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Editorial Mission of JEEMS

Objectives

The Journal for East European Management Studies (JEEMS) is designed to promote a dialogue between East and West over issues emerging from management practice, theory and related research in the transforming societies of Central and Eastern.

It is devoted to the promotion of an exchange of ideas between the academic community and management. This will contribute towards the development of management knowledge in Central and East European countries as well as a more sophisticated understanding of new and unique trends, tendencies and problems within these countries. Management issues will be defined in their broadest sense, to include consideration of the steering of the political-economic process, as well as the management of all types of enterprise, including profit-making and non profit-making organisations.

The potential readership comprises academics and practitioners in Central and Eastern Europe, Western Europe and North America, who are involved or interested in the management of change in Central and Eastern Europe.

Editorial Policy

JEEMS is a refereed journal which aims to promote the development, advancement and dissemination of knowledge about management issues in Central and East European countries. Articles are invited in the areas of Strategic Management and Business Policy, the Management of Change (to include cultural change and restructuring), Human Resources Management, Industrial Relations and related fields. All forms of indigenous enterprise within Central and Eastern European will be covered, as well as Western Corporations which are active in this region, through, for example, joint ventures. Reports on the results of empirical research, or theoretical contributions into recent developments in these areas will be welcome.

JEEMS will publish articles and papers for discussion on actual research questions, as well as book reviews, reports on conferences and institutional developments with respect to management questions in East Germany and Eastern Europe. In order to promote a real dialogue, papers from East European contributors will be especially welcomed, and all contributions are subject to review by a team of Eastern and Western academics.

JEEMS will aim, independently, to enhance management knowledge. It is anticipated that the dissemination of the journal to Central and Eastern Europe will be aided through sponsoring.
Editorial

I welcome the opportunity to write a guest editorial for our badly needed and soon to be widely recognised journal. The reason I feel JEEMS is badly needed journal is because, now after years of undergoing the transition to a market economy, it is becoming increasingly clear that the biggest barrier to overcome is outdated management thinking and techniques.

Almost without exception, at both the country and organisational levels in Eastern Europe, the people are well educated and generally willing to do whatever it takes in terms of breaking old habits and making themselves as productive as possible. They know that they need to update their skills in order to compete in the market economy domestically and internationally. Yet, Eastern European managers have generally not stepped forward with the necessary new thinking and accompanying techniques to successfully lead their people into the 21st Century. Obviously, there are many important exceptions to this statement, and these success stories need to be told in outlets such as JEEMS.

Although identifying and reporting case studies of successful ventures in the newly emerging market economies are important learning tools for management education, and frankly are needed to boost the confidence of Eastern Europeans that it can be done, for long term sustainability of managerial effectiveness there is a need to build a meaningful body of knowledge. Theory development, methodologically sound research, and guidelines for effective practice are needed. For Eastern European managers to develop new thinking and implement effective application techniques, they need this body of knowledge as an educational foundation for understanding as well as getting new ideas and confidence of how things should and can be done. Helping to build such a body of knowledge is where JEEMS can make a significant contribution.

Some examples of theory building and research results from my own current interests that could help in the thinking and application techniques of Eastern European managers (EEMs) might include:

1. The Learning Organisation. Most EEMs have become familiar with the concept and applications of TQM (total quality management), but now they must realise that their organisations can no longer just react and adapt to the demands for quality. Today’s managers must go beyond TQM and be able to anticipate change and learn; they must build a learning organisation. In recent theory building articles we have identified the major characteristics of learning organisations to be: (a) the presence of tension (or the need to learn); (b) the presence of systems thinking; and (c) a culture that facilitates learning. Some specific techniques that EEMs could use in developing a learning organisation might include learning lab/micro world simulations, scenario planning, and active learning programs.
2. *The World Class Organisation*. In order to compete in the 21st Century environment (where anybody can go anywhere, anytime), organisations can no longer be satisfied with being good; they must be the best to thrive, and, in the longer-run, even survive. We have built a theory going from total quality, to learning, to world class (being best in class). The characteristics, or what we call the pillars, of the world class organisation include total quality concepts/techniques such as customer-based focus and continuous improvement, learning organisation concepts/techniques such as flexible or „virtual organisations“, and, what we have found to be the greatest deficiency in today’s organisations, creative human resources management.

3. *Creative Human Resources Management*. On a more micro, pragmatic level, some HRM techniques that may be of immediate help to EEMs would include newly emerging 360 degree appraisal systems (where managers are evaluated by subordinates, bosses and peers); gain sharing reward systems (where the whole group shares equally in a documented innovative gain in performance); and self-managed teams (usually cross-functional and may include outside suppliers and customers). Other creative HRM approaches could employ an empowerment strategy (delegate decisions making and provide the necessary information to the lowest levels possible) and behavioural management. This last approach I have spent the past 25 years developing and researching (i.e., the O.B.Mod. model that identifies, measures, analyses, intervenes using positive financial and non-financial contingent rewards, and evaluates). We have obtained very significant results from applying the O.B.Mod. model in both manufacturing and service organisations. Importantly for EEMs, in an extensive study we found that the application of an O.B.Mod. approach had a significant positive impact on the productivity of workers in a large Russian factory (published in the February 1993 issue of Academy of Management Journal).

The above is only intended to be a sampling of the type of theory building and application techniques that can affect the thinking and practice of EEMs now and in the future. I look forward to the contribution that this and subsequent issues of JEEMS will make to this type of needed body of knowledge for Eastern European managers as they strive to meet the significant challenges that still lie ahead.

Finally, I wish to publicly thank my friend and colleague Professor Rainhart Lang for his leadership in putting together this excellent journal. As an editor myself over the past several years (American Management Association’s Organisational Dynamics), I can speak first-hand of the dedication that is needed. I hope I can speak not only for myself, but also management professors and practitioners throughout Eastern European, in appreciation of Professor Lang’s vision and hard work in making this journal a reality.

*Fred Luthans*
Management Transformation in the former Soviet Union - Estonian managers evaluate past and forthcoming transition

Kari Liuhto

A successful accomplishment of an economic transition does not depend only upon a functioning economic policy but, first and foremost, upon enterprise managers’ ability to adapt to the new economic conditions. Enterprise managers are ultimately responsible for the realisation of macro-economic reforms in practice. Therefore, the research should be increasingly focused on the micro-economic transformation. This article describes managerial transformation in Estonia in the 1990s. As Estonia has carried out its macro-economic transformation most successfully among the post-Soviet republics, Estonian managers’ views could provide guidelines for the evaluation of the management transformation in other parts of the former Soviet Union.

Die erfolgreiche Bewältigung des ökonomischen Transformationsprozesses hängt nicht allein von einer effizienten Wirtschaftspolitik ab, sondern und vor allem von der Fähigkeit der Manager in den Betrieben, sich an die neuen ökonomischen Bedingungen anzupassen. Sie sind letzten Endes verantwortlich für die Umsetzung der makroökonomischen Reformen in der Praxis. Aus diesem Grunde sollte sich die Forschung vermehrt auf die mikroökonomischen Aspekte des Transformationsprozesses konzentrieren. Der vorliegende Artikel beschreibt die Transformation auf der Managementebene in Estland in den 90er-Jahren. Vor dem Hintergrund der Tatsache, daß Estland bei der makroökonomischen Transformation von allen Post-Sowjetrepubliken am erfolgreichsten war, kann die Sicht der estnischen Manager auch gewisse Hinweise geben für die Evaluation der Transformation auf der Managementebene in anderen Nachfolgestaaten der ehemaligen Sowjetunion.


** Kari Liuhto, born 1967, Senior researcher at the Institute for East-West Trade at the Turku School of Economics and Business Administration, major areas of research interest: entrepreneurial and managerial transformation, and foreign direct investments in the former Soviet Union.
1. Research framework

The research framework consists of two parts. The first part describes the formation of the organisation management and integrates it into the organisational and managerial efficiency. The second part covers some of the major weaknesses of the Soviet managers concerning their adaptation to a market economy. With this dual approach one tries to explain why the particular management areas were chosen for analysis in this research.

The basis of enterprise management is the organisational mission. According to Rue and Holland (1989:7), the mission of the organisation is the widest and highest level of organisation’s objectives. Through its mission, the organisation determines the reason for its existence. Gradually managerial practices begin to build up around the mission of the organisation. Among the most important managerial practices is the creation of corporate strategy. Andrews (1980:18) defines corporate strategy as "the pattern of decisions in a company that determines and reveals its objectives, purposes and goals, produces principal policies and plans for achieving those goals ...".

The corporate strategy functions as a link between the organisational mission and the operative management practices. Managerial efficiency is determined by how effectively the strategic and operative management can integrated both to one another and to the opportunities provided by the external management environment (Tung 1986:233-247).

Previous studies have indicated that Soviet companies suffered from various management problems which decreased the efficiency of Soviet companies. Shortcomings were detected in business idea thinking and strategic management. The existence of these weaknesses is not surprising because the Soviet enterprise management had no responsibility for these management areas (Minzberg 1992:335). Organisations’ business ideas were determined by the political system and ministries (Milner et al. 1986:16-60). Even the most massive Soviet companies functioned as non-independent production units of the whole Soviet economy (Kozminski 1993:7).

Earlier researches have also pointed to several deficiencies among Soviet managers when operative management was concerned. Soviet managers are often blamed of low degree of motivation and low commitment to their company’s operations (Nurmi / Üksvarav 1994:58). In addition, previous research results indicated weaknesses in the Soviet managers’ skills. These weaknesses resulted from the deficient Soviet education and training system which placed more emphasis on teaching technical skills and management theories than developing practical business know-how (Beissinger 1988:221-239). Therefore, it is hardly surprising that Soviet managers were seen to have lacking knowledge, for instance, on their customer-orientation and opportunity cost thinking (Liuhto 1991:106).
Besides management knowledge, there seemed to be room for improvement in Soviet managerial style. The Soviet managers have been blamed that they treated subordinates as extensions of machines. In addition, Soviet managerial style is very often characterised as authoritarian (Lawrence / Vlachoutsicos 1990:272-286, Krips 1992:130-144). Previous studies have also illuminated various organisational problems in Soviet companies. These problems are illustrated, for instance, in stealing company property, unauthorised absence from work and use of alcohol at work (Liuhto 1993:15). These malpractices often resulted in overemphasis on control, written orders and overextensive bureaucracy of the Soviet system which lead to the organisational immobility (Lawrence / Vlachoutsicos 1990:272-286).

Immobility was further increased by the Soviet managers’ reluctance to develop the company operations. For example, Soviet managers were not interested in improving production because it consumed a lot of the company’s resources and thus endangered the implementation of the state plans (Berliner 1988:277-285). Gradually product development and change as a whole became hazards that must be avoided. Because of this avoidance of change, Soviet management can be characterised as a status quo management culture. The following figure summarises the research framework of this study (e.g. Figure 1).

Figure 1: The operational framework of this study
2. Research method and sample

The managers participating in this study were asked to evaluate the state of their company’s management during three different periods of time: on the eve of the disintegration of the former Soviet Union (1991), in 1995, and at the end of this millennium (1999). In this context one needs to underline that this particular method may produce slight distortion. First, the evaluation of the transformation accomplished so far may indicate more of managers’ attitudes toward it than what actually took place in reality. Second, estimates on forthcoming transformation may represent more managers’ hopes than reality.

Despite the possibility of slight distortion of the data, the method described above was an optimal alternative to collect information on the management transformation in Estonia as the research timetable did not allow researcher to wait research results for almost ten years. In the future, however, it is well-grounded to repeat the study.

Besides the repetition of the research, an interesting addition would be an inclusion of an outsider’s point of view on the transformation. In other words to study how foreign managers operating in Estonia consider the management transformation in Estonian organisations. Similarly, comparative studies between former Soviet republics might widen the perspective into the managerial transformation from the planned into market economy.

In this research, Estonian management was studied through 25 questions. The questions on the management transition are based on a seven-point scale. The seven-point scale reveals transition more effectively than a five-point scale. This simply stems from the respondents having to mark three evaluations to each of the questions. The tables presented in the following section contain scales in which 1 means ‘extremely good’, 2 ‘very good’, 3 ‘good’, 4 ‘average’, 5 ‘poor’, 6 ‘very poor’, and 7 ‘extremely poor’.

Over one per cent of the operating companies (300) in Estonia were selected for the research. The selection was difficult as it was hard to find a representative sample. This problem originates in the Estonian statistics, which offer fairly distorted data because non-business organisations are registered in the enterprise statistics. Besides the deficient statistics, one must underline the fact that the operating companies represent only some 30 per cent of all the registered organisations in Estonia (Liuhto 1996a:126-127).

As the random sampling would have been an irrational method for the data collection, the sample was chosen in a different manner. First, 300 companies were cross tabulated so that they represented the entire organisation field of Estonia in terms of their industry and geographical location. After this, the task of an Estonian expert was to search 300 companies whose size and ownership would represent the organisation statistics of Estonia as closely as possible. In addition, the enterprises were selected so that 3-5 per cent of their managers...
would be ethnically Russians. Furthermore, the sample was intended to contain some 15 per cent of foreign-owned companies, which corresponds to their share from all the operating companies in Estonia (Liuhto 1996a:128).

The inquiry was conducted during the first half of 1995. The questionnaires were sent in March-April and the last questionnaire was returned in July 1995. Regardless of the reminders, only 114 questionnaires were answered and returned (return percentage was 38).

The loss percentage was particularly high when small enterprises were concerned. The major reason behind this might have been their fear for misuse of data and the increasing organised crime in Estonia. Similarly to small enterprises, the majority of trade companies did not return the questionnaire. One explanation may be that the majority of the Estonian organisations registered in trade did not operate. While trade and services were underrepresented, industries in or related to manufacturing became overrepresented. However, the fact that capital-intensive enterprises were overrepresented may produce even more interesting results because a successful transition of industrial enterprises constructs the foundation for the successful implementation of the overall economic transition.

While analysing the structure of ownership in the studied companies, nearly half of them were under private ownership (48%). The share of state and municipally-owned companies was slightly below one third (32%). One fifth of the companies were owned by juridical persons (20%). The studied companies were considerably more often owned by the state or municipalities than the organisation field as a whole. The large share of state or municipal companies stems from the fact that the sample consisted of a large group of industrial enterprises, which are in many cases still in state ownership. Foreign ownership existed in 26 companies, which represents over one fifth of the sample.

Most of the managers who participated in the study were either general directors or managing directors (77%). The share of the middle management was slightly less than a quarter (23%). More than 70 per cent of managers had operated in a management position already during the Soviet era. The majority of the managers were ethnically Estonians (97%).

3. Managerial transition in Estonia in the 1990s

Enterprise management in the former Soviet Union has been criticised for a lack of business idea thinking. However, the Estonian managers seem to feel that the clarity of their business idea was not ‘poor’ in 1991. On the basis of this research data it is impossible to state whether Western studies have underestimated the Soviet managers’ concept of the clarity of their business idea or whether these Estonian managers are too optimistic when evaluating the clarity of their business idea.
Nevertheless, most important is that the Estonian managers believe that their business idea had become clearer since the last Soviet year until 1995. The reason for this positive development may be that an increasing competition is forcing managers to crystallise their business idea. One should point out that only those managers who had already operated during the Soviet era saw some depreciation in business idea from 1991 till 1995. The reason for this might have been the ‘old Soviet’ managers’ greater difficulties in adjusting to the changed business environment than their ‘new’ manager colleagues.

Positive, in terms of the future, was that the clarity of business idea is considered better than ‘good’ in 1999. Based on the data, the unclarity of business idea will not impede the efficiency in the management of Estonian companies during the latter half of this decade. A factor with at least a similar weight than the clarity of business idea was the way in which managers implement it. The data suggest that the accomplishment and clarity of business idea were at the same level in 1995. However, one should view these answers with some cautiousness. In other words, is the transformation as great in reality than the Estonian managers themselves believe?

Any significant differences could not be found in the transformation pace of the clarity of business idea and its accomplishment between the Estonian and the foreign-owned companies. This is quite a surprising finding as many foreign managers working in Estonia assume that the foreign management practices accelerate the management transformation. Furthermore, the comparison of the private and state enterprises did not uncover any significant differences. This research result indicates that the privatisation of the company does not necessarily increase its management’s adaptability to the market conditions (e.g. Tables 1 and 2).

Table 1: The clarity of your company’s business idea

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The Estonian managers were rather dissatisfied with the state of strategic planning in 1991. This does not come as a surprise since previous studies have already underlined the fact that strategic management was beyond the responsibility of the Soviet enterprise management. Fortunately, the state of

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1 Pearson’s chi-square test was used when the companies were compared.
strategic planning is estimated to improve considerably during this decade. The Estonian managers expected strategic planning to be better than ‘good’ in 1999.

*Table 2: The accomplishment of the business idea*

The Estonian managers’ estimates suggest that the accomplishment and the control of strategic plans fell a bit short of the level of planning in 1995. These differences are not acute enough to endanger the strategic management as a whole. A positive feature is that as a result of faster transformation the accomplishment of strategies and its control are expected to have reached the level of strategic planning by the end of this decade.

