct of our imperfect reality and human limitations. We have regulations only because “poisons” do exist, and regulation may have “poisonous effects” when misused. A ride on the road to serfdom entails recognition that “[t]he capacity of the human mind for formulating and solving complex problems is very small compared with the size of the problems whose solution is required for objectively rational behavior in the real world.”

After defining the phenomenon of regulation it is important to understand what kinds of regulation is appropriate. According to Baldwin and McCrudden (1987: 44) to answer this question correctly we need to be sure about standards of evaluation. Baldwin (2012:27) suggests the following 5 criterias of a regulation to be the most important:

- The action or regime should be supported by the legislative authority.
- There should be correct scheme of accountability.
- Procedures of regulation should be fair, accessible and open.
- Regulator should always act with sufficient expertise.
- Regime or action should work effectively.

### **2.1.1 Purposes of regulation**

There are many different reasons for regulation. Many of them can be described as instances of ‘market failure’. According to Francis (1993:1) ‘regulation in such cases is argued to be justified, because the uncontrolled marketplace will, for some reason, fail to produce behavior or results in accordance with public interest’.

As phenomenon of regulation is mostly considered in political and economic fields in our life, it is necessary to discuss reasons for regulation in them. First reason can be described as monopoly. According to Gellhorn and Pierce (1992: 36) monopoly is a phenomenon, when one seller is the only producer for the whole market. They also mention, that monopolies usually appear when 3 basic factors are obtained: first and main factor as it was mentioned before - the only seller occupies the whole market; secondly, the product is unique, so there cannot be any competitors with substitute products; and finally, the entry and the exit from the monopoly is restricted and difficult. Since monopolies are harmful for competition on the market and for the state

economy as a whole, government usually regulates it. Some of the tools here are competition laws in different forms. However it is important to mention, that there can be ‘natural monopoly’, that is why regulation process here should be very careful.

Second reason is the so called ‘windfall profits’. Robert Baldwin, Martin Cave and Martin Lodge (2012:17) determine this fact as the earning, that company gets in case it finds a source of supply much cheaper than it is usually on the market. ‘‘Where the windfall is a result of planned investments of money, effort or research, or where society might want to create incentives to search for new efficiencies, products, or areas of demand, there is a case for allowing windfall profits to be retained’’. (Baldwin, Cave and Lodge (2012:17)). That is why this reason can also be considered very controversial.

Third reason is the externalities or so called spillovers. According to Breyer (1984: 23) ‘‘the reason for regulating externalities is that the price of the product does not reflect the true cost to society of producing that good, and excessive consumption accordingly results.’’ Baldwin gives a good example of this, explaining that if some company can reduce its expenses and the cost of the produced product by not having treatment facilities, they might ending up e.g. polluting a river. That is why this process has to be regulated.

According to Hayek (1945:38-41), ‘competitive markets can only function properly if consumers are sufficiently well informed to evaluate competing products’. From this claim we can see the next reason for regulation - wrong information. Example for this phenomenon can be the obligation for medicine producing companies to write contra-indications or, for example, expiry date (or best-before date) on different consumer products. Obviously, some of the companies don’t want to inform their regular customers about problems with their products. Here the easiest examples are tobacco companies. Breyer (1984: 28) claims, that correct information about harm of light bulbs, cigarettes or fuel economy of cars was unavailable for most of the people in USA until the government produced special law for it.

Anti-competitive behavior and predatory pricing can be also considered as one of the main reasons of regulation. This happens, when company establishes not fair competition: it either goes dumping by making the final price below the expenses to

force other players to leave the market, or uses the predatory pricing technic - then prices are way bigger, that it should be according to the current market situation. Usually firstly happens price dumping, and when market is empty - predatory pricing.

Other conditions for regulation include unequal bargaining power, scarcity, rationing, public goods and moral hazard. So, as we can see, there are many different reasons for public authorities to regulate, because without it there is an easy way to a chaos in the different fields of people life.

### **2.1.2 Approaches for understanding regulation**

Due to the fact that regulation is a very complex phenomenon, there are many different ways to approach the notion. With the help of following approaches and theories it will be possible to see development of this idea, to understand how evaluation can be organized and to realize what kind of functions it has.

First of all, I would like to pay attention to the public interest based theories. According to Levine and Forrence (1990: 167-169), public interest theories focus mostly on the idea, that public-interest related objectives have privileges comparing to sector, group or personal interest.

According to Posner (1974: 4) , ‘the public interest theory of regulation holds that regulatory agencies are created for, bona fide public purposes but are then mismanaged, with the result that those purposes are not always achieved’. He thinks, that even though regulation from the point of view of public interests is a good mechanism of action, quite often it is rather unsuccessful. There are also other problems connected to this theory. Firstly, understanding of the meaning of the public interest is difficult. Second problem is effectivity of public interest. ‘A further problem stems from doubts concerning the disinterestedness, expertise and efficiency that the public interest approach attributes to regulators’. And finally some theorists criticize it, because some of the policies or institutions are under influence or powerful subjects, which follow to the regulation in the interests of particular private person and not the society as a whole.

Next approach is interest group theory. Comparing to the previous approach, this one is based on the idea that regulatory processes are not based on public interest, but on the

interest of some special groups. According to Robert Baldwin (2012: 22), this theory is strongly associated with so-called ‘economic theory of regulation’. He claims, that ‘economic theory of regulation builds on the assumption that actors are inherently self-regarding and orientated at maximizing their own material interest. It assumes, that all parties involved in regulation seek to maximize their utility; it assumes that all parties are as well informed as possible and learn from experience; and it also assumes that regulation is costless (hence overall efficiency will not be affected by levels of regulation)’ (Baldwin, Cave and Lodge (2012:17)). From this definition we can see, that this theory is more selfish and more realistic at the same time. The regulation process in this theory is seen as collective action, which can be realistic only by simultaneous interest from the members of the group with power.

Within group interest based approach many different point of views can be distinguished. For example some of the scientists claim that most important aspect in regulatory process is ‘political problem’. They were considering regulation as a process through which different political parties are going to make coalitions (Hirshleifer, 1976: 241). According to the point of view of Chicago school of law and economics regulators and legislators are always aspiring to their personal wealth. ‘Virginian school of political economy’ supports this point of view claiming those regulators are following mostly their personal political and economic interests. As Baldwin, Cave and Lodge (2012: 47) claims in their book, there are another types of explanations of regulation process, which is based on the field of interest-group politics. ‘This set of interest group theorists sees regulatory developments as the product of relationships between different groups and between such groups and the state. Such theorists generally differ from proponents of public interest accounts in not seeing regulatory behavior as imbued with public-spiritedness, but as a competition for power’.

In addition it is important to consider the institutional theories concerning the regulatory process, as they are very popular topic. In brief, institutionalism considers political organization of the society as a complex of different associations of people. Institutional theories are very complex phenomenon itself that is why it is better to distinguish some important traits that are connected with the understanding of regulation. In this case it is better to start with so-called inter-institutional relations. According to this line, the most

important thing is avoiding the problems caused by regulation that can happen by building institutions or relations between institutes. Intra-institutional forces, in its turn, are designed to build the process of cooperation inside the institutions. According to Boas (2007: 39) four threats of regulatory thinking can be discovered here: institutional layering, perversity, self-referential and regulatory space/network approaches. ‘Institutional layering accounts relate to a very traditional interest in the study of organizations, namely how organizations and rules-systems respond to changes in their environment’. (Mahoney, Thelen; 2010: 77). Writing about perversity, it is possible to check Sam Sibert’s point of view, which made examples of seven mechanisms, which would pervert intended action:

- Functional disruption (regulation disturbs the functioning of the system and that is why the result of the process is getting worse)
- Exploitation (opponent are achieving different effects than expected)
- Goal displacement (regulation itself replaces the main target regulation)
- Provocation (misunderstanding appears instead of the harmony)
- Classification
- Overcommitment
- Placation (illusion of the archived harmony can be distracting from danger signals)

## **2.2 Regulation and trust**

Another issue that should be discussed in this topic is trust. This phenomenon is important in relations between government and business, because for government it means legitimacy and for business it means more freedom.

Trust is playing really important role in new, international society. In addition this phenomenon can also be considered as complex, multifaceted, multidisciplinary, multilevel and multiplex concept. In spite of the fact that there are any different theories most of the scientists agree on the meaning and conditions of trust. ‘It implies positive expectations about others’ intentions and behavior, it reduces complexity and conflict,

involves vulnerability and risk, and it involves interdependence between different types of actors.’ (Wiig S. 2012: 3043)

According to Philippe Aghion (2010:1015), in most of the countries, government regulation is closely connected to trust – it is always negatively correlated with it. In their book they tried to collect and study this highly significant empirical correlation. It works for many different measures of trust, ‘from trust in others to trust in corporations and political institutions, as well as for a range of measures of regulation from product markets to labor markets’. (Aghion, 2010:1015).

Talking about “trust” as social phenomena, it is necessary to mention that trust is a complex interpersonal and organizational construct (Sztompka, 1999: 80). Although such a type of relationships between people as trust existed always, it has just recently become a subject of scientific research. Nowadays the question of trust is widely discussed within the society. It is a subject of debates between politicians, businessmen, economists, sociologists, psychologists and antropologists. In the year 2002, “Trust” was announced to be the official topic of Economic Forum in Davos, where the representatives of the world’s economic elite came to the conclusion that it is of high importance for the modern society to put a big effort in building trust – especially between government and business.

In order to build trust, one must know how it is done. It is impossible to find an objective answer to the questions “How does the trust actually function?”, “What affects trust?” However, there are many academic papers devoted to this topic. Famous classics of social sciences, such as P. Sztompka, Giddens, Francis Fukuyama, G. Simmel, G. Garfinkel, Niklas Luhmann, A. Schutz and F. Tennis discussed trust from different perspectives. Scientific papers of these academics has proven that trust is at the boundary of disciplines such as politilogy, sociology, economics, psychology and philosophy.

Talking about trust in regulation frameworks it is important to mention, how it is appearing in a relationship regulator-regulatee. Such relation can be either cooperative or conflictual and the first one is usually preferred by the system, however on the same time it is not always clear. Both parties of regulation process are taking and understanding different regulation signals - they are accepting positive ones and trying

to avoid negative to build trust. 'Besides, regulators and regulatees use relational signals to control one another. Positive signals are rewards, negative signals warnings. For instance, in relationships built on trust, threats or actual sanctions are perceived negatively' (Etienne, 2013:34)

Finally, same author is discussing solidarity relationships between regulator and regulatee. According to her, 'regulatory scholars (including Ayres and Braithwaite), regulators, and regulatees often use the concepts of "trust" or "confidence" to describe regulatory encounters trust relationships are caused by solidarity. However, the constraints that the surround of regulatory encounters imposes on both regulator and regulatee – especially with regard to the risks of "capture" – mean that such relationships can often be only of a weak, rather than strong, solidarity.' (Etienne, 2013:38)

Human activities always are focused on the future. Because every action causes a change in the existing order, it goes to some particular result. However, this result is never defined only by our actions, there is always a lot of circumstances beyond our control, which are more or less affecting the outcome. Under these circumstances we can understand both natural phenomena and other events that are not related to human activity, but social events caused by the activities of the person, organization, or institution. Thus, the result of human activity is usually determined by the activities of others. It is possible to say that people live in a world made by other people and for planning its own actions person must interact with "others". The interaction, however, requires an understanding of the partner's behavior in the future, which cannot be known in advance. Therefore, there is always the risk that the other person will act inappropriate. This risk increases when relation round is rising and when we are influenced by more people. Risk cannot be avoided, but it can be reduced and the main mechanism helps to minimize the significance of risk is - trust.

Trust is the main mechanism that helps to minimize the importance of risk. By its nature trust is a psychological, political and social concept, but in today's society and it has significant economic value. It is therefore necessary to examine how trust is manifested in all these society subsystems. It should also be noted that sociology examines the



balance of trust and distrust, where distrust - it's not a lack of trust, but a very low level of it which cannot lead to any.

There are several approaches to understanding the trust. The major ones are political, sociological, psychological and economical.

Trust is an efficient means for lowering transaction costs in any social, economic and political relationship (Fukuyama, 1995: 23). Trust is also much more than that. It is the underpinning of all human contact and institutional interaction (Luhmann, 1998: 19). Trust comes into play every time a new policy is announced. Trust in general has two main variants – social and political trust. Trust assessed in political terms is the so-called political trust. Political trust happens when citizens appraise the government and its institutions, policy making in general and the individual political leaders as promise keeping, efficient, fair and honest. Political trust, in other words, is the “judgment of the citizenry that the system and the political incumbents are responsive, and will do what is right even in the absence of constant scrutiny”. As such, “political trust is a central indicator or public’s underlying feeling about its polity” (Blind, 2006: 16).

