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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

Articles for this issue have been selected from the papers presented at the CREEB Second Annual Conference on Central and Eastern Europe which was held at Buckinghamshire Business School on 18-19 June 1996. A report of the conference appeared in the previous issue of JEEMS. The publication of these articles is testimony to the Potential for fruitful collaboration between organizations dedicated to research in and on Central and Eastern Europe (CEE) and JEEMS.

Since its establishment in 1994 CREEB has acted as a focus for research into business and management in CEE and Russia and comprises academic researchers and research students working on a range of projects. The overall aim of CREEB is to contribute to the development of theoretical and practical knowledge on transformation for the benefit of business practitioners, students and academic researchers.

The selection of articles reflects the international nature of research on CEE, in terms of the origins of the researchers, their current locations and the scope of the topics. Even where the articles focus on single-country topics, the issues covered are of general interest throughout CEE. The articles deal with topics which are of fundamental significance for managers in the region; they also offer researchers considerable opportunities for empirical investigation and theoretical development.

1. Svetla Marinova's article addresses the role of FDI in the privatization process. FDI has raised numerous questions relating to transformation such as the contrast between host country and foreign investor expectations, the uneven distribution of FDI between the constituent countries of the region, and the contrast between volume and impact (for example, in the form of new knowledge and practices). Assessing the impact of FDI requires taking into account a range of variables and perspectives which provide numerous avenues for research.

2. J. Neil Thomson's article on acculturation raises a related issue, that of the relationship and interaction between 'partners' from different national cultures, exploring the synergy (or dissonance) between cultures and the impact on the success of take-overs. Cultural closeness (or indeed the presumption of cultural homogeneity) may be less of an advantage than might be envisaged, especially where companies from diverse cultural backgrounds demonstrate substantial commitment to bridging the cultural divide. In the absence of commitment, moreover, one might expect take-overs to be less successful - irrespective of the relationship between the cultures. It will be interesting to follow in this context the development of the small, but growing number of take-overs and joint ventures between companies from different countries in the region.

3. Emanuela Todeva's paper focuses on the evolution of managers in the transformation process as the old system of enterprise management is replaced by a range of ownership forms and company types. Managers are evidently part of a larger system of economic institutions and transactions, and the transformation of
management is, to a considerable degree, dependent on their position within the overall system as well as on their individual motivation.

4. Pavla Kruzel and Jaroslaw Bogusz's case-study article on an Anglo-Polish joint venture highlights the Potential of the case study as both a research method and a didactic tool. Case studies permit the collection of a broad spectrum of examples of company transformation, with in-depth explorations of company life. Case studies can also serve as exemplars of the activities and actions of managers in CEE. In this way they can provide a 'home-grown' teaching and learning device for managers and students in and of the region.

The work of the contributors is firmly rooted in the reality of business activity in CEE. In some recent research at CREEB, investigating the trading relations between SMEs in South-East England and CEE, we have noted that perceptions and 'myth' are also of considerable significance. For example, there are innumerable stereotypes of East European managers and 'myths' about the region. The literary and cinematic fiction of the Cold War has probably had as great an impact on forming perceptions of and attitudes to CEE, building on and embellishing more sober academic and journalistic reports.

Viewed through the nüsts and fogs of the English Channel 'abroad' has frequently been perceived from the island of Britain from a particular perspective and the nations of Britain have historically been creative inventors of traditions and myths!

For many SMES, however, these mediated images of CEE have acted as valid cause for not getting involved in business with and in the region. A small minority, imbued with a spirit of exploration and a desire to sail stormy waters, exploit these images and myths for their own advantage, to ward off Potential competitors and safeguard their own activities. In this way reality, distortion and myth interact and blend.

One tangible outcome of this situation is that British firms tend to be underrepresented in the economic activity of CEE. A development of this research project is now investigating the perceptions and attitudes to CEE of SM[Es in other countries of Western Europe. By this it is hoped to grasp and understand the attitudes and motivations of Kontinental SMEs in trading with the region. A better understanding of how and why managers in different countries operate ought to contribute to an enhancement in management practice in Western and Eastern Europe and be of mutual advantage in terms of econon-iic activity.

The preceding observations have been comments on the overarching topics of the articles of this issue, rather than summaries or commentaries on the articles themselves. I invite readers to undertake their own analysis and to come to their own conclusions. In so doing, I am sure they will recognize the merits of this issue's authors.

Vince Edwards
Characteristics and Conditions of Entrepreneurship in Eastern Europe*

Marin Marinov** / Svetla Marinova**

Establishing of new small businesses is an intensive process in the whole of Eastern Europe. As they are new, most of them are in the introductory phases of their existence (survival, consolidation and control). Contemporary industrial and market structure in the countries of Eastern Europe provides entrepreneurs with many opportunities for niche company creation. However, many problems exist related to the lack of resources (mostly financial), inadequate knowledge and skills in management and marketing needed in market economies, insufficient availability of business support organisations combined with inappropriate understanding and attitude among managers in the newly created businesses towards the existing business support organisations.


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Introduction

Economists consider four major strategies for entrepreneurial development: "capital", "nuclear", "evolutionary" and privatisation of state enterprises (Brunner, 1993). The application of a certain strategic approach depends on the current conditions of the economy and the governmental attitude and goals for development of entrepreneurship. Analysis of entrepreneurship using this approach focuses on the macroeconomic and political conditions for creating and developing new ventures. It considers the state as entrepreneur without considering the entrepreneurial characteristics and requirements of the individual entrepreneur and the entrepreneurial support system.

Entrepreneurial success depends on the pursuit of opportunities, and the organisation and implementation of resources. If resources are understood not only as those currently controlled by an entrepreneur, but also as the ones owned by other people, the chances for a new venture success increase. However, the key factor here is how to convince the possessors of resources not only that it is an opportunity for the entrepreneur, but for them as well.

A key change in Eastern Europe is the replacement of the previously imposed dominant value system by multiple value options. This availability of overwhelming variety of options in Eastern Europe at present creates some problems for entrepreneurs. They are mainly related to identifying the appropriate opportunities. Establishing conditions for individual entrepreneurial activities through realising market opportunities based on motivation, drive and ability mobilises resources for such a purpose. This could be the basis for the effective and efficient implementation of a certain macroeconomic entrepreneurial strategy encompassing focuses on the development of businesses with present comparative advantages creating islands of excellence and reducing the state ownership and control on the productive assets of the economy.

The transfer of ownership from state to private is the key issue of the transition from centrally planned to a market led economy. The practical achievements in this aspect, however, are unsatisfactory and disappointing in the global context of Eastern Europe. Some of the main reasons for these can be found in the change of ownership and the respective development of entrepreneurial system.

This paper reviews the entrepreneurship development in the context of Eastern Europe from a theoretical perspective. It explores the dimensions of some key factors in shaping small and medium enterprises (SMEs), the characteristics and requirements for the different types of entrepreneurship, the tasks and role of entrepreneurship for closing the structural gap in the economy that could speed up the East European transitional processes, and the conditions for entrepreneurial revival in Eastern Europe. Using a dynamic vs. a traditional entrepreneur comparison, the article relates its theoretical analysis to the experience of a SME new venture in Bulgaria.
Key Factor Characteristics of Entrepreneurship in Eastern Europe

The tradition of support for small business creation and development was severely suppressed with the establishment of communist regimes in all Eastern European countries and consequently it could not promote and push forward the development of private SMEs (See Table 1). The past experience and traditions in entrepreneurship are nowadays difficult and painful to resurrect and start functioning effectively and efficiently. The distribution of political power is a gradual process, as the gap between central planning and market driven decentralisation is still very significant. Governments favouring centralisation resist radical change and delegation of authority to regional and local governments, as the old societal structures continue to be decisively powerful..

Table 1: Key Factors for Entrepreneurial Development

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<th>Key Factors in Shaping SME's Policy</th>
<th>Dimensions of the Factor in Eastern Europe</th>
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<tr>
<td>The length of tradition of support for SMEs</td>
<td>None in the period of at least 45 years</td>
</tr>
<tr>
<td>The relative distribution of political power between central, regional and local governments</td>
<td>Presently unclear, historically exclusively concentrated in the central governments</td>
</tr>
<tr>
<td>The strength of the existing SME sector</td>
<td>Mostly weak, financially unstable and insignificantly developed</td>
</tr>
<tr>
<td>The balance of industrial and political power between large industry and SMEs reflected in their company orientation</td>
<td>The cases are different in various countries, but as a whole power still stays in large industries</td>
</tr>
<tr>
<td>The overall economic and social rationale for business policy development</td>
<td>Development of small private businesses is considered to be of significant importance in the economic restructuring of Eastern European countries, still the restructuring processes are not well supported with national programmes</td>
</tr>
<tr>
<td>The basic ideology of governments</td>
<td>The processes of restructuring have been slowed down with the forming of socialist governments in many Eastern European countries following the election victory of socialist (former communist) parties in the last elections.</td>
</tr>
</tbody>
</table>

Source: Based on the idea for the content of the key factors for entrepreneurial development by Haskins, G. et al (1986)

The monopolistic positions of industrial "giants" in Eastern Europe have been shaken in the recent years through the processes of restructuring and privatisation, but they still dominate the national output and highest contribution to GDP in almost all of the Eastern European countries. Consequently, small
businesses and entrepreneurship are presently with low economic power and too vulnerable in the turbulent economic conditions.

Establishing institutions to support the development of small businesses is a serious task and a big challenge that will take a long time. The existing network of private and restructured former public institutions forming the small business support network in Eastern Europe is far from being sufficient and adequate. The indispensable for the creation and development of market economy financial sector is still emerging. There is little evidence for coherent local and regional strategies for small private business creation and development. Very little has been done in these aspects on central government level.

As stated by Dubravicic (1995) the change of ownership of economic assets is a part of a global entrepreneurial system that includes risk taking and profit seeking agents as well as help in their entrepreneurial efforts by an adequate and well developed business support structure, basically a financial market structure.

The types of entrepreneurship related to the needs of small private business creation and development in the conditions of mature transitional economies, having the characteristics described in Table 2, were non-existent in the centrally planned economies of Eastern Europe during the communist rule.

The types of entrepreneurship presented in Table 2 can be domestic or foreign. As a result of the systematic destruction during the communist regime of the entrepreneurial system domestic entrepreneurship (productive and financial) is currently in poor condition in Eastern European countries and is unable to fully benefit from the availability of existing opportunities.

The rudimentary financial markets, the main private business support institutions, cannot provide the necessary assistance for entrepreneurial development in Eastern Europe. Foreign entrepreneurship, to date mostly financial, does not fully exploit the emerging opportunities in the region due to political and economic instability, lack of legal guarantees for investment, high inflation that in some countries is beyond control. The strong positions of the former nomenclatura, socialist (former communist) governments in many Eastern European countries, the existence of powerful Mafia and lobbying groups that influence the revival of entrepreneurship raise additional problems and barriers for entry of foreign entrepreneurs both productive and financial. The financial business support structures mainly consist of state owned institutions that do not favour the development of private small businesses. As the economic conditions are bad countries' internal investment funds are scarce and this limits the performance of domestic financial managerial entrepreneurship. Therefore, for the whole region it is mainly foreign through investment funds and international financial institutions.
Table 2: Characteristics and Requirements for types of Entrepreneurship in Eastern Europe

<table>
<thead>
<tr>
<th>Type of Entrepreneurship</th>
<th>Features of Entrepreneurship</th>
<th>Necessity for Innovation</th>
<th>Importance of Risk Taking</th>
<th>Significance of Profit Making</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive [Owner(s) of small businesses are often also manager(s)]</td>
<td>Develop from successful single proprietorship by hiring additional workforce. Financial markets supply funds from savers to provide productive entrepreneurs with capital.</td>
<td>Very big</td>
<td>Crucial</td>
<td>Crucial</td>
</tr>
<tr>
<td>Financial</td>
<td>Savers who chose among the variety of opportunities differing according to their attitudes to risk taking and eagerness to fortune making</td>
<td>Very big</td>
<td>Crucial</td>
<td>Crucial</td>
</tr>
<tr>
<td>Productive Managerial</td>
<td>Deciding on education and employment opportunities and acting in direction of creating and improving position in the enterprise. Risk and awards are related to career development and income increase and not to the amount and value of assets.</td>
<td>Crucial</td>
<td>Very big</td>
<td>Crucial</td>
</tr>
<tr>
<td>Financial Managerial (Managers in the financial institutions)</td>
<td>Agents acting as intermediaries of financial markets offering investment opportunities for savers and funds to productive entrepreneurs for creation and development of private businesses</td>
<td>Very big</td>
<td>Very big</td>
<td>Very big</td>
</tr>
</tbody>
</table>
**Goals of Entrepreneurship in Eastern European Transition**

The experience to date in transitional reforms of post-communist economies in Eastern Europe indicates that “macro stabilisation will be difficult to achieve ... in the absence of adequate micro adjustment” (Svejnar, 1991) and that institutional reforms and privatisation are insufficient for efficient and effective economic restructuring without entrepreneurship (Acs and Audretsch, 1993) aiming at successful new venture creation.

Pre-transition comparative research in the economic structures of capitalist economies and planned communist economies identifies the existence of a “hole” in the latter economies (see e.g. Gibb, 1993; Vahcic and Petrin, 1989). The “hole” represents a remarkable absence of small firms in the economic structures of economies of Eastern Europe. Gibb (1993) gives another interpretation of the hole comparing the market economy distribution of firm size (curve A) with the corresponding distribution in the transitional economies (curve B) - see Figure 1. The characteristics of firm size distribution, expressed by curve B, are inherited from the years of communist megalomaniac economic development, characterised by severe restrictions on the development of small private businesses and lack of property rights guaranteeing such development.

*Figure 1: Size of Firms (Number of Employees)*
The macroeconomic role of the entrepreneurs in Eastern Europe is presented on Gibb’s model of the structural gap in Figure 1. Graphically expressed, their role is to gradually change the form of curve B so that it can be transferred in curve A. In real dimensions this task is interpreted with the increase in the number of firms with size from 0 to 50 employees, mostly through creation of new private ventures and restructuring of large state-owned firms to overcome their significant absence in firm size 51 to 250 employees.

The latter firm size group is seen by Banasch (1990) as the major route to small business development in the industrial and service sectors of Eastern European countries. Banasch’s suggestion is appropriate for the conditions in the region where the most significant obstacle to new firms set-up of 51 - 250 employees size is the scarcity of financial resources, mostly concerning domestic entrepreneurs. On the basis of the entrepreneurial task in macro aspect, tasks on micro level can be broadly defined. Their successful implementation can result in macro restructuring of the transitional economies in Eastern Europe. The entrepreneurial task on micro level can be summarised as follows (Tyson et al., 1994):

- Entrepreneurs have to play active roles and implement the processes of privatisation and restructuring of state-owned companies. The realisation of these tasks needs a broad range of activities. Entrepreneurs have to divide large firms in smaller more efficiently functioning and giving better effects enterprises. By doing this the scarce resources could be freed up and utilised in a better way, existing excessive diversification can be reduced, better and more effective configuration of related businesses can be created. In the meantime the entrepreneurs have to restructure and reorganise the smaller privatised firms in order to create appropriate managerial network in the restructured enterprises, stimulate the development of managerial skills needed in a market economy, invent new incentive schemes, introduce total quality management, make the reorganised companies innovative, flexible and globally orientated to the market.

- Entrepreneurs have also to start from scratch new modern small businesses that will contribute to “filling in the hole”. As Arzeni (1992) shows the average employment share of small firms in Eastern Europe is 3 per cent because in 1980s two completely controversial processes took place in the market and centrally planned economies. While the small-firm share of employment in the developed Western economies has recently increased considerably (see e.g. Duche and Savey, 1987; Storey and Johnson, 1987), that share has been decreasing till the start of transition in the former centrally planned economies (Carlsson, 1989). Although this negative trend has been successfully reversed in most Eastern European countries the bulk of the job for the fulfilment of the second task of micro character still has to be done.

- Entrepreneurs have to help the process of global change of the characteristics of the industrial structure of the economies of Eastern Europe.
Such a shift must result in fundamental industrial restructuring replacing the excessive dependence of the economies upon outdated heavy industries with more balanced industrial structures resulting from the development of industries where individual countries can gain comparative advantage. Through the exposure to new markets the influence of market forces have already created conditions for such changes, as prices of goods have been permitted to reflect their actual supply on the world markets. The pricing policy, related to the situation on the domestic markets, faces the restriction of the very small purchasing power of the domestic customers. Entrepreneurs will have to find a good answer to this complication as well.

Regarding the operational activities needed for the start-up of a new venture or restructuring of an existing business the principal entrepreneurial tasks at any stage are: production/operations, finance and marketing (Arendarski and Mroczkowski, 1994).