To summarize the strategic management in Estonian companies, one can state that it is not a stumbling block of Estonian enterprise management. The answers given by the Estonian managers seem to suggest that managerial transformation has occurred faster than many Western experts were able to predict. In the background of this managerial transformation is at least partly the fact that these studied companies have invested strongly on the training of their managers.

The ownership, the industry or manager’s ethnical background did not reveal significant differences between the companies. One might have anticipated that considerable differences would have appeared especially when so called modern industries (computer business and banking) were compared with more traditional ones (agriculture and forestry). Small distinction in the management transition between these industries might be explained by the possible bias caused by the low number of the studied companies or simply by the fact that industrial classifications are not best way to analyse the real activities of the enterprises. In order to find firm explanation for this, further study is required (e.g. Tables 3, 4, and 5).

*Table 3: The planning of company strategies*
The Estonian managers believe that the commitment of managers to goals was rather satisfactory already in 1991. This is an unexpected result since the commitment of Soviet managers to the company goals was not usually considered flattering. In this context, one needs to mention that the requirements for ‘equal wage policy’ gradually disappeared from the Soviet Union after the Perestroika. The wage liberalisation might have been one factor that increased the commitment of the Soviet managers. Therefore, one should not generalise the level of the commitment in 1991 to the whole Soviet era.

The Estonian managers believe commitment will improve during this decade. In the background of managers’ increasing commitment may simply be more meaningful jobs and increasing salaries, which usually increase the level of commitment. Besides these obvious explanations, one should also remember that the growing sense of national identity among Estonian managers may likewise increase the level of commitment to the company goals. Estonian managers may manifest national spirit in the ‘reconstruction’ of Estonia and hence become more committed to the company, through which they can now concretely participate in this vast reconstruction project.

The development of managers’ commitment resembles largely the transformation of managers’ motivation. The Estonian managers did not give flattering estimates how they were motivated in 1991. Although the motivation level of Estonian managers seems lacking, improvement has taken place since

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2 See Liuhto (1996b).
Motivation is believed to further improve during the latter half of this decade.

One of the reasons for such a belief may derive from competition which is forcing Estonian companies to invest in motivating their managers; otherwise Estonian companies may be threatened by losing their best managers to competitors. Secondly, the growing degree of motivation may reflect the fact that Estonian companies are more and more appreciating the importance of human resources in terms of competitive position. All in all, the Estonian managers believe that the motivation of managers will be better than ‘good’ by 1999.

It was interesting to notice that the motivation of the managers has improved significantly faster in state companies than in private ones. An explanation for this development is the lower starting point of the state-owned companies which ‘exaggerates’ the force of the change. The faster transformation pace does not mean, however, that the current motivation level in the state-owned companies would be better than in the private ones.

Second significant finding was that the foreign companies have managed to motivate their managers better than locally-owned. One factor behind the more rapid transformation and higher motivation level of managers can be due to the fact that the foreign companies put more emphasis on the personnel policy. Second explanation might simply be the better financial position of the foreign companies which allows them a better basis to motivate their managers.

The data might lead one to assume that there are no severe weaknesses in the degree of managers’ commitment to company tasks and motivation. If this self-evaluation is not distorted, it gives a good opportunity for the Estonian companies to use efficiently their human resources, which is one of the most valuable ‘natural resource’ of Estonia. In the same context, one should not forget how easy it is to evaluate one’s own degree of commitment and motivation slightly overoptimistically. This is indicated by the comments of foreign managers operating in Estonia with regard to the commitment and motivation of their Estonian colleagues, the older managers, in particular (e.g. Tables 6 and 7).

The analysis of management’s market-orientation indicates that it will improve most during this decade. The transformation has been much faster in the state enterprises than in the private ones. Nearly a half of the managers in the state companies felt that market-orientation has improved two units (or more) between 1991 and 1995. Only ten per cent of the managers in private enterprises felt the same. The reason for the fast development in state-owned companies is their lower starting point which ‘artificially’ increases the transition pace.

This is also referred to by an earlier study on Estonian managers (Ariko MG, 1994).
Table 6: The commitment of managers to company goals

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Table 7: The motivation of managers

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The engines of increasing market-orientation will be the Estonian-owned companies. This was supported by the fact that only less than five per cent of the managers in the foreign-owned organisations believe in the improvement during the second half of the decade. The corresponding share among the locally-owned companies is three times higher. All in all, the data indicates that market-orientation would be better than ‘good’ by 1999.

Whether Estonian managers have become more market-oriented in reality or their views are overoptimistic, is difficult to answer. Personal observations made by the researcher concerning the Estonian service and trade sector indicate that customer and market awareness have clearly improved since the Soviet years. A smaller change has occurred in industrial enterprises, whose managers are often more interested in production than marketing.

Cost-awareness of management has almost transformed in a similar manner to market-orientation. The improvement of cost-awareness was strongest in state-owned enterprises. This is not a surprise, as severe cuts in state funding introduced by the transformation have changed the daydream of the state companies into a financial nightmare. In private companies the situation has been different as they have been forced to operate without the state finance. In fact, some 60 per cent of the small and medium-sized private companies in Estonia are even outside the bank finance. Estonian managers’ estimates that cost-awareness will be better than ‘good’ by 1999 seem fairly reliable, because

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4 See Kaubaleht (1995).
Estonian managers have been obliged to pay attention to costs and their cause perhaps more than to any other subarea of management.

In addition to the managerial skills discussed above, it is of vital importance that the latest business know-how is passed to the Estonian managers. Therefore, it is a very positive sign that the studied enterprises have improved their training opportunities for their managers. Estonian managers estimate that managers’ training opportunities will be better than good at the end of this decade. Watertight explanations are difficult to come by, but one explanation may simply be increasing competition and improving training services in the Estonian market.

Surprisingly, foreign ownership does not seem to fundamentally improve the training services provided in companies, even if it is generally believed that foreign owners bring their advanced training methods along with them. On the contrary, it is no surprise that companies operating in so called modern industries invest more in training than those in traditional ones. This is due to the fact that some of these modern industries did not even exist during the Soviet era.

Summa summarum, the data indicate that there were severe deficiencies in managerial know-how especially among the managers of the state companies in 1991. However, the managers of these companies feel that they have managed to strengthen their skills. If this situation also prevails in reality, it gives a positive impression on the future development of the Estonian economy. In this context, one needs to underline that managers’ competence alone will not make companies competitive, but the skills of the entire personnel must be competitive, too (Tables 8, 9, and 10).

The Estonian managers estimated the efficiency of the manager’s use of time in 1995 among the poorest management areas. The reason for the Estonian managers’ inefficient use of time cannot be found either in the deficient economic infrastructure or business environment. The reason for inertia could be caused by the national management culture. In other words, even if the conditions within a company would enable efficient use of time, the prevailing national management culture could slow down managerial cultural transformation in more advanced companies.
The Estonian managers expect their use of time to become more efficient during the latter half of this decade. In fact, they believe it to have risen better than ‘good’ by 1999. Three per cent of the companies expected the managers’ use of time to deteriorate. These were all Estonian-owned companies whose managers held management positions already during the Soviet era. This might be a subtle indication of Soviet heritage causing some strain for the transformation of management.

According to Estonian experts, the inefficient time management of managers manifests, for instance, their reluctance to delegate certain routine tasks to their subordinates. As an illustration one expert mentioned that many managers still pay company invoices in person. Not only does this behaviour model reflect managers’ lack of confidence in their employees, but is a kind of relic from the

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Based on the interview with Heino Tammiste, managing director of Enterprise Association of Pärnu, January 18th, 1996, in Pärnu, Estonia.
Soviet time, when the general directors together with their head accountants dominated the financial transactions of the company (e.g. Table 11).

The estimations on the planning of decision-making in 1991 are worse than one could have anticipated. One could have prefigured that the planned economy would have taught Soviet managers all the secrets of planning. In this respect, one must remember that the Soviet planning system did not meet the requirements of planning in organisations operating in a market economy. This might be explanation why the Estonian managers evaluated the state of planning of decision-making in such a poor manner.

**Table 11: The efficiency of the use of time by managers**

Another interesting observation is that in 1991 decisions were planned in a more systematic manner than strategies. This finding might lead one to assume that strategic management during the Soviet era was in a poorer shape than operative management. This is reasonable since strategic management in Soviet organisations was limited because ministries were responsible for strategic management. Positive, in management transformation, is that the gap between strategic and operative management is believed to disappear by 1999.

The data suggests that Estonian decision-making can by no means be considered stagnant. In the same context, however, one must underline that the rapidness of decision-making may occasionally even turn against itself. This means that fast decisions are naturally not synonymous with correct decisions. On the other hand, slow decision-making might be the most catastrophic alternative for enterprises operating in the turbulent conditions of the transition economies.

To summarise the decision-making, one can state that the Estonian managers believe it to be both systematic and fast. If this is true, at least Estonian companies will not suffer from the inability of their managers to know how to act and to act rapidly. Whether rapidness is a specific feature of Estonian decision-making could be illustrated better if it were compared with Russian, Nordic and American decision-making. On the basis of the current research material, one can only guess where to place the Estonian managers among other national management cultures (e.g. Tables 12 and 13).
Table 12: The planning system of decision-making

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<tr>
<th>Sarja 1</th>
<th>Transition 1999—95</th>
<th>Transition 1995—91</th>
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<tbody>
<tr>
<td>2.9</td>
<td>3.6</td>
<td>2.7</td>
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Soviet managers were many times accused of withholding information. The Estonian managers’ views on the passing of information in 1991 indicate that this particular management field was not as problematic as commonly believed. While analysing the answers, one must remember that the majority of the managers in this study belonged to the upper management who had access to all the information channels. If the study had covered the views of the middle or supervisory management, the result would most probably have been lower.

All in all, the Estonian managers believe that the passing of information will have risen above the level of ‘good’ during the latter half of this decade. One must nevertheless remember that there will be no changes in the passing of information if the managers do not alter their ways of behaviour and thus the information policy of the entire company. As the end of this section will show, the Estonian managers are not too enthusiastic to change their ways, which can endanger the accomplishment of several reforms and the transformation ability of the entire company (e.g. Table 14).

Table 13: The rapidness of decision-making

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<th>Sarja 1</th>
<th>Transition 1999—95</th>
<th>Transition 1995—91</th>
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<tr>
<td>2.8</td>
<td>3.0</td>
<td>2.7</td>
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Table 14: The passing of information in your company

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<th>Sarja 1</th>
<th>Transition 1999—95</th>
<th>Transition 1995—91</th>
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<tr>
<td>2.8</td>
<td>3.0</td>
<td>2.2</td>
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</table>
The data support the impression that during the Soviet era the employees had much less influence on their company operations than prescribed in the socialist ideology. This is not surprising as the chances of a Soviet worker to affect the company operations were only apparent, despite the official meetings. The power in the Soviet organisation was strongly centralised on the general manager, head accountant, technical manager and the official representative of the Communist party.

The managers believe the situation has improved and will continue to improve during the latter half of this decade. The managers believe that the employees’ chances to influence will be better than ‘good’ by 1999. The strongest transformation is expected to occur in enterprises owned by the Estonian state.

On the other hand, it is difficult to believe in an unambiguous improvement of the situation. The employees will not have more power to influence without a fundamental strengthening of the Estonian trade union, which seems unlikely to happen in such a short period of time. No manager voluntarily dispenses his power to others unless convinced of its contribution to the efficiency of the organisation and thus to the strengthening of the manager’s own position. And the increasing power of the trade union is unlikely to make the company operate more efficiently (e.g. Table 15).

Table 15: The employees’ chances to influence in company

The estimates of the Estonian managers in 1995 suggest that the willingness of managers to take risks was satisfactory. However, the meaning is satisfactory in this context is relative. Naturally, one cannot conclude, on the basis of these findings, how the Estonian managers’ risk-taking compares with other former Soviet colleagues or Western managers. Yet these findings seem to indicate that at least it cannot be regarded as risk avoidance, which was a typical characteristic of Soviet management.

Surprisingly, the data indicate that willingness to take risks has not transformed at different pace in the state and the private companies. Despite the similar transformation pace, risk-taking in private companies is still stronger than in state companies. This is due to the fact that the starting points were different. In this context, one has to underline again the illusionary nature of change i.e.
change does not give any information on the starting point or the final outcome of the transformation, and hence, can lead analyses into astray.

When studying the development of risk-taking, one can see that Estonian managers’ willingness to take risks had improved since the last Soviet year. Estonian managers believe positive development to continue and their willingness to take risks to be ‘good’ by 1999. Whether risk-taking rises to this level in reality, too, or whether this is only an instance of wishful thinking, requires further study on the subject (e.g. Table 16).

*Table 16: Willingness to take risks in management*

![Table 16: Willingness to take risks in management](image)

According to previous studies, Soviet organisational behaviour typically included clearly defined organisational hierarchy and job descriptions. The estimates given by these Estonian managers give a contrary view on clear division of work. In this context, however, one should remember that the last Soviet year was extremely turbulent and most likely to have confused operations in Estonian companies. Therefore, the observations of 1991 should not be applied to the Soviet era on the whole.

The results indicate clear development between the last Soviet year and 1995. The transformation pace is expected to remain similar during the latter half of this decade when this subarea would be at a better level than ‘good’ in 1999. Managers’ tasks will become more specified probably because Estonian enterprise management has experienced a turbulent time, which is expected to settle by the end of this decade.

The answers of the Estonian managers indicate that the independence of managers was not considered poor during the last Soviet year. When analysing the managers’ independence, one can notice that three per cent of the managers believed independence would diminish from 1991 to 1999. These managers had operated already during the Soviet era. This supports the assumption that a Soviet manager was able to operate more freely than is usually imagined.

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6 Granick (1960:161-162) claims that „*despite all the formal centralization, the individual plant director in Russia [the Soviet Union] seems to be much more successful in building his own little empire than his counterpart in the American giant corporation*“.
Interestingly, the independence of managers is given one of the best estimates in 1999. The increasing independence in Estonian management is natural since several earlier studies have highlighted the importance of independent activity for the Estonians\(^7\). The emphasis on independence is one indication of the pace with which the Estonian management culture is outstripping the stagnant Soviet organizational behaviour.

According to the Estonian managers, the control of managers was not in the best possible state in 1995. This is understandable since the traditional control system is no longer functioning in these rapidly changing conditions. Control has especially diminished in state enterprises, which as such could be anticipated because, in general, the state cannot construct functioning systems of control at the same pace as private enterprises.

As a whole, positive in this transition is that the Estonian managers believe it to accelerate to some extent in the latter half of the 1990s. The Estonian managers expected the level of control to be ‘good’ by 1999. This positive direction may be due to the diminishing turbulence of the markets, which will enable enterprises to create functioning control systems by the end of this decade.

To summarise, the views of Estonian managers on organisational flexibility seem to reflect that Estonian organisations cannot be regarded as organisations where bureaucratic behaviour models would fundamentally impede the efficiency of operations (e.g. Tables 17, 18, and 19).

\(\textbf{Table 17: The specificity of the managers’ tasks}\)

\[\text{Table 17: The specificity of the managers’ tasks}\]

\(^7\) For example, see the following researches: Üksvarav / Nurmi (1993), Nurmi / Üksvarav (1994), and Vadi / Buono (1995).
*Table 18: The independence of managers*

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<th>Transition 1999→95</th>
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<tr>
<td>6</td>
<td>3.0</td>
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<tr>
<td>5</td>
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<td>4</td>
<td>5.0</td>
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<tr>
<td>3</td>
<td>6.0</td>
<td>0.9</td>
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<tr>
<td>2</td>
<td>7.0</td>
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<tr>
<td>1</td>
<td>8.0</td>
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*Table 19: The control of managers*

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<th>Transition 1999→95</th>
<th>Transition 1995→91</th>
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<tr>
<td>7</td>
<td>3.0</td>
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<td>6</td>
<td>3.0</td>
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<td>4.0</td>
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<tr>
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<td>5.0</td>
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<tr>
<td>3</td>
<td>6.0</td>
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<td>1</td>
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Relations between the Estonian managers were almost at the level of ‘good’ in 1995. In fact, the data suggest that the mutual relationships of managers were in a better state than other management areas studied. Even though these answers give evidence of a ‘good’ team spirit among the managers in 1995, the current situation is not due to transformation occurring faster than the average, but simply to the managers’ relations being better than other subareas already in 1991. In fact, managers’ relations have improved more slowly than other areas studied in this research.

This observation has a fairly significant methodological meaning. In other words, transformation study should not focus blindly on the pace of transformation, but also on the outcome of transformation. One needs to remember that a company already at a good level cannot improve its management as fast as a weaker company. As an illustration one can mention that a beggar can double his fortune much more easily than a multi-millionaire.

According to the Estonian managers, relations between managers and employees were not distinctively different from relations between managers. It is important to notice that these views were expressed by the managers. Had the employees been inquired, they might have answered somewhat differently.