Sztompka describes seven contextual conditions that promote a culture of trust. One of the paradoxes of democracy, according to Sztompka, is a close relationship of trust culture and a culture of distrust, as the institutionalization of mistrust causes trust. It means that distrust to the government is not hidden, but it ‘has the same rights’ in society like trust. On the other hand, citizens are not trusted completely. Government does not believe that person will behave law-abiding spontaneously, without being forced from the government side. This mutual distrust actually creates a culture of trust. According to P. Sztompka trust is a definite cultural resource that forms the basic context of interaction in society. Sztompka (1999: 97) notes that for the normal functioning of the social and political systems trust and distrust are equally important.

## **2.3 Approaches to the building of trust**

### **2.3.1 Sociological approach**

Scientists like Simmel, Giddens and Fukuyama argued that trust is a confidence in the actions of others, based on a sense or knowledge, not on a rational perception. Anthony

Giddens said: "Trust is confidence in the reliability of a person or system, regarding a given set of outcomes or events, where that confidence expresses a faith in the probity or love of another, or in the correctness of abstract principles" (Giddens, 1991:53-54). Speaking about the role of trust in the modern capitalist society he claims that for the original rational market economy trust is not common, but without it these market relations could not work and therefore are forced to be taken into consideration (Giddens, 1991:55). The same view we can see by Francis Fukuyama, author of "Trust: The Social Virtues and the Creation of Prosperity". He wrote that the law, treaty and economic rationality provide a necessary but not sufficient basis for both the stable life, and for the prosperity of the post-industrial societies. They must be complemented by reciprocity, moral obligations and responsibilities towards society and trust, which are based more on tradition than on rational calculation (Fukuyama, 1995: 30). As we can see from the statements of authors, they do not deny the existence of trust in modern society, they emphasize the critical importance of it in a modern economy, however the nature of trust they see the unconditional faith inherent in more traditional society.

There are different levels of trust in sociology: basic level, personal level, social level and cultural level. The basic level is a common characteristic of trust of one particular person, so-called "the basis of the trust". Personal level is considering the trust of one person as well, but taking into account the social factors influencing it, it depends on the psychological structure of the person, the nature of socialization, education, personal experience of trust and distrust.

Social level characterizes trust within social groups, trust within the group to its members and its member elements. The nature of group relations is different from the nature of interpersonal relationships and, therefore, they require a different approach to understanding. The cultural level of trust is used to demonstrate the differences in trust in different national societies. A good example of this is the difference between the trust cultures in Japan and European countries. Therefore, different levels of trust are the subject of research of different disciplines: psychology of trust - the first and second, sociology of trust and trust in the economics - the second, third and fourth .

Now it is necessary to consider all the details of levels of trust mentioned above.

Although the basic level of trust is mostly the subject of the psychological approach, many of the classics of sociology approached it from a sociological point of view.

Basic level is one of the initial levels of trust that is developed by individuals and it means a system of knowledge about the world. Among the classics of sociology, who discussed this level of trust, we can find Georg Simmel and his book "The Philosophy of Money." For Simmel 'exchange' is a symbol of modernity; he describes it as the dominant social interaction in the society, which is the clearest expression of the credit system (Simmel, 2004: 112).

The approach to the trust as a form of knowledge about the world is developed by A. Schuetz . In this case trust is analyzed at the micro level and is seen as a process rather than as a phenomenon. Schuetz allocates a special kind of trust – 'trustiness' (Endreß, 2001: 19). In addition, H. Garfinkel analyzes the trust at the micro level, claiming that the confidence and trust are appearing by the direct contact of individuals. Garfinkel examines the process of trust through various forms of idealization, which is constantly reproduced in the framework of the existing social relations (Garfinkel, 1963: 44). In the works of Anthony Giddens we can find some of the thoughts that illustrate before mentioned approach. Giddens links in particular the trust with time and space, and defines it as a compensatory mechanism in the interaction of modern society. The trust is a "protective cocoon", it allows us to maintain the viability of the phenomenon, which in theoretical biology and philosophical anthropology is called by German word «Umwelt» - environment (Giddens, 1991: 59).

On the personal level trust is considered from the same point of view. Trust depends on the social environment of the person. So it is known, that basic level of trust is generated in the process of early socialization – in the childhood. First of all, the child gets used to his family at the age of eight months; he is already able to distinguish the relatives from strangers. In the childhood an attachment to the mother and the other family members is formed.

The trust is developing in the family, but the values and norms within the family depend on social conditions of society. An example of this is trust in authoritarian countries where, because of lack of trust of governmental trust toward citizens we can see so called 'system of informers'. In such circumstances the family is unlikely to educate the

child feeling of openness. On the contrary, family will focus on the release of "us" and "them", those who can be trusted and who cannot. Consequently, personal trust is formed under the influence of the family, however the trust in the family is formed by the impact of the public trust. Thus, the personal level of trust has a social nature and it depends, firstly, on the conditions of early socialization and, secondly, on the social and historical conditions in which the forming of trust is happening.

As a society is not a simple sum of its individuals, social trust is not made up of single personal attitudes of trust. Social trust has a different nature than personal. And if on the personal level of trust subject is the trust within the group, the social level is supposed to yield a person outside the community, making the interaction with the "outsiders". This step from the group's framework means that person is not limited to make relationships in a familiar, well-established and predictable environment and he is faced with new conditions of interaction. Social level can demonstrate that the trust is influenced by such factors as the practice of interaction between social groups, and cultural traditions. Sometimes people because of their belongings to one group may be distrusted by other group members. It can happen in religious communities, sects and different ethnic groups.

Considering trust in social systems or institutions, it is important to mention the concept of trust written by Niclas Luhmann, in which the relationship between institutional and personal trust is well described.

According to Luhmann trust is one of possibilities of minimizing risks and solving problems of information deficiency in decision making. Trust is a rational mechanism to minimize the risks that follow stabilizing of expectations (Luhmann, 2000: 87). The term "trust" has some limitations: the trust functions as a mechanism only if there is any critical alternative: strategy of distrust will result in greater loss than choosing the strategy of trust.

If within the social level of analysis of trust gradually increase the scale of the groups studied, then in some time we can go on to consider the most common groups - national communities. During this study we can find specific attributes of trust, which are peculiar to one culture and not peculiar to the other. Thus, we can move to the cultural

level of trust. And then we can highlight the cultural factors that affect the trust of both intercultural interactions, and in relations between people of different cultures.

Fukuyama believes that trust is based on ethical values that are shared by members of a particular group or society. In these communities there is no need to create a mechanism for contractual and regulatory relationships. There is a moral and ethical consensus as the basis of mutual trust. Trust as a relationship is formed in the process of assimilation of common values and norms of behavior (Fukuyama, 1995: 35).

Fukuyama identifies three areas of socialization, which give rise to different forms of organization in the economic and political spheres. The first is based on family. Here trust is limited by the boundaries of family organization. The second - a voluntary association that is independent of family relationship. Here the main factor is norms shared by members of an organization. Third - integrating activities of the government. And exactly the second type of organization is based on trust. With this form Fukuyama relates prospects for economic growth and prosperity.

Thus, according with the views of Francis Fukuyama, trust is based on the observance of ethical principles and standards that exist in the particular society. Cultural characteristics of trust define "social capital" as a measure of human ability to work together for a common target, to unite outside the family without government assistance (Fukuyama, 1995: 37).

In addition it is necessary to mention the research of sociologist P. Sztompka as part of this approach to the analysis of trust. He defines trust as a cultural resource, that contributes to the implementation of the action potential. Trust is seen as a tool of transition to an unknown future. Sztompka pays attention to a variety of events and phenomenon that accompany the process of trust and describes some of its functions. Considering trust as a cultural resource, Sztompka highlights a culture of trust and a culture of distrust. Development of a culture of trust depends on certain traditions and values that exist in the society (Sztompka, 1999: 91).

Thus, I would like to note that due to the fact that trust is a complex and multi-leveled structure, a scientist in the process of studying the problem of trust should not forget about its genetic, psychological, and cultural grounds.

How is the trust look like on the social level? At the social level trust is formed not only under the influence of personal factors. Significant role played by the social aspects, such as trust of social groups and communities, the trust of the individual to social institutions and organizations, specific culture of trust. Social level constructs typical situations of trust. Therefore, the decision to trust or distrust is taken not on the basis of personal choice, but within a predetermined role model. For example in a situation of interaction between cashier and customer at the bank, we do not see the relationship of two individuals, but two roles, where the cashier should first do his job and not think about personal gain trying to cheat the customer. This is happening due to the fact that the role of the cashier is clearly stated in the employment contract, which formalizes the rules of conduct, duties and requirements for the position of cashier of the bank. Ignoring these rules will cause a certain penalty. Therefore, the client trusts the social role of the cashier and even if he counts the money, it is made only to check the possible technical mistake. On the other hand, in some not really regulated place (as for example oriental market) there is only one rule for the seller - the amount of daily revenues that should be given to the owner of the goods. Here the seller may pursue any personal goals that imply the possibility of cheating customers. The costumer in the market has to take into account the specific role of the seller, which causes a lower level of trust, so that there is a need for additional control of his actions.

Some scientists are also using such figure as the "radius of trust". This concept was made by Francis Fukuyama to determine the number of persons entering into a unified system of trust (Fukuyama, 1995: 39). The family trust radius covers a narrow circle of relatives. In this example it is clear that people will be included in this circle of trust on the basis of the family relationships. However, when it is necessary to describe a large group of people or even the state, it is very difficult to pick up the only criterion for the formation of the radius of trust. Therefore, we should not forget the fact that the nature of trust in large and small groups is different, and they cannot be compared and contrasted with each other. The radius of trust in small and large groups is based on different principles. Thus, the transformation of trust is not simply an extension of the circle of trust, but it is the change of the social nature of the trust.

In addition to sociological approach there are two more - the psychological and economical.

### **2.3.2 Psychological approach**

As it was already described above, the basic level of trust is not only subject of the sociological approach, but also of a psychological approach.

The basic level of trust reveals the meaning of "basic purpose of trust". This purpose is normal for every person in a society. Trust is a two-way relationship, and it needs the existence of the object and the subject and cannot be a characteristic of isolated from society person, because in such case there won't be the object of trust. The basic level includes trust of a person to itself. Giddens calls this type of trust - sense of "ontological security" (Giddens, 1991: 18). Ontological security means that a person has a clear understanding of their own personality, immutability of the social environment and constancy of material world. Thus, the basic level of trust is close to the definition of confidence. Trust exists on a subconscious level and it should not be considered as the opposite of mistrust, but the sense of fear and danger. Deviations from the normal level of trust called psychosis and neurosis, which are characterized by a variety of fears and phobias, what means being suspicious of the outside world, to itself and to others.

The closest to a basic level of trust is a personal level, which also is the subject of study of the psychological approach. Trust to the world is going through trust to parts of this world. Individuals, who are building a relationship of trust, are starting with personal trust, trust to a certain person. The process of appearance of trust between individuals creates certain expectations of behavior. There is a formation of certain social expectations, there are the social roles of the object and subject of trust. Social expectations and social roles are super-individual phenomenon that brings trust to the level of social phenomena and allows us to consider it as a characteristic of the behavior of large groups of people. Close connection between trust and certain social expectations was noted by F. Tönnies. He studied the problem of trust through examination of two states of society –‘Gemeinschaft’ and ‘Gesellschaft’ (Tönnies, 1957: 10-45).

In a psychological approach it is possible to see personal functions of trust. Trust is one of the key conditions for social health of human, his comfortable life in harmony with other people and the environment. Thus, we can emphasize the existential function of trust.

In general, trust is harmonizing human relations with the outside world. We know that people are aiming at harmony with the world and harmony with itself. But it is possible only by the balance of these two factors. Therefore, we can talk about the function of harmonization.

Trust is the most important mechanism of socialization. Researchers have identified three forms of personal trust, where the acquirement of skills, abilities and knowledge of social life is happening: the trust to the world, trust to yourself and trust to other people. Accordingly, we can identify the function of socialization.

Trust motivates human behavior, i.e. is both a reason and impulse that cause a person desire to do or not to do something. As a result, people have purposes to do things in accordance with the norms of trust and not to make any action against these norms. Human simply cannot harm the subject of trust. Thus, the trust is based on mentality and it enters into the structure of the personality as her own inner motivational factor. Here we can see the function of motivation.

### **2.3.3. Economical approach**

In addition it is necessary to discuss the economical approach to understanding of trust.