Production/Operations: The environmental characteristics and their restrictions are the most important factors that determine the particular kind of business to pursue, especially if it is of bigger size. In Eastern Europe as well as in Western countries, previous experience and business contacts play crucial role. This is especially true for businesses with international markets, trade and service companies. The recession in Eastern Europe is forcing more thought and creativity into the production/operations task. The manufacturing start-up firms in manufacturing usually have to restrict their activities by applying low-cost, low-technology production processes because of the lack of sufficient capital and significant difficulties in obtaining modern equipment and technology. Some help in this aspect has been provided by foreign entrepreneurs usually resulting in creation of international joint ventures.

Finance: Initial capital is needed for the establishment and early development of new ventures and often for the restructuring of existing businesses. Studies in many Eastern European countries have revealed the extreme significance of own capital for start-up businesses. Bank credits have had very limited role as well as the financial help through various foreign investment funds. New ventures are usually undercapitalised due to the macroeconomic specifics accompanying recession (high inflation, high interest rates, constantly decreasing availability of domestic credit opportunities). Some of the new ventures act as competitors from their birth which decreases their chance for profit as competition has kept prices down despite the contrary effect of recession. The global evaluation of the financial task of entrepreneur in Eastern Europe gives it complicated and controversial description which significantly hampers its fulfilment.

Marketing: The recession in Eastern Europe has created hard time for the new private companies since their pricing policy is severely restricted by their undercapitalised conditions. The underdeveloped and unsuitable for market economy infrastructure in the region has created many problems with distribution of products for most new private businesses. In some countries, like
Bulgaria, the wholesale and retail system undergo very significant changes and this process creates additional burden for entrepreneurs. For many new private businesses the most important customers are state-owned companies, that being bigger and stronger, enjoy strong bargaining power, especially when supply is provided on highly competitive basis. This makes the respective small businesses substantially dependent on the condition of the public sector that in most of the countries is poor or very poor. Such entrepreneurs have to cope with very sophisticated problems. Consequently the worsening health of the state-owned companies can produce equivalent result in otherwise healthy private firms. Being new and small the established private businesses are generally of local importance operating within the boundaries of a single town or smaller part of it. In such cases the owners of the businesses often act as distributors and retailers (small firms on family basis in agriculture are good examples). International markets are usually regarded by small venture start-ups as a potential for the expansion of their markets, creating an international joint venture or seeking additional opportunity for technology transfer and source of credit.

**Conditions and Requirements for Entrepreneurship in Eastern Europe**

Using the model developed by Hatton and Raymond (1994) (See Figure 2) the overall evaluation of entrepreneurship in Eastern Europe can be based on elements of which it consists. The variable *environment* represents the variety of all internal and external factors actively and potentially relevant in the process of business decision making. *Strategy* is regarded as a pattern in a continuous stream of decisions (past, present and future) that is expressed in two aspects:

- guides the progressing adaptation to and influences on the environment of a business;
- forms the business internal policies and procedures (Miles and Snow, 1978; Mintzberg, 1978). *Task* and *technology* are conceptually almost inseparable. The *task* represents the major objective of the business, and the *technology* provides a detailed description of how this objective can be realised. The *structure* of a business includes the official organisational hierarchy and lines of communication, as well as the existing informal structure and actual lines of communication during the functioning of this business. The *individual*, a controversial variable, is analysed by the authors in the aspects of bureaucratic orientation and degree of strength needed for higher order.

Analysing the entrepreneurial model, presented in Figure 1 with the use of information given in Table 3, both entrepreneurial and administrative aspects of the organisational activities of small private businesses are considered. The original idea of the model is to provide guidance for entrepreneurial decisions from the start-up phase of a small business combined with the analysis starting from the outermost layer of the model and progressing toward the centre.
The environmental characteristics for small business creation and development in Eastern Europe are assessed as very complex and dynamic. The reason for complexity, both for domestic and foreign entrepreneurs is the fact that the macro environmental characteristics lack as elements the necessary institutional business support infrastructure. For a domestic entrepreneur crucial from a financial point of view is the insignificant amount of domestic investment funds and the willingness and availability of supply through financial help provided by foreign investment funds and the international financial institutions. The reality is that the supply of finance is far less than the existing demand. Macro environment is characterised with significant volatility caused by the processes of political and government instability in most of the countries in the region. In most of Eastern European countries governments change often and each comes with new programme for the restoration of the entrepreneurial system. This hampers the restructuring process and causes continuous changes in the legislation and institutional structure, delaying the appropriate re-establishment of the indispensable for the market economies entrepreneurial system.

The overall existing economic system also changes as result of the restructuring processes, transfer of ownership of productive assets and liquidation of the existing state owned enterprises. Many niches in the existing markets are available that creates good opportunities for entrepreneurial development in Eastern Europe. However, many problems exist, related to both macro and micro specifics of the environment. They are caused by the need for integration of the new start-up businesses in the existing economic structure that itself undergoes considerable changes continuously since the beginning of the transitional process.

Considering the characteristics of the environment it is of fundamental importance for the entrepreneurial development in Eastern Europe that the determining business characteristics match the environment and the market specifics in the best possible way. The problem of the most significant importance of Eastern European markets is the small purchasing power of the individual industrial customer. The high inflation causes high level of interest rates on loans that cools down the ambitions of the less enthusiastic and risk adverse entrepreneurs. From strategic point of view a new venture comes into existence after the analysis of all aspects of the environment. The niche strategy is very suitable for small business creation where economies of scale cannot be exploited because of the limit of market for certain products or services and the theoretical optimal size of an enterprise is not achievable. The existent economic structure in Eastern Europe provides opportunities for many industries to specialise on product/service and market basis to serve well targeted market segments. If based on a well developed niche strategy a small business start-up is expected to have better chances. Most successful small private businesses in Eastern Europe, created during the transitional period, can be identified as niche enterprises.
Figure 2: A Small Business Concentric Congruence Framework

Table 3: Variable Dimensional Characteristics of Entrepreneurship in Eastern Europe

<table>
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<th>Variables</th>
<th>Dimension</th>
<th>Predominant Dimensional Characteristics in Eastern Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Environment</td>
<td>simple - complex static - dynamic</td>
<td>very complex very dynamic, unsettled, turbulent</td>
</tr>
<tr>
<td>Internal Environment</td>
<td>simple - complex static - dynamic</td>
<td>very complex very dynamic</td>
</tr>
<tr>
<td>Business Strategy</td>
<td>defenders - prospectors</td>
<td>mostly prospectors for start-up businesses mostly defenders in later phases</td>
</tr>
<tr>
<td>Task</td>
<td>simple - complex predictable - uncertain</td>
<td>complex to not very complex mostly uncertain reciprocal or sequential, rarely pooled</td>
</tr>
<tr>
<td></td>
<td>interdependence: pooled - sequential - reciprocal</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>mediated - long-linked - intensive</td>
<td>mediated, rarely long-linked or intensive</td>
</tr>
<tr>
<td>Structure</td>
<td>centralised - decentralised organic - mechanic</td>
<td>mostly decentralised mostly organic, rarely mechanic</td>
</tr>
</tbody>
</table>
Characteristics and Conditions of Entrepreneurship in Eastern Europe

| Individual bureaucratic orientation: high - low
| mostly low medium
| higher order needed strength: higher - low

The specifics of the environmental characteristics define the entrepreneurs at the start-up phase as prospectors. The overall complexity of the environment combined with the absence of knowledge, experience and skills among the Eastern European entrepreneurs; the lack in most of the cases of efficient competition and rudimentary, inefficient and inexperienced financial markets; the insignificant amount of domestic capital; the phenomenon of high inflation and unemployment rates and the macroeconomic and political instability, often turn the strategy of entrepreneurs from prospector to defender.

As seen from literature data (See e.g. Arendarski and Mroczkowski, 1994; Bartlett, 1993; Marinov, 1993; Puchev, 1990) and based on authors' personal experience in small business consulting, it is evident that the task of entrepreneurs in Eastern Europe can be described as with significant complexity because of the unfavourable and turbulent characteristics of the existing economic structures. Related to these the tasks are unpredictable, that is rarely due to the character of the business. The predominant interdependence of tasks' characteristics is sequential or reciprocal, rarely pooled. This is to a large extent due to the lack of market knowledge and experience of Eastern European entrepreneurs and the market characteristics of the region that do not provide sufficiently strong and distinctive market signals.

The technological characteristics of small private businesses in Eastern Europe if viewed as the extent and scope of computer technology applied in the organisation can be described as relatively scarce, primitive, if at all existing. Application of information technology is very limited. When technology is analysed as the application of knowledge to perform work, then it could be suggested that in Eastern Europe it is mostly mediated, rarely strategy related or intensive. This fact results in competitive disadvantages for most of the small businesses in Eastern Europe compared with Western companies of the same type. These are especially true in terms of product quality corresponding to the requirements of international standards, market and customer information gathering and handling and information flow efficiency and consequent results for the organisations.

The organisational structure of newly created small businesses in Eastern Europe is predominantly decentralised h-form or a certain mixture of functional and decentralised form with comparatively low rigidity. Being in most of the cases organic enterprises, small private businesses in the region are in the form of mutual collaborations with few well defined rules and procedures. These organisational characteristics affect the potentials for production and market flexibility of small businesses. The latter is rather restricted by the scarce financial resources and mainly domestic market operations of small private
businesses in the region. Organic business creation and development differ from the ones related to small business establishment resulting from the restructuring and privatisation of large former state owned companies. Their structural characteristics tend to be more centralised and less flexible. Additionally, while in newly created small businesses the formal and informal organisational structures tend to be identical to a great extent, differences in this aspect are more common for the small businesses born from the break-ups of former state owned mega-businesses.

Entrepreneurs in Eastern Europe have in most of the cases low bureaucratic orientation and tend to be independent decision makers. Their activities are mainly determined by the environmental constraints that are complex and restrictive in nature.

As the characteristics of the variable dimensions suggest, entrepreneurship in Eastern Europe functions in a mostly very complex and dynamic environment that is highly volatile. The new business creation in the region has had explosive character since the start of the reform and this process is without a parallel in the recent economic history. Only those businesses that apply the approach of dynamic entrepreneurs can hope of survival combined with successful growth and development. Table 4 gives information that contrasts the features of the transitional SME owners and dynamic entrepreneurs.

Table 4: Major Features of Traditional SME Owners and Dynamic Entrepreneurs

<table>
<thead>
<tr>
<th>Feature</th>
<th>Traditional SME Owners</th>
<th>Dynamic Entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Development</td>
<td>Static</td>
<td>Growing/Expanding</td>
</tr>
<tr>
<td>Vision</td>
<td>Status Quo</td>
<td>Opportunistic</td>
</tr>
<tr>
<td>Scope</td>
<td>Local</td>
<td>Global</td>
</tr>
<tr>
<td>Focused on</td>
<td>Internal Resources</td>
<td>External Resources</td>
</tr>
<tr>
<td>Approach to Market</td>
<td>Fear Competition</td>
<td>Seek Competition</td>
</tr>
<tr>
<td>Attitude to Risk</td>
<td>Risk Adverse</td>
<td>Risk Taking</td>
</tr>
<tr>
<td>Predominant Goal</td>
<td>Survival</td>
<td>Success</td>
</tr>
</tbody>
</table>

If the environmental characteristics and conditions for business functioning in the developed market economies are considered, entrepreneurs described through features similar to those of traditional SME owners might be successful, whereas that cannot be the case in Eastern Europe. The unsettled political, economic, legal and business environment in the region impose indispensable requirements to all the features that characterise the dynamic entrepreneurs.
The Venture of Roda Car Ltd. Bulgaria - Entrepreneurial Characteristics

The international joint venture between Rover Group Ltd. (United Kingdom) and Daru Car Ltd. (Bulgaria) started in Bulgaria in November 1994.

External Environment

The macro- and microenvironment in Bulgaria was characterised by lack of tradition of SME support. The industrial and political power was strongly concentrated both in powerful large private business lobbies and large state owned industries. The available rudimentary business support structure was mostly oriented to state owned businesses while the infrastructure in the country was very underdeveloped.

The political decision making power with deeply embedded centralism was still too much concentrated in the central government, the latter not demonstrating any enthusiasm and support for the success of the venture. Instead, many difficulties and obstacles including taxes, tariffs, civil servant heavy bureaucracy were in place. The company was situated in the town of Varna, far from the capital and local government authorities were not empowered to really improve the conditions for the functioning of the firm. The last parliamentary and municipal elections in the country have been won with absolute majority by the former communists (Bulgarian Socialist Party) whose government initially strongly opposed private SME development out of total government control.

The small business sector in Bulgaria was very weak, financially dependable, and providing insufficient in quantity low quality goods and services. Opportunities for physical distribution were extremely very limited and logistics in a bad condition. Therefore, the company could not rely on regular supply and had to keep enormous amounts of stock as huge buffers at the front and at the back of the factory. That was freezing considerable amount of capital, creating production problems mostly with material flows and slow turnover.

The whole market in Bulgaria was far from being competitive. The management defined the marketplace as “inhabited by half legitimate - half crook companies”, dividing absolutely everything among themselves - markets, raw materials, zones of operation. In that way the approach of the command economy when the cake had been divided among the producers by the Communist Party making everybody happy except the customers, was still in place. Some illegitimate, violent competition was appearing, but it was much more of a “Mafia” type rather than exhibiting characteristics of a competitive market.

Internal Environment

The company used greenfield approach to people and started recruiting workers for its business. Cultural problems of managerial character developed between the British management and Bulgarian workers that were solved in process by
processes of mutual adaptation. The most important was the application of team work and related issues of decision making responsibilities that Bulgarians had to accept and build on.

Meeting high quality standards was a serious obstacle to business development. The process of mutual adaptation between the British and Bulgarian parties was there in progress as well, which for both sides was a totally new, very complex and dynamic environment. The Bulgarian workers had to deal mainly with new technology and new management know-how, while the British managers faced mainly different culture, environment, work practices and standards.

**Business Strategy**

From a strategic point of view the company owners were clear prospectors. They aimed at becoming market leaders at the Bulgarian car market and then possibly expand their leadership position beyond the Bulgarian boundaries. They wanted to influence the quality perceptions of their potential customers through introducing much higher quality standards than the existing ones.

**Task**

Both in manufacturing and marketing aspects the task of the company can be described as very complex. They simultaneously aimed at establishing and getting recognition for their very high quality standards, realising backward integration with local suppliers, becoming market leaders in Bulgaria and beyond in a broader region through increasing the volume of production and product diversification.

The company management was trying to implement pool - sequential approach of their task realisation that would very much depend on the economic development of the country in the near future. After an overall estimation this task could be described as mostly predictable.

**Technology**

In co-ordination with task new technology approach based on intensive development was in the process of implementation. Plans for technology integration were in process of development.

**Organisational Structure**

The organisational structure was a lean, fully decentralised organic one.

**Individual**

Bureaucratic orientation was as low as possible in spite of the internal and external environment of significant cultural differences. Higher order needed strength was medium, tending to become low.
Marketing Conditions
The recession in Eastern Europe had created hard times for this new private venture since the purchasing power of customers was severely restricted. Consequently, the pricing policy of Roda Car Ltd. was planned to be very flexible, adapting to these conditions, but offering high quality product.

The underdeveloped and unsuitable for market economy infrastructure in the region had created many problems mainly related to distribution and communications. As in Bulgaria the wholesale and retail system was undergoing very significant changes, this process created additional burdens for the new venture.

The company relied on local marketing expertise, which was limited and inadequate. There was much of unawareness and lack of practical skills in marketing research and marketing the very product of Roda Car Ltd.. That proved to be a major internal drawback in the whole venture.

Features of Entrepreneurship
When summarised the entrepreneurial features of the company were typically dynamic because:

- business development could be described as growing;
- business vision was opportunistic;
- scope of business - currently local but tending to become regional in the near future;
- the business was focused and combined both internal and external resources;
- the approach to market was seeking competition of domestic and international origin;
- according to the attitude to risk, they were gradual risk takers;
- the business goal was success.

Roda Car Ltd. as a new venture in Eastern Europe combined all types of entrepreneurship: productive, financial, productive-managerial and financial-managerial. They were also a combination of foreign and domestic entrepreneurial expertise, the former being dominant. However, those were necessary, but not sufficient prerequisites for the success of the entrepreneurial venture. The complicated and extremely unstable private business environment in Bulgaria - political, legal, economic and financial, as well as the inadequate marketing expertise of the Bulgarian partner were putting obstacles in the future development of the Roda Car Ltd. venture, that could bring eventually to serious problems with the functioning of the company, if not to its failure.
Conclusion
Eastern Europe has to resolve a very complicated and unprecedented task of its transformation from central planning to market orientation. Global economic restructuring is the most important precondition for a successful transformation. The implementation of this restructuring is an extremely difficult task of entrepreneurial character. Although having to cope with mainly constantly changing problems entrepreneurs in Eastern Europe have achieved some distinct successes. The change of the whole industrial structure is based on several processes as privatisation and restructuring of former state owned companies and creation of new small business ventures. In spite of having been in progress for more than six years the bulk of work related to transition has yet to be done. The major doers in this process have to be the dynamic entrepreneurs, needing appropriate entrepreneurial system that is a controversial process of creation, development, growth, failure and success.