If these answers are interpreted regardless of this restriction, they seem to sketch an extremely positive image of the state of the organisational climate. If this good climate actually prevails in Estonian companies, it most certainly provides them with a fairly healthy foundation for future transformation.
The good state of organisational climate is also reflected in the flexible manner in which Estonian companies settled disagreements. To summarise the organisational climate, one can state that the Estonian managers were satisfied with its state. That the organisational climate had remained good and even improved is slightly unexpected because one might have expected the dismissals to have diminished the sense of solidarity among the personnel, created problems among them, and thus decreased employees’ commitment to company goals and their motivation. However, the Estonian managers do not believe that this has happened. If the reality corresponds to these answers, this would be an illustration of the flexibility of Estonian employees (e.g. Tables 20, 21, and 22).

Table 20: Relations between the managers

Table 21: Relations between the managers and the employees

Table 22: Solving differences in opinions

Contrary to previous research findings, the answers given by the Estonian managers do not indicate that the initiative of Estonian managers would have been poor in 1991. A possible explanation for this is the ‘invisibility’ of the managers’ initiative. In other words, innovative skills were concentrated on how
the company could, with least effort, meet its production requirements set by the state.

In fact, the management of the Soviet company demanded a lot of creativity as its business environment was in some turbulence, despite its stagnant official facade. This seemingly absurd argument simply stems from inflexible structures of the Soviet economy creating extreme uncertainty in the supply of goods and services. Operating in uncertain and imperfect economic conditions required a considerable deal of innovation, which could not be shown officially since it often failed to comply with the official regulations of the socialist system.

The Estonian managers believed the degree of initiative would improve in the future. These answers may be interpreted in various ways. First, this may signify the managers’ increasing initiative within the organisation. Second, initiative may improve on account of more focus on the correspondence between initiative, business idea and strategies. Therefore, the improvement of initiative is not necessarily due to an increase in quantity, but to an improvement in quality.

The last two questions dealt with the capacity and will of the managers to change their practices. The answers given were rather surprising: the managers’ capacity and will to change were given the poorest grades in 1995.

One might have imagined in advance that enterprise managers are the engines of transformation, the situation was nevertheless the opposite. One might begin to interpret these results by arguing that Estonian managers seem to react more to changes in their external managerial environment than actively strive to change the management of their companies.

The innovative skills, capacity and will of managers to change are of crucial importance for the future entrepreneurial and managerial transformation. If the Estonian enterprise managers, for some reason, fail to transform sufficiently rapidly, the Estonian companies face a difficult future with increasing competition (e.g. Tables 23, 24, and 25).

Table 23: The initiative of managers
Table 24: Managers’ capacities to change their practices

Table 25: Managers’ will to change their practices

4. Summary

To summarise the transition of the managerial functions one can state that no major differences existed between the companies established during the Soviet era and after Estonian independence. Surprisingly, one could not discover many significant differences between various industries. Although the size of the sample should be larger in order to draw final conclusions, the data do not clearly support the assumption of industrial cultures and their different transformation pace. In this connection, one needs to remember that the statistics do not necessarily reflect the actual interaction of companies, which should act as the basis of defining subcultures. On the whole, the industrial subculture thinking should perhaps be compensated with a more functional alternative, such as ‘the network cultures’.

A comparison of private enterprises with state-owned companies uncovered a very significant difference in ‘cost-awareness in management’. The managers of state-owned enterprises felt more strongly than their colleagues in private companies that cost-awareness in their company had improved. The ultimate explanation for this is that during the planned economy state enterprises operated under the protection of state funding. The transformation finished soft-budget constrain of the state companies and forced them to operate according to self-finance principles.

The small differences in the transformation between Estonian and foreign-owned companies do not support the assumption that foreign companies were a self-evident driving force of transformation. One can argue that the main
powers of the Estonian management transformation lay in the transition of national management culture. Foreign influences only provide the lubrication.

When comparing the companies with large personnel to those with small enterprises, one cannot notice that the management of small companies would transform more rapidly than large companies. This is rather unexpected since one might have anticipated that small units can develop their management faster than large companies. This surprising result might be explained by small companies lacking in sufficient financial resources to accomplish management transformation.

Managers ethnically Estonian or Russian expressed very different opinions in several issues. This result, however, can be only taken as referential because only a handful of Russian managers participated in this survey. Nevertheless, these very significant differences call for a further research on this subject.

On the basis of the research data, one may suspect significant improvement in Estonian enterprise management. The areas which have advanced most rapidly are market-orientation, strategic management and cost-awareness. In this context, it is necessary to point out that the poor starting point of these functions has largely accounted for their transformation pace being considerably faster. Correspondingly, the areas likely to develop most slowly were parts of organisational climate, the control of managers and risk taking (e.g. Table 26).
Table 26: Summary of managerial transition in Estonia in 1991-99 (means)

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<tbody>
<tr>
<td>1) The clarity of your company’s business idea.</td>
<td>4.4</td>
<td>3.5</td>
<td>2.7</td>
</tr>
<tr>
<td>2) The accomplishment of the business idea.</td>
<td>4.5</td>
<td>3.5</td>
<td>2.7</td>
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<tr>
<td>3) The planning of company strategies.</td>
<td>4.7</td>
<td>3.7</td>
<td>2.8</td>
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<tr>
<td>4) The accomplishment of company strategies.</td>
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<td>5) The control of the accomplishment of strategies.</td>
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<tr>
<td>6) The commitment of managers to company goals.</td>
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<td>7) The motivation of managers.</td>
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<td>8) Market-orientation in management.</td>
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<td>9) Cost-awareness in management.</td>
<td>4.7</td>
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<tr>
<td>10) The training opportunities for managers.</td>
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<td>11) The efficiency of the use of time by managers.</td>
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<tr>
<td>12) The planning system of decision-making.</td>
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<td>13) The rapidness of decision-making.</td>
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<td>14) The passing of information in your company.</td>
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<td>3.8</td>
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<tr>
<td>15) The employees chances to influence in company.</td>
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<tr>
<td>16) Willingness to take risks in management.</td>
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<td>17) The specificity of the managers’ tasks.</td>
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<tr>
<td>18) The independence of managers.</td>
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<tr>
<td>19) The control of managers.</td>
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<td>20) Relations between the managers.</td>
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<tr>
<td>21) Relations between the managers and the employees.</td>
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<tr>
<td>22) Solving differences in opinions.</td>
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<tr>
<td>23) The initiative of managers.</td>
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<td>24) Managers’ capacities to change their practices.</td>
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<tr>
<td>25) Managers’ will to change their practices.</td>
<td>4.6</td>
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<td>Averages</td>
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<td>Maximum/minimum values</td>
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<td>3.9/3.4</td>
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</table>

One may state that the Estonian managers believe that most parts of management will be ‘good’ by the end of this decade. This does not necessarily mean that the management cultural transformation in Estonia would be over. One has to remember that enterprises which participated in this research can be regarded as a leading group in the transition of the Estonian enterprise sector. It

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<sup>8</sup> Although the differences between these factors are not great, the explanation for small differences is unlikely to be methodological bias. An indication of this is that with the same method one gathered managers’ views on the external management environment of Estonia. The means of these answers differed from one another to a large extent. For instance, the maximum and minimum values of the external managerial environment were 5.8/4.4 in 1991, 4.7/3.8 in 1995 and 3.8/2.8 in 1999 (Liuhto 1996c).
will take considerably more time from the main group of the Estonian enterprises to reach the same level as presented in this study.

Secondly, one has to emphasise that the research results are Estonian managers’ estimations on their own management, and therefore, findings can offer a more rosy picture about the transition than the reality. Thirdly, the overall management cultural transformation is not over before managers’ values and attitudes have transformed.

Finally, I believe it is vitally important to underline, with regard to the methodology applied in transformation study, that concentrating on the study of change alone may lead one’s analyses astray. Results gained from the study of change indicate only the scale of the change, but not where the change has begun and where it has ended. For this reason, transformation study should focus on analysing two different periods and compare them to one another, rather than study the change alone.

References


Ethical issues in Finnish-Russian relations: Finnish perspective

Gennady Polonsky / Erja Turunen

This paper explores the role which western, particularly Finnish companies play in shaping the moral and ethical environment of Russian business. The authors evaluate changes in attitudes and behaviour in Russia, comparing the situation before the introduction of market reform with the developments since. Based on empirical data and interviews conducted in Finland, the authors show that there are at least three groups of problems: Firstly, the low business culture of Russian entrepreneurs, secondly, the question how far Finnish companies can go in adapting themselves to the local conditions, and thirdly, the opportunity of Finnish business with Russia to positively affect the moral aspect of the Russian business environment and to gain knowledge about doing business in Russia.


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** Gennady Polonski, born 1957, Ph.D., Senior Lecture in Economics at the Business School of the Buckinghamshire College of Brunel University, major areas of research interest: Problems of countries in transition, especially the interplay between social, political and economic factors.

1. Business ethics: why and how?

1.1 Business ethics: a balance between theory and practice

Business ethics issues have until recently been the domain of philosophers. Business ethics, however, is too important an affair to be left to philosophers (van Luijk 1994). Too little is done to reduce the distance commonly felt between the business world and ethical discourse. It is not difficult to argue that one has to follow ethically acceptable rules and norms. The reasons for ethically acceptable behaviour are also fairly easy to express. How is this applied in practice?

The distance between theory and practice is psychological as well as operational, the latter of which, according to van Luijk, is more important.

People willingly admit that in market operations, in addition to the law, at least the negative moral rule has to be obeyed, i.e. the principle of harm to be avoided. The market itself is supposed to take care of the rest (van Luijk 1994). Ivancevich’s views deny any attempts at trying to separate business ethics and the demands of competitiveness stressing that ethics and competitiveness are inseparable (Ivancevich et al. 1994).

According to Cohen (Cohen et al. 1992) there is strong evidence that ethical diversity is related to cultural diversity. Thus the ethical beliefs of Finnish and Russian managers will be different. A Finnish company may attempt to control differences in ethical beliefs and decisions through its organisational culture: this control may be typically exercised through the company’s code of ethics. Such a code, and the company’s organisational culture, will normally be unitary in nature (Sinclair 1993) and embody deontologically based ethics, reflecting the dominant ethical tradition of Western society and therefore business (Pratt 1991).

To go into depth on the role of culture in ethics is beyond the scope of this paper (see Vitell et al. 1993:773-760). However it is attempted in this study to find out how activities with ethical aspects are conducted in real business world; in Finnish - Russian business relations in this case. How to be moral in the market where the external circumstances including the basic structures of the economy are changing all the time.

1.2 Law and regulations vs. business ethics

Ethics is above law. Companies do not operate in a vacuum but within an extensive legal and institutional framework that facilitates or hinders their activity. Within this legal and institutional framework, the state plays an important role as representative of society and the embodiment of authority (Argandona 1994).
In Russia, the ongoing transformation process has not yet gone far enough; the legal and institutional framework has not been established yet, thus leaving those operating in the Russian market with the feeling of insecurity. This may, in fact, be the decisive factor for many Finnish firms for not entering the Russian market in the near future.

Regulation is a body of general rules or specific actions imposed by the government which interfere directly or indirectly in the business environment (Argandona 1994). Russian firms are in an infant stage; they are learning to operate without government interference. A totally new set of regulations, if there are any, needs to be adopted. As long as the Russian government has not defined the most suitable regulation or decided to abolish all aspects of it regarding business transactions, it can be easily understood that it is the business circles, and individual actors in them, who define those regulations - unpredictably, ad hoc.

The absence of a regulation does not, however, justify unethical behaviour. All possible behaviours can never be covered by a regulation. Consequently, above and beyond regulations (and their loopholes) one must observe the rules of ethics.

Another interesting point has been raised by Argandona. Why should a company observe a certain regulation when competitors do not obey it, thus placing the reliable company at a disadvantage? It may even lose competitiveness particularly in certain unethical circles. Perhaps by following Argandona’s advice not to take regulations as tedious duties, but as business opportunities, potential dilemmas regarding regulations can be solved (Argandona 1994).

1.3 Why business ethics in international relations?

Referring to William A. Evans, we are ready to argue that the morality of the twenty-first century will be based on learning how to live with others. Strong leadership supported by responsible business management will be the prerequisite for the realisation of this morality. Without this, the world may find that the opportunity has passed, never to return (Evans 1982).

It is therefore of paramount importance that the ethical conduct of managers in an international context is taken as a serious issue. It is the people on the international scene, those on the spot, who carry the ultimate responsibility. It is their challenging responsibility to meet people of different backgrounds and to try to understand their culture, history, and values. It is the individual businessmen and businesswomen who make the final judgements when ethical dilemmas emerge in business activities and to do this, they need to realise that ethics is not a game (Evans 1982).
2. Finnish business managers and ethics

2.1 The changing business environment
Ethics is a fairly new topic in the discourse of business people in Finland. The past years of recession, the banking crisis, unemployment rates above 20 per cent have led to a dramatic structural and organisational changes in Finnish business life. Mergers, bankruptcies of business firms which were regarded as everlasting institutions caused several shocks in the Finnish business environment and initiated numerous discussions about the future development of Finnish society and the economy. Among them one theme has been consistently repeated and that is business ethics.

2.2 The managers’s ethical perceptions and responsibilities
Asko Miettinen has conducted a survey among Finnish business managers on their perceptions of ethics, particularly business ethics. The most important stakeholder groups in the ethical perspective have been identified. Customers ranked first, personnel and owners came in second and third (see table below) The table contains a comparison between the years 1981 and 1992.

Table 1: The importance of stakeholder groups as perceived by Finnish business managers (Miettinen in Luotonen 1994:48).

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>1981</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>1.72</td>
<td>1.32</td>
</tr>
<tr>
<td>Personnel</td>
<td>2.52</td>
<td>2.61</td>
</tr>
<tr>
<td>Owners</td>
<td>3.26</td>
<td>2.88</td>
</tr>
<tr>
<td>Financiers</td>
<td>4.15</td>
<td>4.36</td>
</tr>
<tr>
<td>Suppliers</td>
<td>4.59</td>
<td>4.55</td>
</tr>
<tr>
<td>State/government</td>
<td>5.71</td>
<td>5.94</td>
</tr>
<tr>
<td>Municipality/town</td>
<td>5.86</td>
<td>6.13</td>
</tr>
</tbody>
</table>

*1 = most important. 7 = least important.

Finnish business managers regard customers as the number one stakeholder. However, the most unethical practices that these managers had encountered had to do with competitors. Conflicts with customers and personnel were the second most frequent (Miettinen in Luotonen 1994:48).

In which areas do those interviewed feel that ethical issues demand greater attention? 39 percent of the Finnish business managers regarded marketing as the most questionable function. As many as 60% of the business managers felt
that misleading advertising should be eliminated from business life. Another area where Finnish managers felt strongly was environmental issues.

In twelve years, moral perceptions have changed surprisingly little. A Finnish manager relies on his own beliefs, subjective considerations of right or wrong. The type or the size of business does not play any role in this. Sex does, however; female managers tend to be morally more sensitive and their requirements for business practices tend to be higher (Miettinen in Luotonen 1994:48). Women expressed more criticism towards the impact on the ethical level of business, of business organisations, the media and legal regulations.

All stakeholder relations include ethical issues considered by managers (Laurila 1993). Laurila suggests that stakeholder theory could help us to analyse and understand moral and ethical problems in business. The moral muteness of managers discussed by Bird and Waters has been observed by Laurila as well. „Although the managers interviewed did not always refer to these problems as ethical or moral, the business ethics literature clearly indicates them to be so. It seems that managers sometimes lack the ability to discuss things in ethical terms, but this does not necessarily mean that they are ignorant of these issues“ (Laurila 1993:10).

2.3 The ethical responsibilities of a firm and of a manager

Ethical responsibilities are responsibilities that are expected - not so much desired, as required - by stakeholders. According to Carroll (1989), ethical responsibilities consist of:

1. avoiding questionable practices
2. responding to the spirit of the law
3. assuming that law is the minimum ethical basis for behaviour
4. operating above the minimum required by the law
5. asserting ethical leadership.

Laurila discovered that the following ethical issues are involved in stakeholder relations (Laurila 1993:9).

- **stakeholder**
  - ethical responsibilities
- **customers**
  - product quality
  - honesty
- **employees**
  - good working conditions
  - stability and security
  - development possibilities
  - honesty
  - education
• competitors   truthful information
  fair marketing and pricing practices
  no use of questionable practices
  consistency and stability
  playing the game by its rules
• owners    adequate information
• suppliers    honesty
• community and government    behaving with integrity
• financiers    adequate information
• environment    environmental friendliness
  protecting the environment
  product recycling

A manager with a sustainable ethical basis has been characterised by Hämäläinen as follows (Hämäläinen 1993:61):

a realist; decisions and actions are based on facts. A manager must face the facts.

ethical; co-operation is based on trust. Receiving is based on giving. A manager is human.

brave; a manager is always ready to start something new. New activities demands courage to rise above the ordinary solutions. A qualified manager has the energy to renew himself/herself.

a visionist; a successful manager can see far into the future. Vision equals strength and vision gives strength. Everyone in the organisation must believe in the future, together.