Luhmann, Coleman, Seligman and Sztompka belong to the group of authors, who believe that trust is a product of rationalization of the social world. Luhmann (2000: 15-31) argues that trust has acquired an additional interest because of the problem of uncertainty in the modern world. Person forced to interact with strangers, what is associated with risk, but "trust is solving the special problems of risk" (Sztompka, 1999: 21-33). Sztompka describes trust as "bet on how others will behave in the future". He claims that people in their daily activities are using opinions about the behavior of people around them, that is why the trust is considered as an expectation of the actions of others to plan own actions in the future. Seligman gives the notion of trust even bigger rationality, giving to it some economic importance: "The trust is used to solve



specific problems of risk and definitely is a modern phenomenon related to the nature of the division of labor in a modern market economy". Indeed, trust is directly related to the choice, because in the conditions of the market people are constantly forced to make choices. And this choice determines exactly rational trust. All members of this group of scientists believe that trust is a contemporary phenomenon, which plays a very important role in society and in market economy in particular. Trust for them is based on a rational miscalculation, conscious and active attitude towards their future.

The essence of social trust level is discussed in the framework of theory of social networks or network-based approach. In the framework of network analysis, human is viewed in the context of his social contacts that form the contours of the network interactions. In theory of network analysis it is indicated that person's interactions form its own network, which is transformed into a fully-fledged network of relationships. The network mobilizes and accumulates resources of community that are becoming available for its members through personal contacts. Accordingly, the entry in the network means permit to use its resource potential.

The use of the network approach in the analysis of social interaction illustrates the importance of trust in building social networks. This is evident by considering the concept of Mark Granovetter (1973: 1360-1380), who analyzes network interaction in the economic environment. If we talk about the behavior of the market conditions, there is no impersonal and indifferent market, but there is a system of personal connections, preferences and experience, which personalizes the market, transforming it into a network of personal relationships. In fact, the network of personal relationships defines the reproduction of confidence in the economics. The success of the network systems is based on the uniqueness of the resources available.

The process of building a network is closely related to the phenomenon of social exchange. Many researchers believe that the exchange is the point of social interaction. Exchange theory detailly describes the transformation of trust in the process of exchange.

As part of the economic theory trust traditionally has been viewed as a mechanism to reduce transaction costs (North, 1990: 50). The theory of transaction costs is developed in line with the theory of institutional economics, one of the prominent representatives

of which is Douglas North. The effectiveness of interpersonal trust as a mechanism to reduce transaction costs is very important in the framework of the economic theory.

Talking about the analysis of social action, it should be noted that the development of modern society goes at the same time with the increasing complexity of its role structure. Because of the multiplicity of roles it is difficult to develop adequate mechanisms for monitoring of using of social roles. Consideration of trust as a mechanism to stabilize expectations was proposed by A. Seligman.

Seligman argues that at the present stage of society development risk is becoming an important part of the role expectations. It is a result of the transformation of social roles and appearance of role-segmentation, which marked the borders of role behavior regulation (Seligman, 2000: 45-48).

After discussing all four approaches to understanding it is important to point out, that they are all interrelated and are often difficult to separate from each other. However, all four approaches are valid and important as the individual lines of scientific thought.

To summarize all the information studied about the phenomenon of regulation and to understand it, it is important to mention

5 criterias of a regulation to be the most important:

- The action or regime should be supported by the legislative authority.
- There should be correct scheme of accountability.
- Procedures of regulation should be fair, accessible and open.
- Regulator should always act with sufficient expertise.
- Regime or action should work effectively.

Moreover, there are many different reasons for regulation as described in section 2.2, such as monopoly, 'windfall profits' (Robert Baldwin, Martin Cave and Martin Lodge (2012: 17) determine this fact as the earning, that company gets in case it finds a source of supply much cheaper than it is usually on the market. Third reason is the externalities or so called spillovers. According to Breyer (1984: 23) "the reason for regulating externalities is that the price of the product does not reflect the true cost to society of producing that good, and excessive consumption accordingly results." Baldwin gives a good example of this, explaining that if some company can reduce its expenses and the

cost of the produced product by not having treatment facilities, they might end up e.g. polluting a river. That is why this process has to be regulated. Anti-competitive behavior and predatory pricing can be also considered as one of the main reasons of regulation. This happens, when a company establishes not fair competition: it either goes dumping by making the final price below the expenses to force other players to leave the market, or uses the predatory pricing technique - then prices are way bigger, than it should be according to the current market situation. Usually firstly happens price dumping, and when market is empty - predatory pricing. As other conditions for regulation include unequal bargaining power, scarcity and rationing and public goods and moral hazard. So, as we can see, there are many different reasons for public authorities to regulate, because without it there is an easy way to a chaos in the different fields of people's life.

To summarize the information from section 2.2 and 2.3 it is necessary to mention that trust and regulation are really close and supplemental phenomena – trust is the basis of regulation. Although such a type of relationships between people and between organizations as trust existed always, it has just recently become a subject of scientific research.

It is also important, that trust is the main mechanism that helps to minimize the importance of risk. It can be considered from psychological, political, social and economical points of view.

There are several approaches to understanding the trust. The major ones are political, sociological, psychological and economical. All of them are describing this concept from different points of view and give the understanding of the importance of trust in terms of government regulation of business.

### 3. METHODOLOGY

As Jennifer Platt claims in the book 'Handbook of interview research' written by J. Gubrium and J. Holstein (2008: 30-38): 'The "interview" has existed, and changed over time, both as a practice and as a methodological term in current use. However, the practice has not always been theorized or distinguished from other modes of acquiring information; there have been some cases of practices that we would today describe as interviewing, although contemporaries did not. Interviewing has sometimes been treated as a distinct method, but more often it has been located within some broader methodological category, such as "survey," "case study," or "life story."'

Consequently, there were many authors, who were discussing and studying interview as a research method in various science. As a first step in social studies methods the book 'An introduction to social research' written by Howard W. Odum and Katharine Rochier in 1929 can be mentioned. Since it was one of the first papers in the field, they were mostly discussing the concepts of e.g. 'schedule', 'questionnaire' and answering such questions as, for example, why the researcher should ask for permission to take notes during the interview.

Same issues are discussed by Pauline Young in her book 'Scientific Social Surveys and Research' (2012). However, Young (2012: 170-178) also provides insights into the value of the interview method, suggesting that the interview is penetrating. With the help of this method researcher can see much deeper, than just outward behavior and phenomena. 'He can secure accounts of events and processes as they are reflected in personal experiences, in social attitudes. He can check inferences and external observations by a vital account of the persons who are being observed.... the field worker ... needs to know in a general way why he is interviewing this particular person or group and what he intends asking. Too rigid definition is, of course, fatal to any scientific pursuit; the mind of the interviewer needs to be open to unforeseen developments....' (P. Young 2012: 175).

In 50s and 60s we can see the turn to psychology in studies of interview as a research method. Interview is not anymore understood as just a questionnaire, but already like something more general. For example, Charles F Cannell and Robert L. Kahn,

psychologists at the University of Michigan, were trying to understand the psychology of interview (C. Cannell and R. Kahn: 1953: 14). They started to discuss controversy between the proponents of closed- and open-ended questions in the interview. In the book 'Research methods in social relations' which was written by psychologists Claire Selltiz et.al. (1965: 41), in addition to common questions as distinguishing the interview and questionnaire, they are talking about structured and unstructured types of interview. Gideon Sjoberg and Roger Nett (1997: 179-200) are disputing about the standardization of the interview. From one point of view it saves time and money for a researcher, however from another - it cannot give the full information from the interviewee: 'The unstructured type is most useful for studying the normative structure of organizations, for establishing classes, and for discovering the existence of possible social patterns (rather than the formal testing of propositions concerning the existence of given patterns)' (G. Sjoberg and R. Nett 1997: 195) .

In 80s, for example, S. Tailor and R. Bogdan (1984: 18-49) claimed that it is vry much more perspective to switch from the standard forms of questioning to so-called in-depth interviewing. 'In stark contrast to structured interviewing qualitative interviewing is flexible and dynamic.... By in-depth qualitative interviewing we mean repeated face-to-face encounters between the researcher and informants directed toward understanding informants' perspectives on their lives, experiences, or situations as expressed in their own words. The in-depth interview is modeled after a conversation between equals, rather than a formal question- and-answer exchange. Far from being a robot-like data collector, the interviewer, not an interview schedule or protocol, is the research tool. The role entails not merely obtaining answers, but learning what questions to ask and how to ask them' (S. Tailor and R. Bogdan 1984: 77).

So, to resume the development of the attitude to interview as scientific method we can mention, that in the very beginning of studies of the interview - up to late 1930s, this approach was distinguished from questionnaire. It was seen like hundred percent standardized process. Systematic research on interviewing has started after the Second World War. Social scientists choose the survey as a major method, and it became a standard practice. From the 1960s method of interview was developing quite fast - main technics of those times were interviewing the particular groups as elites for example.

From the 1970s this approach became fundamental for all scientists in the world and with the help of modern technologies it still stays the same.

Qualitative methods and especially semi-structured interview have many issues to discuss and to think of, before they will be realized. There are a lot of authors, who are studying this topic and give some good practical considerations about it.

### **3.1 The process of research**

The first point that should be solved before doing a research, is choosing a research problem. One of the most difficult aspects of doing research is deciding upon a topic for investigation. The topic is something, that the researcher will have to live with for some time, so it has to be something of interest.’ In the same book authors claim, that 2 question researcher should ask himself by choosing the problem are following: firstly, “How do I identify the problem, that I would like to research?” and secondly, “How then do I narrow the problem down sufficiently to make it into a workable project?” (Strauss & Corbin 1998: 21).

Next step by doing the qualitative research is to accept research questions. This might be a complicated process. “The research question in qualitative study is a statement that identifies the topic area to be studied and tells the reader what there is about this particular topic that is of interest to the researcher” (Strauss & Corbin 1998: 23). One of the problems, that researcher meets by choosing a question is dilemma: what comes first - type of the studies or problem area? What is the cause and the effect? From my point of view both of these concepts can cause another. That can depend on many different conditions and at some point they can even supplement each other. Thus, I think, that this question is really controversial and there cannot be one correct answer.

After research questions are structured, research problem is chosen and other preparations are done, scientist should think about data collection. There are many ways, how it is possible to assemble the information and of course there are a great number of sources that can be used for research data collection. According to Strauss & Corbin the researcher can use interviews, observations, videos, documents, newspapers, drawings, diaries, memoirs, biographies, historical documents, autobiographies and any

other sources. Better to say, researcher can use almost any type of source, however he should be more careful about another issue: the quality of the source. If we are talking about the interview, 'quality of the source' can mean different things: from the situation, where the respondent is not qualified enough to answer researcher's questions, to the condition, when the scientist is conducting the interview in the wrong way. 'It is not unusual for qualitative researchers to come across persons, who agree to be interviewed, but have little to say once the interview begins, leaving the researcher uncertain about where to go next. At these times it is good to have backup questions. Often the problem is that the person just doesn't know what to say, or is uncomfortable with the interview situation. Asking few question often relaxes the study participant and stimulates his or her so that he or she becomes more talkative and spontaneous' (Strauss & Corbin 1998: 24).

When data is collected and sorted, everything is ready for the data analysis, which is the most important part in qualitative research. Here scientist can show his qualification for interpretation of the chosen information. According to Jorgensen (1989: 33) analysis in qualitative research can be defined as transformation and splitting of research materials into different parts, pieces, units or details. He claims, that with the information divided to different pieces the researcher softs and sifts them, searching for types, classes, processes, wholes, patterns or sequences. The goal of this process is to assemble or reconstruct the collected information in a significant and meaningful manner. Another definition of analysis is determined by Bogdan and Biklen (1992: 75). However here it goes mostly about the interview as a type of research. They think, that data analysis is a process of systematically searching and arranging the interview transcripts, field notes and other materials, that researcher accumulates to increase his own understanding of them and to show others what exactly was studied. Analysis requires work with information, organizing it, dividing it to different parts, discovering, what is important and what should be studied and decided, what researcher has to show to a public.

### **3.2 Characteristics of the qualitative research**

According to Strauss and Corbin (1998: 30-43), qualitative research has many different characteristics. First of all, analysis can be defined as an art and a science and also an interpretive act. Denzin (1998: 17) claims, that interpretation is a productive process that sets forth the multiple meanings of an event, object, experience, or text. He also thinks, that interpretation can be understood as a transformation; it explains and shows the experience, which researcher got by data collection. The other characteristics that should be discussed are, for example: analysis process has different levels and on the same time different aims, analysis is a process, etc.