P.S. Roda Car Ltd. stopped its existence two months after the submission of this paper. That outcome was suggested by the authors as a possibility, that emerged from the analysis in the paper.
References


Takeovers and Acculturation: Linkages from East German Privatisations to Workforce Integration*

J. Neil Thomson**

Many takeovers and mergers are not successful, over half fail. Specific after sale integration problems arising from a lack of workforce integration can cause failure. The continued long term success of firms is postulated as requiring a type of acculturation which allows a willingness and motivation to perform. Through a series of interviews with East German managers and employees in foreign acquired units, together with employees released after takeover, the type of acculturation and perceived level of integration was examined. An interesting linkage emerged. The perceived level of integration was viewed by the interviewees as being higher in the firms where the workforce feels their past is accepted and has been integrated into the new firm’s operations.


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1. Introduction

In the Autumn of 1989, the people of East Berlin streamed through the newly breached wall and were met with such joy by their western neighbours. Strangers embraced, impromptu parties took place. Seven years on, the euphoria is gone, together with the physical wall. The embracing East and West Berliners view each other with sullen contempt. Against this society level backdrop, this paper’s purpose is to view the integration of the workforce at the level of the firm. The hunch being that the macro level disappointments would be mirrored in the workplace where west and east come into contact. It quickly became obvious that although the West and East Germans share a common heritage, there has developed after 40 years in the ice box a divergence in the ways of viewing the world. The differences in outlook seem to have been better appreciated by some, often non-West German, management and consequently they proceeded in a less rigorous and more unstructured way to transform their East German acquisitions. Other purchasers seem to have viewed their new acquisitions as just an under-developed adjunct to their home base, which they then proceeded to ‘straighten out’, safe in the untested knowledge that if it worked in one part of the world it would work again in another. The consequences may become apparent in the future. According to the disciples of the learning organisation, an engaged, integrated workforce will bring long term competitive advantage, exactly what East German firms will need to face the new millennium. Only time and more research will tell if this is the case.

The paper will firstly discuss aspects of mergers and acquisitions, acculturation models, privatisation, the definition of success and the link between integration, motivation and the learning organisation. The intention is to lay down the basis which will underlie the data collection and analysis sections which follow.

2. Research Framework

2.1 Mergers & Acquisitions

The literature on mergers and acquisitions splits into three groupings. The most researched and established part concentrates on reasons for the choice of a merger partner. Most of this research has focused on the strategic or financial fit (Blake/Moulton, 1984, Chatterjee, 1986, Lubatkin, 1987). The fit or synergy was only viewed in a non-dynamic way, usually by examining the position prior to merger. Jamison/Sitkin, 1986 expanded this view to see it as a process over time, including the period of negotiating the merger. Another work falling into the process grouping is that of Mirvis/Sales (1984) who used a longitudinal three year study of a merger, covering prior to, during and post negotiations phases to come up with types of acculturation shown in Table 1. This work forms the basis of classification for acculturation in this paper. The final grouping in the literature looks at the post merger time period. There are several post merger
activities which have been researched: human resource management (Canella/Hambrick, 1993), management systems or tasks (Shrallow, 1985, Schweiger/Walsh, 1990). The cultural interaction theme is currently receiving much attention but the existing literature (Mirvis/Sales, 1984, Walter, 1985, Shivastava, 1986, Nahavandi/Malekzadeh, 1988, Chatterjee, Lubatkin, Schweiger/Weber, 1992) is not encyclopaedic.

The issue of mergers & acquisitions can be viewed from a macro (national) or micro (employee) position. The idea that West Germany has bought out East Germany and imposed the culture of the winner on the looser is prevalent not just in East Germany. The long term effects of this perception, regardless of if its actually true or not, may well be future social and political unrest. However the macro level falls outside the scope of this paper.

2.2 Model used to classify mergers & acquisitions

The intermingling of two cultures is called acculturation, a term borrowed from anthropology (Berry, 1980). There are four possible types of acculturation according to Mirvis/Sales, 1984 as shown in Table 1.

Table 1: Types of acculturation

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration</td>
<td>The acquired firm has pride in its distinctiveness and lives in peaceful co-</td>
</tr>
<tr>
<td></td>
<td>existence with the new owners.</td>
</tr>
<tr>
<td></td>
<td>- Pluralism, when more than one cultural group is present in an organisation.</td>
</tr>
<tr>
<td></td>
<td>- Multiculturalism, in addition to pluralism the diversity of cultural</td>
</tr>
<tr>
<td></td>
<td>groups is valued.</td>
</tr>
<tr>
<td>Assimilation</td>
<td>Assumes that keeping the institutions and cultural patterns of the dominant</td>
</tr>
<tr>
<td></td>
<td>group is standard.</td>
</tr>
<tr>
<td></td>
<td>- Melting pot, when the acquired firm moves freely to the culture of the</td>
</tr>
<tr>
<td></td>
<td>new owner.</td>
</tr>
<tr>
<td></td>
<td>- Pressure cooker, when the movement is coerced.</td>
</tr>
<tr>
<td>Rejection</td>
<td>The premeditated seperation of the two cultures either by the acquirer or</td>
</tr>
<tr>
<td></td>
<td>the acquired.</td>
</tr>
<tr>
<td></td>
<td>- Withdrawal, self-segregation or flight.</td>
</tr>
<tr>
<td></td>
<td>- Segregation, group distinctiveness and separation are enforced by the</td>
</tr>
<tr>
<td></td>
<td>dominant owner.</td>
</tr>
<tr>
<td></td>
<td>eiving up the original culture but not taking on the new dominant culture,</td>
</tr>
<tr>
<td></td>
<td>thus remaining outcasts to both groups.</td>
</tr>
<tr>
<td></td>
<td>- Marginality, people in the acquired firm chose to remain outside both</td>
</tr>
<tr>
<td></td>
<td>cultures.</td>
</tr>
<tr>
<td></td>
<td>- Ethnocide, people in the acquired firm are forced to remain outside both</td>
</tr>
<tr>
<td></td>
<td>cultures.</td>
</tr>
</tbody>
</table>

* Based on Mirvis / Sales 1984)
Each typology has two variants and although there are only certain variants which were identified in the research data, all are explained for thoroughness.

**Table 2: Acculturative model of mergers & acquisitions implementation**

<table>
<thead>
<tr>
<th>Acquired firm desire to preserve own cultures and practices</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Mode of acculturation:</th>
<th>Mode of acculturation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>-integration</td>
<td>-integration</td>
</tr>
<tr>
<td>-assimilation</td>
<td>-assimilation</td>
</tr>
<tr>
<td>-separation</td>
<td>-separation</td>
</tr>
<tr>
<td>-deculturation</td>
<td>-deculturation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Congruence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not too much Acculturative Stress</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Much acculturative stress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsuccessful merger</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Successful implementation of the merger</th>
</tr>
</thead>
</table>

Based on and modified, Nahavandi/Malekzadeh (1988)
The Mirvis/Sales classification of acculturation is also integrated into Nahavandi/ Malekzadeh’s Acculturative Model for the implementation of mergers and acquisitions. Each of the acquisitions which were discussed in the interviews and written material was typified using the acculturation model shown below in Table 2.

Of particular interest in the research is a view formulated by Baden-Fuller/Boschetti, 1995, ‘in a merger between a strong, successful and a weak, unsuccessful organisation, one would expect most of the learning to go from the strong to the weak but with some transfer of the knowledge, skills and capabilities from the weak to the strong’. In this research the acquiring firms were western and strong - strong in financial, commercial and technical know-how. The acquired eastern and weak - weak in so far as they lacked the above finance and knowledge necessary for survival in a market economy. Were then the acquired firms forced to become unwilling clones of their western owners? If that were so then the resources existent in the East German organisations would have been wasted.

2.3 Privatisation
The research concentrated on still operating ex-combines which were 100% purchased off the privatisation authority, the Treuhandanstalt (THA). It should be emphasised that many other ways of privatising state owned organisations are available and other methods were also used in East Germany, see Estrin (1994) for a discussion and listing. Other methods practised in Central & Eastern Europe such as vouchers, give aways etc. were not used. The decision to limit the vehicles of privatisation was taken at the formation of the THA and was justified on expediency grounds.

2.4 Motivation, Integration and a Learning Organisation
The link between a motivated workforce and efficiency is the bed rock of modern Human Resource Management, although a causal effect has never been scientifically proven (Luthans: 123). A workforce which feels wanted and valued by the parent organisation is more likely to feel integrated with the goals of the firm. So motivation and integration are necessary precursors of an organisation based on learning. Learning has long been associated with the creation of economic wealth (Hayeck, 1945; Penrose, 1959). Beginning with the seminal work by Argyris and Schon in 1978 and gaining wide practitioner acceptance through the best selling book ‘The Fifth Discipline’ - P. Senge (1990), the usefulness of learning to expanding the resources and capabilities has been championed. Although it is individuals who learn, it is the integration of this knowledge into the firm’s activities through shared vision and team learning which translates this tacit, personal knowledge into shared, competitive advantage. A recent book by Noneka/Takeuchi (1995) explains how knowledge once formed can be integrated and disseminated throughout the firm allowing
potential economies of scope in new product or methods development. It would seem logical that a workforce that is integrated with the strategic goals of their firm would also facilitate the integration of knowledge throughout the organisation.

2.5 Success
Over half of all mergers and takeovers fail (O’Connell, 1985). Here the firm does not still exists after 5 years and/or has changed the original purchaser. The opposite of failure is success. Success has many definitions depending on whose viewpoint is used. Profits are success for shareholders in neo-classical economics. Continued existence (longevity), Barkema et al (1996) and hence employment is success for employees and other stakeholders e.g. local government. The aims of this paper are to attempt to gauge the basis for future success, both profits and longevity, by looking at differences in the intensity of acculturation. The higher the intensity of acculturation, the more likely is a level of empowerment and shared vision of the remaining original management and workforce upon which future success is dependent. The intensity of acculturation partly depends on the ability of the new acquirer to recognise that there even exists differences in culture. The term psychic distance paradox (O’Grady/Lane, 1996) has been used to throw light on this phenomena in the area of international business expansion. Psychic distance is defined as factors preventing or disturbing the flow of information between potential or actual suppliers and customers (Nordström/Vahlne, 1992). The paradox is that psychically close countries are not necessarily easy to manage, because assumptions of similarity can prevent executives from learning about differences. They quote the example of 32 Canadian retailers companies which expanded into the USA and 80% of which failed, mainly because the incoming management assumed similarity of conditions in the country next door and having the same language. The parallel to West and East Germany is obvious.

2.6 Model of Success or Failure
The various headings so far discussed in the research framework can be viewed as forces in a force field diagram (Lewin, 1947). These forces act together to produce a certain level of acculturative stress. Too much stress hinders success in the long term and, whilst some stress is necessary for change, lower levels of acculturative stress would seem to be productive of success. These forces are reflected in Table 3 which extends Nahavandi/Malekzadeh’s model (Table 2) to produce a model for predicting future success or failure in eastern privatisations.
Table 3: Two routes to potential success or failure in eastern privatisations

<table>
<thead>
<tr>
<th>Mode of acculturation</th>
<th>Mode of acculturation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration</td>
<td>Non-Integration</td>
</tr>
<tr>
<td>- Assimilation</td>
<td>- Seperation</td>
</tr>
<tr>
<td>- Deculturation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Congruence</th>
<th>Lack of congruence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forces, 1-5</td>
<td></td>
</tr>
<tr>
<td>1. Psychic Distance</td>
<td></td>
</tr>
<tr>
<td>2. Relative power of acquirer vs acquired</td>
<td></td>
</tr>
<tr>
<td>3. Private sector vs public sector practices</td>
<td></td>
</tr>
<tr>
<td>4. Competitive pressure vs central planning</td>
<td></td>
</tr>
<tr>
<td>5. Workforce qualities - motivation, integration and learning possibilities</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low levels of acculturative stress</th>
<th>High levels of acculturative stress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term success</td>
<td>Long term failure</td>
</tr>
</tbody>
</table>

3. Data Collection

3.1 Philosophical Basis
There are two philosophical schools of thought which influence the methods of research in management. Logical positivism and phenomenology occupy the opposite poles of research philosophy. The older of the two is positivism, an early proponent being the French philosopher Auguste Comte (1853). A collection of views falling within the positivist area can be synthesised down to two assumptions: firstly, reality is external and objective; secondly, only knowledge based on the observation of this external reality is of significance (Easterby-Smith, et al, 1991).
By contrast, phenomenology grew out of a growing awareness that major scientific discoveries, e.g. Newton - gravity, Fleming - penicillin and Einstein - relativity, were not the product of a logical and practical application of scientific method. The parallel here with Mintzberg’s observation that what managers do is very different from what management theory predicted is compelling (Mintzberg, 1975: 49 - 61). Phenomenologists view that the world and ‘reality’ are socially constructed and given meaning by people (Husserl, 1946). Hence the task of the social scientist should not be to gather facts and measure patterns rather to appreciate the different constructions and meanings people place upon their experience. Human actions arise from the sense that people make of different situations.

A listing of the key choices to be made on a research design are shown below in Table 4.

**Table 4: Positivist vs. Phenomenologist**

<table>
<thead>
<tr>
<th>Positivist</th>
<th>Phenomenologist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Researcher is independent</td>
<td>Researcher is involved</td>
</tr>
<tr>
<td>Large samples</td>
<td>Small samples</td>
</tr>
<tr>
<td>Testing theories</td>
<td>Generating theories</td>
</tr>
</tbody>
</table>

3.2 Rationale for Qualitative Design

So what does all this philosophy mean for the research in this paper? The rationale for plumping for a qualitative design can be explained by answers to the choices in Table 4. An involved researcher knows that he affects the research and is indeed part of it. Without being involved it is difficult to give weight to the view of reality imparted by the subject. The sample size and numbers involved are small, giving weight to a qualitative approach. Additionally, the nature of the subject matter itself is mainly non-quantitative, leading again towards qualitative research.

Instead of converging *deductively* on a neutral view of reality, phenomenological based research, *induces* alternate theories and models from the observed patterns. These alternative theories and models can be classified as claims to the truth. It is the originality and explanatory power of a truth claim, that is a form of expression and is a relationship with a larger public that produce value in a scientific community, (Lindlof, 1994: 250).

One quandary was that in studying acculturation and integration; is it logical to obtain all field interviews from people who have successfully integrated? Surely the 60% of the East Germans who did not successfully integrate (due to losing their employment) have something to offer. To include this valuable source of information but to keep the research practical, a second pillar of the research was interviews with these unemployed ex-workers.
3.3 Role of the Researcher

The effects of a researcher’s presence on the setting is as inevitable as it is hard to gauge. An example is Van Maanen’s study on urban policing (in Open University Research Course, 1972). The fact that this research took place in Germany, not the homeland of the British researcher, just heightens the methodological research problems to be expected e.g. what effect has language on the credibility of cross-cultural research? How can these problems be overcome by a British researcher in the former East Germany?

If the issues being researched are seen as being salient to the East Germans, this was most definitely the case, then trust and commitment can be cultivated. Secondly, the researcher as a foreigner is seen as ‘neutral’ and not a threat whereas a West German researcher is definitely not. Thirdly, the maxim must be translate accurately not literally, rephrasing during the interviews is virtually unavoidable. The target should be to achieve conceptual equivalence.

3.4 Data Sources

1. There are three categories of data source in this paper.

2. Open ended interviews with managers and employees in two large foreign (non-German) acquisitions of ex-combines, given the cover names A & B. Also company C, a medium sized, non-German owned organisation. There were 19 interviews in total.

3. Information extracted from recent German research publications covering West German acquisitions of ex-combines (Müller, 1993 & 1994, Albach, 1994).

4. Open ended interviews with former employees of ex-combines who lost their jobs after the acquisition - 12 interviews in total.

See Table 5 in the appendix for interviewee information.