Every manager can develop his/her ethical principles and behaviour. Hämäläinen gives the following advice (Hämäläinen 1993:61)

1. Be an example; show that you are loyal to your organisation and to your colleagues.
2. Express your basic values to others. Behave accordingly.
3. Keep your promises and commitments
4. Show that you are genuinely interested in the welfare of others.
5. Concentrate on developing positive human relations.
6. Speak in a manner that shows you understand the points of view of others and that you respect others as individuals.
3. Studying Finno-Russian business relations

3.1 The scope of the study: SMEs in the North-Western part of Russia
Small and medium-sized businesses are often left out of the scope of research. Yet, business with one particular country, Russia in this case, may account for up to 80-90 percent of a firm’s total sales. Satakunta, a province situated on the Finnish West coast, is known for entrepreneurship, as well as for its large enterprises in the metal paper and pulp industries.

Now that the Russian market is offering new challenges, many small firms have began to operate in the East, i.e. across the Eastern border of the city and the surrounding area of St.Petersburg.

3.2 The significance of North-Western Russia for Finland and her economy
Together with Stockholm and Tallinn, St.Petersburg, with over 7 million inhabitants - some 10 million if the surrounding regions are included - forms the closest center of international business operations for thousands of Finnish business firms. The potential is there, the market is there; yet, the firms actually operating in Finnish - Russian business are counted in hundreds rather than thousands.

Finns do enjoy - it is often argued - many advantages in doing business in Russia and with the Russians, compared with firms (and people) from other Western countries.

According to a survey conducted by The Finnish Delegation of Business Life (EVA), the Finns have more basic knowledge, more information and a better orientation ability in operative matters when dealing with Russian business partners and operating in the market (EVA 1992:88). If this is true, shouldn’t Finnish companies be in the forefront as the Russian economy moves towards market-oriented thinking and behaviour?

In our opinion, Finnish firms and Finns as natural business partners could help Russian partners in moving towards business conduct and behaviour based on principles of honesty, trust and ethical soundness. That is, they could help in establishing business relations that can serve as examples for others, too, where both parties are satisfied in the long run.

The status of Finland in the European context has changed. As a member of the European Union, Finland has a new position on the world map; her Eastern border is the Eastern border of the EU. Each member country naturally brings its national characteristics to a joint European co-operation. What is expected of Finland, in addition to the Nordic democratic values, is wide and versatile knowledge of Russia (Forsman 1995)? Does Finland possess this expertise? How is it valued in the wider European or international context?
From the point of view of developing business relations with Russia, it is essential that Finnish and Russian business people think of each other as equal partners. What is the attitude towards Russians among Finns? How do Russian business people perceive Finns as business partners? What is the level of trust between the individuals. It is important to remember that organisations never close business contracts, it’s always the individuals who do it.

The North-Western regions of Russia (St. Petersburg, Karelia, Murmansk) will develop as the whole country of Russia develops. Various scenarios have been considered.

There are two possible scenarios for St. Petersburg; a Russian version of the Japanese model or the authoritarian bazaar economy of Latin America (Varila 1992). The first will have its basis in Russian economic culture whereas the second would be a compromise between market economy and centrally planned economy. The first is considered as more likely.

Another perspective is the strengthening of St. Petersburg within Russia: economic activity will gravitate there, i.e. within the Finnish sphere of influence. As economic activity concentrates in St. Petersburg, strong repercussions for the Finnish economy can be expected. As Blom says, (Blom 1992:4) „St. Petersburg may have as great an impact on Finnish life-style as the European Union at the end of the 1990s“.

The future of the Republic of Karelia will depend more on internal than external factors (Liuhto 1993) of which the trade between Karelia and Finland is seen as the most significant (Remes 1992). As far as Murmansk economic region is concerned, the future will greatly depend on the possibilities of utilizing its existing natural resources. As a conclusion of its report on the Finnish - Russian business environment and business relations, EVA states the significance of St. Petersburg in three aspects:

1. St. Petersburg is a gateway to the Republic of Karelia and even further to Murmansk and Kola – all important nearby regions for Finland. The developments of the metropolitan area of St. Petersburg can first be felt in Eastern and South Eastern parts of Finland. Towns such as Lappeenranta, Imatra, Hamina and Kotka, home firms in a key position when dealing with foreign firms wishing to get established in St. Petersburg. Although the infrastructure is not yet there, Finnish firms could help to overcome this problem.

2. It is not necessarily easy for Finnish firms to operate actively in the vast country of Russia, in new and unstable circumstances. The administrative and political centre, Moscow, must be closely observed at all times. It is only realistic to assume that St. Petersburg will be the business target and the market place in Russia for Finland for a long time. The impact of St. Petersburg on Finland is expected to increase.
3. St. Petersburg can also be seen as a means by which the Finns can observe the developments of Russia.

### 3.3 Finno-Russian business relations: what do we know by now?

#### 3.3.1 Joint Ventures

The operational options for business activities with Russia are the same as anywhere else: from small-scale exporting or importing to fully owned production facilities in the country.

Some Finnish firms have been partners in joint ventures with Russia (USSR) since the early 1970s and therefore Finns may be expected to have some competitive advantage in terms of the know-how and management expertise required to operate such an enterprise. The managerial challenges are there: have the Finns succeeded in business management in joint ventures?

Liuhto addresses the question of business management in his report „The Way to Success in the Near-by Regions of Russia“ in 1993. Through empirical research he attempts to highlight „the everyday realism“ (Liuhto 1993:3) of the strategic and the operational management of joint ventures.

In order to be successful in the North Western regions of Russia. Finnish firms should establish themselves in these regions very quickly. Only through operating locally can, a business firm react rapidly enough to the opportunities offered by the market (Liuhto 1993).

Local operation is a basis for, not a key to, success. In addition, capabilities, know-how, and practices suited to the present requirements of the market are needed. A sufficient „Eastern capability“ is a prerequisite; whatever is lacking, should be compensated for by other means or measures. The list offered by Liuhto could serve as a guideline (Liuhto 1993:60):

<table>
<thead>
<tr>
<th>prerequisites</th>
<th>measure/activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>experience from Russian market</td>
<td>choice of right partner</td>
</tr>
<tr>
<td>sufficient economic resources</td>
<td>co-operation with Western firms</td>
</tr>
<tr>
<td>possibilities to wait for profits</td>
<td>compensatory trade arrangements</td>
</tr>
<tr>
<td>reduction of cost level</td>
<td>local materials and personnel</td>
</tr>
<tr>
<td>knowledge of local area channels</td>
<td>build-up of reliable information</td>
</tr>
<tr>
<td>flexible and rapid action</td>
<td>local unit</td>
</tr>
<tr>
<td>ability to function in uncertain conditions</td>
<td>contingency planning</td>
</tr>
<tr>
<td>ability to function in Russian bureaucracy</td>
<td>local assistants</td>
</tr>
<tr>
<td>Russian language skills</td>
<td>e.g. hiring Estonian personnel</td>
</tr>
</tbody>
</table>

In his earlier qualitative organisational cultural analysis of three Finnish - Soviet joint ventures, Liuhto came to the conclusion that the managerial culture of joint
ventures was largely dominated by the Russian managerial culture rather than the Finnish managerial culture. In terms of Hofstede’s cultural dimensions, Liuhto described the Russian - Finnish joint ventures as follows (Liuhto 1991:100):

- a high level of power distance; which is lower than in traditional Soviet companies due to the reflection of Finnish managerial attitudes in joint venture operation;

- a high level of uncertainty avoidance; Finnish management has been incapable of influencing the dimension of uncertainty avoidance as strongly as the power distance dimension;

- a medium level of individualism; Finnish individualistic features have positively affected the behaviour of joint ventures’ personnel and their staff can thus be considered as having a higher degree of spontaneity than staff in Soviet companies;

- a high level of masculinity; the Finnish influence on masculine managerial behaviour is fairly weak. The attitudes (and thus the behaviour) of the Finnish managers have become more masculine traditionally because of the preference of the Soviet market of masculine managerial style.

Liuhto concludes from the examination of the joint ventures interviewed that the steps those firms have taken towards the integration of managerial cultures have been incoherent and often lacking in planning. The need for this kind of integration has been recognised, however, only a few joint ventures have actually taken steps in order to unite the managerial cultures (Liuhto 1991).

Considering our task, it is interesting to see how the Finnish partners see the situation now - after the dramatic change in the external economic system. Has the new ideology been transferred to the managerial level; if yes, how does it show in the business relations of joint venture partners? Training, communication, personnel management as a whole; they all are areas through which the integration of managerial cultures can slowly happen. We will come back to this issue in our case study.

3.3.2 Subcontracting in Russia

The Finnish textile, clothing and shoe industries in particular have moved a bulk of their production across the national border: Southwards to Estonia or eastward to Russia. Portugal and Poland as traditional contract manufacturing partners have gradually lost their position; particularly as Portuguese cost levels have risen to the point where the profitability of subcontracting is no longer valid (Erkintalo 1994).

The bulk of Reima-Tutta products are being sewn in Estonia, China and Russia, mainly. The final production phases are always carried out in the Finnish
facilities, "to guarantee high quality". Reima-Tutta Oy is not going to move all of its production abroad. "We are so strongly established here in our own region", says Mauri Paukkunen, Administrative Manager of Reima-Tutta Oy. Finland’s decision to join the EU is one of the reasons for strong domestic production.

Some Finnish textile and clothing companies have allowed the final production stage to be carried out in Russia, Luhta Oy, for example. "We are satisfied with the quality of work", said Pekka Luhtanen of Luhta Oy.

3.3.3 Exports
Exports will remain the main mode of operation in the neighbouring market, probably for a long time. To share costs as well as to reduce other than purely economic risks, some manufacturers, whose products neatly complement each other have created co-operative networks for operating in Russia. In Finland, these firms are usually helped out by the Finnish Foreign Trade Association. Its Lappeenranta office on the Eastern border of the country is specialised in East-West trade issues.

4. Business ethics and the transition in Russia

4.1 The legacy of the past
The euphoria of the first years of perestroika and the naive belief that the transition of the centrally planned economy to a market economy could take place during a short period of time have evaporated. The legacy of more than seventy years of the Soviet economic strategy, together with serious mistakes made during the years of socio-economic and political transformation, brought the country to the edge of collapse.

Unprecedented in human history, Russia has to cope with not one but with three transformations at the same time: transformation from dictatorship to democracy, from empire to nation and from economic breakdown to revitalisation and growth (Sachs 1994).

It is no longer questioned that simple dismantling of centrally planned institutions doesn’t make a market economy. The problem was "that many of the needed preconditions for successful economic reform were missing. Nor did they emerge quickly, spontaneously, or cheaply" (Lapidus 1995). A special set of institutional arrangements is required for a market economy and among the most important ones is a developed legal infrastructure to protect private property and the individual as well as society as a whole.

Economic freedom without strict boundaries of law can lead to chaos, crime, anarchy and violence. At the same time the legal aspect is never in itself
sufficient. There can always be cases where laws and regulations are inadequate (Clark / Lattal 1993). An internal ethical and moral code is needed.

The development of the institutional arrangement of the Russian market economy should not and cannot be separated from the development of the language of trust - business ethics. The importance of the role of business ethics in long-lasting economic prosperity is increasingly recognised by Western and Russian economists.

To understand the current state of the business ethics in Russia and its role in shaping the Russian economic environment, one has to look at the history and the factors which influenced the philosophy of economic behaviour.

Although formation of entrepreneurial ethics is historically a lengthy process which can be traced back thousands of years in Russian history, we believe that the development after the revolution of 1917 influenced the current economic behaviour the most.

The revolutionary and later the pseudo-revolutionary morality of the Soviet system according to which an aim could justify any means, „double thinking“- (one for party meetings and public gatherings and another for oneself), the atmosphere of paranoia and spyomania, when people often wouldn’t even trust their closest friends and families, couldn’t but seriously damage the morality of society, in general and business ethics in particular.

Trust is needed for effective business co-operation. It can also greatly reduce cost of doing business. According to the results of the project analysis of factors which make international joint-ventures between Russia and foreign countries successful, mutual trust and ethical behaviour are named as the most important ones (Fey 1994).

We fully agree with Clark and Lattal that the marketplace is becoming more hospitable to ethics and there is a close connection between ethical behaviour and profit. „On the one hand, ethical companies avoid the negative consequences of unethical behaviour, such as bad publicity, fines, and the legal expenses of defending themselves in the court. On the other hand, they acquire all the benefits of a good reputation: loyal employees and business associates, easier recruitment of the most talented people, a stronger spirit of teamwork across all employee levels, higher morale, both new and old customers who are attracted to what the company stands for, suppliers who are more accommodating and reliable, goodwill from communities in which companies operate.“(Clark / Lattal 1993:2)

However it is also true that „someone who behaves more ethically simply to increase profits has failed to grasp what morality is all about. Ethical values are the highest of all values, which means that being moral for the sake of profit undermines the very idea of morality … ethical actions have payoffs that
transcend business … As far as the profit motive is concerned … being moral usually is the most profitable course of action. However, there is no guarantee that it will be“ (Clark / Lattal 1993:3).

4.2 Current problems regarding business ethics
In Russia, partly due to the unstable socio-economic and political environment, in which most people have one aim and that is to survive, and partly due to the legacy of the communist past, low trust attitude dominates the business environment. „Not only did Stalinist thinking itself involve a suspicious attitude to others, but the increased absurdities of over-centralised planning led to a general distrust of promises made by anyone working within the economic system. This atmosphere of distrust was exacerbated by the widespread use of informers reporting to the secret police“ (Casson 1994:46).

For more than seventy years antipathy to entrepreneurial activity was persistently cultivated by communist bureaucrats. Until 1991, entrepreneurial activity was illegal and entrepreneurs prosecuted.

Stalin’s view that the Politburo and planning bureaucracy should maintain control over management and workers who could not be trusted to comply with the wishes of authorities was dominant in Russia (Angressano 1992).

The tough school of the centrally planned economy brought its negative fruits in the form of an army of generally well educated managers who lacked the qualities necessary for running an enterprise under market conditions. The area of least knowledge seems to be in managerial ethical and social responsibilities (Edwards 1994, Polonsky 1994). Under the communist system in the Workers’ State managers were supposed to have a great concern for their workers and all of them had to have a well-developed sense of responsibility to society, possibly through attending numerous courses in Marxist-Leninist ideology.

Soft budget constraint and its politics also contributed to the erosion of business ethics (Kornai 1992). The cultural legacy of Marxism could be a major handicap in the newly liberalised economies (Etzioni 1991).

The above mentioned observations are mostly true for the older generation of managers who were educated under the communist system. At the same time, there is a new generation of managers who developed their values during perestroika and the years of transformation. They are much more independent and entrepreneurial in their behaviour.

The collapse of the economic and political systems in Russia shattered the fragile remains of old communist values. Parting with the socialist idea of equality and giving up personal security for the unclear benefits of market competition have brought fear and anxiety to many people.
Struggling with the still existing and active state bureaucracy in the low-trust atmosphere of the economic system and being afraid of finding themselves on the dark side of the market have made some people think that all means are justifiable as long as they help them to survive and prosper. There have been numerous cases where managers were deliberately running down their enterprises in order to buy them cheaply on privatisation (Novacek 1991). This attitude is often stimulated by the gaps in government legislation and numerous cases of corruption among government authorities. In a way the level of managerial ethics of some new entrepreneurs can be compared with that of the First Industrial revolution. In the constantly changing legal and economic environment, they often find themselves surrounded by the perverse commercial behaviour, a corrupt public sector, illegal trading and general absence of any kind of business ethics and morality. To quote Oscar Wilde, they know the price of everything and the value of nothing.

Some of the successful entrepreneurs who very often set the standards of business behaviour developed their own business experience while working in the black market economy with its dog eat dog ethic.

Another strata of businessmen came from the old party nomenclatura, who enjoyed high positions under the old regime. They have the money, property and numerous connections, „the old boys network“; which help them to get the cream of small privatisation and acquire large proportions of shares of in the large privatised State enterprises.

The speed at which old party apparatchics turned into businessmen confirms once more their cynicism and disbelief in what they were preaching for most of their lives. According to some estimations, from 30-40 % of the capital used during privatisation in Russia was communist in origin (Bovin 1992).

The report prepared by the Institute of Social-political Studies at the Russian Academy of Science states that the rapid transformation into rich and poor will foster a wide-spread negative attitude towards high income groups. The view that the primary way to become rich is to be engaged in an activity which runs counter to the law and morality has become the steadfast opinion (Ivanov 1995). The report states that very often the „government course of developing private entrepreneurship does not include preventative measures to control economic crimes nor the negative social consequences that accompany this development. Among the most dangerous violations are the collusion of rivals to keep prices at the same level, as well as activity that is hazardous to health and environment“ (Ivanov 1995:34).