As was already mentioned before, analysis has many different levels. It can vary from the very simple summary to depth scientific interpretations. ‘Superficial description tends to skim the top of data and looks more like journalism than research. It does not challenge thinking, present new understandings, or tell us anything we probably don’t already know. A more in-depth analysis tends to dig deeper beneath the surface of data (and many journalists are now doing interpretation). It presents description that embodies well-constructed themes/categories, development of context, and explanations of process or change over time. In-depth analysis is more likely to generate new knowledge and deeper understandings because it tends to go beyond what everyone already knows’ (Strauss & Corbin 1998: 27). Talking about levels of analysis we can also discuss micro-analysis and general analysis. Microanalysis is a very important instrument for a research. It is a start of the analytic process in general or ‘Macroanalysis’ cannot be done without it. Erving Goffman (2009: 20-94) as a father and founder of microanalysis in sociology provides a detailed description and explanation of process and meaning of microsociology and microanalysis. Goffman explores the details of individual identity, group relations, the impact of environment, and the movement and interactive meaning of information. The goal of this type of analysis is evaluation of the social life of individuals targeted on showing the actual relationship between different activities and the nature of the societal context. He thinks that microsociological analysis should focus on unconventional subjects.

Of course every research work should have a particular goal. Usually this is proof or disproof of hypothesis set by a researcher. But actually there are some specific



procedures, which can be also called the “aims of the research”. They are basically used to achieve the final goal. This aims can be different: from description to conceptual ordering and theorizing.

Well, first and most popular aim of qualitative research is description. According to Strauss and Corbin (1998: 30) people commonly describe their experience: form objects, events and people to conversations and feelings. And this is not about just ordinary people - journalists, writers and travelers also use description a lot due to their professional tasks. Without giving explanation to different things people could not communicate with each other. ‘Description is needed to convey what was (or is) going on, what the setting look like, what the people involved are doing and so on. The use of descriptive language can make ordinary events seem extraordinary’(Strauss & Corbin 1998: 31). Therefore description technic is the easiest and most common aim of a scientific research.

Theorizing, on the other hand, is a more complex and difficult process. ‘Theory denotes a set of well-developed categories (themes, concepts) that are systematically interrelated through statements of relationship to form a theoretical framework that explains some phenomenon (Hage 1972: 34).

There are different strategies for qualitative data analysis. Despite the fact, that many of them are used, two can be called as main strategies - these are using questions and making comparisons. First instrument is questioning - according to Blumer (1969: 24-37) it is fundamental to analysis. It is a tool, which is used by any researcher on each level of analysis - from the very beginning until the end. Strauss and Corbin (1998: 34) claim, that this technic is one on the most important. They think, that asking questions and reflection about the range of possible answers helps scientists to take the role of the interviewee so that it would be possible to understand better the question form the participant’s perspective. In this case any answers given by the interviewee will be relative, however they can explain to the researcher, where he has to pay attention in the interview and give different ideas, how to lead the process.

Despite the fact, that questioning instrument is a most common, I would like to pay more attention to the so called ‘comparison strategy’ as I am having a comparative analysis in my thesis work.

There are two main types of comparison technique: some researchers are making constant comparisons and others are providing theoretical comparisons. According to Glaser and Strauss (1967: 28-52), process of constant comparison involves first of all identification of the phenomenon, event or object of interest and afterwards identification of a few local concepts, principles, structural or process features of the experience or phenomenon of interest. Next important characteristic of this technique is making decisions regarding initial collection of data based one's initial understanding of the phenomenon. In addition, the rationale for selecting comparison groups is their theoretical relevance for fostering the development of emergent categories.

Talking about the theoretical comparisons, it is necessary to mention, that they are usually used when people are not sure of how to classify something, or it is impossible to identify the phenomenon in terms of its properties and dimensions. As it is mentioned by Strauss (1998: 35), people are constantly thinking comparatively using different metaphors and smiles. People use these techniques to clarify and to increase understanding. He claims that comparisons at the property and dimensional level provide persons with the way of understanding and knowing world around them. People use their experience to understand phenomenon they do not yet know. Thus they discover, what is similar and what is different about each object and with its help they can define them.

Theoretical type of comparison is used in scientific analysis basically for the same purpose as people do in their everyday life. Using comparisons brings out properties, which in turn can be used to examine different objects. These particular processes, objects and activities that are usually used for making the theoretical comparisons people are taking from their experience - from books, from self- or somebodies experience etc. It is possible to say, that theoretical comparisons are instruments that help scientist to reach their goal in describing some definition or understanding of a phenomenon by looking at a property and dimensional level.

### **3.3 Expert interview as a method**

Finally, as main method in this work is expert comparative interview, I would like to pay a little bit more attention to the concept of expert interview. According to Beate Littig and Franz Pöchhacker (2014; 1088), an expert interview is a ‘semi-standardized interview with a person ascribed the status of an expert. There are two reasons for regarding expert interviews as a qualitative method in its own right: The first is based on methodological considerations concerning the notion of an expert and expert knowledge, and the second has to do with issues in research practice. These include the quasi-expert status sought by the interviewer and the access restrictions arising from the expert habitus as well as time constraints’.

According to Meuser and Nagel (2002: 28) expert interview can be identified as a special type of semi-structured interview conducted with experts. Discussing phenomenon of expert interviews there is always an important question to answer - who are actually the experts? Solving this problem will actually help us to distinguish this type of interview from many others. Well, according to Deeke (1995; 7-8), the answer to the question, who or what are the experts can be very different depending on the issue of the study and the theoretical and analytical approach used in it. These persons can be identified as experts when they are particularly competent as authorities in a certain matter of facts. “Experts have technical process oriented and interpretive knowledge referring to their specific professional sphere of activity. Thus, expert knowledge does not only consist of systematized and reflexively accessible specialist knowledge, but it has the character of practical knowledge in big parts. Different and even disparate precepts for activities and individual rules of decision, collective orientations and social interpretive patterns are part of it. The experts' knowledge and orientations for practices, relevancies etc. have also - and this is decisive - a chance to become hegemonic in a specific organizational or functional context. This means, experts have the opportunity to assert their orientations at least partly. By becoming practically relevant, the experts' knowledge structures the practical conditions of other actors in their professional field in a substantial way” (Bogner and Menz, 2002: 46).

There are different reasons, why exactly expert interview method is emphasized among others, or in other words: why people identified as experts are so interesting for

researchers. Thus, first of all it is of course a specific knowledge they got during their professional activity. And here it goes not only about their professional, technical knowledge or knowledge of organizational procedures and processes, but also about so called interpretative knowledge, their vision and experience about a particular field of activities. Also it is necessary to mention, that Beate Littig and Franz Pöchhacker (2014: 1088-1089) describe 3 main purposes, for which expert interviews can be used for. Firstly they claim that type of expert interview is usually used to obtain an overview field, which is very difficult to understand, when there is a need for particular special education. Another reason - to get a sense of orientation in a new field, or to gain access to a field of research in the first place. Secondly, expert interviews help to transform the expert's professional knowledge to the understandable and relevant to the research. 'The aim of the interviews was to learn about and systematically compare the various positions, interests, and experiences of those involved in the regulatory processes so as to find commonalities and differences' (Mayer, Biegelbauer, Griebler, & Iwae, 2009: 56). And finally, according to Meuser & Nagel, (2009 : 45) expert interviews aim to extract the specific knowledge, which scientist can get through the expert's professional activities as well as the tacit interpretive knowledge that shapes professional practices. The comparative analysis is a tool to interpret and explain expert knowledge and field-specific practices to a research language.

To sum up everything, that was discussed in this paragraph it is important to mention, that methodology is the main basis, on which the whole research will be structured. For this work expert comparative interview was chosen as research method. In the first part of paragraph the phenomenon of interview, its history and definitions were reviewed. In following parts the concept of semi-structured comparative interview among other different types of interview, its aims and characteristics and also the notion of expert interview were considered. In the end it was decided, that semistructured comparative expert interview will be the most suitable research method for this particular work.

In the following chapter I would like to consider the phenomenon of trust, regulation and control, due to the fact that they play the main role and can be understood as a basis for the research itself.

#### **4. FINDINGS AND DISCUSSION. GOVERNMENT REGULATION OF BUSINESS IN FINLAND, RUSSIA AND GERMANY**

After all theoretical approaches of governmental regulation of business were studied it is necessary to highlight how these approaches are used in practice between the public organizations and private business.

Thus an empirical research with the topic "Governmental regulation of business. Comparative analysis of Finland, Russia and Germany" was conducted.

Interaction between public authorities and private business organizations were chosen as an object of the research and the appearance of regulation in this interaction as a subject of this empirical study. The aim of this work is to analyze different ways of regulation used by public authorities to control the private business in these three countries.

In addition following problems were formulated:

- The ambiguity of reasons of regulation appearance
- Lack of trust between the public authorities and private business organizations
- Surplus of control between by the public organizations towards the business
- Insufficient attention is paid to the factor of regulation

The main target of this research is to study different ways of control and regulation of private business by public organizations.

This task involves consideration of following questions:

1. Identification and analysis of the main reasons of control and regulation
2. Comparison of Russian, Finnish and German types of regulation politics.
3. Comparison of the attitude toward the regulation activities by Russian, Finnish and German private business organizations.
4. Creation of proposals and recommendations for further development of regulation systems in these three countries.

Finally, the following hypotheses were chosen:

“In a current political, economic and social situation regulation, measures provided by government towards the business are too strong”.

Sub-hypotheses of this research are the following:

- Business's attitude towards the government and its regulations is rather negative
- In European countries regulation is stronger than in Russia
- Trust level between business and public authorities is poor in each country
- Attitude towards the regulation does not differ depending on the business field.
- Both private organizations and public authorities think that regulation system should be modernized.

It should be noted that no hypothesis has been fully confirmed. However, only the first and fifth hypotheses have been disproved completely, others were partially confirmed.

To conduct this research method of expert interview was chosen. It was done due to the reason that only a qualitative approach could allow to examine this issue comprehensively and from all possible sides.

Expert interview is one of the varieties of in-depth interviews. Its main feature is the status and competence of the respondent who is an experienced participant in the research process. Expert interview requires getting the detailed answers from the interviewee. The experts are usually specialists with good knowledge of the specific aspects of the studied phenomenon. In most cases expert interviews are conducted with representatives of the executive and legislative authorities, scientists, employees of universities, research institutions and non-governmental organizations as well as with employees of private expert or consultancy companies, members of expert panels, company executives or heads of major divisions, etc. To make a successful survey interviewer should have sufficient expertise in the subject being studied, as well as knowledge of the terminology used by professionals when discussing issues relating to the study. The most important issue in the expert interview is not only the interviewee himself, but also his professional knowledge in a studied field. It is important that during the interview the interviewee doesn't express solely information about himself or herself, but also provides the data about his/her professional knowledge and gives an expert opinion.

Among other things this research requires exactly the expert opinion, as well as a comparison of the Russian, Finnish and German points of view. It would be very difficult or even impossible to make this survey by using only quantitative methods, such as questionnaire.

#### **4.1 Content of the interview guides**

11 interviews were provided during this research - 6 with members of private companies in different industries in 3 countries and 5 with representatives of different level public authorities in same countries. Before starting to analyze interviews and their results it is necessary to pay attention to the interview guides with questions. Thus, 2 interview guides were need to support the above mentioned interviews – first guide for the interview with the members of private business organizations and another one – with representatives of public authorities.

##### **4.1.1 Interview guide for private companies' representatives**

Interview with business was divided into 4 parts. In the first - introductory part, researcher needs to get general information about the interviewee, his company, position, etc:

- *Tell about yourself and about your company, please. What type of business you are working in? Is there any specific character of the business branch in your country? Why did you start this project?*
- *What is your activity and responsibility on the working place? Please tell more about your duties.*

This part is followed by so called 'general questions'. This chapter of guide helps to understand specific characteristics of interviewee's working field, features and specifications of the country and regulation there. In addition it gives the opportunity to understand the personal attitude of the interviewee towards the regulation and his opinion about the difference between studied countries and regulation there:

- *Could you explain the characteristics of your work branch? Is it largely regulated by public authorities? How are the relations in this branch between government and business in general? What is your attention to this regulation? Would you like to change something?*
- *Could you explain typical features of your country, characteristics of public administration and regulation? How is the interaction between business and public authorities in general?*
- *Do you know the difference between the regulation in your country and in others two? What do you think about this differences and similarities? What type of regulation would you personally prefer?*

Next topic called the ‘Attitude to the public authorities’. It helps to understand, what the person thinks about regulation organizations and public authorities in general in his homeland and how he would compare it to situation in the other countries:

- *What is main characteristic of your business field regulation?*
- *Which positive and negative characteristics can you notice in this regulation?*
- *How does the regulation influence the development of your business field?*
- *What is your personal attitude towards public authorities of your country and their politics?*
- *Do you trust public authorities in your country? Why?*

And the last chapter in this guide is called ‘recommendations’. It explores the respondent’s opinion about the topic, how regulation politics could be transformed and what other recommendations including building the trust would he give to the regulation system:

- *Could you provide any recommendations for improving the regulation politics in your country?*
- *How would you change the process of building trust between regulatory authorities and business?*



#### 4.1.2 Interview guide for public authorities

At the same time it was necessary to make another guide - to interview the representatives of public authorities. Of course these two guides are similar, however there are some differences between the two.