3.5 Data Collection Issues

All interviews were conducted in German by the author, a long time British resident of Berlin (West). Interviews were at the place of work or in the case of the redundant employees at a government training centre. Each interview lasted 1 - 1.5 hrs., was recorded, transcribed and translated. The idea was that patterns would emerge from the interviews which could be incorporated into following interview questions at subsequent interviews. As the sample is small and the firms were chosen by availability not representability, then no claim is made that the data is generalisable to East German industry as a whole. However the results did show linkage between the theoretical framework (Table 3), the data collected (Table 7) and its analysis (Section 4). Therefore the linkage found needs further research of a quantitative nature using a representative sample to check for wider generalisability.
3.6 Background to Foreign Purchasers

i. Non-West German Purchasers

In sheer numbers the foreign purchasers acquired only a small percentage of the total number (13,808) of firms to be privatisated (5.9%, Vs 74.9% West German and the rest East German, THA, 1994). However these takeovers tended to be larger firms as is highlighted by the fact that although less than 6% of the total privatisations went to foreigners these same units accounted for 15% of sales receipts, 13.4% of employment guarantees and 15.1% of investment guarantees (Estrin, 1994: 135). Additionally there are inherent difficulties in trying to simplify the analysis of acquisitions in East Germany down to West German and non-West German (foreign) takeovers. Many of the foreign takeovers were negotiated, co-ordinated and operationalised by the West German subsidiary of the mother company. Can such a takeover be then categorised as a foreign purchase? Even when no West German subsidiary existed, the foreign firms often hired in West German professional managers to run key areas in the acquired company. There is obviously a continuum of foreignness, running from extremely foreign through to almost West German. Each of the three non-West German acquisitions of ex-combines is therefore placed on this continuum reflecting: (a) the number of imported managers - the bigger the number of home country and third country managers, not very prevalent in the sample, the more foreign the classification. More relevant was the number of imported West German managers which reduced the foreignness classification. Also in the formula was (b) the influence of any West German subsidiary. See the section on the operationalisation of the data at section 4.1.

Table 6: Foreign Firms in the Research

- Company A - a large utilities operation had no prior contact with West Germany and did not hire many West German specialists. Classified as largely foreign, with an integration type of acculturation further subdividable into multiculturalism.

- Company B - in the heavy electrical supply equipment area also had no prior contact with West Germany and did not hire many West German specialists. Also classified as having an integration type of acculturation but subdivided into pluralism.

- Company C - in planning and plant assembly within the chemical and water sector. Classified as integration acculturation with a multiculturalism subdivision.
ii. West German Purchasers

Eventhough West German purchasers took the lion’s share of the privatisations, the number of West German managers moving permanently to East Germany was according to (Myritz, 1993) low. Only 1.4% of all managing directors in East Germany two years after the Wende were from West Germany. This figure is probably too low due to the statistics being collected soon after the Wende and only looking at Managing Directors. Klotz/Ladensack (1995) come a figure of 8.7% of top management transferring in from the West based on a sample of 55 firms. They further looked at management in what they term the first layer and came up with a figure of 43% of the managers being of western origin. It is the author’s contention that those that did move were not expecting double layered acculturation but assumed the intra-German cultures were very similar. That this is not the case can be verified, see the reproduction of Hofstede’s (1980) measurements of national culture for East Germany in Lindert/Hentze (1992)

A recent Harvard Business School Case Study (Dyck/Wrack, 1995) investigates a management KG privatisation - Plaschna Management KG. Here West German professional managers were induced to takeover and run part of an ex-combine, which made electrical motors and generators, based on a management agreement incorporating a bonus plan with an upside potential of DM 6 million over 3 years! The type of acculturation could be classified as assimilation lying somewhere between melting pot and pressure cooker.

A major study The Management of Transition in East German Firms, Albach, 1994 looked into 20 in-depth cases involving foreign investment. The difference between the case studies does not allow for an acculturation classification.

Seven of the ex-employees interviewed had worked for a short period for a West German takeover. Their companies were too diverse to be lumped together under one classification, but a definite feeling that assimilation was being attempted came out of the majority of interviews.

4. Data Analysis

4.1 Operationalisation of the Data

The data, which are summarised in Table 6 below, were analysed using the following criteria to assess different degrees of foreignness or different classifications of acculturation.

*Foreignness*

High Foreignness: - Presence of a West German subsidiary which involved itself
the affairs of East German acquisition.
is above- 25% of non-German top managers imported to run the firm all top managers. Not found in any of the sample.

*Low Foreignness:*
No West German subsidiary influence.

% of West German top managers imported to run the firm is below 25% of all top managers

*Acculturation*
A subjective classification based on the comments of interviewees

*Integration*
over 50% of the interviewees reported retention of original firm culture and few power struggles with new owners

*Assimilation*
over 50% of the interviewees reported loss of old firm culture and imposition of new owners culture

*Sub-divisions of Acculturation*

*Pluralism*
over 50% of the interviewees stated their original culture still existed

*Multiculturalism*
Pluralism plus managers reporting that they valued the diversity

*Melting Pot*
Over 50% of the interviewees accepted the move to a new organisational structure and culture as inevitable

*Pressure Cooker*
over 50% of the interviewees said they were forced into a new organisational structure and culture
4.2 Data Analysis of Foreign Takeovers i. Non-West German Takeovers

**Company A**

*Immediate Post-Takeover Phase:*

Also present was a West German consultant who gave technical advice using comparisons with similar West German operations. This phase was quite short (9-12 months) as new acquisition was immediately swamped with US/GB managers to obtain a starting management assessment language difficulties, cost and the quick realisation that the existing workforce was well educated and proficient led to the installation of a permanent American CEO (who did not speak German).

**Company A**

*Consolidation Phase:*

Although the workforce and organisation had been substantially reduced by the Treuhandanstalt before sale, further reorganisation was necessary. The multi-layered, non-functional organisation structure was severely delayered and standardised over all sites. All remaining management jobs were offered up for filling from within the existing workforce by ballot. The motivational effect of feeling part of the selection process was deemed high. An overarching theme (safety) was chosen so that everyone in the organisation could identify and agree on a common goal.

‘First we shipped some over to America to see how the work was organised there, but also so they could go to shopping malls and see for themselves the future. Then we asked them to vote for new management within the new structure. They certainly had the feeling a new era had started and they could control part of it’ Quote CEO Company A, interview 1.

**Company B**

*Immediate Post-Takeover Period:*

The Post-takeover period in company B lasted somewhat longer (9-12 months). A team of British managers ran the company but lack of German language capability, cost and once again the realisation that the workforce could cope led to a total British management withdrawal. The company was governed by a combination of old East German incumbents and new hire West/East Germans.
**Company B**

*Consolidation Phase:*
Market conditions turned extremely difficult and further redundancies over and above the THA restructuring were necessary. However, large investment was made in modernising at least one of the several production sites eventhough the competitive environment was causing losses. Workforce investment took the form of on-site English lessons, a vastly expanded internal communications system for introducing new techniques and getting across the market place problems.

‘Its nothing to do with the company (B), its just the fact that the market has turned so bad and people are losing their jobs’, Quote Herr R., interview 8.

**Company C**

*Immediate Post-Takeover Period:*
Company C differed from A and B as the THA were unable to reach agreement with the Swedish company interested in buying it. Consequently a new firm was founded and people were transferred over to this new entity once they had been terminated from the old Kombinat, which was wound up. The core of the new management (including the new CEO) and workforce came from the old organisation, however less than 10% of the original workers could be economically taken over. During this time the Swedes stationed a home company Deputy MD alongside the new CEO, who was the old Kombinat Director. Much training was given in Sweden to introduce new techniques and allow first hand experience of Western methods.

‘Most of the impulse and suggestions came from Sweden at that time. My Swedish co-director, was a great support for me, a big help. We also had the opportunity to review the Swedish organisation structure, working conditions and work customs.’ Quote CEO, Co. C, interview number 19.

**Company C**

*Consolidation Phase:*
The new company began to win contracts and prosper. The Deputy Swedish MD went back to Sweden and the firm continues on its successful way with a very high percentage of old Kombinat employees in all positions and no Swedish or West Germans present.
**Hochhinauf - Müller, German Academic Publication**

**Immediate Post-Takeover Period:**
The US influence was evident in the decision to continue on with the old East German management (including MD), even though the workforce had voted in the Betriebsrat for them to be replaced as they were all politically tainted.

**Hochhinauf - Consolidation Phase:**
The dominant West German subsidiary started to exercise its political weight especially after a decision was taken to move a whole production department over to Hochhinauf in the East. The management which moved with the department clashed with the established East German management philosophy and after a protracted period of pressure the West Germans gained the upper hand and introduced West German production norms and individual as opposed to mass production methods. However the US parent’s influence did not completely disappear. Instead of wall posters emphasising brotherhood with the UdSSR, new posters appeared extolling the benefits of positive thinking (Dale Carnegie?) at the work bench. One such poster read:

‘Vom Verlieren zum Gewinnen. Die Verierer sind immer Teil des Problems - die Gewinner sind immer Teil der Lösung’ (Müller, 1994: 80). Which translates to:

‘From loser to winner. The losers are always part of the problem - Winners are always part of the solution’.

**Ex-employee Interviews**

By the very fact that the employees had lost their jobs it could be expected that they would have less than a positive attitude to the foreign takeover firm. The views expressed were paradoxically the opposite. They were all surprised at the amount of latitude given to them by the new owners to act and take decisions alone. Additionally, the old management, and in many cases the old organisation structure, was left in place. The blame for their job losses was very realistically placed on market conditions. In many cases the purchaser had hoped to use the East German firm as a bridgehead to Eastern Europe and the GUS countries. The collapse of COMECON trade usually heralded the collapse of East German operations as the remaining export business could be more economically handled from other European locations or from the home base. It seems that although they misjudged the market possibilities, the non-West German purchasers were better at informing their employees about the market conditions. Additionally, several of the interviewees expressed their pleasure at being listened to and having the feeling that their experience counted in the new set up. The author was left with an unexpected feeling of goodwill, or more accurately understanding, towards the new owners, whereas one would expect the opposite.
'So they had a plant in the Netherlands and I often went there. As the Eastern European market collapsed, the old connections were not so important as they didn’t bring in business. So the Dutch subsidiary started selling to what was left. It made sense, it was however our death knoll.' Quote Frau G., interview 26.

ii. West German Purchases

Plaschna Management KG
Immediate Post-takeover Period:
Key positions were immediately requisitioned by the West German management experts. Old East German managers were fired. A new business strategy was imported and imposed.

Consolidation Phase:
The market environment turned sour. The firm limped from crisis to crisis. Each crisis was accompanied by moving in a manager from the holding company to ‘sort out’ some problem area of operation.

New western managers were brought onto the board...VEM hired a new personnel director from Siemens...On several occasions, board members or KG professionals stepped in to manage parts of VEM’. Harvard Case Study: 14.

Albach Study
Immediate Post-takeover Period:
The firms are too diverse to determine common post-takeover strategies. However both prior to and after the takeovers, a substantial number of temporary visits took place. Here West German managers and technical experts visited the East German operation for a few days at a time introducing West German techniques and giving training on new equipment. Albach calls this process the network approach to integration.

Consolidation Phase:
Once again the twenty cases were not detailed enough and also too diverse to allow generalisations. However in most cases the West German managers were still holding down key positions well into this phase. Through the interaction of specialist networking and in situ West German managers, the new organisation structures were based on the trusted West German equivalents.

Ex-employee Interviews
In most cases the West German purchaser changed the management, by bringing in West Germans to key functions and reorganising the structure to a standard German (West German) layout (Bischoff et al, 1993). The views expressed by
these interviewees towards the new purchaser were mixed. Many complained about the arrogant, telling not listening style of the new management. However it is only fair to say that at least two found their immediate supervisors relatively open to advice using their institutional knowledge. Interestingly one of these new supervisors was an East German escapee who volunteered to return after the fall of the Wall. Much mistrust was expressed about the perceived hidden agenda of the purchasers. In a high proportion of the cases, the East German operation was eventually closed and the whole of Germany was then serviced by the original West German operation. The underlying market factors that may have made this a rational decision did not seem to be communicated too well to the workforce. Consequently many of the ex-employees felt they had been used in a pawn in some colonisation game.

‘..From one day to the next. We came back after the New Year break and our dismissals lay on the table. ...I’ve no idea of the reasons, you’d have to ask the publisher.’ Quote Frau Schä, interview 21.
4.3 Overview of the Data

The results of the data analysis are shown here in Table 7 in summary form.

Table 7: Summary of Data

<table>
<thead>
<tr>
<th>Source</th>
<th>Non West German owners</th>
<th>Foreignness</th>
<th>Accultur-</th>
<th>Sub-Division</th>
<th>New External Managers</th>
<th>Learning Organisation Preconditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>Yes (US)</td>
<td>High, no WG subsidiaries</td>
<td>Integration</td>
<td>Multicultural</td>
<td>CEO only</td>
<td>Yes</td>
</tr>
<tr>
<td>Company B</td>
<td>Yes (GB)</td>
<td>High, no WG subsidiaries</td>
<td>Integration</td>
<td>Pluralism</td>
<td>Very small number of West / East mgrs</td>
<td>Yes</td>
</tr>
<tr>
<td>Company C</td>
<td>Yes Sweden</td>
<td>High, no WG subsidiaries</td>
<td>Integration</td>
<td>Multicultural</td>
<td>At start one Swede. Now only East Germans</td>
<td>Yes</td>
</tr>
<tr>
<td>Hochhinauf</td>
<td>Yes (US)</td>
<td>Low to Medium. Has a Large WG subsidiary</td>
<td>Assimilation</td>
<td>Pressure Cooker</td>
<td>Several from West Germany especially in key areas</td>
<td>No</td>
</tr>
<tr>
<td>Ex-employees</td>
<td>Yes</td>
<td>?</td>
<td>?</td>
<td>?</td>
<td>Mainly old management with a few key foreigners</td>
<td>?</td>
</tr>
<tr>
<td>Plaschna Mgmt KG</td>
<td>No</td>
<td>N/A</td>
<td>Assimilation</td>
<td>Melting pot or pressure cooker</td>
<td>New West German mgrs in key areas</td>
<td>No</td>
</tr>
<tr>
<td>Albach 20 cases</td>
<td>No</td>
<td>N/A</td>
<td>Not known</td>
<td>Not Known</td>
<td>West Germans in key area + networking</td>
<td>?</td>
</tr>
<tr>
<td>Ex-employees</td>
<td>No</td>
<td>N/A</td>
<td>Mainly assimilation</td>
<td>?</td>
<td>West Germans in key areas</td>
<td>No</td>
</tr>
</tbody>
</table>
5. Conclusion

The analysis of the data seems to be surfacing a pattern which links the new ownership of East German privatisations to attitudes about cultural differences. The greater the foreignness of the purchaser, the more likely the belief amongst the acquirer and acquired that cultural differences were present and needed addressing. The methods employed in reducing the cultural differences had a beneficial spin off. The care and attention taken to achieve successful acculturation seems also to produce a more shared vision amongst the workforce. This phenomenon augers well for the future, as the workforce feels integrated with the firms goals and motivated to try and achieve them.

It does not therefore follow that foreign acquisitions lacking integration will of necessity be less successful. The direct, speedy seizing of control and the introduction of mainly West German standards and work practices means that these organisations were quick off the mark addressing the substantial productivity gap. The data hint, and no more, that the longer term success of these acquisitions may be hindered by the erroneous assumption of high cultural similarity. As already stated, the data cannot be used to generalise and therefore further research using representative samples is needed. Longitudinal studies from acquisition through into the new millennium would seem to offer a productive way forward, although long term studies are hardly available (exception being Frese/Hilligloh in Trommsdorf, 1994).
6. Bibliography


Dynamics of Management Practices in Eastern Europe: The Case of Bulgaria*

Emanuela Todeva**

This article provides a critical review of the Socialist Management System with a profile of management practices in the centrally planned economies in Eastern Europe. It draws on the work by Kornai and Chavance, exploring the economic reforms in Eastern Europe pre-1989 and the typical management behaviour in response to administrative changes in that time. The profile of the Socialist Management System is compared with the changes in management practices in the construction industry in Bulgaria in 1994-95. The comparative analysis includes two case studies - one state firm ‘Metal Design’, and one private firm ‘Apolos’ - representing the changes in management under the pressure of market reforms.


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1. Introduction: Comparative Research of Management Culture and Management Practices

One of most important issues for the new democracies in Eastern Europe is the question of their national identity. What is the legacy of the last decades of communist rule and what are the historical roots on which the new independent societies could lean for uncovering the ‘true’ nature of their culture. Overthrowing the communist ideology with its values and attributes does not remove the need for a new system of beliefs.

It is still an open question whether there was a socialist culture as part of the socialist system and whether it produced homogeneous values across Eastern Europe. This paper aims to throw some light on this issue - whether there is a common pattern of observed behaviour across the region.

Usually the concept ‘culture’ is used to describe a set of ‘mental programmes’ (Hofstede, 1984) and social experience, or patterns of behaviour which are widely spread and are passed over through generations. The study of management culture is mainly about the driving forces and the motives behind observed behaviour. The underlying values and attitudes which shape managers’ behaviour are expected to represent some fundamental cultural dispositions. (Trompenaars, 1993) Management culture, obviously determines management practices and the practices are a manifestation of the underlying culture. The management practices, however, are equally influenced by the business environment (Hampden-Turner and Trompenaars, 1993; Garrison and Rees, 1994) and therefore they could be used as a more representative concept to assess the transformation processes in the region.

The study by Hofstede on national cultures provides a basis for a comparative analysis. (Hofstede, 1984) However, it does not include East European countries and also it does not give good explanatory grounds for mapping out management systems world-wide. Hofstede’s findings do not allow one to group management practices in a meaningful way, as each country in his sample is characterised by a different set of cultural attitudes to work. It is also difficult to use employees’ attitudes to work as explanatory framework for management attitudes and culture.