However, what is even more frightening is the growing belief that business is amoral, that it has to follow its own very often unethical but necessary rules. According to a recent survey made in the second biggest Russian city, those of the interviewed are sure that it pays to cheat (St.Petersburg novosty 1994).
The turmoil in Russian economic life made the difference between entrepreneurship and the Mafia almost disappear. Big and growing criminal groups exercise increasing control over the Russian economy, dividing the country according to their areas of influence. They almost openly exist in the financial sector, international trade, transport, and property market. According to Yuri Baturin, the Russian President’s advisor, the core of the Mafia in Russia consists of 25,000 people. They control more than 40,000 commercial enterprises, of which 400 are banks, 47 stock exchanges, and 1,500 are state-owned firms. Mr. Baturin estimated that corrupt government officials assisted at least a quarter of Russia’s criminal gangs (Freeland 1995). According to another estimation more than a third of profit generated goes for bribing of government officials (Nedela 1995). Criminality is now one of the obstacles in the way of developing Russian business and the business environment there. Entrepreneurship becomes a very dangerous job. During only two years (1994-1995), six hundred entrepreneurs and thirty six directors of Russian banks were murdered, and seven hundred companies’ offices were blown up (Nedela 1995).

„One cannot be taught good table manners on the dirty table linen“, a Russian humanist, A. Makharenko, observed once. So is it realistic to expect companies with high moral and ethical standards to survive and prosper in such an environment, especially if the company is foreign and the cultural and economic differences between the countries are great?

5. Methodology

5.1 Data collecting and analysis

Our approach is eclectic in that it seeks to relate macro issues, such as the institutional context, to the behaviour of individual entrepreneurs. It thus draws on a range of primary and secondary sources.

However, while quantitative data can provide a sense of general trends, a case study approach enables the researchers to gain greater understanding of pertinent issues at the level of individual firms (Bridgewater et al. 1993). Data for the case study was collected by means of semi-structured interviews with eight company managers and analysed using content analysis (Holsti 1969).

The aim of the study is to evaluate opinion espoused by the managers of some Finnish companies. The actual practice of the companies working in Russia will be the focus of the next research.

A number of top and middle managers of four Finnish business firms with business activities in Russia were interviewed in January-February 1995. The length of the interviews ranged from one and a half to two and a half hours, with an average length of one hour and forty minutes.
The interviews were tape-recorded and typed out afterwards.

The method of qualitative interviewing is felt to have been proven as a firm instrument for gathering the relevant information. The empirical evidence uncovered preconceptions on behalf of the researchers, conveyed deeper insights into the research problem, pointed out the further research direction, and revealed the issues that interviewees are prepared to reflect and report on.

The four firms represented here are small by any international standards, but most of them are domestic leaders in their own field and highly appreciated for their quality and entrepreneurship. Some have already won a good international reputation and successfully operated in foreign markets for almost twenty years. Some are only in the starting stage of international operations.

All the firms are located in the Northern part of the province of Satakunta, near the Western coast of Finland. The distance from these firms to the Eastern border between Finland and Russia varies between 400-500 kilometers.

The four Finnish companies mentioned above formed a network and opened up a joint sales office in St. Petersburg, named Quartet Group Ltd.

5.2 Case: Quartet Group Ltd. introduced

Quartet Group Ltd. - consisting of four small and medium-sized companies in labor-intensive shoe manufacturing and textile and clothing industries, the group represents a combined experience of 60 years in Finnish - Russian/Soviet business. The managers interviewed have all personally run East-West trade for years, three out of four during „the old system” as well as today. Thus, these managers can be regarded as experts in the field. The shortest experience has been gathered by Kassimatti Oy; they set up a joint venture in Russia only four years ago.

The Quartet group was established, in the first place, to boost exports to Russia; to find the right distribution channels and to operate in the market and to be where your customers are (Fonsen 1995). Four Finnish companies operating in the labor-intensive shoe, textile and clothing industries opened up a joint sales office in St. Petersburg in April 1994, thus expressing their intention to stay on the market long-term.

6. Ethical issues in Finnish-Russian business relations: How Finns deal with these issues

6.1 Who is your business partner?

According to Miettinen (1994), Finnish managers regard customers as the most important stakeholder group. That is why it is the Russian business partners who purchase and buy Finnish products who are discussed here first.
One of the biggest problems in practical business operations that the Finns have encountered is finding customers knowledgeable enough and interested in creating long-standing business relations with their foreign partners. It would be easy to operate on a day-to-day basis; sell whatever the customers wish to buy and try to make the most out of it, in terms of profit. As for Russian customers, this attitude would suit some of them, as well. The hit and run philosophy can be justified in an unstable environment.

The purchasing culture has changed completely from the years of bilateral trade and the five-year agreements characteristic of Finnish-Russian trade until 1992. As the quotas were given, the only issue discussed in the business negotiations was the price. The buyers during the old system were skilled and knowledgeable people who knew the products; it was their task to find the Finnish products that would meet the prevailing standards in terms of quality and then bargain for the lowest price. Getting such a contract would, and this is not an unusual circumstance, mean that a Finnish partner was guaranteed business for years to come.

"In those days you could not even think about your distribution policies, let alone marketing as we understand it. All you could do was to come down with your price as much as you could."

How to identify your customer now when the entrepreneurship flourishes and almost anyone is willing to buy your products. The wholesaling level has disappeared from the distribution channels; it is the active individuals who buy and sell. It is clear that the business culture has not been established, which gives opportunities for misconduct in the market.

This instability in business relations, i.e. the fact that you don’t know who you are dealing with, has led to the development of a common practice amongst Finnish exporters to Russia whereby the only form of payment in business contracts is advance payment. "The goods do not cross the border before we have the money. It is as simple as that", explains one of the interviewees with a considerable experience in East-West trade.

6.2 Customers and quality issues

The Russian consumers, the minority of which have enough money to buy Western-made goods, want high-quality products and prefer well-known brands. For a deal to become a good business for the Russian importer, he should be able to sell the imported lot easily and at a high enough profit. Do they know what is or will be good business? Is it the duty of the (Finnish) exporter to help in deciding that and guiding the purchasing operations to some extent?

The Finnish exporters would, in the view of Quartet Group Ltd., be morally right if they refused to sell the Russian business partners products which they
know are not suitable for the end consumers. This is how Top-Knit Oy has approached the problem:

"When someone wants to purchase products of our selection which we think would not be successful in the Russian market, we kindly refuse to sell them. Rather, we advise them to choose those products which we already have experience of in this particular market or which we otherwise place in the proper category."

How often does the seller think in these terms? Certainly there are too many Finnish businessmen operating in the Russian market who try to get the most out of the situation, in the short run. The managers interviewed all supported our view that after being unsuccessful in the domestic market, many companies enter Russia in reach of fast remedies for their economic crisis. Some do it in Estonia first, and, after finding problems there, continue in the St. Petersburg area.

The quality of the products sold to Russia is an ethically sensitive question. The exported products to Russia today need to fulfil the highest quality demands. They fall into the highest price category in Russia with the result that only the richest segment of the population - approximately 5 percent in St. Petersburg, according to the managers interviewed - can afford to buy the Finnish-made goods. Any low-price Finnish goods would be far too expensive for the vast majority of Russians, so the export interests of the Finnish producers of consumer goods have in the past few years centered around high-quality (design) goods. The bag manufacturer of medium-priced products like backpacks and sports bags, describes his situation:

"We can’t see we’ll export there in the near future. An average Russian cannot spend 20 - 30 % of his/her monthly earnings on an ordinary backbag. We are far from the masses."

That’s why the company has decided to concentrate on manufacturing in Russia; the products are imported to Finland and sold in Scandinavia.

It could also be easy in Russia, due to the economic circumstances there, to market products made of materials of lower quality than elsewhere, but using the same brand name, for example. Practices certainly vary among Finnish business firms. Our case company, Top-Knit Oy, has taken the following stand:

"We have a clear policy as far as materials are concerned. We don’t offer our Russian partners any products made of artificial fibres; it is all 100 percent wool."

6.3 Creating long-term seller-buyer relations

To create long-standing business relations from a Finnish point of view requires systematic input and interest to do so. Quartet Group Ltd. emphasises the
importance of good personal relations in business, as well as the responsibility of the exporters to create a modern purchasing culture.

This is best achieved, in their view, by introducing the buyers to the production and quality culture developed in Finland. By inviting their partners to company visits, and showing them how the products are made, the materials chosen and handled, etc, the Finnish textile, clothing and shoe manufacturers believe they can help in developing circumstances for fruitful co-operation that lasts longer than one or two deliveries. It cannot be assumed, they feel, that the new Russian business generation are experts in their fields; they need to become such, however, in order to develop flourishing business for both parties.

It would be unfair to state that those involved in purchasing operations in Russia were not capable of deciding what is best for them. The young business people in particular have adopted the Western way of business very quickly.

"Some have a surprisingly clear picture of what market economy is all about. The minds of the new generation are not loaded with the tape-recordings of what the world (market economy) should be, like ours are. They may have a very fresh image of how things can be done."

6.4 How do you treat your workers?

The second most important stakeholder group for Finnish business managers are the employees (Miettinen 1994). What kind of ethically significant considerations are there involved in the relations between the Russian employees and the Finnish joint venture partner who is normally the majority owner of the venture?

On average working moral of Russian employees, as well as their commitment to the company were observed by Liuhto (1993) to be fairly low. Companies had faced thefts, some employees may have run their own business in working hours, absenteeism was a problem, and drinking at work was common.

The members of the Quartet Group approach the employer-employee relationship on the basis that the social security system in Russia is far behind that in Finland or other Western European countries. The job is their social security. In the joint venture where Kassimatti Oy and Dynamo of Russia are the two partners, the best workers have been chosen to work in the joint venture. A similar production with a different product line still goes on in the traditional part of Dynamo, in the same facility. The Russian employees see joint ventures as an opportunity to enhance their standard of living. The Quartet Group believes, this is because the joint venture pays them better. Perhaps more importantly, they get paid on the day they are supposed to. It is the problem of non-payment of salaries that has raised upheaval in many branches of the Russian economy, as we have observed lately.
The Finnish firms are fairly satisfied with the quality of work in Russian textile and clothing joint ventures. "In order not to offend our Finnish employees, I must say they are equal." The quality has not been a problem in the bag manufacturing joint venture. Instead, some textile firms carry out final production in Finland - this is the practice of Reima-Tutta Oy, for example.

The working culture is changing. It seems that with a fair attitude towards the employees it is possible to raise the motivation and commitment level. "I don’t stand and watch my workers do their job in Finland, either", claims a Finnish manager who has trusted the management of his firm’s joint venture to a Russian manager from the very beginning.

6.5 Managing the Joint Venture

6.5.1 Where do ethics come in?

There are at least two aspects of management of joint ventures that require attention with regard to business ethics.

The first is: to what extent does the foreign partner trust the management (decisions, operations) to a local manager? What kind of role does the Finnish partner take in facing managerial culture different from his/her own?

The second issue is the question of repatriation of profits. What are the benefits of bringing the money back home compared to the situation where it is left abroad and used in investments or for other purposes there?

Our case company illustrates an approach which might serve as an ethically acceptable way to relate to Russian management of joint ventures. Please note the discussion here is limited to only the two aspects mentioned above.

6.5.2 The managerial culture

As in the case of employees, the managers of joint ventures get better pay than managers of Russian firms, generally. They have much better access to modern technology, to modern communication as well as to managerial training than their colleagues in Russian firms. This could be a base, we think, for a new managerial culture.

As suggested earlier, the Russian managerial culture traditionally lacks in co-operation and is more power-concerned than the Finnish managerial culture (Liuhto 1991). The Finns feel they have the right to, even the responsibility of integrating these cultures to the extent where major differences would not disturb the practical operations of the firm.

Training and education are seen as the number one means of integrating managerial thinking and behaviour. The Western investor wants to make sure that the capital invested is taken good care of; what is perceived as lacking is
taught to the Russian partner through a lengthy training period in Finland and thereafter under the guidance of a Finnish manager in the Russian manufacturing facility.

A remarkable unanimity prevails among the Quartet Group members about the role of the Finnish partners in production co-operation in Russia - be it a joint venture or other type of industrial co-operation. Namely, they see themselves as the providers of know-how and new technology, which manifests the attitude they would like to call the „educators’ attitude“. Without this attitude, they believe, co-operation would not be as smooth and successful as it is now.

Admitting that the main reason for starting production in Russia is the low level of costs there, the Finnish managers see joint ventures as a desirable way of relatively rapidly increasing the managerial skills and changing the managerial culture which will, consequently, contribute to the development of the wider business culture of Russia.

„The respect for work (which was seriously damaged during the communist years - G.P. / E.T.) is a major challenge for Russian (political) leaders. The ideological gap is vast. Also the managers of Russian business firms must understand their responsibility for the firms success. They have to educate themselves as well as to motivate their personnel. “

6.5.3 Profits: repatriation or not?

The second issue in management with ethical considerations raised here is the question of capital repatriation and its legitimacy. For Russian society, a big problem is the fact that Russian capital is not invested in Russia but escapes abroad (Hultin 1995). Should it be the responsibility of joint ventures and other forms of foreign investment to keep the investment level at a somewhat bearable level?

In our case study, we discovered an attitude worth considering from an ethical perspective.

The basis for successful business operations is laid at home: before one enters the Russian market, the domestic market should be in good condition. Russian operations should not be expected to bring about great profits rapidly. Business with Russia is a long-term effort where the foundations must be laid thoroughly and carefully. Finding the right partner is one of the key issues for success, as was discussed earlier.

The message gathered from the case organisations can’t be interpreted other than in the following way: When you start making profits from your operations in Russia, you are better-off leaving the money in the country as an investment in more up-to-date technology, or more importantly, in improvements to the business surroundings and the job environment of your partner company. By investing in the environment of your joint venture you can improve the social...
conditions of your employees remarkably, thus increasing the morale of the workforce.

A spin-off effect is bound to result from „such good deeds“. After all, as our manufacturing joint venture exemplifies, the sums one might be able to bring home are worth much less on the Finnish side of the border than in the East. With a hundred thousand marks, for example, the housing of the workers can be improved or playgrounds for children built. Once again, the job is the social security of the employees.

The impact of this kind of activity could be the key to a modern working culture, and a managerial culture closer to that of the Western partners as well as the business culture with less moral conflicts than today.

7. Business ethics in relation to Russians as business partners

7.1 The historical burdens

The Finns have been accused of having a superior attitude when travelling to Russia. Also, the EVA survey conducted in St. Petersburg among business people there indicates similar behaviour when in contact with Finnish business partners (EVA 1992). The Quartet Group members, when asked if this perception is justified, agreed that the past history and the models of cooperation learnt during the Soviet Era still prevail among many Finnish people.

„We as businessmen have a lot to do there ... to change this perception.“

The attitude towards business partners largely affects one’s behaviour in conducting business. The attitude held by the majority of Finns who experienced the years of two wars with Russia is crystallised in an old saying: „A Russian is a Russian, even if you bake him in butter.“ This attitude has changed during the post-war years. Personal contacts play a crucial role in this.

„Having had business contacts with Russians during the past five years, I had to change my views on them“, one of the managers admits.

7.1.2 Different histories - different motives

Finns seem to find two categories of business people in Russia.

„I can see it very clearly that there are two groups; the first is those who get along by the hook or by crook, the second is matter-of-fact, businesslike.“

Another categorisation is offered by Tom Hultin, a Finnish consultant operating in St. Petersburg: „It is a world of its own. The old Soviet system still prevails. The men of former power still try to guard their own playground“ (Hultin 1995). One of the managers interviewed describes the division of Russian business people into the „old-timers“ and the new generation as follows:
"We have a long-time business partner who acts like during the old command economy. They talk big, negotiate, eat and drink, live the pre-perestroika time. Those people still have not entered the change process.

The second group is new and rising. They are usually in their mid-thirties and they think very much like Western people. Many have acquired language skills; they speak English quite well. They comprehend and understand when we talk about the forces of market economy and their implications on pricing etc.

Otherwise the differences one encounters are largely personal. There are people you trust more and those you trust less. I see the difference between the old generation and the new generation as the most significant. It will take, I think, yet another generation when all Russians have adopted the new way of thinking, i.e. the Western thinking."

Yet another quotation is offered here to illustrate the attitude of Finnish managers to their Russian business partners:

"Basically, I regard them as responsible, but due to external circumstances they cannot quite fulfil their responsibility. Truly, there are irresponsible business people, too."

7.2 Towards better understanding

Personal relations are very important in dealing with Russian business people. The Finns are said to have a competitive advantage over competitors in this respect. During the long years of bilateral trade, delegations of Finnish business people and government officials as well as politicians visited Moscow, Kiev or Alma-Ata on a regular basis, and vice versa.

In most cases, these old business relations have been broken since the bilateral system was abolished. The first task for a business person entering the Russian market is to win the confidence of the Russian partner. As one interviewee explains:

"There are certain rules in business, the first being honesty. When you play with these rules on both sides, with open cards, and trying to give what you can, the other party mutually does the same"

7.3 Crime issues in Russian-Finnish business relations

When talking about business ethics, we cannot escape the question of crime. Too many examples have already shown that business operations are not always safe. Surprisingly, the managers interviewed regard the significance of crime as a minimal factor in business relations and operations in Russia. The media tends to exaggerate the situation, they claim.