First group of questions is called introduction as well and has similar questions to understand the interviewee and his duties on the workplace:

- *Tell about yourself and about your organization, please. What type of organization you are working in?*
- *What is your activity and responsibility on the working place? Please tell more about your duties.*

This chapter is followed by general questions aimed at understanding, what kind of regulations are provided by this public organization and what are the relations between this organization and regulated business field. In addition here person can share his opinion about the difference between the three studied countries (Russia, Germany and Finland):

- *Could you explain the characteristics of the regulations you are working with? What is the business field you are controlling the most? How are the relations in this branch between government and business in general? What is your attitude to this regulation? Would you like to change something?*
- *Could you explain typical features of your country, characteristics of public administration and regulation? How is the interaction between business and public authorities in general?*
- *Do you know the difference between the regulation in your country and in others two? What do you think about this differences and similarities? What type of regulation would you personally prefer?*

In the third chapter called ‘attitude towards the business’, interviewee can share his opinion about the business in his own country and others two:

- *What’s your attitude towards the business in your country?*

- *Which positive and negative characteristics can you notice in the regulation of business in your country?*
- *How does the regulation influence the development of business field?*
- *Do you trust business sector in your country? Why?*

And finally, in the last part called ‘recommendations’ respondent can tell, what would he change in regulation system and how, according to his opinion, it would be possible to bring trust between public and private owned organizations to the whole new level:

- *Could you provide any recommendations for improving the regulation politics in your country?*
- *How would you change the process of building trust between regulatory authorities and business?*

#### **4.2 Summarizing findings from introductory questions**

First of all let’s try to understand and summarize first part of the interview – introduction. As it was mentioned above we were using following questions in ‘business guide’:

- *Tell about yourself and about your company, please. What type of business you are working in? Is there any specific character of the business branch in your country? Why did you start this project?*
- *What is your activity and responsibility on the working place? Please tell more about your duties.*

And following in the ‘public authorities ‘guide:

- *Tell about yourself and about your organization, please. What type of organization you are working in?*
- *What is your activity and responsibility on the working place? Please tell more about your duties.*

In Russia there were 2 interviews taken from private companies’ representatives. First one – Nikolay Tikhodeyev. He has an experience of making business both in Russia

and in Finland, so his professional knowledge helped a lot in a process of comparison between these countries.

His field of business is event planning and organization. A founder of the company called 'Exponenta' and their main brand – 'Geek Picnic' event. It is the biggest Eastern European open air festival dedicated to popular science, modern technology, science and art. It was established in Saint Petersburg (Russia), in 2011. Since 2014, separate festival sessions took place in Moscow and Saint Petersburg. In 2016 Geek Picnic will be held in Israel, for the first time. In addition he's a co-founder of Finnish company Imhoclinc OY.

Answering the question about him, his company and its business field Nikolay claims: 'Business branch – event hosting, main format – open air. This project was not the first one for us in this business field - we came to it after different career-oriented events and business fairs. But at some point we decided to make a more interesting and complicated business, which would target B2C business model. Events' organization was chosen due to the fact that this is the easy-to-start type of business. In addition you don't need huge starting capital and it is also easy-scalable. I'd also to point out that we have started this business while we still were studying in the University and at that point we decided that it's the most suitable business filed for us.'

Second interview was made with the George – representative of Russian pharmaceutical sphere. He has the medical degree and he used to work in a university in Russia. However after the USSR collapsed he had to search for another way to earn money due to the fact, that university salaries were 'to low even to feed the family'. But as George claimed in an interview: 'It was a good decision, because after that I have understood, that business is 'my thing' – I like it way better than making research or teaching'. He has an experience in many different kind of private businesses in Russia – he used to own small shops, importing companies, etc. But the most successful project he made by combining his medical knowledge with business experience – he started the pharmacy chain in Saint-Petersburg region and in 5 years he managed to develop his company from 1 pharmacy to 30 in different parts of Saint-Petersburg.

Talking about activity and responsibility, George claimed that he was 'a founder and CEO for the whole company's lifecycle'. As a director he was responsible for all of the

main duties in the company, but most attention he was paying to the business development, opening new pharmacies and GR. He said that his most challenging and important task were in a field of ‘communication and interaction with public and controlling organizations’. He pointed: ‘I have been working in this company for more than 10 years and due to the fact that these business branch was very specific comparing to others – we had more than 50 public organizations, which had a right to control us every month. Each of our offices. Starting from firefighter organization up to drugs control police’.

Next interviewed person with Russian heritage is Denis Tolstykh. He is the deputy head of the Public Order Committee in Saint-Petersburg region in Russia. He is very suitable person for this kind of research due to the fact that being a public manager he is always working really closely with the private business. He is working on this position already for about a year. He is a young professional, but at the same time he has an outstanding experience in different branches of private business as well. He told that he used to work in ‘different companies in Saint-Petersburg before coming to this job. Most of these were banks or other financial institutions, but they were always private. This is the first public organization for me. However as I used to work in different banks and some of them were owned by government. For example like SberBank... But of course officially it’s private organization’. His main duties on the current work place are to manage the cooperation between public organizations and private business in Saint-Petersburg and organize the public orders in this region. As the second person in the committee he is closely working with supply and procurement systems for the public needs.

Germany was chosen as a next country for this research. It is possible to say that it was easiest to find respondents from the business field in this country comparing to two others. But at the same time it is important to mention, that people from the public organizations were not so responsive and talkative.

First interviewed person from business side was Anastasia Pupynina. She is Russian, who studied in Germany in a University of Konstanz and started her own small company few years ago. She spent more than half of her life in Germany, so she can be considered as an expert. In addition she is now doing PhD in field of Sociology. Talking

about her business, Anastasia claims: 'I am a freelance translator and an interpreter specializing in Russian and German languages. I started the project in a year 2013 and it has been my secondary source of income since then. I started it because I had several translation enquiries at the same time. There aren't any regulations on who can register as a freelance translator: you don't need to deliver any kind of certificate about your proficiency level.' Thus, her project is quite small – she works as a private entrepreneur, but on the same time we could see here the interaction between public organizations and the small business.

Second interviewee from Germany was Tobias Blanc. He is currently working in a really interesting sphere – aerospace industry. This business branch is really specific and always has been working really closely with the public organizations. Talking about his work, Tobias said: 'My Company is actually a French company. So, to give you an impression – it is not actually aviation, it's an aerospace environment I am working in. There are two biggest airplane manufacturers – Boeing and Airbus. First on is mostly European based and in Europe we have our manufacturer – Airbus. So the Airbus actually has a factory here in Hamburg, where they are making planes. And I am based there. But what the Airbus is doing intensively is outsourcing work that is not core competence for them. And they just say, they buy it – they don't make it themselves. They buy it from engineering services companies and I am currently employed in one of them.'

Talking about his position in a company and main responsibilities Tobias said that the name of the position is a 'Technical consultant'. He added: 'So, I am not working in a commercial position. I am mostly working with engineers – industrial engineers, mechanical engineers, electrical engineers... I am mostly doing the project management stuff. I am a business graduate. So, it's my job there'. In addition he claimed, that he is working really close with 'blue-color employees', who are actually building the aircrafts and with their worker unions. He is evaluating their work and gives this information directly to the Airbus Company.

Third person from Germany is Denis. He is working in public organization in a region of Sachsen-Anhalt. This organization is part of the local government and he is one of the executive members there.

In addition, there was also fourth person interviewed in Germany - representative of public organization in Brandenburg, who did not want to publish his name.

And finally 3 interviews were taken in Finland – 2 with representatives of private business and 1 interviews with member of the public sector.

First interviewee is Henrik. He is young professional, who is working as a controlling manager in Lidl Suomi. He used to study and work in Germany, but finally he moved back to Finland and found work here in one of the biggest retail chains. He claimed that he really likes German business culture and that is why he is really enjoying his work in this company. His main responsibilities are financial and business controlling, making advises concerning the business development and reporting to the board of directors.

Second person from the business field in Finland is Alexander. He is the founder and the owner of 2 companies in different spheres - first one deals with import-export operations and second one is a startup in a branch of online medicine. As a founder of both companies his responsibilities and duties are very different. And of course it's a wide range at the same time. He said, that in the first company he is working (and used to work) alone, because all of different services like transportation, labeling, bookkeeping etc. are outsourced. Alexander claims, that 'this is the only best solution in my situation from my point of view. This business is very dynamic and in Finland salaries for the employees are really high. Due to the fact that I am working with East-European countries some of the service is cheaper and easier to outsource to the third party. Sometimes 2 or 3 times cheaper'.

Third person from Finland – representative of Finnish public sector. He is the member of governmental organization, which works really closely with the business.

During this research there were taken 11 expert interviews – 6 with representatives of private business and 5 – with representatives of public regulations. All of the interviewees from private sector are current employees of private companies in their regions and all respondents in public sector are also currently working on their positions and can be considered as experts.

Russian interviewees:

- George is a founder and CEO of the company working in a pharmaceutical business in a Saint-Petersburg region in Russia.
- Nikolay – co-founder and CEO of event-enterprise, which has organized biggest art-tech- and science event in Russia.
- Denis – deputy head of public order committee in government of Saint-Petersburg.
- Alexei – representative of government in Saint-Petersburg region in Russia.

German interviewees:

- Anastasia Pupynina – private entrepreneur in Baden-Wuerttemberg region in Germany
- Tobias Blank – member of company, which has businesses in aerospace and aircraft industry in Germany.
- Denis – member of the Government in region Sachsen-Anhalt in Germany .
- Last interviewee – representative of public organization in Brandenburg, who did not want to publish his name.

Finnish interviewees:

- Henrik – member of one of the biggest retail companies in Finland, working in planning and finance sector.
- Alexander - private entrepreneur for Uusimaa region in Finland.
- Last interviewee – representative of public organization in Helsinki, who did not want to publish his name.

### **4.3 Summarizing questions on regulation in each of studied countries**

Next step of this research are questions that will help to understand regulation in each of studied countries and interviewees' attitude towards it.

Thus, there were following questions asked about the topic:

- *Could you explain the characteristics of the regulations you are working with? What is the business field you are controlling the most? How are the relations in this*

*branch between government and business in general? What is your attitude towards this regulation? Would you like to change something?*

- *Could you explain typical features of your country, characteristics of public administration and regulation? How is the interaction between business and public authorities in general?*

- *Do you know the difference between the regulation in your country and in the other two? What do you think about this differences and similarities? What type of regulation would you personally prefer?*

Starting from the Russian respondents it is important to mention that in this country all of the responses were very controversial. For example Nikolay said that his business fields – events – are controlled in many different ways. ‘It is hard to say, what is exactly regulated. But simply companies need to follow the common rules by organizing events. Depending on the size of event there should be presented firefighters, ambulance cars, safeguards, policemen, etc. In addition it is important to have metal detector like in an airport and sometimes organizers have to ask permission in city hall. It sounds like there a lot of regulations, but in reality all of these problems are solved quite easily. Usually organizer (especially if it is not his first event) has good connection and easy communication by public authorities.

While talking about changes he would like to provide in this system Nikolay said that it is a complicated question. From his point of view the main problem is when ‘the state is ordering some events itself. And sometimes organizers are really unprofessional. And as a result such events can be made with the very low quality and formal. But of course we understand, that is just an excuse...’ As we can see Nikolay does not feel, that the regulation is too strong, but on the same time he finds the corruption part unacceptable. Talking about aspects of public management in Russia Nikolay told: ‘First of all I would mention tax politics and some financial control issues – that is quite specific in our country. Otherwise my business units did not have any other regulation that is why it is hard to say... Tax politics in my case is comfortable – we can work. The biggest problem from my point of view for a small business companies are different insurance and pension payments.’ In addition Nikolay could give a good comparison of



regulations in these three countries. He said that it hard to say about Germany, because he has never worked there. However he can easily compare Finland and Russia as he also has a business experience in a second country. He claimed that ‘there is no big difference. On the small and medium enterprise level everything is more or less the same. The only thing might be called that in Russia law basis in not developed enough’.