Most of the questionnaires used for comparative management research do not address the problem of validity of the instrument and allow biased interpretation both of the questions by the respondent and the answers by the researcher. Exemplary in this aspect is the work by Trompenaars who uses metaphors addressing his respondents. He poses practical dilemmas as part of the question, knowing that his respondents will vary distinctively according to their culturally and economically bound business experiences. (Hampden-Turner and Trompenaars, 1993)

In another group of management research experiments the managers are asked to express verbally what they believe and the material from the interviews usually
represents personal experience rather than general attitudes and beliefs. (Bloom, et al., 1994) This research approach has led to a construction of a whole range of contradictory typologies of management attitudes, beliefs and behaviour with limited explanatory power.

However, the main weakness of the existing literature on comparative management culture is its descriptive character and inability to address the issues of what are the leading trends in transforming culture, i.e. what determines culture and values. The debate on cultural dynamics and globalisation versus localisation of culture has been addressed only partially. (Hegewisch, et al., 1996; Shama and Ciurel, 1996; Drew, 1993; Tung and Havlovic, 1996) What are the dominant patterns in international management and how are international managers influenced by national culture? (Paik, et al., 1996) Is there a management culture that has expanded beyond the national boundaries of a specific country? (Kaufmann, et al., 1994; Tixier, 1995) Does management culture have an autonomous existence in a society? (Simon and Davis, 1995)

In an attempt to overcome the difficulties raised by these fundamental questions it was decided that our comparative research in Eastern Europe should focus on management practices as providing more tangible evidence of the leading trends of transformation in these societies.

It is expected that similar economic conditions shared by East European countries as a consequence of the Socialist system of central planning, with similar past experience of the managers will produce matching patterns of new managerial practices across the region. This assumption is of course debatable and the evidence of managerial practices will be very sensitive to age group of the manager, size of business, type of production technology and ownership.

In our research in Bulgaria we decided to analyse the transformation of management practices as a clear manifestation of managers’ dispositions and particular responses to the economic and political situation. (Fig. 1) The generalisations that we make are valid only for Bulgaria. However, they serve as a vehicle for comparison not only with the past but also with other countries in the region.

2. Research Methodology

The purpose of the overall research was to develop an overview of the management system in Bulgaria before 1989 and its transformation in the new market conditions. One of the objectives of the research was to determine the role which ownership plays in the major changes of managerial practices in the new market conditions, and to analyse how managers have responded to the new business environment. The second objective of the research was to test a typology of managerial roles before 1989 and to investigate the development of new managerial roles related to ownership.
The research was conducted in three stages: a) research of management practices and managerial roles in Bulgaria, conducted between 1986-89; b) comparative case studies in Bulgaria, based on questionnaire and in-depth analysis of the companies; and c) interviews with the managers in the selected companies in regard to their managerial experience and career.

In the summary of our pre-1989 research in Bulgaria we have identified four types of managerial roles according to methods of appointment, control over resources, authority and responsibilities. Detailed analysis is presented in the last section of this paper. This typology was tested again in the interviews with the managers of the selected companies (1994/95) asking them to identify with a particular type chosen from a list with a detailed description of all four types. We asked them also to explain their choice which provided us with a context information for our analysis. We found that most of the roles have changed in the new conditions. The comparative analysis of the managerial roles is summarised in Table 8.

The case studies conducted in Bulgaria post-1989 represent an interdisciplinary approach in management research which aimed at an in-depth analysis of the changes in business strategy and business operations, organisational structures and processes of control, management culture and behaviour. It is believed that interdisciplinary research reveals the inter-relatedness between all these aspects of company management and allows the researcher to grasp the complexity of change.

The research design for the case studies included a detailed questionnaire for observations, interviews, document analysis and data collection and followed the model of management practices described in Fig. 1. The questionnaire comprised of both structured / closed questions for data collection and open questions for discussion with employees, managers and for direct observations in the company. The questions were grouped in three parts - the core questions addressed issues of the management practices in the company; a second group of questions, related to the additional factors influencing managers decisions; and a third group of questions discussing the overall economic and cultural aspects of the transition environment. All interviews and observations were conducted, recorded and analysed by the author.

The theoretical model for the study is an elaboration on the description of management system by Pascale and Athos (1981) and a review of the literature on management behaviour.

The framework for analysis of the transformation of management practices in Bulgaria is based on the distinction between seven categories. They are divided by Pascale and Athos (1981) into two groups - hard elements and soft elements. The hard elements of the management system are - strategy, structure, and systems, and the soft elements are - skills, style, staff and shared goals.
The category ‘systems’ corresponds with the concept ‘administration’ used in our case studies in Bulgaria and the category ‘staff’ corresponds with the concept ‘personnel policy’ (both included in Fig. 1).

This approach interprets management practices as directly influenced by management values, attitudes and culture, by the knowledge and experience that managers have accumulated, by the type of business organisation (including size, ownership, production technology) and by the macro-economic and political environment.

Management practices are obviously situationaly determined. The relationship is bi-lateral. On one side management practices are expressions of the cultural dispositions and a product of the specific macro-economic and political situation. In their complexity they are a manifestation of the management culture and also indicative characteristics of the management system in a particular locality (country or region). On the other side management practices reinforce the existing culture, extend the managerial experience, determine the success of the business organisation and influence indirectly the overall economic and political environment. (Fig. 1)

*Fig. 1: Examination of Management Practices.*

3. Comparative Case Studies In Bulgaria

Our research based on the questionnaire for comparative case studies was conducted in Bulgaria in 1994-95. Five of the cases were in the construction industry, one in metallurgy, one in communications and one in textile industry. After a careful examination two cases were selected as representative for the private and state sector in construction - a small private company ‘Apolos’, specialising in residential property, and a state company ‘Metal Design’, specialising in project design and construction of metal buildings.
Both companies are involved in design and construction. Apolos, however is directly responsible for the construction process while Metal Design relies mainly on subcontractors. Apolos is two years old, while Metal Design has existed for over twenty years. Apolos has 35 employees (27 - full time and 8 - part time) while Metal design operates with 82 full time staff members (downsizing from 460 employees in 1989). Both companies have no evidence of their market share. However, they are aware of their market segment which for Apolos is the local market of residential property and buildings for banks, and for Metal Design it is the national and international markets - industrial buildings, ware-houses, garages and kiosks.

Obviously, there are many differences between the two companies. It could be said that in the real business world there are no two companies alike and yet comparative research is possible, based on the existing similarities. The similarities between Apolos and Metal Design could be summarised in the following way:

<table>
<thead>
<tr>
<th>Industrial Sector</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Capital Turnover (1994)</td>
<td>4 - 10 million leva (equivalent to $57 - 142 thousands)</td>
</tr>
<tr>
<td>Size</td>
<td>Small and Medium size companies</td>
</tr>
<tr>
<td>Production Process</td>
<td>Design and construction</td>
</tr>
</tbody>
</table>

The selected case studies contain details which allow analysis of typical vs. specific characteristics of management, the context in which managerial decisions are made, motives of the main economic agents, and evaluation of structures, relationships and practices in the studied companies. Profiles of the management practices of Apolos and Metal Design were developed and compared with the management system that existed in Bulgaria before 1989. Our comparative analysis makes references not only to the two types of companies by ownership, but also to the historical transformation that had occurred with the transition to market economy. The description of the management system before 1989 is of incisive importance in identifying the parting momentum of the management transition.

4. Management System Of The Centrally Planned Economies

The economic activities in the Socialist system of central planning were quite distinctive. They have generated a whole range of administrative practices which have accommodated control and initiative in a specific interlock. Unfortunately the study of the role of the administrative system and the work of state bureaucrats in the Socialist System has not yet past its descriptive phase. The research is fragmented and does not allow extensive comparative analysis.
The managerial sciences in Eastern Europe are used to interpret management as macro-economic decision making, planning and control. The lack of access to inside information on the other side had restrained western scientists from developing a more detailed knowledge of management behaviour and practices in the region.

Recent research, conducted in Easter Europe, tends to look at different aspects of the socialist system. The analysis is focused primarily on the economic transition and the democratisation of the society. The research conducted by Holmes on communist corruption in Eastern Europe (1993), Bozoki, Korosenyi and Schopflin on the post-communist transition in Hungary (1992) and Willerton on patronage networks in USSR (1992) all describe similar patterns of political and administrative decision making, similar problems of the shortage economy, and similar behaviour of party aparatchiks, state bureaucrats and enterprise managers. Even though the question of cultural variations in the region is still open for a debate, there is a distinctive pattern across all East European countries based on the historical experience in the last decades.

One of the most successful descriptions of the Planned economies is made by Chavance (1994). He suggests eleven characteristics of the Socialist system of central planning:

a) state property of the means of production;

b) control through administrative hierarchy;

c) central allocation of planned indicators for performance;

d) administrative distribution of resources;

e) administrative pricing;

f) administrative and political redistribution of profit;

g) macro-economic control of the wages;

h) financing through a central bank;

j) monopoly over exports;

k) restrictions over the private initiative;

l) collective responsibility.

These characteristics have determined a specific type of social and labour relations, based on extreme empowerment of a range of administrative and political agencies. The main decisions were made with consideration of the macro-economic conditions and without detailed knowledge of the market. The systematic ‘dispowerment’ (or political manipulation) of the professional groups in society had led to an overwhelming growth of bureaucratic structures, managing every single activity.
The dominant pattern of managerial behaviour consequently represents all features of administrative and political control over the economy. The initiative usually would come from the top and would involve mobilisation of resources and there would be a number of control agencies to monitor the process. The initiatives, also, were open to manipulation by particular individuals in conjunction with their personal interests.

More detailed analysis of the role of the state property of the means of production, and of its effect on management behaviour is conducted by Kornai (1992) and Frydman and Rapaczynski (1994). The domination of the state property in the economy had led to an extreme depersonalisation of property, an elimination of property relations in the organisation of the economy, and their subordination to political authority. This had created an environment for quite unified management practices across different industries and even different countries in the region.

The property rights of control have been exercised by the state bureaucracy. The bureaucracy itself, in the Socialist system, is a centralised, uniform social formation that uses hierarchical division of responsibilities, and has established a web of vertical and horizontal links between officials. This control through political and administrative hierarchy has produced four distinctive types of managerial roles and expertise described in Table 8 (political worker / aparatchik, administrative functionary, company manager, and professional / technocrat). Further discussion of these roles is given in the last part of this paper.

A unique feature of the system also is the separation between the bureaucratic apparatus exercising control over the utilisation of property from the apparatus handling the financial affairs. (Kornai, 1992) This meant that the managers were accountable to at least three control agencies - political, administrative and financial.

The central allocation of planned indicators for performance put company managers in complete dependence on the central administration. It induced the need for patronage relations as the only alternative to express choice and to influence the impersonal system. The administrative distribution of resources developed a pattern of rigid management behaviour which lacked any sense of competition. It also encouraged development of personal networks and favouritism based on formal professional links.

The administrative pricing and the centralised mechanism of redistribution of profit deprived the company managers of any incentive to improve quality and efficiency. As a result the organisational restructuring was instigated by political arguments and patronage relations rather than by being justified through cost-efficiency. The concept of change and development was perverted and replaced by the ideological slogan of constant growth of the economy.
The macro-economic control of the wages created a rigid and distorted labour market accounting for labour deficit throughout the whole economy while at the same time hiding the surplus of low qualified labour and high inefficiency. A range of other administrative measures restrained labour mobility and this stopped the professional development of qualified staff in all industrial sectors.

The mechanism of financing through a central bank developed a pattern of investment decisions which facilitated the extensive growth of the industrial sector and created barriers for the intensification of processes within it.

The monopoly over exports created a group of powerful state organisations and enabled individuals to manage large capital resources overseas. Restrictions over private initiatives and collective responsibility both created irresponsible economic agents, restrained completely from individual initiative.

All these characteristics of the Socialist system of central planning have had a different impact and significance over the years. Our profile of the Socialist Management System presented in tables 1-7 describes a static picture of the system in the 80’s and does not relate to any dynamic changes that had occurred in different countries. More detailed analysis of the management practices in Bulgaria during this period is based on previously conducted research and observations which compliments the analysis by Janos Kornai (1992), Chavance (1994), Frydman and Rapaczynski (1994) and Child (1994).

5. Transformation of Management Practices in Bulgaria

The characteristics of the management practices in the private construction company Apolos and the state firm Metal Design are based on the in-depth case studies conducted in these companies. The two profiles comprise of assessment of the management practices based on expert assessment (where information has been available); personal accounts of interviewed managers (including their awareness of the way the economic activity of the firm is organised and their self-perception of their personal roles); and direct observations in the companies. The interviews with the managers and key personnel from the companies were conducted by the author and in the premises of the firms. The interviewees were probed to analyse the dynamics of the situation since the late 80s. The author had the opportunity to compare different facts given by the respondents in their retrospective analysis and to request additional clarification at the time of the interview. The interviews were long and consisted of extended personal accounts by the managers and employees. Most of the data was of qualitative nature and required a thorough and structured interpretation. For each of the categories in our model a set of indicators were defined to organise the data and to allow comparison between the two selected companies and the characteristics of the socialist system before 1989.
Our comparative analysis of the three patterns of management practices is presented in Tables: 1 to 7 for each of the elements. For the purpose of clarity of expression I will refer to the three types of managerial practices as exercised by socialist manager, private entrepreneur and state company manager.

The main objectives of the socialist manager have been to fulfil party tasks, as he/she has been appointed by the Party and his/her managerial performance is monitored primarily by the Communist Party officials. This situation usually determines the priorities set by the manager, who place concerns with the company in second place after loyalty to the party. This is one of the main contradiction within the socialist management system - split loyalties.

Table 1: Transformation in Strategy

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Socialist System</th>
<th>Private Company Apolos</th>
<th>State Company Metal Design</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Goal</strong></td>
<td>Fulfiling party tasks</td>
<td>Making money</td>
<td>Desire for security &amp; continuity</td>
</tr>
<tr>
<td><strong>Knowledge of the Market</strong></td>
<td>No knowledge &amp; perception of the market</td>
<td>Identifying niches in the local market</td>
<td>Searching for contracts using old networks</td>
</tr>
<tr>
<td><strong>Strategic Behaviour of the Firm</strong></td>
<td>Compulsory implementation of the Plan - companies are geared to reach targets (volume of production, priority products, input quotas, import quotas, manpower quotas with nominal wages, financial targets -including pricing decisions)</td>
<td>Geared to quick return on capital investment and maximising profit</td>
<td>Minimising profit in order to obtain a contract</td>
</tr>
<tr>
<td></td>
<td>Filling shortages</td>
<td>Subcontracting policies</td>
<td>Leasing equipment</td>
</tr>
<tr>
<td><strong>Changes in the Range of Activities</strong></td>
<td>Increasing quantity of existing products</td>
<td>Developing new products</td>
<td>Reducing the range of activities</td>
</tr>
<tr>
<td></td>
<td>Saving of resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investment Decisions</strong></td>
<td>Strategic investments for extensive growth - allocated investment quotas &amp; targets</td>
<td>Investment in machinery</td>
<td>No investment</td>
</tr>
<tr>
<td>for technical development</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Obviously, with the political changes after 1989 the political dimension of business operations had declined and the state company managers were driven to a greater extent by the desire for security and continuity, protecting their own position and their employees. The private entrepreneurs in the new market conditions are profit seekers by their own account, driven primarily by the motive of maximising profit.

The notion of the market with its main orientation for sales was replaced in the past by the concepts of demand and supply, or satisfying needs and horizontal and vertical flows of resources and products. This perception of the economy had to be replaced with a new understanding of the market forces. It is interesting that the private entrepreneur had developed a more comprehensive view of the market. He has identified niches of growth. Apolos has entered the niche of high quality residential property and offices for small businesses. The specific taxation system has created incentives for investment in machinery and equipment. High inflation has forced the private firm to diversify into external decoration and refurbishment of large office blocks and into food retail for a quick return on capital. The subcontracting policies include close interaction with other small entrepreneurs for small scale operations.

The state company operates both in the national and international market (with recent projects in Russia, Germany and Israel). Access to the international market is provided by a trade organisation (GLAVBULGARSTROI) as a mediator. As the national market has shrunk dramatically and the contracts are of limited value, the state manager has reduced the range of activities performed in the past with reduction of the labour force as well. The state company is forced to lease equipment and premises to other businesses to secure additional income. In contract negotiations the company is prepared to minimise profit in order to obtain these jobs. The director also puts a high emphasis on the social acceptance of managerial decisions. The reason for that is the power given to the labour collective in case of privatisation and therefore there are vested interest in co-operative action. Both companies are reacting to changes in the economic situation.