Whether the Mafia exists in Russia is a question the business managers interviewed found difficulty in answering. Nevertheless, the Mafia is taken as a
reality and Finnish companies operating in Russia arrange security agreements; they pay for their protection. Low profile and non-advertising are ways in which foreign firms can keep their operations out of the scope of potentially criminal eyes.

8. Conclusion

Despite the political insecurity and the great structural problems of a transforming society, Finnish companies are approaching the vast Russian market with high hopes. The interviews showed that Finnish companies perceive themselves as consultants providing know-how in the development of the new business culture in Russia together with an ethical and moral code.

The attitude adopted by the companies interviewed is unquestionably positive. They realise it will take years for the new Russian business culture to develop and to leave the legacy of more than seventy years of communism past behind. The process is more complicated because of the numerous problems related to the transformation.

However, a somewhat patronising attitude can be found among Finnish business managers. It will also take years for the Finnish business partners to get rid of their past, and begin to regard Russian associates truly equal partners. We believe that willingness to learn should be mutual. Western companies should never apply a double standard: one at home, the other in Russia. Successful, long-term, mutually beneficial development depends on that.

References


Ethical issues in Finnish-Russian relations: Finnish perspective


Young managers in Eastern Europe

Transformation processes use to be much more than a large area of problems and difficulties. They always form arenas for young people appearing and searching for their chances in a highly dynamic environment. In Eastern Europe too, we are currently confronted with a large number of new businessmen (and -women), with new power groups dominating the situation.

Maybe it is still too early to conduct an overall analysis or even to theoretize these phenomena. (In this respect perhaps III Chemnitz East Forum on Managers in the Transformation Process next year could be an interesting date ... - see p. 59). Nevertheless we should have a look at it, and perhaps the best way to do it is by listening to a few of these young managers, to their reflections, opinions and experiences, sometimes, maybe, a bit puzzling, often quite exciting, always standing for a newly developing heterogeneous generation of managers in the East European Transformation Process.

Thomas Steger

Questions put to the managers

1. What does your personal career look like? (origin, education/formation, job career)
2. What reasons did you prompt to take on the job you do today?
3. Please give a short portrait of your company and your occupation (branch, volume, property relations, legal form etc.)
4. What are the most difficult problems you are struggling with at the moment?
5. Assuming a young person intends to start any business activities in your country, what would you recommend him or her to do (or not to do)?
6. What do you think about future developments and perspectives for you, your company and your region/country?

Fragen an die Manager

1. Was ist Ihr persönlicher Werdegang? (Herkunft, Bildungsweg, berufliche Laufbahn)
2. Welche Überlegungen spielten bei der Übernahme Ihrer heutigen Tätigkeit eine Rolle?
3. Stellen Sie bitte kurz Ihre Firma und Ihre Tätigkeit vor! (Branche, Größe, Eigentumsverhältnisse, Rechtsform usw.)
4. Welches sind die gravierendsten Probleme, mit denen Sie sich momentan auseinandersetzen müssen?

5. Was würden Sie anderen Personen, die in Ihrem Land unternehmerisch tätig werden wollen, besonders empfehlen?

6. Wie schätzen Sie die zukünftige Entwicklung für sich, Ihre Firma und Ihre Region/Land ein?

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CALL FOR PAPERS

III CHEMNITZ EAST FORUM

We are pleased to announce a call for papers for the III Chemnitz East Forum taking place at Technical University Chemnitz-Zwickau from March 5-7, 1997 dealing with

**Managers in the Transformation Process of Eastern Europe**

Chairman: Prof Rainhart Lang, TU Chemnitz-Zwickau
Key note speaker: Prof Fred Luthans, University of Nebraska Lincoln

Special topics treated in workshops and jointly chaired by a German and an East European specialist are:

I Manager careers, old elites/new elites
II Values and management attitudes
III Leadership styles and work relations
IV Management development
V Management problems in the practice of Eastern Europe

Applications and papers (max 2 pages) are welcome and should be received not later than **October 31, 1996**. As far as possible participants from Eastern European countries are will have their costs for transport and accommodation refunded.

For further information please contact:
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Erfahrungen eines Jung-Managers in Polen

Grzegorz Menet*


Der Einstieg in eine nach Polen expandierende westeuropäische Firma ist sehr interessant und anspruchsvoll. Man übernimmt in gewissem Sinne eine Pionieraufgabe, die später durch einen schnellen Aufstieg in eine Führungsposition belohnt wird. Selbstverständlich hat dies auch eine ﬁnanzielle Seite, die nicht vergessen werden soll. Andererseits nimmt man einige Strapazen auf sich, die sowohl durch die Infrastruktur des Landes bedingt sind, aber auch mit der Bürokratie des Staates und der Mentalität der Leute zusammenhängen. Es läuft alles nicht unbedingt so, wie man es sich vorstellt. Im Privatleben kommt man meist auch zu kurz, wenn die Firma ihre Niederlassung weit vom Wohnort entfernt in der ländlichen Pampa hat. Dies sind die Auswirkungen der noch relativ billigen Arbeitskräfte in Polen.

Schon während des Studiums an der Fakultät für Wirtschaftswissenschaften nahm ich mit Hilfe von Dr. Wolf, dem letzten Leiter des Bereiches Ledertechnik an der TU Chemnitz-Zwickau, Kontakt zu einer seit 1872 existierenden Gerberei in Baden-Württemberg auf. Aus kleinen Anfängen heraus hat es die

* Grzegorz Menet, geb. 1968, kaufmännischer Leiter der Firma Bader Pol GmbH.

ist man gezwungen, sich den Rat des Steuerberaters einzuholen, was zusätzliche unnötige Kosten für die Firma bedeutet.

Ebenfalls zu den täglichen Problemen gehört die Abwicklung des Imports undExports an der deutsch-polnischen Grenze. Die Zollgesetzvorschriften ändern sich mindestens so oft wie die Steuergesetzvorschriften. In einigen Fällen stehen bereits die LKW-Züge im Zollhof, wenn neue Unterlagen nachgereicht werden müssen. Um es kurz zu sagen, die größten Probleme bereitet dem Manager in Polen das Unternehmensumfeld, d.h. der Staat mit seinen ständig neuen Gesetzesauslegungen.


Viele westeuropäische Unternehmen werden ihre Niederlassungen in Polen ausbauen, um den eigenen wie den polnischen Markt mit qualitativ hochstehenden Produkten zu versorgen, die kostengünstig hergestellt werden und um gute Startpositionen für den riesigen Markt jenseits der polnischen Ostgrenze zu haben.
The young Romanian managers circumstance in investment times

Dan Stefanov*

Rescopa SA is a company using private capital whose fields of activity are trade and nourishment. This is its 40th year of activity. Rescopa is a full member of the Food Business Forum and founding member of the Romanian Committee of Distribution.

Our company current activity consists in producing and trading food consumers goods (about 40% of the products sold through its own food laboratories). The distribution network consists of 12 restaurants, 6 confectioneries, 10 pastry shops, 7 food shops and the most important of all, 1 Cash & Carry type wholesale center. Our products are made in 8 cooking laboratories, 6 confectionery laboratories, 4 pastry laboratories, 4 bakeries, one butchery and a soft drink factory.

We can talk about our distribution networks expansion over the boundaries of our country in 3 towns of other countries (districts). Our intention is to expand it even more so that in 1997, we should be able to talk about „attacking“ Bucharest (the Romanian capital) market. At present the network of Rescopa is formed of 38 units, but in 1997 we want to duplicate this. Being a member of the Food Business Forum our companies policy is to continuously adapt both its distribution and production to Western standards. The first step in achieving this goal was modernising its production and market places.

The second step was searching for its own identity some special things to make it different, to make it emerge from among its rivals. One of the most important achievements of the company was the creation of a new concept of shop „the conglomerate type shop“, a concept in accordance with the international tendency of specialising a supermarket in small and medium shops, but adapted to the Romanian market.

The concept of „conglomerate type shop“ includes all the 7 categories of products we usually find in Western shops: grocery - cosmetics and detergents - meat and meat consumer good fruits and vegetables. Among these specialised departments, this shop includes a confectionery and pastry department. After the example given by the McDonald’s - that managed by creating an unique concept

* Dan Stefanov, born 1968, Chief of Marketing Department at Resopa SA.
of restaurant, to expand all over the world - Rescopa intends on the basis of its concept of „conglomerate type shop“ to nationally expand its network.

Expanding its distribution network means expanding, at the same time, its capacity of production. Its management policy is to assure at least 40% of the food stuff to be sold in its shop, so that the amount of money gained should be doubled.

A very special chapter in our company’s activity is that of establishing a joint venture company with a German partner’s help whose field of activity is production. Speaking about our company’s collaboration with other partners, the financial results up to now make us affirm this is one of the most viable ways of developing and obtaining future profit.

Till 1994 Rescopa was a state company but after that it became private. The MEB method - of selling stocks to its own employees - was both the element that assured our company’s survival and development as a whole and the way of replacing centralism with private initiative. In spite of the restrictive law frame and in spite of a banking policy to dishearten free initiative and the development of the industrial units, Rescopa SA managed an adequate managerial and marketing policy to increase its profit: From 0.6 billion lei in 1991 to 5.3 billion lei in 1995 and about 15 billion in 1996.

Being a member of the Food Business Forum, the organisational structure of our company was adapted to Western standards by creating new departments such as selling, merchandising and marketing.

I am the one who leads the marketing department and I’m in charge of supervising the way of promotion of the entire range of products - beginning with the ways of exhibition in shelves, promotion, advertising, deciding a price watching the evolution of the products during the period of beginning stationed inside the shop, planning the supplies and ending with analysing if selling products or a range of products may bring a profit or not. I’m very preoccupied with promotion and supervising our own company’s products. The department I lead includes 3 other departments: marketing, merchandising and selling.

The marketing department is in charge of studying the market, the conveyor, the rivals, the influence of the perturbative factors and of finding ways of influencing or counteracting them. Studying the marketing includes activities of promotion and advertising too.

The merchandising department is in charge of the right administration of the product, the way and the place of tidying it on the shelf, the way of dividing the shop in departments, the way of promoting the product.

The selling department is in charge of supervising the evolution of a product or a range of products, beginning with the moment of its introduction in shop and ending with the moment of its selling. Watching a product means a great
flexibility and rapidity in making the policy of prices and accurate accounting of the profit a precise decision regarding the moment of buying supplies.

Even if this may seem hard to be done, merging these 3 departments has beneficent effects both from the point of view of the clarity and concomitance of the action and of the easing of quantifying results and effects. A slow selling of a certain range of products may be result of an inadequate exhibition on the self or a inadequate policy of the trade or price, a wrong advertising or a wrong identification of a need. If separated, even if rapidly communicating the sales marketing and merchandising departments suffered from belated decision destined to make the whole system work. Talking about Rescopa SA, the merger of these 3 departments in a single one has nothing but beneficent effects on both the speed of reaction and the quality of the decision (the decision can’t be the result of some distorted information).

Taken all round, the activity of the department I lead is structured after the strategy of maximum efficiency, a strategy whose basis consist in:

1. **What** I sell-produce-do in order to increase the efficiency of sales and production - and what purpose I have

2. **How** I want to penetrate the market-sell-administrative the products-control and increase the efficiency of my sales - make myself distinct among rivals-act and control my work in order to do it better - modify my policy of promotion and prices-realise if administrating a product or business may bring a profit or not- quantify and counteract the disturbing effects.

3. **When** is better to penetrate the market - modify what I sell or produce - modify my promotional activities - advertising modify my policy of prices - stop producing or selling something.

4. **To whom** I sell - I appeal when advertising - I commission the tasks.

5. **How long** I want to sell - use the same promotional activities - keep the same policy of advertising and prices - how much I want to spend for each activity - how much time I intend to allot to every activity.

If I’m able to give an answer to each of these questions I can easily make a marketing plan, find solutions to solve the specific problems! My only headache is to verify and modify the plan every week.

On of the most pressing problems I have to face is that of creating and maintaining the company’s public image. This image must be a positive one, structured on the very important concept of quality (of the partnership - products - service - management - marketing - employees and so on). Taking into account the slogan „Quality - our partner“ I managed by imposing one company’s partnership this positive image to make of Resposa SA a company famous in the country for the quality of service, a company whose such is bigger after day.
I can’t say I faced no problems. On the contrary, every day I must „fight“:

1. The mentality of my own employees: It is very difficult to make them understand that better services mean kind attitude and speech and better services mean more and more consumers.

2. The obstinacy of the consumer: If during the last 35 years the consumer was at the seller disposal, now the situation is exactly the opposite one. I think is pretty hard for him (the consumer) to get used to everything new in his life.

3. The limited resources: Because of the law that forces me to use only 5% from the gross profit in marketing activities, is very hard for me to make quick changes using so little money.

4. The disadvantaging banking policy: Public image means at the same time, an overall and a local one. Public image means great financial efforts but, if taking into account inflation and banking interests up to 70-80% an year, you realise it is pretty tough to make an investment whose profit will come after while.

5. The immaturity proved by mass-media

How can I create the adequate public image for my company? By:

a) making my employees understand that their attitude and behaviour towards customers can bring profits and profits can bring a better life for them.

b) making my customers, business partners, rivals, mass-media community, government organisation think that the services I offer are the best. How can I do that? By offering them the best promotional actions, the best advertising, the best products, by participating on exhibition, by sponsorships and charity actions.

Taking into account all the obstacles I’m confronted with, I realise they are external and internal:

**Internal obstacles**

1. The human potential: Is very hard to find, even amongst people that just graduated someone to have enough knowledge and skills for working with success in the marketing field.

2. The logistic potential: Because the department I lead isn’t adequately equipped, I must make appeal, for solving my specific problems, to the services offered by companies specialised in creating public images. But each of my requirements takes money and I can never be sure of the final results of their work.

3. The financial potential: Because of the small amount of money I have at my disposal, I must conduct my marketing actions on the principle: „minimum of financial efforts - maxim and immediate effects“. This is the reason why most of
my action take little time and money so that I could say I’m doing a sort of guerrilla marketing.

4. The *concurrence between the companies divisions*: Another very influential factor is the domination of the productive activity over the marketing (maybe this problem has the most influence).

**External obstacles**

1. **Consumers** - The Romanian consumer feels himself seduced by cheap and glaringly pached products (made in Arabian or Asian countries) that, in most of the cases have no qualities. This is the reason why I must convince him that my products, even if not so cheap or glaring, are better, or doing this I need not only much money but also very much time. It really takes time to change someone’s attitude even towards himself.

2. **Business partners** - Because every business partner wants a quick and maximum profit, the quality and price of the raw materials he offers leave much to be desired, I sometimes see myself forced to sell some products with minimum profit or no profit at all.

3. **Rivals** - There are two sorts of rivals: the Romanian and the foreign rivals: Speaking about the Romanian rivals I must say that I’m confronted with major prejudices caused by the disloyal behaviour of other companies or by their habit of making copies or even imitate the action developed by our company. Speaking about the foreign rivals I must say that they have a great deal of money to be spent in tremendous advertising campaigns destined to impose foreign products on the Romanian market. This is the reason why, in order to survive, my company is forced to use a small amount of money, to try to obtain the some results as the foreign rivals.

4. **Financial institutions** - The repressive policy of the financial institution, even if not acting over the marketing, constitutes a hindrance in developing because of its negative impact over the company activity.

5. **Banking institutions** - By demanding and exaggerating interest the banking institutions are real obstacles for those companies in full development.

6. **Mass-Media** - By superficially approaching some problems, by running after sensational subjects, by the great amounts of money they demand in exchange for their services, the mass-media representatives are rather passive collaborators for my company’s marketing department.

7. **Governmental and Non-Governmental organisations** - Because there are many of them and because they have different or even opposite opinions and interest, these organisations are another real obstacle for the marketing activity.
8. *The economical factors* - The reduced consumer power of buying, the hyperinflational status of the national currency impose further efforts, efforts that must materialise in a greater power of influencing the consumer.

9. *The political factors* - The existence of a wrong policy is directly influencing the status of the economy and implicitly the activity developed by my company.
Der Werdegang eines Controllers in Ungarn

Zsolt Zsedényi


Die Ereignisse der ersten paar Jahre aus dem Blickwinkel des Controllings können deshalb so zusammenfaßt werden, daß einige der wichtigsten „management tools” verfügbar gemacht worden sind. Diese sind nicht nur Mittel, die das oberste Management unterstützen, sondern vielmehr eine Möglichkeit, die Managementphilosophie des Unternehmens zu verändern. Bei Hungária haben sie dazu beigetragen, den vom obersten Management gewollten neuen Führungsstil und die neue Denkweise im Mittelmanagement zu verbreiten.