Next interviewee from Russia – George seems to be a little bit more negative about the current situation with regulation in the country. He was talking a lot about the corruption part of regulation: “As I have already told you, we have had many different kinds of public organizations which were controlling us every month. While we were a small enterprise it was quite easy. Although of course it always took too much time and definitely was not necessary. For example, where else in the world firefighters would come to every branch of the company to check, whether it is still normal? Probably nowhere. So, when we grew up and our company started to have some money – immediately some of the controlling authorities decided that such regulation events should happen more often. And if we would like them to happen more seldom – we had to pay. And there were of course many other different ways to take money from us...” That is why as a result George could not see good relations in this sphere between public authorities and a private business. However he said that it really depends of the level of the business: ‘If really small enterprises are not really interesting to anyone and big enterprises usually have good lobby – the weakest player here is the medium size company. Of course big chains are also paying lots of bribes, but it is so mixed there everything that head of your competitor at some point might be also working in the controlling organization’. He added also that his attention to all kind of this regulation is rather negative: ‘Of course some regulation is needed because we are working with drugs and with people health – it should be very strict. But otherwise most of the regulation is just unnecessary – it takes lots of time and money’. In addition George claimed that interaction between business and public authorities in the country is pretty similar in any business field: ‘The main characteristic of the regulation in Russia is the fact that system just wants to take your money in case you have something on your bank account.’ And finally George gave us some information about two other countries: ‘Well, I have never had a business anywhere except for Russia. Nut of course I have

many connections and colleagues, who have an experience to work everywhere. I am sure, that in Germany and Finland corruption level is not so high. But even this is not the biggest difference and not the biggest problem for Russia. I would say that laws are most important – in Europe both companies and public authorities rather follow the rules, In Russia – no. But of course everywhere there are some exceptions’.

Opinion of the public authorities in this county is also very interesting. Concerning the main characteristics of regulation in Russia Denis said that nowadays regulation is mostly provided to help small and medium enterprises, which are suffering during the financial crisis in Russia: ‘Such companies are usually suffering from the crisis and other economic problems the most. Talking about our case I can say that for example all committees in government of Saint-Petersburg region while making a private order, have to make public contract also with SMEs. I would even say more – they need to make at least 20 per cent of contracts with small business yearly. For example if we talk about buying products, if there would not be such rule, than for sure public authorities would just work with one, two or three biggest players on the market – it’s just easier. Same situation if schools would have an order for books or... basically anything. It would be just total oligopoly.’ Another interesting form of regulation is, that by the public order committees have to use services by the companies, which use the labor of disabled people: ‘Even if such companies would have a higher price, it will anyway have a priority by public order decision’.

Another interviewee from Russian public sector – Alexei - was also rather positive about regulation politics. He agrees with Denis that it is hard to say, what business field is more regulated. He claimed some of the businesses are nowadays totally forbidden – like for example gambling, some of the businesses are most under the public management – like for example oil and gas industry. He is sure, that interaction between business and public authorities is growing now. Here they also have similar thoughts – they both claim, that nowadays there is a generation change coming in Russian public sector. There are more and more people coming to work there with a good experience in private business.

Alexei could not give examples of differences in these three countries in a field of public regulation of business. He is sure that the system is quite similar with some local differences. But he pointed that Russian regulation system is still ‘too fresh’ and that in few years it should become more stable.

Next country in our research is Germany. Here we also could have some interesting and sometimes controversial answers. Anastasia said: ‘The freelancers aren’t specifically regulated (at least as far as I know). There are however two things: first, this is a small business, therefore the small business regulation applies to it and I do not charge VAT. The regulation applies to businesses that have an income lower than 17.500,- EUR per year. Secondly, I have to fill out an additional page in the tax return. I can return taxes for any spendings related to my business, e.g. anything related to my home office.’ Here we can see that she mostly concentrates also on positive consequences of regulation. She adds: ‘As far as I know from other small business owners, the government provided security for them, accepting them as unemployed as long as their business is developing. The main interaction takes place when business owners fill out their tax return, providing the government with information on all their spending and income.’

Next person – Tobias Blank, member of the company, which is working in an aerospace industry seems to be a little bit more pessimistic. At least he provides different points of view: ‘Firstly the main characteristic as I said before is the fact that in the whole world there are only 2 major manufacturers of airplanes – Airbus and Boeing. Of course there are also Embraer and Bombardier – the Canadian manufacturer, but you know, they are mostly from middle-range segment. Not from the long-range segment – here you really have only Boeing and Airbus. And you recognize this, when it comes into competition.’ He is sure that situation for Airbus in Europe is rather good, because this company is working really closely with public authorities of European countries: ‘there is no competition’. Another characteristic provided by Tobias is the fact that aircraft industry is very complicated and it requires lots of hard technical work: ‘Another feature – I don’t see a lot of women in this industry. Especially from the older generation’.

About the regulation of this industry in Germany he claims that it is heavily regulated: ‘There a lot of safety requirements. Everything in an aircraft has to be installed twice or even three times. For example all the electrical installations are made twice if not even

three times. And this is the law – the governmental requirement. Because they want to have of course some kind of back up in case of failure of one of the installations in an aircraft.’ The next aspect of regulation called by Tobias is education: ‘The next thing is a human factor. There are so many restrictions about pilots – for example, how long he can work per day, per week etc. How many crew members they should have on a long distance and short distance flights. In addition there are so many other restrictions – for example when you fly – you don’t have single European sky... To conclude – it’s heavily restricted, heavily regulated area – both manufacturing and service business sides.’

Talking about two interviewees from German public sector it is possible to say that they confirm the point of view of their Russian colleagues. First one – member of the public organization in Brandenburg region in Germany claimed that even though he is working with regulation quite closely, he cannot point any specific type of business, which is regulated the most. In general he is sure that relations between government and the business are rather good in Germany. He told that Germany is really proud of its private businesses – especially gigantic companies in fields of car manufacturing, textiles, etc. But on the same time he claimed that government in Germany nowadays is paying lots of attention to support small and medium enterprises. He told that support of big companies has always been good and productive and Germany did not suffer that much from any political crises recently. Moreover, the last financial crisis has passed without any big troubles for the local economy. However, today German public authorities are trying to support different kind of startups. In addition he claimed that the only thing which could be changed according to his point of view – is to give easier access to foreigners to start companies in the country like it’s now done in some Asian countries and in Canada for example.

Second person from public regional organization in the land Sachsen-Anhalt mostly agrees with his colleague. But on the same time he talks about the problem nobody discussed before in this survey. He thinks that one of the biggest challenges for public authorities in Germany in the field of regulating business is the interaction with professional unions. He knows that these are very strong organizations and some of the new initiatives from the government are really suffering from that. For example in car

industry the relations between business and government are good even despite the fact of recent 'ecological' scandal (when some of the biggest car producers in Germany were hiding real amount of pollution produced by their cars). But trade unions are sometimes real burdens that might stop some of the real perspective and useful public regulations. However at the same time he claimed that these organizations are really important and they give a good balance in public regulation of business.

Last respondents answering these questions were from Finland. Henrik could give us clear picture of regulation in a field of retail business in Finland and about this branch itself. He said: 'Finnish retailers are really customers oriented. It's normal. We are offering Finnish people what they want. But also as we have two big competitors - we offer people, what they 'should' want. So that they can choose the quality of the product and then also the price. Anyways, typical characteristic of Finnish retail market is the fact that Finns mostly want to buy native products, which are produced in Finland.' He knows that there are different ways to regulate Finnish retail system: 'What I can say immediately – is about alcohol selling regulations. In Finland we have Alko-monopoly – only Alko shops can sell alcoholic products over 4.8 per cent. And we can sell than only the products that are below that. That of course affects us a lot, because we could have of course wines or beers in our assortment. Of course it is taking away the revenue from us and of course also margin and profit... That's a biggest thing here in Finland compare to other countries.' Another regulation called by Henrik was the local rule regulating the places, where his company can build its new shops: 'It's really hard to find places to have your stores. So when we are expanding, we are having problems that city or municipality gives restrictions – can we build here certain type of store, can we build retail store in this area, is it even ok. And these processes are taking years, if there are some complications. So, those regulations are really holding us back from this development.' As Henrik has an experience also in working in Germany, he gave also some interesting comparisons between these two countries: 'For example hygienic standards in cafés and restaurants are not too strong comparing to Finland. It's not too bad – there is of course regulation, but it's just not so strong. For working as a bartender you don't need any certificates of something – like you need it here in Finland. Also of course I can say about Alcohol laws – in Germany they can sell any alcoholic products

(even strong alcohol – up to 40 per cent)’ in a basic retail shops even during the whole night.

Next interviewee – Alexander – has also answered these questions. According to his personal experience – all the regulations are not too strong. He claimed: ‘They mostly make sense. As my business is quite small I am usually facing some problem with taxation and with paying some pension insurance etc. These are now even problems – I just have to do that. In addition due to the fact that sometimes I am importing some products from outside of EU, than I have to work with customs and such public authorities as Valvira for example. It’s understandable that such actions of control are important, but on the same time it takes lots of sources from me – especially money. I am not sure if I would like to change something. This system works really well in general, although of course some of its part could be changed. I am just thinking that it might break the whole system in this case.’ He was also quite short, but sure in the comments concerning the typical characteristics of the country: ‘Here there are very many restrictions, but it’s usually quite easy to follow them all.’ In addition Alexander is sure that regulations are quite similar everywhere, the only difference is how people are following these rules.

Interviewee from Finnish public sector has an opinion that nowadays Finland is lowering its regulation towards the private business in the country. He explained that nowadays after the financial crisis Finnish government is doing many different actions to support the business. According to him the public authorities are trying to develop great startup culture in Finland and help also existing business to survive and grow.

Here we can find answer for our first hypothesis: ‘In European countries regulation is stronger than in Russia’. It was confirmed only partly. It is important to mention, that respondents have divided regulation to positive and negative. Negative regulation according to them gives troubles to business, makes life harder for entrepreneurs. Example of such regulation can be so called ‘illegal regulation’. Positive regulation, on the same time, is helping business, gives it serious impact. As an example different pro-business politics can be mentioned.

Summarizing answers concerning this hypothesis we can see that situation is more complicated than it might seem. Russian respondents claimed that generally regulation

in their country is not so strong, on the contrary, today, in the time of financial crisis public authorities are trying to help business. They are producing many different laws and 'positive' regulation activities to support business. But at the same time entrepreneurs have said that 'illegal regulation' gives Russian business lots of problems. From the public side interviewees mostly claimed, how many different actions is done by local authorities to support business.

In Germany situation is a little bit different. There were not noted any kind of corruption. On the same time all respondent claimed that regulation is objectively determined and is not too strong. However Tobias, who is working in a field of planes construction, said that this business branch is totally under governments' control. He said that this is normal situation due to the fact of high risks connected with people's lives. Representatives of German public sector were mostly talking about actions provided to support business in the country. They are sure that during the recent years support of big companies and corporations was good and sometimes even too strong and today public authorities are trying to concentrate also on support of startups and small companies.

Finnish interviewees had very controversial opinions. Henrik – employee of big retailer in Finland – could easily find many regulations that 'are taking revenue from the company'. Alexander on the same time could not call this regulation strong applying for his startup business. Employee of Finnish public organization was mostly talking about actions provided by government to support local business.

To summarize all the answers concerning this hypothesis we can see that all interviewees from public sector in each country are rather positive about the regulations. They understand the problem that regulations should be provided carefully, but on the same time they claim that governments are helping business with the positive regulations. Thus, it is impossible to say, where exactly regulation is stronger – in Europe or in Russia and is depending also very hard of the business field.

#### 4.4. Summarizing questions on interviewees' attitudes towards business regulation

In the third chapter called 'attitude to the business', interviewee shared their opinion about the business in his/her own country and compared it to the other researched countries. They had chance to give examples, how regulations help or prevent business development.

Respondents were answering following questions:

- *What's your attitude towards the business\government in your country?*
- *Which positive and negative characteristics can you notice in the regulation of business in your country?*
- *How does the regulation influence the development of business field?*
- *Do you trust business\public sector in your country? Why?*

Starting again with Russian interviews we can pay attention to answers of serial entrepreneur – Nikolay. Concerning regulation in Russia he finds its good impact towards the business: 'As I have mentioned before main characteristic of regulation in our business field are security and safety. I think, that's logical and necessary to make such restrictions. I am sure it helped to survive for many people in our country. For example once on our event one of the guests started to feel bad. But due to the law we had to have ambulance cars during this time and the doctor, who was responsible there on that day literally saved life for this person.' When answering the question about regulations impact for the development of the business field Nikolay claimed that this question is quite controversial. Personally he could not call any specific influence for his business field – events. However on the same time he is sure that 'positive' regulation like for example control in a field of competition may have a good impact for the business. His answer about the trust to public authorities in Russia is also very interesting: 'It is very complicated and wide question. For this moment I have never had any insolvable problems. Even though there are many restrictions and I am obligated to make huge amount of different actions – they all were possible to do. And I was just following the rules. About trust towards the public authorities in Russia – it is more complicated. I would not dare to use word 'trust'. In Russia I first of all trust to myself,



friends and money. But on the same time I have an experience in interaction with police (not for business purposes) and I can say that it was good experience – they worked fast and qualitative.’