If we compare the strategic orientation of all three types of management practices the main difference is that the socialist manager is reacting to problems and decisions made by the state governing bodies, while the private entrepreneur is responding to the chaotic changes in the environment. The state company manager responds to contract opportunities provided by the state, and new opportunities in the national market, identified through accidental and non-systematic activities, i.e. potential clients brought by members of staff, or by colleagues from a wider professional network. The similarity is that they all have limited knowledge of the market and their actions are not directed to better positioning.
### Table 2: Transformation in Structure

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Socialist System</th>
<th>Private Company</th>
<th>State Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tall hierarchical structures of authority</td>
<td>Flat organisational structure with owner centralised structure of authority</td>
<td>Matrix structure with reduced hierarchical levels</td>
</tr>
<tr>
<td></td>
<td>Imperfect hierarchy of the bureaucracy - each activity is controlled by several superior individuals or agencies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 3: Transformation in Systems

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Socialist System</th>
<th>Private Company</th>
<th>State Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual &amp; five year financial plan</td>
<td>Monthly balance</td>
<td>Monthly balance</td>
</tr>
<tr>
<td></td>
<td>Bureaucratic decision making, co-ordination &amp; control of activities; Asymmetrical vertical links for dissemination of decisions, based on command &amp; obedience</td>
<td>Individual decision making by the manager-owner Informal consulting with employees</td>
<td>A mixture of bureaucratic, individual and collective decision making</td>
</tr>
<tr>
<td></td>
<td>Controlled distribution of information with lack of sharing</td>
<td>Controlled distribution of information</td>
<td>Controlled distribution of information</td>
</tr>
<tr>
<td></td>
<td>Indicative &amp; contradictory rules, designed by different agencies involved in the management process</td>
<td>No specified rules and internal regulations</td>
<td>Redefined rules under collective bargaining procedure</td>
</tr>
<tr>
<td></td>
<td>Personalised roles</td>
<td></td>
<td>Generalist roles &amp; job rotation</td>
</tr>
</tbody>
</table>
One of the main changes in the organisational structure in the transition economy in Bulgaria is its rationalisation, or reducing the hierarchical levels with relocation of responsibilities. The high level of centralisation prevails both in the private and in the state company and there is an attempt to establish a clear line authority, cutting down duplication in control so each individual is supervised and managed by one superior only.

The state company manager has designed a very simple matrix structure, which groups employees in teams and allows flexibility of different teams and individuals to work simultaneously on a number of projects.

One of the main changes in management systems, affecting both the state and the private company, is the abolition of the state plan and the introduction of strong financial incentives for company performance. However, the decision making procedures remain almost the same in the state company - a mixture of bureaucratic, individual and collective decision making, which still prevents managers from making clear allocation of responsibilities.

The contradictory rules designed by different agencies in the old socialist system are replaced by the private entrepreneur with direct orders and decisions responsive to the situation of the day. Following a reduction of the labour force, the state company has redefined the internal rules and regulations and created generalist jobs where people are interchangeable allowing them to take more than one responsibility.

An interesting fact is that there is no change in the way information is handled within a company. All three types of practices demonstrate non-democratic hidden mechanisms of controlled distribution of information amongst employees.

Table 4: Transformation in Skills.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Socialist System</th>
<th>Private Company</th>
<th>State Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational</td>
<td>General professional education</td>
<td>General professional education; no managerial training</td>
<td>General professional education; no managerial training</td>
</tr>
<tr>
<td>Background</td>
<td>Apolos</td>
<td>Metal Design</td>
<td></td>
</tr>
</tbody>
</table>

There is no major change in management skills area. The background knowledge of all three types of managers stems from a general professional education with high emphasis on technical expertise. There is also lack of proper management training and the learning process is dominated by trial and error approach.
The transformation of management style is quite significant. Inefficient and passive bureaucratic management through the plan has been replaced with an active type. However, the behaviour of the private entrepreneur, who is prepared to take risks and to invest in new ventures, is quite different from the behaviour of the state manager who is seeking balance with emphasis on self-preservation and preservation of the organisation along with good relations with the workers. The distinction, however, between the two managerial styles is marginal.

Table 5: Transformation in Style

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Socialist System</th>
<th>Private Company</th>
<th>State Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Part 1: Inefficient, rigid &amp; passive bureaucratic management</td>
<td>Apolos</td>
<td>Metal Design</td>
</tr>
<tr>
<td>Management Style</td>
<td>Private Company</td>
<td>State Company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Apolos</td>
<td>Apolos</td>
<td>Metal Design</td>
</tr>
<tr>
<td></td>
<td>State Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Metal Design</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6: Transformation in Staff

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Socialist System</th>
<th>Private Company</th>
<th>State Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointment</td>
<td>Appointment, promotion &amp; dismissal only by party officials and branch Ministry bureaucrats</td>
<td>Personal selection of appointees based on networks</td>
<td>Appointment &amp; dismissal by branch bureaucrats &amp; under trade union pressure</td>
</tr>
<tr>
<td>Managerial Incentives and Motivation</td>
<td>Managerial motives are: formally political &amp; moral conviction; in reality they identified with the job because of status, power, prestige, additional material benefits</td>
<td>Changing status through capital accumulation</td>
<td>Keeping the job</td>
</tr>
<tr>
<td>Job Design</td>
<td>Intensification of labour based on formal efficiency criteria</td>
<td>Intensification of labour negotiated through contractual arrangements</td>
<td>Intensification of labour based on job redesign</td>
</tr>
<tr>
<td>Labour Mobility</td>
<td>No labour mobility and restricted mobility of managers</td>
<td>High labour mobility</td>
<td>Only outward mobility</td>
</tr>
</tbody>
</table>
The main changes related to the category of personnel policy and staff development are linked to an increase of unemployment and labour mobility; to end of political control on management appointments; and to the introduction of different approaches for intensification of labour. In the past the intensity of labour was calculated through a complex system of efficiency coefficients similar to the type used in the scientific management approach, while in the new conditions the managers have designed a more simple and effective procedures. The private entrepreneur controls efficiency through specific contractual arrangements determined by the labour supply.

The state company manager achieves improved efficiency through job redesign and job rotation of the personnel. However, labour efficiency is not monitored officially as pressures from the macro-economic environment determine to a greater extent company performance.

There is also a significant change in the appointment procedure for the managers, which changes their motives and personal strategies. Being self-employed, the private entrepreneur has strong incentives for success and a full awareness of the need for training and self-development. The state company manager is still constrained by the appointment procedure, which exerts a pressure to balance and negotiate his position with employees, trade unions and the higher administrative authority.

The mistrust of authority is still predominant in both state and private sector. However, the private sector employees have developed respect for authority to a higher degree (according to manager’s view), probably due to their vulnerability caused by high unemployment.

*Table 7: Transformation in Shared Goals*

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Socialist System</th>
<th>Private Company Apolos</th>
<th>State Company Metal Design</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Attitude to Authority</strong></td>
<td>Mistrust &amp; suspicion within the company due to the existence of political police to check on the reliability of individual agents</td>
<td>Respect of authority</td>
<td>Mistrust of authority</td>
</tr>
<tr>
<td><strong>Motivation of the Staff</strong></td>
<td>Formal political mobilisation, based on persuasion, reward &amp; compulsion; Drive for self-preservation</td>
<td>Keeping in job; Trading time for money</td>
<td>Keeping in job</td>
</tr>
<tr>
<td><strong>Sharing Responsibilities</strong></td>
<td>Collective responsibilities with political accountability</td>
<td>Individual responsibilities</td>
<td>Collective responsibilities</td>
</tr>
</tbody>
</table>
The political mobilisation used in the past to motivate through persuasion has been replaced by the fear of loosing the job. This suggests that there is still a gap between the individual self-interest and the goals of the organisation. It is interesting that in the state company both manager and employees have almost identical motives to preserve the status-quo. This probably is the most residual force in the economy - the lack of incentives for change at a company level.

The dissolution of administrative and political responsibilities with political accountability from the past have been transformed into two distinctive types of practices in the new conditions. The private entrepreneur sets individually the goals while the state company manager participates in a complex procedure of collective decision making by an authorised body - Board of Directors. This Board of Directors is appointed by the branch Ministry.

In fact, this system is more of a barrier for change. The interests of the branch Ministry are represented by low qualified administrative staff. The Board of Directors is composed in such a way that it allows conflicts of interests at different levels. The complex relationship between the branch Ministry, the Board of Directors, and the company manager in Metal Design dilutes the responsibilities for the company strategy and performance.

In summary, the rigidity of the Socialist management system in the past did not allow positive developments within the state firms. The vast management experience was not supported by incentives for change and innovation in company structure, systems and strategy. This created a whole generation of company managers with lack of strategic thinking and market orientation and who were well experienced in avoiding direct responsibilities. A more detailed profile of this type is provided in Table 8.

The Apolos manager is responsive to changes of the market, has more strategic orientation and higher independence. His profile of expertise resembles the main features of a small business owner in a western type of market economy.

The management practices of the state company manager of Metal Design form a peculiar profile of corporate dependency, limited flexibility, reluctance to accept radical changes and to instigate innovation.

6. Types of Managerial Experience in Bulgaria - Before and After 1989

Management practices in a system usually characterise specific roles and positions held by those individuals that make decisions with economic implications. These practices could be described through the experience of large groups of individuals. Based on previous research conducted in Bulgaria between 1986-89 we have identified four types of managerial roles within the Socialist system - political worker / aparatchik, administrative functionary, company manager and professional technocrat. (Table 8).
The information on these types was collected through in-depth interviews with different individuals representing a specific role. Over twenty formal officials were asked to describe their particular activities and the activities of their professional partners with whom they communicate most often, including authority position and sphere of control, strategic experience, responsibilities, accountability and particular experience in decision making and negotiations. The information was recorded in a diary and it comprised not only personal statements by the interviewees, but also observations by the author. The four types were formulated after the field work was completed. The four definitions of the roles derive from review of the literature on management of the centrally planned economies (Kornai, 1992; Holmes, 1993).

In the later research (1992-94) all company managers from our sample of eight cases were asked to assess the four types of managerial practices from the past. They all identified themselves with the role of professional technocrat which they had performed before 1989. If we take their personal accounts as a valid source of evidence this means that most of the changes of management practices in the transition period stem from the group of professionals/technocrats. Table 8 summarises the profiles of the four managerial types before 1989 (political worker, administrative functionary, company manager and professional technocrat) and compares them with the profiles of managerial practices of the private entrepreneur and the state company manager after 1989.

The management experience accumulated within the Socialist system has been quite a specific one. The managers of both the state and the private company have reported that it is much easier for them to negotiate with local clients. The manager of Metal Design indicated in his interview that the company has the skills and the potential to satisfy all demands of foreign partners and he sees the dependency on the branch Ministry and the insecurity of the company status as the main barrier for change and development. It is another question how correct is this assessment by someone who is an insider in the managing process.

The private entrepreneur sees the main barriers for growth with the unstable macro-economic conditions and estimates his expertise as quite sufficient to run the business.
Table 8: Differences in Managerial Roles by Appointment, Power, responsibilities, Decision Making and Negotiation Practice - Before and after 1989.

<table>
<thead>
<tr>
<th>Political worker / aparatchik</th>
<th>Administrative functionary</th>
<th>Company manager</th>
<th>Professional/technocrat</th>
<th>Private Entrepreneur</th>
<th>State Company Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Appointment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appointment based on political characteristics</td>
<td>Appointment by documents and based on patronage links</td>
<td>Appointment by the Communist party through a branch Ministry</td>
<td>Appointment by professional characteristics</td>
<td>Self-employment</td>
<td>Appointment by the branch Ministry and by the Board of Directors</td>
</tr>
<tr>
<td><strong>Power, Authority and Control</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assists the development of inter-industry links and business collaborations; Assesses the political reliability and trustworthiness of the managers, determining their professional career through appointments and allocation of party tasks; Actively participates in monitoring of the public opinion and manipulating the public response</td>
<td>Monitors the fulfilment of the State Plan</td>
<td>Has a marginal control over the process of application of the State Plan</td>
<td>Has no control or limited control over a team of colleagues</td>
<td>Has a full control over strategic and technical decision</td>
<td>Has a marginal control over technical decisions</td>
</tr>
<tr>
<td>Political worker / aparatchik</td>
<td>Administrative functionary</td>
<td>Company manager</td>
<td>Professional/technocrat</td>
<td>Private Entrepreneur</td>
<td>State Company Manager</td>
</tr>
<tr>
<td>-------------------------------</td>
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</tr>
</tbody>
</table>

**Strategic Experience and Skills**

- **Contributes to the development of the regional strategy, industrial strategy and policy, employment and wage policy**
- **Manages the economic activities by industries, regions and at national level**
- **Applies strategic decision made at higher levels of the state administration**
- **No strategic experience**
- **Develops new ideas, products and services; Searches for market niches; Re-invests profit in company growth**
- **Adopts defensive strategy which rejects initiative and non-standard solutions**

**Responsibilities and Accountability**

- **Political responsibilities assessed by ideological and moral criteria**
- **Participating in and monitoring the calculation of the company accounts**
- **Responsible for fulfilment of the Plan indicators; Responsible for the supply with resources and realisation of the product; Resolving production problems with supply, realisation, quality and remuneration; Uphold political and administrative responsibilities for fulfilment of**
- **Managing a group of employees**
- **Makes independent decisions and carries full responsibility; Accountable only to himself and to tax authorities**
- **Carries higher personal responsibility in comparison with the past**
<table>
<thead>
<tr>
<th>Political worker / aparatchik</th>
<th>Administrative functionary</th>
<th>Company manager</th>
<th>Professional/technocrat</th>
<th>Private Entrepreneur</th>
<th>State Company Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Decisions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participates in the development of new investment projects</td>
<td>Develops the indicators of the State Plan, which co-ordinate the performance of the enterprises; Determines quotas for managing wages and allocation of resources</td>
<td>Most of his/her decisions are monitored by internal collective bodies which stimulates development of patronage relationships as a means of protection</td>
<td>Makes technical decisions with high risk and responsibility</td>
<td>Diversifies activities of the company with the purpose to maximise profit by all means; Signs risk contracts and looks for non-standard solutions to problems</td>
<td>Makes decisions for reducing the costs, the scale of activities and the number of employees</td>
</tr>
<tr>
<td><strong>Negotiations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mediates negotiations carried by other parties</td>
<td>Negotiates with enterprises their future activity</td>
<td>Negotiates with higher administrative authorities the work of the enterprise;</td>
<td>Negotiates on behalf of the management with clients and state institutions</td>
<td>Uses old contacts for business co-operation</td>
<td>Negotiates with higher state institution s and with trade unions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Uses old contacts networks for cooperation with other compa-</td>
</tr>
</tbody>
</table>
Dynamics of Management Practices in Eastern Europe: The Case of Bulgaria

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th>nies and institutions</th>
</tr>
</thead>
</table>


7. Conclusions

The societal change in Eastern Europe involves deep transformation of the main system characteristics. The people have to adapt with dramatic speed to those changes. The most visible aspect of the change for company managers is the uncertainty of the business environment which goes beyond the concept of market competition. If we look again at Fig. 1, all four factors on the left side of the model have been transformed to certain extent. The business organisation has changed for both private and state companies, however the status of private business owner has given him much more opportunities for development in comparison with the state company manager. Both managers stem from similar background and they share similar experience from the system before 1989. They both are adapting fast to the new requirements of the situation. In our analysis the ownership had produced more positive effect on management practices, i.e. they have become more market oriented. However, the assessment of the business performance of both companies should not mislead us in concluding on the effective adaptation of management practices. The differences in managerial responses do not mean necessarily differences in cultural dispositions and attitudes. What our analysis had revealed is that the change in the macro-economic and political environment had produced new patterns of management behaviour and it is yet to be concluded how this new managerial experience will effect personal and professional dispositions.

More detailed study of the transformation of the business environment in Bulgaria will reveal additional information about the factors that affect managerial practices and will develop further the explanatory framework proposed by our approach.

The three profiles of management practices described in Tables 1 - 7 are supported by evidence only from Bulgaria. However, their significance is that they give a systematic picture which could be used for further comparisons through the region.

If we assume that similar situational factors combined with a similar range of experience and opportunities in the new environment will produce identical patterns of behaviour, we may expect that the profile of management in Apolos will be similar to other entrepreneurs in Eastern Europe. Consequently the management practices in Metal Design will be indicative for a large group of state enterprises not only in Bulgaria, but also in other East European countries. Obviously, the later will require support with more evidence from further research.

The typology of managerial roles before 1989 and after the changes (Table 8) provides a detailed and structured description of the managerial practices in Bulgaria according to the position and the role the individuals played in the centralised system of managing the economy. The six profiles of roles and
practical experience are defined as typical for the system. They explain the transformation of the professional / technocrat into a new type of manager. It is believed that the process of standardisation of management practices world-wide influences Eastern Europe as well. The private entrepreneur running a small business in the construction industry in Bulgaria has become more like any other entrepreneur in Europe, or US, or Japan.