Die oben genannten Ergebnissen haben dazu geführt, daß die Hungária Versicherungsgesellschaft über ein gut funktionierendes und auch vom Mittelmanagement angewandtes operatives Controllingsystem verfügt. Eine der gravierendsten Probleme, mit dem das Controlling sich momentan auseinandersetzt, ist die Entwicklung und Einführung eines „Strategischen Planungssystems”.
Ungarn - durch die Augen eines jungen Managers betrachtet

Zoltán Matos


Die Universität war ein Wendepunkt in meinem Leben: Ich habe mein Studium an der Karl-Marx-Universität angefangen und dann an der Budapester Wirtschaftsuniversität absolviert. Es war das gleiche Gebäude und dieselbe Institution, aber der Geist war ein vollkommen anderer. Ich konnte in Ungarn zu der Zeit studieren, als im ganzen Land der Systemwandel begonnen hatte. Studieren heißt, Gedanken, Philosophien, Menschen, Geschichte frei und durchdiskutiert kennenlernen. Ich konnte glücklicherweise genießen, was mir diese Zeit gegeben hat:

- Der wirtschaftliche und politische Wandel vollzog sich vor unseren Augen und sogar teilweise mit unserer Teilnahme;
- Teilnahme an Diskussionsabenden in der zweiten, halblegalen Öffentlichkeit, mit sog. Andersdenkenden;
- Teilnahme an der Gestaltung der Universitätspolitik und der Bildungsstruktur;
- Treffen durch das College mit Nobelpreisträgern und anderen berühmten Ökonomen;
- Sehen und erleben, wie die Einheitspartei eingreift in das Alltagsleben und dann total zerfällt;
- Sehen und erleben, wie neue Parteien, die der Macht entgegen stehen, gegründet wurden;

* Zoltán Matos, geb. 1967, kaufmännischer Direktor der Pécsi Sörfőzde Rt.
Aber dann sehen und erleben müssen, wie diese neuen Kräfte alte Scheingefechte gegeneinander anzetteln und wie ungeschickt sie wieder gegeneinander stehen.

In dieser Zeit, trotz dieser Ereignisse, mit offenen Augen und offen durch die Welt zu gehen und möglichst dem eigenen Gewissen zu folgen, das schien mir unheimlich und wichtig zugleich. Toleranz und Fachkenntnis als Leitwörter bedingen auch heute mein Leben.


Diese Überlegungen haben meine Jobentscheidungen bestimmt. In meinem Alter (29 Jahre), mit meinen Erfahrungen diese jetzige Position (Vorstandsmitglied) wahrnehmen zu können, das ist eine Herausforderung und Chance, woran ich nicht vorbeigehen wollte. Und die Stadt Pécs bietet alles, was eine größere Stadt bieten kann, und trotzdem kann ich mich hier zu Hause fühlen.

Meine Firma ist die Pécsi Sorfözde AG, eine kleinere Brauerei mit rund 650'000 hl Absatz pro Jahr, aber immer noch die vierte bis fünfte unter den fünf großen Brauereien in Ungarn. Wir haben einen Marktanteil von ca. 7,5-8%. Nach der Privatisierung 1993 ist der Hauptei gentümer die Ottakringer Brauerei in Wien. Unsere Hauptmarken sind Szalon, Gold Fassl, Gilde und Radler.


In unserer Branche herrscht ein extrem harter Wettbewerb. Wir wurden als letzte Brauerei privatisiert, und die anderen haben diesen Vorteil ausgenutzt. Jetzt müssen wir unsere angestammten Gebiete zurückgewinnen. Wir haben

Unter diesen Umständen können wir nichts anderes tun, als streng zu rationalisieren, Strategien zu entwickeln und täglich mit neuen Ideen zu kommen. Intern müssen wir dezentralisieren und unter uns eine Mannschaft bilden, die uns unterstützt und teilweise ersetzen kann. In Ungarn gibt es ein Sprichwort: „Es muß eine Mannschaft vorhanden sein“. Wir glauben, wir haben keine andere Chance, als mit dieser Mannschaft projektorientiert, also flexibel und kompetenzübergreifend, den Schwerpunkt auf das Prozeßmanagement legen, zu arbeiten.

Empfehlungen

Meine bisherigen Erfahrungen habe mich davon überzeugt, daß die Ungarn unheimlich viel tun können und wollen, wenn es sich für sie zu lohnen scheint. Die Leute sind klug und stolz. Sie benötigen nur vernünftige Aufgaben und Rahmenbedingungen und entsprechende Entlohnung.

Zuerst muß man die Bedingungen, die Mentalität der Leute gut kennen und erst dann kann man Änderungen einführen. Lieber anpassen, als total austauschen, ohne gründlich geprüft zu haben. Es empfiehlt sich, solche ungarischen Manager auszuwählen, die sich hier gut auskennen und erfahrungsgemäß mit Leuten und mit der Organisation gut umgehen können. Sprachkenntnisse und Auslandserfahrungen sind ebenfalls sehr wichtig. Das wichtigste ist durch die o.g. Akzeptanz zu erreichen. Wenn man das spürt, kann man alles tun. Vielleicht lohnt es sich auch, ungarisch zu lernen.


Gegenwärtig läuft ein umfangreiches Forschungsvorhaben an der Wirtschaftsuniversität, das sich mit folgender Hypothese beschäftigt: Auf der Mikroebene, also in den Unternehmungen und in der kommunalen Politik, sind viel
gravierendere Änderungen vollzogen worden und die Leistungsfähigkeit dieser Ebene ist viel größer, als man das aus den Makrodaten ersehen könnte. Meine Erfahrungen unterstützen diese Hypothese, und ich bin fast sicher, daß dieses Forschungsprojekt dies bestätigen wird.


Ich hoffe, daß ich mit diesem Beitrag dem Leser geholfen habe, das Geschehen in unserem Lande, durch meine Brille, besser verstehen zu können und damit auch den Mut verstärkt habe, unser Land aufzusuchen und hier tätig zu werden.
Ein deutscher Jung-Manager in Rußland

Thomas Bär*

Werdegang


Probleme
Bei meiner Tätigkeit wurde ich mit einer Reihe von gravierenden Problemen konfrontiert: Die Gesetzgebung in Rußland ist einem ständigen Wandel unterworfen, was eine längerfristige Unternehmensplanung sehr erschwert. (An dieser Stelle muß allerdings vermerkt werden, daß diese Situation der Unsicherheit für meine Consultingfirma natürlich ein Plus darstellt.) Verbunden damit ist auch eine beträchtliche Behördenwillkür zu verzeichnen.

Im weiteren läßt die Zahlungsmoral vieler Kunden sehr zu wünschen übrig. In vielen Unternehmensbereichen herrscht auch ein Übermaß an Papierkrieg, der die wichtigen Funktionen behindert.

Tendenzen
Nach der erfolgreichen Wiederwahl von Präsident Jelzin rechne ich mit einer verstärkten Investitionstätigkeit ausländischer Firmen in Rußland; in diesem Bereich könnte es zu einem eigentlichen Boom kommen.
Im Bereich des Lebensmittelhandels wird die Einführung von Importkontingenten ein wichtiger Einflußfaktor werden. Im Bereich der Zölle erwartete ich eine deutliche Senkung der Sätze für Investitionsgüter, was natürlich die Investitionstätigkeit (speziell ausländischer Firmen) weiter ankurbeln soll.

Empfehlungen
Wer heute in Rußland unternehmerisch tätig werden will, der sollte in erster Linie über ausgezeichnete Kenntnisse der russischen Sprache verfügen. Um die (Geschäfts-)Gepflogenheiten des Landes kennenzulernen empfiehlt sich darüber hinaus die vorgängige Absolvierung von Praktikas; manche Fehler, die man hier - noch einigermaßen schadlos - begeht, können später viel Geld kosten.
Zu guter Letzt ist die Suche nach geeigneten Geschäftspartnern unumgänglich. Diese sollten nicht nur über etwas Kapital verfügen, wichtig ist vor allem, daß man ihnen vertrauen kann.
Experiences of a young Russian manager

Maxim Antonov*

I graduated from the Economics & Management Faculty of Nishni Novgorod State University. My home town is Nishni Novgorod, which is the third city in Russia among industrially developed cities. I started my activity as a businessman four years ago, when I founded my own company. It was a wholesale company, which existed 3 years and was closed because of heavy taxes and high competition. For a year I have been working now as a manager in a foreign trade company called Steorra.

Our country is only beginning to make its way in market economy. My profession is of great importance nowadays, that’s why I have chosen it. The company Steorra Ltd. has about 100 employees, it deals with import-export operations. In four years of its existence it has proved to be a reliable business partner in many countries such as Holland, Finland and Italy. We import exotic fruits, building materials, household machines; export wood and chemical raw materials.

Among the most important problems I would like to mention such as lack of close business connections with foreign companies, insufficient knowledge of foreign companies about Russian market possibilities and hence their unwillingness to invest money in our economy.

I think that the following qualities are indispensable for an entrepreneur: persistence, hard work, creativeness and of course fundamental education.

I believe in the future of my country. Each year the progress of industrial development of Russia is getting more significant. I hope that our company will contribute a lot to this process.

* Maxim Antonov, born 1972, manager in the foreign trade company Steorra Ltd.
Book Reviews


Björn W. Paape: Joint Ventures in Osteuropa unter besonderer Berücksichtigung der Republik Ungarn, Verlag Mainz Wissenschaftsverlag Aachen. 1995. DM 49,80

General remarks:
Swiss-Hungarian (Spitz) and German-Hungarian (Paape) joint ventures are being discussed by both publications.

Although published rather recently in 1995, both books present in lengthy chapters rather antiquated and outdated materials and statistics for the first two to three years after changes of 1989. The introductory chapters, therefore, seem now irrelevant and merely contain a summary of literature related to effects of globalisation, joint venture theories and international business in general.

ad1) Spitz:
The publication seeks to find answers on what distinguishes successful joint ventures from their competitors. The book, written as a Doctoral Thesis in 1991, analyses joint ventures under the aspects of Porter’s value chain and mainstream strategy and has five short case studies.

The effects of globalisation (pp. 9-56) and the changes until mid 1991 in Hungary (pp. 61-104) are presented as the first stream of thought. In addition through a second direction of analysis, notably that of competitive advantage through strategic alliances, the author reproduces typical concepts related to the field ranging from the various frameworks of strategic analysis, discrepancy between concentration and co-operation the modes of co-operation and transaction cost theory (pp. 105-152). Joint ventures, defined as one possible vehicle for inter-firm co-operation, are then classified along the various dimensions and presented in respect of the potential opportunities and risks and along critical success factors (pp. 153-202).

The most interesting part (pp. 203-234) of the book is a collection of five Swiss-Hungarian joint-ventures case studies, prepared on the basis of company interviews. Throughout all case studies the main dimensions observed are: constellation of the respective partners, motives and aims of the joint venture, the process of initial contacting, negotiation period, content of the joint venture agreement, organisation of the joint venture, problems emerging at the initiation period, prospective predictions over next the two years.
The aim was to show that the partners selected joint venture as the form of cooperation because this vehicle offered the highest level of synergy by linking their respective value chains, resulting in economies of scale and scope, increased leverage and a spread of costs and risks.

Furthermore the case studies also attempted to show what difficulties emerged during the negotiation and start-up phase of the joint ventures.

The fact that language difficulties were paramount and significant or the problematic issues of correct valuation of various inputs is hardly revealing news, but the general advice given in the last chapter (pp. 237-271) on joint venture formation are an interesting collection.

This section of the book changes the underlying tone of strategic management to that of cultural embeddedness of joint ventures.

Taking a comprehensive and macro view at the initial phase of joint venture is being recommended as a critical step towards success and superior competitiveness. In the second phase of the joint venture, whilst setting up the actual operations, the focus has to be shifted to the delicate issues of organisation and behaviour (Cyr / Schneider 1995; Duenas 1993). In the third and consolidating phase of the joint venture formation the importance of efficient controlling and communication systems turns into a critical success factor. This dynamic view of the joint venture formation and the underlying assumption of joint venture evolution is in line with the findings of other Hungarian joint venture-related research (Aal et al. 1996).

In the final chapter (pp. 272-278) the author refers to the fact that increasingly managers are faced with the dilemma of balancing a number of different alliances with different partners at the same time (Nohria et al. 1995) and simultaneously having to focus on the efficient implementation of the alliances in order to preserve their competitiveness (Bidault 1996).

Unfortunately the author concludes with a speculation on the potential evolution of joint ventures by drawing solely on the ‘expert’-opinion of a accountant-consultant. Similarly, data related to the significance of Swiss joint ventures among all joint ventures in Hungary is based on an estimate without a relevant reference period being mentioned.

The appendix contains a sample joint venture contract in German, a list of the major analysis aspects prior to joint venture formation and a summary of the ‘hot recommendation to managers’.

ad 2) Paape:

At the outset of the publication the author promises to further the explanations given to the joint venture phenomenon and to asses the integration potential of
East-West joint ventures. Unfortunately these ambitious goals are not wholly satisfied.

The book published in 1995, was written in 1993 using statistics and materials mainly dating back to the years before.

The analysis of the context of international commerce starts with the Mesopotamian trade (!) and sketching the developments of the 19th and 20th century, resulting in the processes of internationalisation, co-operation and concentration (pp. 28-43).

The following chapter (pp. 45-120) gives a very detailed, although a rather too scholarly, review of the classical joint venture theories, such as the transaction economic and foreign direct investment approach and lists the standard driving forces of internationalisation. This section contains a large collection of the various theoretical approaches aimed at explaining joint ventures. This wide scope of topics, however, is not matched by a corresponding depth and contends with giving a short introduction to each aspect.

The chapter on joint venture in Eastern Europe (pp. 121-146) is well researched and presents a good picture of the dilemma of socialist countries concerning their attitude towards joint ventures: on one hand the need to improve the economy by the acquisition of new technologies and the limitations posed by ideology and the cold war on the other. This tension was ultimately partly eased by an increasingly peaceful co-existence. The following historical description of gradual economic reforms is rather superfluous as is the very detailed section on the various European Commission action programmes which can only be of interest to a practitioner. This and the subsequent section on Hungarian joint venture legislation (pp. 150-174) appears to be outdated by constant modifications of EU regulations.

The final chapter could have been the most interesting part of the book, presenting statistical analyses resulting from 109 questionnaires returned in mid 1993 by joint ventures created before 1992 (!) (pp. 177-253). Unfortunately no hypothesis is logically constructed in the previous chapters for the author to attempt to test in his research, and the questionnaire scales are not validated either. The major perspective on joint venture is suddenly changed from the macro and policy making level to the micro level of individual joint venture companies.

The questionnaire collects basic data characterising the German-Hungarian joint ventures such as year of foundation, industry section, size, profile and others. The closed questions on the motives of foreign and local partners, on the problems which emerged during joint venture initiation and during the early operating phase as well as on employee motivation difficulties are not appropriate to the nature of the issues as they force the respondent to choose from a set of predetermined options. Furthermore problems relating to
capitalisation and those resulting from the business environment are explored, yet both of these areas have undergone drastic changes in recent years. The study shows that 85% of the German partners in the sample judge the overall joint venture performance to be at least „partly successful”, without giving any further explanations and precision to this highly subjective term nor is perception of the Hungarian partners being presented. The question of anticipated joint venture evolution merely confirms classic internationalisation theories (Harrigan 1983) by showing in most cases the foreign partners intention to acquire full control over the successful joint venture. It is only in the final question that the author tries to establish the respondents’ relative position in the organisation.

The book tries to address academics, scholars and practitioners all at the same time by adopting a wide array of theories explaining joint ventures, by explaining basic models such as Ricardo’s free trade model or the various components of joint venture risk factors and by including detailed sections on practitioner assistance on insurance, data gathering, funding sources and so on. Consequently the author cannot follow through a stream of thoughts nor is argument built up in a logical manner.

The actual value of both publications remains questionable, because the topic of joint venture formation during the early transition period in Hungary is neither of real interest to the practitioners nor is it the main direction of academic research anymore.

References


Zoltan Buzady, Department of Management and Organisation, Budapest University of Economic Sciences

Grancelli’s book is the result of a conference held at the University of Trento, Italy, in 1993, which dealt with the theoretical lessons to be drawn from the collapse of the East bloc. All articles in the book deal with the broad question of social change oscillating between tradition and (post-)modernity. They have been provided by Eastern as well as Western scholars, namely B. Grancelli, V. Zaslavsky, C. Codagnone, A. Kozminski, A. Kaminski, J. Kurczewska, C.-U. Schierzup, C. Makó, A. Simonyi, P. Ploszajski, R. Robertson, P. Sztompka, E. Tiryakian, and K. Müller.

Starting from the premise that each country of the former East bloc can be analysed in terms of a mixture of national culture and what Grancelli calls „a monolithic culture of the Soviet bloc“, the authors try to fuse descriptions of single countries (e.g. Russia, Poland, Hungary) with comparisons comprehending all East European countries - and sometimes West European countries, too.

Part One of the book deals with social change from the perspective of three types of actors, namely workers, managers, and institutional elites, while Parts Two and Three focus more, though not exclusively, on macro-theoretical issues. Among the problems discussed here one can find: the problem of appropriate generalisations concerning descriptions of East European societies, the tension between processes of globalisation and localisation, the use of classical sociological concepts (e.g. urbanisation, pauperisation, social differentiation), and finally the discussion of „new“ (or rediscovered or polished) concepts like the culture-civilisation approach, an upgraded version of modernisation theory, the approach of „social becoming“ and postmodern theories.