Next interviewee - George is also an entrepreneur from Saint-Petersburg, Russia. His attitude towards the government is not really positive. He claimed: ‘What can I say about our relations with public authorities in general? That’s an easy question – it’s rather negative. And there are thousands reasons for that. I will not describe them all, but I can give some examples. Firstly, being an entrepreneur is very nervous job in Russia thanks to public authorities. You are risking your own money and basically you are usually fighting with public sector – stupid laws, payments, corruption, and crime. Otherwise Russia is the really good market – it is not old-fashioned. It’s rather modern and fast-developing phenomenon. Secondly, it is hard because of recent events – even elections are obviously not clear – how is it possible to trust them?’ Here George automatically goes to the following question – trust. He said ‘No, there is no trust for public authorities.’ Talking about positive or negative influence of regulation for the business George said following: ‘Of course it’s very controversial. There are different kinds of regulation. For example pharmaceutical chains have to be regulated – they are working with drugs. Also, if it is regulation about the monopoly and competition - it is also of course great, especially for smaller companies. I remember at some point it was a problem for us, because our competitors – big chains from Moscow were playing dirty, totally unfair. But you know, in Russia we say ‘nothing personal – it’s just a business’. But of course on the same time there are regulations that just stop your work – some public examinations, verifications, etc. This does not help at all.’

Denis Tolstykh – member of the government in Saint-Petersburg region in Russia also gave his opinion about above mentioned questions. He claimed: ‘From the point of view of the Russian law, everyone is ‘officially’ honest by working with public order for example. Personally I think that private business is a very good phenomenon. It’s not easy to start the business, lead it and risk. So the attitude towards the private business is totally positive.’ Talking about the impact of regulation Denis shared following thoughts: ‘It is quite easy. Nowadays we can see quite hard crisis in Russian economy. Obviously the weakest players are not the gigantic oil or gas producers, but small and

medium enterprises. If we will think about the 1930s in USA, we will understand that there is only one solution for such a big crisis – it is the energization of public order. Public order can be in social sphere (infrastructure building, roads constructions, etc.) as well as in many different other fields. So, there were gigantic unemployment in USA in the beginning of 20<sup>th</sup> century and only one regulation solved the problem – government placed many orders for example for road constructions. Chosen companies were hiring many people, who were sometimes even starving and as a result today in US there is one of the best road network in the world.’ In addition Denis also mentioned another indirect method of regulation to solve the crisis: ‘It’s a war. But of course today with current political situation and level of development most probably no global wars can happen. But otherwise this stimulates the production for the army in the country and it requires more employees...’

Another interviewee from the public sector in Russia – Alexei is also positive about regulation’s impact on the business in Russia. He is sure that regulation can help SME’s to survive during the crisis. He also shares really interesting opinion about the preconditions of strong governmental support in Russia. He is sure that this tradition comes from the USSR time, when the whole economy was planned. He claims that quite often USSR economy was not effective, but always stable.

Additionally we discussed attitude towards the regulation with our German interviewees. Anastasia shared her following opinion about the impact of regulation: ‘I see the regulations as friendly towards small business owners, both the tax regulation and the formal requirements for registration. On one hand, the fact that I do not need a certificate as a translator saved me a lot of trouble, because despite having a lot of experience in interpreting and translation I never specialized on it in my studies and never had any certificates. On the other hand, I cannot present myself as a full professional on the market.’ She also finds positive characteristics of regulation: ‘I’d say it makes it pretty easy to start your own business in this field. Probably it leads to a big amount of lone entrepreneurs, instead of a few bigger companies.’ In addition her attitude towards the public authorities and trust level is quite positive: ‘I cannot complain, I think they are doing a good job! Recently I learned a lot about the tax returns and it opened my eyes to how much the government is willing to pay you back,

if you just fill it out correctly. I only wish there was a different regulation towards people with Russian citizenship. Over the 4.5 years I spent in Germany on my own I had to renew my permission of stay 5 times and every time it is a painstaking and expensive process. I wish I didn't have to go through the same procedure over and over again. I mostly do trust German public authorities. I believe the only thing that can hinder the communication is low competence – either on my side or on the side of one specific worker.'

Tobias Blank, the employee of aircraft industry sector in Germany also gave his comments concerning these questions. He thinks that 'In my business filed regulations really help the private business usually. As I have already told European governments really care about aerospace industry and auto industry in their countries. They will do everything to keep factories of 'Airbus', or for example 'Eurocopter' in their countries. These are heavy subsidized industries. They pay very little taxes, because they are registered in Netherlands. Also in Belgium, Luxemburg and Ireland. They have really easy regulation for corporations, for companies. So German regulation is going that way.' But at the same time he provides also different point of view: 'On the same time it is of course very expensive to build the new aircraft. And not only expensive, but also difficult, because you need to go to different committees with your 'know-how' and register every single part of your plane and prove that it's safe. So the material has to be checked – is it hard enough, is it soft enough.' About his attitude and trust towards the public authorities Tobias answered: 'Less and less. To be honest. Well, if look into the corruption reports... I'd rather say that Germans are often naïve, when it comes about public authorities, because they believe that there is no corruption at all. But that's a question of what you're compare yourself to. Of course if you look to Africa or to Asian continent, than you're rather well off. But I am afraid that here the corruption in government and public authorities is definitely rising.'

Interviewees from the German public sector were more positive by answering this question. They both claimed that the attitude towards the business is good. They told that public authorities are trying to solve all the problems together with representatives of private business and politics nowadays is trying to support business during the crisis. Talking about impact of the business development they are sure that it is rather positive.

According to the employee of public authority in Sachsen-Anhalt business would not even survive without regulation. They both trust private sector of economics and believe that with sufficient amount of cooperation they can survive in any crisis.

Next answers were received from interviewees from Finland. About his attitude towards the regulation impact Henrik said following things: 'There should be of course regulations about the business competition. We have for example two very big competitors. But the problem is that they have many benefits from such regulation. For smaller companies it is very complicated to open, develop or get stores, where they want to. And somehow these two big players have very many stores everywhere already, so others can't really develop.' Basically, according to him, regulation in terms of business competition could be modernized. He also added: 'These competitors were staying the same. They had these prices for long. And now, when some other companies penetrated the market, they have to lower the prices and as you can see from outside – it does not have so much effect to the company – they are still making lots of profit.' In addition he also claimed that in case regulation about selling some products were not so strong, than they could develop their business faster: 'Of course if regulation in terms of alcohol would not be so complex, than we could be more creative with our marketing for example. That's also one of the regulations – we are not allowed to do marketing for our alcohol or tobacco products.' By answering question about trust to the public authorities in Finland Henrik said: 'I haven't had a lot of interaction with public authorities concerning these questions about alcohol laws or something like that. I know, what they trying to do – they try to protect people etc. But in this case I am not sure, if it really works. Sometimes I disagree. But in general standardizations and regulations are good, otherwise there would be way too much even corruption maybe, or some kind of deals with companies. If nobody would be regulating it.' To summarize his thoughts he said: 'Common view: yes, I trust. I trust the system. I trust the regulations. But of course I have some doubts, if this all is necessary, where are the benefits for all the population. Is it really holding back or helping us to be a welfare country.'

Second person, Alexander, also agrees with previous interviewee. About his attitude towards the government he said: 'It's definitely positive. I cannot complain.' He added

also that regulation can give both positive and negative impact for the business: 'If we are talking about positive influence – it's obvious. There should be the positive influence – that is the purpose of the regulation (at least one of). For example antimonopoly rules. It is very important. But on the same time regulation might have other result. It can stop the business even if this regulation makes sense'.

The only interviewed representative of public authorities in Finland claimed that his attitude toward the business is rather positive. But at the same time he added that some of the companies have too much expectation from the government. According to him, Finnish public authorities are already doing enough to help business in current situation and entrepreneurs should respect it. He is sure that in regulation there are more positive aspects than negative. Whereas he agrees that control and regulation is not only a good thing for the development of the business, but sometimes government just can not avoid it.

Here we could see the answer for the next hypothesis – 'Business's attitude towards the government and its regulations is rather negative'. It was also confirmed only partly.

Nikolay mostly sees only positive impact of regulation and his attitude toward the government and its actions is rather positive. He is sure that these regulations are needed. This question has totally different attitude by George - he is paying again lots of attention to the corruption in Russia in all live spheres and he's sure that regulation mostly is done to take money out from business. On the same time he's sure that some regulation is needed, but the system works incorrectly. Denis and Alexei – representatives in Russian public authorities believe that business is very important for state's development and should be supported. However Denis also thinks that business is definitely not always being honest with public authorities.

In Germany both entrepreneurs and members of public authorities see provided regulations in a positive way. Anastasia told that regulations do not disturb her, but mostly even helps her business. Tobias is sure that in his business filed regulations are helping a lot due to the fact that aerospace industry is very complicated and expensive sphere and it would be extremely hard to start such companies as Airbus without governmental partnership. German public organization members said that in German

countries there always have been good relations and support between business and government.

In Finland answers were a little bit more negative attitude. Henrik said that even though relations between public authorities and business are rather good, but some of the regulations do not make much sense. Meanwhile Alexander claimed that his attitude towards the government is good and he can see a lot of support in these regulations.

To summarize results concerning this hypothesis it is possible to say that governments' attitude towards the business in all countries is good. However business attitude towards the government is not so clear. If in Germany relations between these two parties are rather good, that in Russia and Finland it's more controversial.

Next hypothesis with answers in this chapter - 'Trust level between business and public authorities is poor in each country' was also confirmed only partly. Answers were not depending on the country or size of the business. By answering these question respondents also have used their personal attitude to the business or government using their experience in interaction with these parties. That is why Tobias from Germany and George from Russia do not trust public authorities in their countries that much. Also Denis from Russian public organization cannot be sure if business is always honest with government. In Finland level of trust is quite high as it was mentioned by all interviewees, but in current economical situation it should be improved.

Another one – 'Attitude towards the regulation does not differ depending on the business field' – was completely disproved. As we can see from the answers of interviewees, some business fields as for example aerospace industry have good relations with government and its support for many years. However, for example, pharmaceutical industry in Russia suffers from regular controlling actions from the public side.

#### **4.5 Summarizing questions on interviewees' recommendations for improvement regulation policies**

And finally, in the last part called 'recommendations' we got information from interviewees, about what would they change in regulation system and how, according to

their opinion, it would be possible to bring trust between public and private owned organizations to the whole new level:

- *Could you provide any recommendations for improving the regulation politics in your country?*
- *How would you change the process of building trust between regulatory authorities and business?*

Here we got many interesting answers , such as the answers of Russian entrepreneur Nikolay Tikhodeyev. He said: ‘It would be great to change some things of course. For example I would change firstly the loan politic in banks. That would really help the business. In addition – and it is actually one of the biggest differences between Europe and Russia – I would work with the price of loans. I mean, nowadays we have to pay about 20 per cent interest for the business loans – that’s unbelievable. It is really hard to work like that. Also I would optimize tax strategies. Here I mean that it would be great to move finally form ‘grey’ bookkeeping to ‘white’ one. That means that if tax system will be clear, understandable and fair, than companies would not hide their earnings and state will get more taxes. ’

Another respondent from Russia – George Poltavchenko has a different perspective. He said ‘The system doesn’t work well in Russia. Corruption level is high and nobody can do now anything against it. That is why to change something in regulatory system we need to start from the whole political and social system of Russia. Talking specifically about pharmaceutical business I would suggest following – there should not be many regulations, there could be one, but effective. Effectivity – this is one of the biggest problems. So, I would change the system in the way it’d start working.’

Denis Tolstykh, member of public order committee in Saint-Petersburg region in Russia also have shared his opinion. He said: ‘Yes, actually now we exactly have some initiative to change something. It’s about disabled people we have told about before. Nowadays the law says that these privileges can be given only to the Public Organization of disabled people. This is special kind of company existing in Russia. But otherwise, if the person or a company want to use or is already using the labor of disabled people, than according to the law he will not have any advantages in the public

order. So we want to change it now. Our committee gave this initiative to the local parliament. In case they will approve it, it will go to the federal level – to the parliament of the country and they might already change the law for everyone – for all parts of Russian Federation. I am sure that's a good thing and it will help many people for sure.' About raising the trust level between government and private business Denis claimed: 'From my point of view the only thing which can be done now – just giving a time. I mean that we need to wait. For a long time in the public organization in Russia there were people without any experience in private business. It's not a secret that relations between business and public authorities in general were not always great. Now we have many great young professionals coming to work to the public organizations, sometimes they have also good experience in business. So I think that now we just need to give time to the system, so people will believe in the public authorities again.'