However, more determining factors for future changes in managerial practices will be the access and experience in a particular market as a source of personal learning. Access to local markets only, which is expected to be typical for the small size companies, could narrow down their access primarily to local expertise and business knowledge. In this case the local culture will have a predominant effect on managers’ practices. The transformation of management culture in Eastern Europe is more likely to develop through more intensive cross-country and cross-business fertilisation of new ideas and approaches. This internationalisation of business on the other hand is seen to be more dependent on the stability of the macro-economic environment as a whole, rather than on particular structure of ownership. Further research on the effect of the macro-environment on management behaviour should address this relationship in more details.
8. References


The Pilkington Sandoglass Case A British-Polish Joint Venture

Pavla Kruzela* / Jaroslaw Bogusz*

This case was prepared by Pavla Kruzela, (School of Economics and Management in Lund, Sweden) and Jaroslaw Bogusz (Department of Business Management, University of Lodz, Poland). The study is part of a Swedish-Polish cooperation project (SPIME) financed by the Swedish Institute. It is a teaching case meant to be used as a basis for class discussion.

The authors wish to thank Jonas Borup, country director Poland, Graham Greenberg, sales and marketing director, Peter Sawko, strategic planning manager, Jerzy Popek, assistant to the managing director and other numerous people at Pilkington Sandoglass who generously spent time and offered their expertise in preparation of the case.

*Pavla Kruzela, born 1948, Msc, Head of SPIME programme, senior lecturer in Cross-Cultural Management, International Business and International Marketing

*Jaroslaw Bogusz, born 1968, Ph.D. candidate, Department of Business Management, University of Lodz. Major areas of research: strategic management, competitive advantage, strategig alliances, joint-venture.
The Pilkington Group

Pilkington's history dates back to 1826 at St. Helen's in the United Kingdom. The location of the glass works was chosen thanks to access to raw material such as coal, limestone, dolomite, alkali and iron-free sand - all found within reasonable distance and thus easily transportable to the company. Until 1959, Pilkington Brothers Ltd produced both sheet glass and plate glass. Sheet glass was manufactured by means of a vertically driven ribbon of molten glass and was used for window glass. This production was inexpensive, but, on the other hand, the glass was optically distorted which made it unacceptable for the production of mirrors and automobile windscreens. For this kind of production a plate glass method had to be used in which molten glass was rolled into a plate with a waffled surface. However, this method required additional processes such as grinding and polishing and consequently also additional facilities. Due to high production costs, only a few manufacturers with big markets could afford such production. The production line needed investments of about $30-40 million and approximately 800 employees. The manufacturers tried to reduce the production costs. One important contribution was a "twin" grinding machine developed by Pilkington. This machine rationalized the grinding and polishing processes.

A far more important contribution, however, was the float glass technology developed by Pilkington in 1958. The process was a surprise to the entire industry since it was based on a completely new type of technology. The innovation implies that the molten glass floats on a molten tin, all based on a high techno-chemical process. It took Pilkington seven years to develop this process. This technique produces high quality glass at considerably lower costs than that of plate glass. However, costs would only be cut in high-scale operations. Only plants producing at least 2000 tonnes of glass per week would be profitable. Improvements in the float glass technology continued. In the mid-seventies, a wide thickness range of float glass was achieved (2,3 mm to 25 mm). By 1974, the float glass technology replaced existing plate glass techniques. 23 manufacturers in 13 countries (including Eastern Europe) operated some 51 float plants under Pilkington licences. When the thickness was considerably reduced, the float could also replace the sheet glass production.

The float glass technology innovation enabled Pilkington to make a change from their traditional commodity-producing business and to diversify into businesses with a production of, among other things, laminated glass for automobile windscreens in the 1970s and fibre glass products in the 1980s. Completely new products suitable for architectural segments, such as armourplate glass, were developed. This type of glass is used for products exposed to severe impacts, for example, squash court doors. New products, such as solar control and insulated glass, were developed, providing new opportunities for energy savings in construction.
Pilkington Sandoglass

Pilkington Sandoglass Glassworks - a British-Polish joint venture - was established in September 1993 with a capital of PLZ. 137.3 million which is equivalent to £ 36 million. This company is a successor to the Sandomierz Window Glass Works which has been manufacturing glass since the 1960s. Through the joint venture agreement, Pilkington Sandoglass became one of the biggest privatizations carried out in Poland. It took three years of negotiations for the Polish and British parties to come to an agreement.

Sandomierz Window Glass Works

In the inter-war period, Sandomierz was part of one of the new industrial regions called COP (translated into English: central industrial region) which was an area intended for heavy industry. At this time Sandomierz was situated in central Poland and was meant to become the capital of this region. Historical events, however, changed these plans.

In the 1960s, a political decision to start flat glass manufacturing in Sandomierz was taken thanks to existing raw materials and fuel resources. Good quality sand was available within thirty kilometres’ reach and could preferably be transported on the river Wisla. Two gas pipelines from Russia passed this region.

Ten years later, in the 1970’s Sandomierz Window Glass Works planned to build a float glass line and bought the required licence for float glass technology. Due to the turbulent political and economic situation in Poland in the 1980s the investment had to be postponed. At that time, the War State Government was not in favour of foreign investments.

In 1985, however, The Government Planning Committee decided that some of the production improvements should be financed with the support of foreign capital. Thus, the investments in the Sandomierz float glass line were revived.

Ever since that time, the company has tried hard to find appropriate Polish and foreign partners for the project. The company approached various firms and offered cooperation. They also used their connections at foreign trade companies and embassies in order to find the right partner.

Negotiations

The first worthwhile response came from a Japanese firm, Asahi Glass Co., which was highly involved in the Polish glass industry. In 1977, Asahi Glass Co. sold the licence for the technology of glass quality improvement according to the Fourcoult method (Asahi method).

The preparation of documents for the various parties (Sandomierz Window Glass Works, Asahi Glass Co and the International Finance Corporation - IFC) in order to establish partnership and financing (among other things, to find
banks willing to give credit) started in 1987 and went on until 1990. During this time, Sandomierz Window Glass Works also received offers of partnership from Saint Gobain, Societa Italiana Vetro, Guardian and Pilkington.

Around 1990, Pilkington became seriously interested in Eastern European countries. The "window of opportunities", Poland, emerged in 1990. The glassworks in Sandomierz was in negotiations with Japanese Asahi Glass at the time. Also the climate for foreign investments had changed in Poland with the introduction of market economy. The first contact between Pilkington and Sandomierz Window Glass Works was initiated in the spring of 1990 when a group of Pilkington engineers visited the company.

IFC and Sandomierz Window Glass Works were interested in longlasting cooperation with a foreign partner. Pilkington's offer filled these requirements. Asahi Glass Co was not able to make a better bid. Then Asahi Glass Co turned to the Czech republic where, through their Belgian subsidiary Glaverbel, they started to negotiate with the Czech flat glass company Sklo Union.

Pilkington Sandoglass became the Pilkington Group's tenth joint venture in Europe and the 31st in the world. Glen Nightingale, one of the European senior directors, considers this venture

"a happy marriage of Polish craftsmanship and Western management."

Exhibit 1: Historical Data of Sandomierz Window Glass Works

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>Sandomierz Window Glass Works was founded as one of thirteen sheet glass manufacturers in Poland. Out of thirteen furnaces, two were located in Sandomierz.</td>
</tr>
<tr>
<td>1964</td>
<td>The introduction of sheet glass production was a political decision.</td>
</tr>
<tr>
<td>1975</td>
<td>The introduction of windscreen production.</td>
</tr>
<tr>
<td>1979</td>
<td>A first attempt to build a float line.</td>
</tr>
<tr>
<td>1987-90</td>
<td>Negotiations with Asahi Glass Co.</td>
</tr>
<tr>
<td>1990</td>
<td>Saint Gobain, SIV, Guardian and Pilkington as potential partners</td>
</tr>
<tr>
<td>1993</td>
<td>Joint venture Pilkington Sandoglass</td>
</tr>
</tbody>
</table>

Privatization

Pilkington Sandoglass was formed through a notarial deed on January 14, 1993. The initial share-capital of the company was 100 million PLZ. The shareholders were Pilkington International Holdings B.V. (40 per cent), Sandomierz Window Glass Works (30 per cent), the International Finance Corporation - IFC (15 per cent) and the European Bank for Reconstruction and Development (15 per cent).
On September 7, 1993, the share-capital was increased to 1,073,400 million PLZ. The State Treasury of Poland contributed in kind with the liquidated Sandomierz Window Glass Works. Otherwise the proportions of the holdings were unchanged.

The European Bank for Reconstruction and Development sold its shares on February 17, 1994 to the New European Investment Fund. Pilkington has a 40 per cent stake, has invested $25 million and has made commitments for still $107 million. IFC and the New East European Investment Fund bought equities worth nearly $20 million and both have a 15 per cent stake. The IFC was also the main money-lender for the venture. The remaining 30 per cent is owned by the Polish Treasury which contributed with the land, the buildings and the equipment of the outmoded sheet glass plant in Sandomierz. Sir Anthony Pilkington describes this as a genuine joint venture.

"This is not a foreign investment with a symbolic Polish presence. Nor is it a predatory investment by a foreign partner. This project is built on a real partnership."

**Transformation**

Poland used to have a considerable glass export industry with a production of more than 350,000 tonnes of flat glass. However, the flat glass was manufactured by old production method such as Pittsburgh or Fourcault. This is confirmed by Mr Borup as follows:

"I think our investment, along with that of our competitor, make it possible to reach similar levels again - this time in high technology production. We are going to modernize the industry within two or three years."

As a new owner, Pilkington has to live up to the expectations of the local community as well as those of the employees. It was widely believed by the employees that once the company was privatized, the new foreign owners would close it down. Should they keep it, it would mainly be a capitalistic exploitation. However, Pilkington’s objective was to make this company financially viable - in other words, not only to cover the variable costs but also to make a profit by increasing the revenue and by enlarging the processing sections with the value added products. Pilkington offered the employees good wages, better professional perspectives for the future, employment in a modern plant and possibilities of training abroad. To the local community this implied continued glass production in Sandomierz and the development of the town.

To take over a state-owned company requires large efforts not only in investments but also in changing employee attitudes. We have a large number of examples from the Socialist period of poor company performance. A factory producing shoes, for example, could only produce left-foot shoes in order for the company to fulfil its quota. At that time, glass works, as well as all other state-
Exhibit 2:

Exhibit 2: Pilkington Sandoglass Ownership Structure
owned companies, did not consider quality and cost in their production. In the future, however, companies will focus on market, quality and performance efficiency.

**St Helen’s Trust in Poland**

Sandomierz is a town of 25,000 inhabitants located in South East Poland. The unemployment in this area is 20 per cent. The glassworks is the biggest employer. In case of lay-off the top managers of the glassworks have to negotiate with the leaders of both the glass makers’ union and Solidarity. Pilkington has experience from its own country when it comes to redundancies. In the 1980s the company established St Helen’s Trust to help unemployed workers set up businesses of their own. Similar ideas have been introduced in the town of Sandomierz which has been given £1 million in subsidies for this purpose.

Mr Borup says:

"Initially, we thought we would have to reduce the staff from 1,500 workers to 800. So far we have been lucky with our timing, and the closure of the first sheet plant coincided with the start-up of the float plant. We have eliminated 100 jobs, but also created 100 new ones. So employment today is exactly what it was at the end of 1993 when we started. However, when we close down the second sheet plant, it looks as if we will have to make about 250-300 people redundant. We are trying to find ways of creating new jobs in the area."

With changed production, the workers have been re-trained and encouraged to start a businesses of their own. In those cases a starting capital from St Helen trust has been helpful. The role of the foundation is to promote the town and the region. It is intended for those who want to start their own business in Sandomierz, not necessarily people from the glassworks. By April 1996, two hundred new jobs had been created.

**Organization**

By 1996 the organization chart has abandoned the technical, production and economic directorates of 1989 and adopted functional management levels comprising a technical director, a production director, a building and glass sales & marketing director, an automotive glass sales & marketing director, an administrative & financial director and, finally, a planning director.

The 1991 organization structure of Sandomierz Window Glass Works (see Exhibit 3) illustrates a typical structure of a Polish state company. It was extremely hierarchical and static with many organizational levels. The main decisions were made by the directors and their staffs with the permission of the board of employees. Decisions taken at this high level of management could not be satisfactory, since this level only in part had access to relevant information.
and data. The lower levels of management in this type of organization could not make their own decisions, however, without the participation of top management.

The information system was inefficient. The decision-making process was extremely drawn out, since it was interrupted at each level of the organization for some time before it finally reached the lower level where the decision was going to be made. Very often decisions from the top were changed and outdated once they reached the lower levels. With a system like this it was impossible to adapt to a quickly changing environment.

The general director was appointed by an external body such as a ministry. The planning was also conducted by an external planning commission until 1979. Since the 1980s, the planning has been delegated to the companies. At the top management level there were two antagonist forces - the general director and the board of employees. The board of employees was elected by the workers of the company. Their main purpose was to control the director's decision and to reject it in case it ran against their interests.

The most crucial issues in the company concerned the allocation of financial resources. Many times directors would like to allocate all or most of the profit to investments, when, on the other hand, the board of employees might prefer to use this money for employee needs. The outcome of such differences of opinion was dependent on the power of negotiation on both sides.

At the operational level of the Sandomierz Window Glass Works structure there are three vice directors’ units: engineering vice director (1st vice director), production and sales vice director and finance vice director (the chief accountant).

The production and sales unit was in charge of both production matters and sales. Thus, one person handled both the purchasing of raw material and the selling of finished products. The selling was taking care of by external bodies. At that time, customers came to the company, not the other way around. Raw material costs were subsidized by the government, so this vice director’s main responsibility was to secure the inputs. Another task was to coordinate production, purchasing and sales. This position was often headed by an engineer, since technical knowledge was needed. Knowledge of marketing or price negotiations with suppliers was not required.

The chief accountant was often head of the financial unit in Polish state companies. There was no cash flow and transactions were handled by means of documents. It was not until in the late 1980s that the company started to consider costs and cost calculation. It was not possible to measure the efficiency in company performance. The task of the finance department was merely simple bookkeeping and allocation of financial resources. The focus of the company was mainly on the production, not the market.
Pilkington Sandoglass' new organizational structure (April 1, 1996) is a functional company structure. (See Exhibit 4). In this organization we can find two main levels: top management level (general director and his staff) and operational level consisting of six functional unit directors in: engineering, manufacturing, marketing and sales of flat glass, marketing and sales of automotive glass, finance and administration and, finally, planning.

One of the main novelties in the new Sandomierz Window Glass Works structure is the division into one production and two marketing units, with special emphasis on marketing flat glass and automobile glass.

Another difference is found in the finance and administration unit. The chief accountant is no longer the vice director and chief of this unit.

**Products**

Pilkington Sandoglass manufactures one basic product

- Float glass

The glassworks also produces a large number of processed products

- Laminated glass (including windscreens)
- Toughened glass
- Multiple glazing units - insulating windows (air between glass sheets, double or triple glazing)

Twenty per cent of the float glass is used for inhouse production. In order to make the production more efficient, a number of rationalization measures have been taken. One of them is to outsource maintenance units.

**Differences in Old and New Production**

The glass drawing by the Pittsburgh method was a heavy and physically demanding job. The float glass technique is comparatively easier. The new float line was built as a turn-key delivery. The installation of equipment was delivered by suppliers on the basis of best tender. The suppliers were responsible for the technical installation, for the organization of the production and a clean environment, both inside and outside the company. The management contractor was an English firm which hired Polish sub-suppliers to do the job: i.e. to build the construction as well as to install the equipment. The Polish workers were trained to manage the production in all details. The high technology equipment was imported from England, Belgium, Austria, Switzerland, Italy and Germany. The local technicians were trained for production maintenance.Unlike the old production of sheet glass, the float production requires some new quality-oriented thinking on the part of the managers and workers.
Thus, an official quality policy was signed by the general director and sent out to every part of the production. The necessity for quality was felt everywhere and penetrated the organization. On the bulletin boards simple funny pictures and jokes would awaken people's sense of quality. The ultimate goal must be 100 per cent quality. Not just 99.9 per cent. What could happen if you produced a product with 0.1 per cent less quality? Examples from other industries than glass show four air crashes a year at Los Angeles airport, or hundred faulty bank transactions per month. The ambition is to make quality thinking permeate all levels of the organization. (See Exhibit 5). The quality policy is displayed on the bulletin boards, or as posters in visible places, etc.