As so often with books of this kind, its wide scope is at the same time its strength and its weakness: its strength, because the reader gets a fair idea of the complexity of and the different approaches towards an explanation of the transformation process; its weakness because this complexity calls for a much more intensive discussion. Whilst it is certainly interesting to look at the phenomena from different angles of sociological theory, I have missed the dialogue between the authors exchanging critique instead of developing their theories monologically. When it comes to describing processes in particular countries, each of the sophisticated articles in the book, due to its sophistication, makes the reader look out for other reports on the same country describing another facet. And how about the countries not explicitly mentioned? Perhaps the times are gone (for good) when one could write a book of 300 pages on „Eastern Europe“.
It should, however, be stated clearly that these negative comments would not have arisen if the book were not as good as it is. Most articles reflect a sober balance of optimism and pessimism, of vision and practice, of guidance and scientific self-critique. They provide delightful insights, and - perhaps most important of all - the motivation to continue one’s own research with a broader perspective than before.

Elke Weik, Lehrstuhl für Organisation und Arbeitswissenschaften, TU Chemnitz-Zwickau

CALL FOR PAPERS

MERGERS&ACQUISITIONS IN EAST EUROPEAN COUNTRIES

For a special issue (edited by Miklós Dobák) of the Journal for East European Management Studies

Mergers&Acquisitions play an important role in the transformation process of East European economies. A high level of public attention goes with a large diversity of problematic aspects within this subject.

Therefore this special issue of JEEMS deals with different aspects of Mergers&Acquisitions such as (cross-) cultural problems, joint ventures, foreign direct investments or the development of legal and financial institutions in the region.

Well-written, empirical and theoretical manuscripts - especially by authors living in East European countries - which are related to the above subject are invited contribute to this issue.

Please send two copies of your manuscript and a disc version to: JEEMS, Postfach 964, 09107 Chemnitz (Germany). For any comments, questions, or suggestions, contact Thomas Steger (phone: +49-371-531 41 56 or fax: +49-371-531 39 87)
News / Information

Organisational Responses to Radical Environment Changes
Call for papers - 13th EGOS Colloquium
Budapest University of Economic Science, July 3-5, 1997

Both business and non-profit organisations are faced with accelerating changes in their environments. These changes can be observed in the political, social, economic, and technological environments.

The expansion and the increasing integration of the European Community modifies the conditions of competition among enterprises. Various forms of regional integration have been developed in other continents as well. Globalisation of business activities is also an emerging trend which requires adequate responses from the companies. The socio-political and economic transition in Central and Eastern Europe have created new context for firms to operate in. Transition from the centrally planned to the market environment requires new managerial approaches, organisational structures and behaviours.

Technological development results in new products, new services, and new forms of inter- and intra-organisational co-operation. Modern industrial societies provide high living standards but at the same time contribute to the pollution of environment. There is a great need for implanting environmental considerations into the operation of business organisations. The modern state seems to be unable to solve the social problems of our age. Socially responsible corporate behaviour is called for.

The ten sub-themes of the Colloquium discuss the new environmental challenges and the possible organisational responses. The aim is to bring together, within each topic, contributions with diverse perspectives and from different national contexts. Papers may be conceptual or empirical. Cross-national studies, and papers relating or contrasting different theoretical perspectives are especially welcomed.

Keynote Speakers
Barbara Czarniawska-Joerges, Lund University, Sweden
Title: Organising in institutional quicksand

Jean-Claude Thoenig, INSEAD, France
Title: How far is a distinctive theory of organisations still needed?
Sub-Themes

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Submission and Participation

Participation at the Colloquium is conditional upon the acceptance of a paper. Two page long abstracts of the proposed papers should be sent to the relevant sub-theme by December 15, 1996 at the very latest. Papers will be selected by convenors in two steps. First, the convenor considers whether the topic outlined in the abstract is relevant for the sub-theme by January 31, 1997. If the abstract is accepted, the whole paper is to be submitted to the convenor by March 31, 1997. Meanwhile, the accepted abstract should be sent in a Word for Windows or plain text format to the Principal Organiser by electronic mail before February 28, 1997. The final decision upon the acceptance of the paper will be made by the convenor by May 15, 1997. The convenor may propose that a paper be presented at the poster session of the group where the presentation time will be limited to ten minutes. Authors of accepted papers will be required to send copies of their complete papers to other working group members by May 31, 1997. Working groups will be limited to 25 participants. Participants are expected to attend the sessions of their working group throughout the colloquium. Multiple presentations in different groups are therefore not encouraged. Please address all inquiries about the subtheme the respective convenor.
**Important deadlines**

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**Organising Committee**

Károly Balaton (principal organiser)

András Gelei, György Drótos, Gyula Bakacsi, Imre Branyiczki, Miklós Dobák, Péter Kovács, Victória Bodnár, Zoltán Buzády.

**Information**

All general inquiries about the Colloquium should be addressed to the Principal Organiser:

Károly Balaton  
Department of Management and Organisation  
Budapest University of Economic Science  
H-1828 Budapest 5, P.O. Box 489  
Hungary  

Telephone/Facsimile: (+36-1)218-8040 or (+36-1)218-8076  
Electronic Mail: KBALATON@ZEUS.BKE.HU or GKD_BALATON@PEGASUS.BKE.HU

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**Second Annual CREEB Conference**

Buckinghamshire Business School’s Centre for Research into East European Business held its second annual conference on 18 and 19 June 1996. The theme of the conference was „Central and Eastern Europe: Towards the New Millennium“ which encouraged a wide range of contributions. Around 70 participants attended, coming from Britain, Western and Eastern Europe, and Russia.

The main themes emerging from the conference papers related to macroeconomic developments, enterprise transformation, the evolution of
managers and management development. A key feature was the description and evolution of the practice of conducting business and management development. The conference brought together participants from ‘West’ and ‘East’ which, engendered substantial debate between ‘outsiders’ and ‘insiders’ and clear perceptual differences of analysis and interpretation manifested themselves. For example West Europeans tend to view the region as a homogeneous entity while East Europeans stress local variety and differences. Furthermore, good intentions proffered by ‘outsiders’ can obviously founder on insufficient knowledge of local conditions. On the other hand, ‘insiders’ may be so submerged within the local culture that opportunities for unexpected innovations may be missed. ‘Outsiders’ should clearly not arrive bearing tablets of stone; however, the empowerment of local managers, for example, can be a difficult task because of their past experiences and current expectations.

This aspect was emphasised by the British keynote speaker when relating his experience of conducting projects in Hungary. The offer of support and assistance goes hand in hand with an open recognition of one’s limited knowledge of local conditions and sensitives.

There was also discussion of which countries constituted Central and Eastern Europe. For many it is a broad concept stretching from Eastern Germany to Russia. As the opening keynote speaker indicated, the New Federal States of Germany are still experiencing the legacy of communist rule which, on the positive side, facilitates their role as a bridge between West and East in Europe. Suggestions from ‘Western’ participants’ that the countries of the region had much to benefit from co-operation and the formulation of political and economic associations, were often dismissed by ‘Eastern’ participants who tended to highlight the strength of divisive forces such as nationalism which hampered such a process.

In general, researchers tended to focus on studies of particular issues in one country. There is clearly a need for more comparative research and for research addressing the relationship between national culture and the development of management. While research covering the hole region might be considered overly ambitious, projects in groups of countries at similar levels of post-communist development (e.g. Bulgaria, Romania and Moldova, or Slovenia, Hungary, the Czech Republic and Poland) could produce new insights and assist the dissemination of successful practice.

Such research would clearly need to adopt a common framework for the collection and analysis of data.

There is without doubt a need for a general overview of developments in the region and for a rigorous method of identifying the dynamics of change.

Allied to the theme of national culture, more consideration could be given to the development of organisational culture in companies in the region. There is a
need to develop an array of methodological tools to contribute to education and training. Such an endeavour would be premised on the transformation of theoretical insights into aids for managerial practice. Furthermore, this could be linked to research focusing on the relationship between successful organisations and their management. The findings of such research could make a real contribution to the development of managers in Central and Eastern Europe. The first phase of the transformation process is, at least in some countries of the region, over; now that market economies are in principle established, a new phase is under way.

Whilst some participants appreciated the mix of issue and approaches in the various sessions, other participants would have preferred a more focused structure, with streams on, for example, macroeconomic developments, privatisation, SMEs, management, and so on, as well as more academic keynote speakers. That said, many contributions aroused lively discussion among the participants. The debate throughout was amiable and constructive and was conducted in a positive spirit of collegiality.

Vince Edwards, Buckinghamshire College
Olga Strakhova, St. Petersburg University of Economics and Finance

***

MA in Central/East European Studies

The course
The new one year full-time programme commences in October 1996 and is open to new or recent graduates from any discipline. In order to be considered, candidates would normally be expected to have attained a good honours degree or an equivalent qualification from an overseas institution. Students will be offered a modular programme comprising core and optional subject areas:

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Sociological perspectives on Transition.
Research methods.

Options: Financial Investment and Trade.
Organisation and Management.
Issues in Societal Transformation.
Regional issues in Central/Eastern Europe.
Opportunity to study languages: Russian, French, or German.
Students will be expected to make an overseas visit to Eastern Europe, in order to complete research work related to that region, as part of the Dissertation requirement of the MA.

The college
The Buckinghamshire College, a college of Brunel University, was established in 1893. The Business School, where the course will be located, is at Newland Park, an attractive campus 20 miles West of London.

The Business School has recognised strength in the area of East and Central European business. It has well established active links with partner institutions in a range of East European countries and Russia. The Business School’s research programme has a firm East European focus. A number of research projects relating to economic and management change in Central and Eastern Europe have been undertaken by members of staff and PhD students. The School’s Centre for Research into East European Business acts as a focus for the School’s research into Eastern Europe.

Fees
The fees for the programme are not yet agreed, but will be approximately £2,500-£3,000 for Home (EC) students and £4,500 for Overseas students.

Further information
The Postgraduate Courses Administrator
Buckinghamshire College, Newland Park,
Chalfont St Giles, Bucks HP8 4SF.

Ostmitteleuopa im Umbruch
Diskussion zu stellen. Die Teilnahme der polnischen und tschechischen Wissenschaftler wurde durch die finanzielle Unterstützung des DFG im Rahmen des Wissenschaftleraustausches ermöglicht.

In einem ersten thematischen Block unter der Überschrift „Privatisierung - Staatliche Programme und betriebliche Strategien“ wurde die soziale Konstruktion von Privatisierungsstrategien und die Kontingenz der Privatisierungsverläufe vor allem in Polen herausgearbeitet sowie kritisch nach der Bedeutung der Privatisierung für die betriebliche Restrukturierung gefragt.

Im zweiten Teil ging es um die staatlichen Liberalisierungs- und Deregulierungspolitiken sowie um betriebliche Marktpositionierungsstrategien im Übergang zur Marktwirtschaft. Deutlich wurde hier vor allem, daß die Beurteilung der Transformationsprozesse - je nachdem, ob man sie von der Makro- oder Mikoperspektive aus beobachtet - ganz unterschiedlich ausfallen kann. Vor allem am Beispiel der Tschechischen Republik - die aufgrund ihrer Stabilitätserfolge zu den marktwirtschaftlichen „Musterschülern“ gezählt wird - lassen sich auf der betrieblichen Ebene Restrukturierungsblockaden und Repolitisierungsstrategien identifizieren.

Der dritte thematische Block beschäftigte sich mit den aktuellen betrieblichen Produkt-, Organisierungs- und Technisierungsstrategien der Unternehmen im Transformationsprozeß. Im Vordergrund stand hier vor allem die Frage nach der Nutzbarkeit des lokalen Qualifikations- und Erfahrungspotentials für moderne Innovations-, Organisations- und Rationalisierungskonzepte.

Abschließend wurden neue Formen gesellschaftlicher und betrieblicher Sozialintegration erörtert. Betont wurde hier vor allem die relativ konfliktarme und konsensuelle Bewältigung der Umbrüche in der tschechischen Republik und es wurden deren kulturelle und institutionelle Ressourcen diskutiert.

Deckende Darstellungen und befriedigende Erklärungen der gesellschaftlichen und betrieblichen Transformationsprozesse in den Ländern Mittel- und Osteuropas konnte selbstverständlich nicht Ziel des Workshops sein. Vielmehr ging es um das Zusammentragen und die Diskussion erster empirischer Ergebnisse aus diesem „Feld“. Herausgearbeitet wurde dabei vor allem die Kontingenz und die Offenheit dieser Prozesse sowie die Bedeutung kultureller und institutioneller Hinterlassenschaften der staatssozialistischen Vergangenheit für die Transformationsverläufe. Einige der Tagungsbeiträge werden im nächsten Jahr in einem Sonderheft dieser Zeitschrift erscheinen.

_Gert Schmidt, Institut für Soziologie, Universität Erlangen-Nürnberg._
_Ursula Mense-Petermann, Institut für Soziologie, Otto-von-Guericke-Universität Magdeburg._
Management und Wirtschaft der Firma


Den zweiten, grundsätzlichen Teil der Konferenz bildeten die Verhandlungen in den sieben Arbeitsgruppen:

1. Die Firma in ihrem Umfeld
2. Das Management der Firma
3. Die Finanzwirtschaft der Firma
4. Marketing
5. Psychologie und Soziologie der Leitung
6. Personalmanagement
7. Logistik und Leitung der Produktion

In den Verhandlungen der Arbeitsgruppen traten mehr als 100 Teilnehmer aus vielen Ländern, Fachleute der Universitäten und der Unternehmenspraxis, ebenso wie die erfolgreichsten Studenten der Wirtschaftsuniversität Prag auf. Die Konferenz umfaßte ein reiches Begleit- und Fachprogramm. Es haben sich auch Buchverlage, Beratungsfirmen, Interessen- und Fachkonsortien präsentiert.

Die nächste Auflage der Konferenz findet im Mai 1997 in Prag statt.

Ivan Novy
Technokratismus - die Krankheit des tschechischen Management

Die Stabilisierung der politischen-, makroökonomischen- und rechtlichen Funktionsbedingungen der Marktwirtschaft in der Tschechischen Republik bilden allmählich die Standardbedingungen nicht nur für die Entwicklung des Arbeitsmarktes auf volkswirtschaftlicher Ebene, sondern auch für das Management auf dem Niveau der einzelnen Unternehmen.

Auf dem Gebiet der Unternehmensführung kommen ein Technokratismus und ein enger Ökonomismus stark zum Ausdruck, welche das ganze Gebiet der Personalführung ausschließlich als Kostenposten verstehen, der einseitig das Unternehmen „belästigt“.


Vor dem Hintergrund der überwiegend technischen Ausbildung der Manager in Tschechien und auf ihre Bestrebungen nach schneller Vervollständigung unerläßlicher Kenntnisse über das Funktionieren des Unternehmens in der Marktwirtschaft, überwiegen vereinfachte Vorstellungen über die Grundzusammenhänge und das Funktionieren aller sog. weichen Faktoren der Unternehmensführung, die überwiegend einen psychologischen, sozialpsychologischen und kulturellen Charakter tragen. Es zeigt sich, daß das technische Denken, das stärker kategorial ist, sehr oft im direkten Gegensatz zum sozialwissenschaftlichen Denken steht, welches eher prozessuell ist. Die Auslegung solcher Begriffe wie Werte, Einstellungen, Bedürfnisse und vieler anderer, die nicht nur individuell bedingt sind, sondern sich auch oft, gerade in Abhängigkeit von der Unternehmensrealität, verändern, ist deshalb sehr kompliziert und wird nicht immer richtig verstanden.
Allmählich bringt jedoch das Leben den Mißerfolg dieser Schritte ans Licht, und zwar mindestens dadurch, daß die sehr gut bezahlten Mitarbeiter ihre Arbeitsleistung im Verhältnis zu ihrem Lohn nicht erhöhen, eine niedrige Arbeitszufriedenheit und Loyalität der Firma gegenüber aufweisen, und infolgedessen auch eine hohe Fluktuationsrate. Die Personalführung wird in der Regel als abgeschlossener Bereich behandelt, und es fehlt an technologischen, technischen, organisatorischen und ökonomischen Aspekten der Unternehmensstrategie und des Managements. Die dargestellte Charakterisierung stellt die häufigste Situation in Unternehmen und anderen Institutionen in der Tschechischen Republik dar, obwohl der konkrete Einzelfall ausdrücklich anders sein kann - besser aber auch noch schlechter...

Ivan Novy
Guideline for Authors

Please notice the following requirements:

Size
Articles, reports and other contributions to the journal should be submitted in English or German. Articles should not exceed 25 pages with 60 stops per line and 35 lines, including graphics and bibliography; reply or discussion papers, conference reports, book reviews etc. should have not more than 5 pages.

Send the article in 2 copies to the editor. Add a disc with the article, if possible in Microsoft Word for Windows format.

Paragraphs, Type size etc.
Use simple spacing. Paragraphs should be connected without blank spacing.

Titles
Main titles should be printed in bold types, secondary titles in bold types and italics, tertiary only in italics.

Enumerations
• Enumerations should be indented with tab stops. They should, however, be avoided because they give more the impression of an addition than of a thoroughly conceptualized text.

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