In Germany interviewees were also sharing their opinion about recommendations. For example Anastasia said: 'I wish there was more possibilities to connect with other freelancers from my branch and exchange practical knowledge. Probably this could be initiated by the government.' So, she thinks that public authorities should pay more attention to her business field. From her point of view her field needs more regulation. About raising the level of trust she said: 'Through more information! It'd be great if the public authorities (e.g. the tax office) provided free courses on their fields of competence (e.g. tax regulations) for different employment groups as well as for school children. I believe educating people in the area of public services would lead to better communication between the authorities and the population.' So, from her point of view lack of information and unclearness might be problematic to build the trust.

Tobias Blank also has shared his opinion. He claimed, that situation with business is more different. He said: 'The trust between business and public authorities is probably raising now. Because government supports business now more than its workers. Government is trying to keep economy alive.' So in conclusion he said, that situation in terms of trust is better for business, than for simple people – households. He is not sure, whether it is even possible to change something in this situation. He thinks that this development is objective phenomenon: 'What can they do? 'We are going to fire thousands of people' or 'we are going to reduce taxes'. If you reduce the corporate tax –



when you'll get the money than from to live? Of course, than you have to take money from private households... But on the same time you need to support the business... That's the situation now.' But on the same Tobias doesn't want to say that Berlin is doing everything right: 'I cannot really think about good alternative to get out from this situation. This is just the development, but on the same time government cannot just leave it – they need to find the way.'

German public authorities have different opinion toward this problem. Main recommendation was coming from them – better cooperation with informational channels. They both were sure that better explanation of public activities will increase level of trust. At the same time they have added that they expect to see same attitude from the business. They too see business more clearly and they want it to be predictable. So, according to them the biggest problem is lack of the information and the only possible way to solve it would be situation when both parties would be honest with each other.

Talking about Finland here answers were also very controversial. For example Henrik agrees with German colleagues that public authorities should explain their activities clearly – that will help to build the trust. He said: 'To put more acceptance for public regulations, they should be better explained. I mean – more concrete: what's the benefit for people and business, why do we have it and what would be the consequences, if we would not have these regulations. So, people would have a better understanding about this regulations, if they will know why is it like this in Finland that.' Also he would change some things in regulation politics: 'In addition, if I would like to change something that would be this alcohol regulation I was already talked about. I would let to sell in basic shops strong beer and wines.'

Alexander, the second interviewee from Finland agrees with Henrik that Governmental actions should be clearer: 'I know that Finnish public authorities are quite open. They never plan to hide something on purpose. But on the same time, if you are asking me, what I would change, I would say – to provide more explanation of their actions. But actually they are now trying to do it. So, I guess we just have to wait.' Answering the question about the trust building between public authorities and private business Alexander underlined that this process is very important. He said: 'I was also working

in other countries and I have something to compare. I am sure that in Finland the trust level is very high. But on the same time nowadays with all this crisis and other problems people are not really sure about their future. They are scared, business is not stable and these problems cause the lack of trust. Finnish market, Finnish labor market was always quite stable. I think that if government wants to get back business's trust - they need to show that they can fight the financial crisis.'

The interviewed person for Finnish public sector claimed, that everything that could be done is already done for improving the regulation. He showed that Finnish government is now changing laws, transforming the regulation of business to help local companies. He said that lately public authorities were controlling mostly rights of employees, but not companies. At the same time he is sure that if there will be a balance of how much attention government would pay at problems of business and problems of employees, it would help to raise the trust level between all parties.

Hypothesis studied in this chapter – 'Both private organizations and public authorities think that regulation system should be modernized' has been confirmed only partly. Generally all of the respondents were giving some advises on how to improve the system, but at the same time respondents from public organizations in all countries claimed that government is now providing many changes in their regulation activities, which is caused by current financial crisis. At the same time they all believe that level is not sufficient nowadays and should be improved.

Main hypothesis of this research - "In a current political, economic and social situation regulation, measures provided by government towards the business are too strong" was also not confirmed completely. Everyone agrees, that today the situation in political, economical and social life is very special – many different crises and other problems. However it is hard for all of the respondents to say that regulations are too strong for this time. Of course, some of them are quite tough and probably not necessary, but at the same time in all of the countries government is trying to help business with 'positive' regulation and such help is not considered as extensive.

## 5. CONCLUSION

This chapter summarizes the study, discusses its findings in the light of earlier research literature and draws conclusions. Moreover, practical implications are presented. The thesis ends with a critical review and suggestions for further research.

From the theoretical part we can understand all the information studied about the phenomenon of regulation.

5 criterias of a regulation to be the most important:

- The action or regime should be supported by the legislative authority.
- There should be correct scheme of accountability.
- Procedures of regulation should be fair, accessible and open.
- Regulator should always act with sufficient expertise.
- Regime or action should work effectively.

In addition, there were many different reasons for regulation discussed in section 2.2, such as monopoly, ‘windfall profits’ (Robert Baldwin, Martin Cave and Martin Lodge (2012: 17) determine this fact as the earning, that company gets in case it finds a source of supply much cheaper than it is usually on the market. Third reason is the externalities or so called spillovers. According to Breyer (1984: 23) “the reason for regulating externalities is that the price of the product does not reflect the true cost to society of producing that good, and excessive consumption accordingly results.” Baldwin gives a good example of this, explaining that if some company can reduce its expenses and the cost of the produced product by not having treatment facilities, they might ending up e.g. polluting a river. That is why this process has to be regulated. Anti-competitive behavior and predatory pricing can be also considered as one of the main reasons of regulation. This happens, when company establishes not fair competition: it either goes dumping by making the final price below the expenses to force other players to leave the market, or uses the predatory pricing technic - then prices are way bigger, that it should be according to the current market situation. Usually firstly happens price dumping, and when market is empty - predatory pricing. As other conditions for regulation include unequal bargaining power, scarcity and rationing and public goods and moral hazard. So, as we can see, there are many

different reasons for public authorities to regulate, because without it there is an easy way to a chaos in the different fields of people life.

To summarize the information from section 2.2 and 2.3 it is necessary to mention that trust and regulation are really close and supplemental phenomenons – trust is the basis of regulation. Although such a type of relationships between people and between organizations as trust existed always, it has just recently become a subject of scientific research.

It is also important, that trust is the main mechanism that helps to minimize the importance of risk. It can be considered from psychological, political, social and economical point of views.

There are several approaches to understanding the trust. The major ones are political, sociological, psychological and economical. All of them are describing this concept from different points of view and give the understanding of the importance of trust in terms of government regulation of business.

Interaction between public authorities and private business organizations were chosen as an object of the empirical research, and the appearance of regulation in this interaction as a subject of this empirical study. The aim of this study is to analyze different ways the regulation is used by public authorities to control the private business in these three countries.

Following problems were formulated:

- The ambiguity of reasons of regulation appearance
- Lack of trust between the public authorities and private business organizations
- Surplus of control between by the public organizations towards the business
- Insufficient attention paid to the factor of regulation

The main target of this research is to study different ways of control and regulation of private business by public organizations.

This task involves consideration of the following questions:

1. Identification and analysis of the main reasons of the control and regulation

2. Comparison of Russian, Finnish and German types of regulation politics.
3. Comparison of the attitude toward the regulation activities by Russian, Finnish and German private business organizations.
4. Creation of proposals and recommendations to a better development of regulation systems in these three countries.

Finally, the following hypotheses were chosen:

“In a current political, economic and social situation regulation, measures provided by government towards the business are too strong”.

Sub-hypotheses of this research are the following:

- Business’s attitude towards the government and its regulations is rather negative
- In European countries regulation is stronger than in Russia
- Trust level between business and public authorities is poor in each country
- Attitude towards the regulation does not differ depending on the business field.
- Both private organizations and public authorities think that regulation system should be modernized.

For conducting of this research method of expert interview was chosen. It was done due to the reason that only a qualitative approach could allow to examine this issue comprehensively and from all possible sides.

Among other things this research requires exactly the expert opinion, as well as a comparison of the Russian, Finnish and German points of view. It would be very difficult or even impossible to make this survey by using only quantitative methods, such as questionnaire.

11 interviews were conducted during this research - 6 with members of private companies in different industries in 3 countries and 5 with representatives of different level public authorities in same countries. 2 interview guides were need to created for the interviews’ conduction – first guide for the interview with the members of private business organizations and another one – with representatives of public authorities.

According to the empirical research, respondents have divided regulation to positive and negative. Negative regulation gives troubles to business, make life harder for

entrepreneurs. Example of such regulation can be so called ‘illegal regulation’. Whereas the positive regulation is helping business, gives it serious impact. As an example different pro-business politics can be mentioned.

The first hypothesis of the present study (‘In European countries regulation is stronger than in Russia’) was confirmed only partly. Summarizing all the answers concerning first hypothesis we can see, that all interviewees from public sector in each country are rather positive about the regulations. They understand the problem that regulations should be provided carefully, but at the same time they claim that governments are helping business with the positive regulations. Thus it is impossible to say, where exactly regulation is stronger – in Europe or in Russia and is depended also very hard of the business field.

Next hypothesis – ‘Attitude towards the regulation does not differ depending on the business field’ – was completely disproved. As we can see from the answers of interviewees, some business fields (e.g. aerospace industry) have good relations with government and its support for many years. However, for example, pharmaceutical industry in Russia suffers from “excessive” controlling actions from the public side.

Next hypothesis - ‘Trust level between business and public authorities is poor in each country’ was also confirmed only partly. Answers were not depending on the country or size of the business. When answering these question respondents also have used their personal attitude to the business or government using their experience in interaction with these parties. That is why Tobias from Germany and George from Russia do not trust public authorities in their countries. Also Denis from Russian public organization cannot be sure if business is always honest with government. In Finland level of trust is quite high as it was mentioned by all interviewees, but in current economic situation it should be improved.

Following hypothesis - ‘Both private organizations and public authorities think that regulation system should be modernized’, has been confirmed only partly. Generally all of the respondents were giving some advises how to improve the system, but at the same time respondents from public organizations in all countries claimed that government is now providing many changes in their regulation activities, which is

caused by current financial crisis. Meanwhile they all believe that level is not sufficient nowadays and should be improved.

Main hypothesis of this research - “In a current political, economic and social situation regulation measures provided by government towards the business are too strong” was also not confirmed completely. Everyone agrees, that today the situation in political, economic and social life is very special – many different crises and other problems. However it is hard for all of the respondents to say that regulations are too strong for this time. Of course, some of them are quite tough and probably not necessary, but at the same time in all of the countries government is trying to help business with ‘positive’ regulation and such help is not considered as extensive.

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## **Appendix 1. Interview guide for business.**

### **Introductory part.**

- *Tell about yourself and about your company, please. What type of business you are working in? Is there any specific character of the business branch in your country? Why did you start this project?*
- *What is your activity and responsibility on the working place? Please tell more about your duties.*

### **General questions**

- *Could you explain the characteristics of your work branch? Is it largely regulated by public authorities? How are the relations in this branch between government and business in general? What is your attention to this regulation? Would you like to change something?*
- *Could you explain typical features of your country, characteristics of public administration and regulation? How is the interaction between business and public authorities in general?*
- *Do you know the difference between the regulation in your country and in others two? What do you think about this differences and similarities? What type of regulation would you personally prefer?*

### **Attitude to the public authorities**

- *What is main characteristic of your business field regulation?*
- *Which positive and negative characteristics can you notice in this regulation?*
- *How does the regulation influence the development of your business field?*
- *What is your personal attitude towards public authorities of your country and their politics?*
- *Do you trust public authorities in your country? Why?*

**Recommendations**

- *Could you provide any recommendations for improving the regulation politics in your country?*
- *How would you change the process of building trust between regulatory authorities and business?*

## **Appendix 2. Interview guide for public authorities.**

### **Introductory part**

- *Tell about yourself and about your organization, please. What type of organization you are working in?*
- *What is your activity and responsibility on the working place? Please tell more about your duties.*

### **General questions**

- *Could you explain the characteristics of the regulations you are working with? What is the business field you are controlling the most? How are the relations in this branch between government and business in general? What is your attitude to this regulation? Would you like to change something?*
- *Could you explain typical features of your country, characteristics of public administration and regulation? How is the interaction between business and public authorities in general?*
- *Do you know the difference between the regulation in your country and in others two? What do you think about this differences and similarities? What type of regulation would you personally prefer?*

### **Attitude to the public authorities**

- *What's your attitude towards the business in your country?*
- *Which positive and negative characteristics can you notice in the regulation of business in your country?*
- *How does the regulation influence the development of business field?*
- *Do you trust business sector in your country? Why?*

**Recommendations**

- *Could you provide any recommendations for improving the regulation politics in your country?*
- *How would you change the process of building trust between regulatory authorities and business?*