Exhibit 5: Pilkington Sandoglass Quality Policy

Our basic aim is to gain a leading position on the national market and to continuously increase our shares in the foreign float glass market. In order to achieve this, we are going to meet our customers' requirements in the following way:

- by continuously improving the quality of our products in order to meet quality standards and the extraordinary requirements of our customers
- by establishing close contacts and cooperation with our customers in order to univocally identify their needs
- by cooperating with raw material suppliers in order to stabilize the quality level of the production so that it will comply with our requirements
- by dealing only with suppliers who offer quality system certification
- by attempting to make long-term contracts with suppliers as well as with customers
- by systematically improving employee qualifications by means of professional training, by involving the employees and making them committed to quality issues and by taking advantage of their abilities
- by continuously improving efficiency and organization in all places of work
- by introducing new technologies and technical equipment
- by producing goods which comply with national and international safety regulations

by introducing and continuously developing a quality warrant system in conformity with ISO 9002 and to obtain an ISO certificate before the end of 1996

General Director

Sandomierz, December 1995

Jonas C-G Borup
Construction of a New Float Line

In structuring the new float line, organization experiences from other Pilkington subsidiaries in other countries were utilized. The new structure is the result of combined experiences from Brazil (best production organization and internal supplier structure including cleaning), from Germany (best quality) and from Sweden (the computer information system). These competencies have been transferred to and implemented in the Sandomierz company. Since the implementation worked out successfully, the facilities in Sandomierz will be used as a training centre for staff from recently established Pilkington subsidiaries. The Chileans, for example, will be trained in Sandomierz. Pilkington's aim is to provide customers with the best service in order to obtain competitive advantage.

Competitors

In Eastern Europe, Pilkington competes with their global competitors. For several years back there have been about seven float lines in Russia.


The need of a large investment capital for, for example, the construction of furnaces, reduces the competitors in the toughened glass market to only three (two of whom are Pilkington - Szczakowa and Jaroszowiec). Pilkington Sandoglass is one of the biggest manufacturers in Europe with regard to toughened glass for refrigerators and other white goods products. As far as windscreen are concerned, there is only one competitor. In glazing (heat insulation) there are 400-600 competitors on the Polish market.

Human Resource Management

Exhibit 6: Pilkington Sandoglass Personnel

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1513</td>
<td>1420</td>
<td>1427 *</td>
</tr>
</tbody>
</table>

* due to increased production of MGU and toughened glass

Source: Annual Report 1993/94 and 1994/95
Polish workers spent about 1,150 working-days in 1994/95 to attend training in England, Germany and Brazil. 7,200 "man days" altogether have been spent on training.

The objective of the transformation is to make Pilkington Sandoglass a market-oriented company. The changes proceed according to plans. Mr. Borup, chief executive officer and country manager of Pilkington Poland, is convinced of Polish managers' improved competence. Furthermore, the aim is to find suitable staff, to slim down the organizational structure and to get rid of the hierarchical organizational structure with its many layers. The organizational structure will have to be flattened.

Pilkington puts large efforts into the training of both technical and management personnel. Some management training is conducted by Lublin Business School (6x3 days with 22-25 employees participating).

*Exhibit 7: Pilkington Sandoglass Economic Results*

<table>
<thead>
<tr>
<th></th>
<th>1993/94*</th>
<th>1994/95</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>38,8 million PLZ</td>
<td>109 million PLZ</td>
<td>180,9%</td>
</tr>
<tr>
<td>Profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit on sale</td>
<td>2,639 million PLZ</td>
<td>12,538 million PLZ</td>
<td>375%</td>
</tr>
<tr>
<td>Margin of profit</td>
<td>5%</td>
<td>11,5%</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>3,298 million PLZ</td>
<td>9,533 million PLZ</td>
<td>189%</td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sheet glass</td>
<td>92,337 tonnes</td>
<td>101,146 tonnes</td>
<td>9,54%</td>
</tr>
<tr>
<td>included:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>home sales</td>
<td>49,862 t</td>
<td>64,733 t</td>
<td>29,8%</td>
</tr>
<tr>
<td>processing</td>
<td>19,391 t</td>
<td>21,645 t</td>
<td>16,8%</td>
</tr>
<tr>
<td>export</td>
<td>23,084 t</td>
<td>14,767 t</td>
<td>-36%</td>
</tr>
<tr>
<td>MGU</td>
<td>314,613 m²</td>
<td>197,000 m²</td>
<td>-37,4%</td>
</tr>
<tr>
<td>Windscreen</td>
<td>263,000 m²</td>
<td>352,000 m²</td>
<td>33,8%</td>
</tr>
<tr>
<td>Toughened glass</td>
<td>1,123,000 m²</td>
<td>1,307,000 m²</td>
<td>16,4%</td>
</tr>
<tr>
<td>Float glass**</td>
<td>12,212 t</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Float glass***</td>
<td>34,500 t</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* refers to a period of seven months only
** from Pilkington Sandoglass
The aim of the training is also to increase cost awareness. The managers have to learn that all costs have to be considered and that maintenance also costs. Although the fixed costs could be relatively low, the maintenance costs could be proportionately high.

Even if management competence has improved, there is still a lot to be done, especially in accounting management and strategic management.

Other achievements have been made in the IT-field. In 1993 there were only four computers in the company. In 1995 a new IT network of 100 computers was installed.

During 1995, four expatriates were working at Pilkington Sandoglass Poland, mainly as advisors in production, management, marketing and finance.

The turn-over (March 31, 1994 - March 31, 1995) was 109,040,091 PLZ and the profit 507,042 PLZ. This should be compared with the seven-month period September 1993 to March 1994 when the turn-over was 38,782,292 PLZ and the profit 200,701 PLZ.

**Conclusions**

Poland is an important market for Pilkington Sandoglass. The partnership is based on the tradition of Polish glass making and on high technology delivered by Pilkington which enables the upgrading of the glass production with value added products for both the Polish market and the export market. Pilkington's global strategy reads:

"Let the local people sell the glass".

**Student Assignments**

**Question I**

a) You are appointed new managing director of this plant. Your first task is to assess what changes have been achieved during the last two years.

*(For teachers: the assessment should describe how it was before the transformation and how it is today. Then make the student aware that it is not just a matter of structural change (a simple reconstruction) but also a change in peoples' attitudes and behaviour. A theory from "Restructuring of organization" and literature on corporate culture could be used in the class discussions).*
b) Your second task is to prepare material for the board meeting due to resources, marketing and competition.

(For teachers: use literature on managing strategic changes, learning organization, competence development, etc.)
Comments on the Case Study „The Pilkington Sandoglass Case a British - Polish Joint Venture“.

Krzysztof Konecki*

The text of the case study is a very good example of the teaching device used for the students of business schools. There is a very good description of timing of transformation, a logical structure and clear exhibits that are very helpful in understanding of the text. It is possible to use it in teaching in the format as it is now. However, basing on my teaching experience in private business schools I have some comments on the text. The easiest task to do after reading the text is an analysis of the structure of organisation before and after the enterprise transformation.

It would be difficult to analyse, for example, the change in people's attitudes and behaviours or even a corporate culture (see the question 1 on the page 18). There are not enough data on the subjects. On the page 10 there are two sentences: "The board of employees was elected by the workers of the company. Their main purpose was to control the director's decision and to reject it in the case it ran against their interests." It may be true, but not a total true. The board of employees (or maybe ‘worker's council’) was a collective body to express not only the interests of a workers but also it was the organisational channel of communication of the all echelons of organisational structure with a top management. If we stop description of the board of employees, in the ‘case study’, on the only two sentences we confirm only the extremely technocratic approach that dominates now in the post - communist economies. The teaching of the future managers should be more sensitive to the channels of communication in the enterprises (bottom up or others). I have some general objections against the technocratic approach that dominate the curricula of business schools, at least in Poland. It would be helpful to add some endnotes to the text explaining more the technical terms in the context of organisation of work: sheet glass production technology, plate glass production technology and float glass technology. What are the main differences, advantages, disadvantages etc.? It is not a negative estimation of the ‘case study'. I think it is a very good device to teach students, even in the format that was sent to me.

* Krzysztof Konecki, Institute of Sociology, University Lodz
Anne Mills*

I found it a very interesting case which tries to incorporate both the national cultural characteristics of the case with a strong organisation behaviour and HRM dimension.

I feel however, that this has made it a very specific case which would best benefit the students when set in the context of a comparative culture or organisation behaviour.

While this case could be presented at an undergraduate or postgraduate level, in both instances the students would require quite a lot of additional information and guidance to get the best out of the case.

To be an effective case for use in business strategy course it would require more information on the competition and the industry as well as the different national cultures.

Overall, it is encouraging to see good quality cases of this calibre emerging from the countries of Central and Eastern Europe. However, from a teaching perspective quite a lot of thought and planning is required to gain the maximum benefit from it.

*Anne Mills, PhD, Lecturer, Buckinghamshire College
Book Reviews

C. Steinle, H. Bruch, D. Lawa: Management in Mittel- und Osteuropa: Konzepte - Praxis - Perspektiven., FAZ GmbH, Frankfurt am Main 1996. DM 38,-

In unerschöpflicher Menge der fach- und populär orientierten Buchpublikationen, der umfangreichen Abhandlungen und Zeitungsartikel, welche auf die Charakteristik der Wirtschaft und des Managements von den Ländern der Mittel- und Osteuropa gerichtet sind, kann man die Buchpublikation von dem internationalen Autorenteam der Ökonomen, Soziologen und Historiker "Management in Mittel- und Osteuropa" nicht übersehen.


Ihr Inhalt bezieht folgende thematische Ganzheiten ein:

- Management in Mittel- und Osteuropa: Determinanten und Potentiale.
- Mittel- und osteuropäische Umfeldgegebenheiten-Implikationen für das Management
- Managementtransfer für Mittel- und Osteuropa.
- Managementpraxis in Mittel- und Osteuropa.

Die Kapitel sind so konzipiert, daß sie i.d.R. einen Blick von innen nach außen auf die Lage in einzelnen Ländern konfrontieren. Die Probleme der

Trotz den angegebenen positiven Zügen des Inhaltes und der Form der Themabearbeitung ist es notwendig, bestimmte Probleme zu erwähnen. Sie haben jedoch eher die Form der Hervorhebung, Erinnerung oder Aufmerksamachung des Lesers auf die Tatsachen, von denen ohne Zweifel auch die Autoren selbst wissen.

Mit Rücksicht darauf, daß das Mittel- und Osteuropa es nie war und kein homogenes Organ ist /weder wirtschaftlich, kulturell, noch politisch/, gelten die einzelnen Beschlüsse immer nur für das Land oder die Region, von denen man im Text spricht. Der Leser darf keine Vorstellung haben, daß alles, was in einzelnen Ländern oder Regionen erfaßt und beschrieben ist, vorbehaltlos für das, im Titel des Buches angegebene ganze Gebiet gilt.


Deshalb empfehle ich allen Interessenten für die Problematik des Managements in dieser bedeutenden Region diese Publikation schnell zu lesen und gleich die Erkenntnisse auszunutzen. Demnächst kann schon manches anders sein.

Ivan Novy, University of Economics Prague

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Trotz dieser und anderer Ungenauigkeiten im Detail ist es der unbestreitbare Verdienst des Autors, die im Westen vielfach vertretene einseitige Sicht auf Mittel- und Osteuropa als Hilfebedürftiges Armenhaus zu überwinden. Dazu trägt vor allem die anschauliche Darstellung der aktuellen wirtschaftlichen und politischen Entwicklungen in Rußland und den anderen mittel- und osteuropäischen Staaten im letzten Kapitel bei, die zurecht positiver bewertet werden, als dies in vielen westlichen Katastrophenszenarien der Fall ist. Vor allen für Leser, deren Bild von Rußland immer noch durch negative Emotionen und Vorurteile geprägt ist, dürfte das Buch deshalb ein Gewinn sein.

Dirk Holtbrügge, Lehrstuhl für Unternehmensführung, Universität Dortmund

Hannes Androsch: Investitionsleitfaden Osteuropa - Eine Jahrhundertchance, Ueberreuter-Verlag, Wien 1996, DM 98,-


Aus dieser Perspektive leitet er dann zum Kapitel „Die Implementierung der Marktwirtschaft“ über, in welchem er die abgelaufenen gesellschaftlichen Transformationsprozesse in den osteuropäischen Staaten beschreibt. Damit arbeitet Androsch den eigentlichen Ausgangspunkt für seine weiteren Betrachtungen heraus. Jedoch stellt er in diesem Kapitel noch keine direkte Beziehung zum eigentlich interessanten Investitionsvorgang, welcher durch Unternehmungen zu vollziehen wäre, her. Selbst durch eine genaue Beschreibung der notwendig zu vollziehenden Veränderungen im gesamtgesellschaftlichen Gefüge, kann Androsch keinen Hinweis darauf geben, ob und wie die Investitionstätigkeit förderlich beeinflußt werden kann. Die interessierte Unternehmung findet daher keine Ansatzpunkte dafür, wie sie
selbst agieren oder reagieren sollte, sondern muß dem Beschreibungen nach eine Hab-Acht-Stellung beziehen.


In dem nachfolgenden Abschnitt geht Androsch auch auf die Agrarwirtschaft ein, was in einer Vielzahl anderer Abhandlungen unterbleibt, obwohl die Landwirtschaft in einigen dieser osteuropäischen Länder eine dominante Rolle spielte. Er versucht hier, über die zunächst erfolgte Situationsdarstellung, eine Lösung der Reformprobleme zu finden. Jedoch sind auch in diesem Abschnitt widersprüchliche Aussagen zu finden.

Für Investorenwiederum interessant gestaltet sich das daran anschließende Kapitel „Investieren in Osteuropa“, werden doch hier europäische, deutsche und österreichische Hilfsprogramme für Investitionen vorgestellt. Die Beschreibungen der einzelnen Programme ist sicherlich wenig ausführlich, was jedoch sinnvoll ist, da solche Programme meist eine Anzahl von Unter- oder Teilprogrammen einschließen. Zur Orientierung sind die vorgenommenen Beschreibungen jedoch zweckdienlich. Gleiches gilt auch für den Abschnitt über die Unternehmensbewertung, Rechnungslegung und Besteuerung. Diese
Aussagen haben durchaus nur beratenden Charakter, denn die Investition einer Unternehmung führt notwendigerweise dazu, daß sich die investierende Unternehmung tiefer und vor allem speziell auf die Unternehmung ausgerichtete mit solchen genannten Problemen beschäftigen muß.


Beate Müller, Fakultät Wirtschaftswissenschaften, TU Chemnitz-Zwickau

Georg Brunner (Hrsg.): Politische und ökonomische Transformation in Osteuropa, Arno Spitz, Berlin 1996, DM 64,-


Andererseits verdeutlichen insbesondere Brezinski und Welfens, daß eine Schaffung bzw. Öffnung von Märkten durchaus auch staatlicher Industriepolitik als (jedenfalls zeitweiliger) Unterstützung bedarf, so daß in diesem Punkt auch ein umgekehrter Wissenstransfer sinnvoll sein mag.
Insbesondere die auf wirtschaftliche Fragen der Transformation ausgerichteten Beiträge liefern ziemlich aktuelle, aufschlußreiche Tabellen und Zahlen über die Phasen der Umwandlung. Freilich lassen sich einzelne Informationen nur schwer erschließen, da dem Buch kein Sachregister beigegeben ist.

Auch wenn so dem Herausgeber darin bei zu pflichten ist, "daß der Systemwandel das zentrale Phänomen im Osteuropa der Gegenwart ist und daß von seinem Gelingen die Zukunft ganz Europas maßgeblich abhängt", trägt der Sammelband zur weiteren Erkenntnis und Bewältigung der hierdurch aufgeworfenen Fragen zwar viele einzelne Mosaiksteine, jedoch wohl kaum wesentliche neue Gesichtspunkte bei.

*Ludwig Gramlich, Professur für Öffentliches Recht und Öffentliches Wirtschaftsrecht, TU Chemnitz-Zwickau*

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**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)
Proposal for a special Panel on Transition to Market in Eastern Europe, CIS and China for the AIB Midwest U.S.A. Chapter Annual Conference

March 12 - 14, 1997, Chicago, Illinois

What concerns the content of the panel in the Academy of International Business Midwest USA Annual Conference in Chicago, Illinois, USA on March 12-14, 1997 on Transition to Market in Eastern Europe, CIS and China it is as follows:

Made by:
Marin Alexandrov Marinov, Professor of Marketing and International Business College of Business Administration, University of Colorado at Colorado Springs 1420 Austin Bluffs Parkway, Colorado Springs, Colorado 80933-7150
Tel.: (719) 262-3172, Fax: (719) 262-3494
E-mail: mmarinov@brain.uccs.edu

Introduction:
Since 1989 a process of transition to market orientation has started in Eastern Europe (EE) and the countries that came into existence from the disintegration of the former Soviet Union. The new states formed a Commonwealth of Independent States (CIS). Transition in China with liberalization of economic policy started in 1980s.

The transitional processes in EE and CIS are based on changes in the way in which the state economies function starting from abandoning the command system of central planning. Several major elements can be pointed out in these processes. Ownership of productive assets has been in continuous change since the start of the reforms. The state owned enterprises have been privatized with domestic and foreign capital. Foreign investments have started playing significant role in greenfield investment processes. The business support structures, totally eliminated during the communist regimes, have started to appear. Considerable changes have been observed in both domestic and export markets. The monopolistic structure in the domestic markets has been dismantled and competition introduced. All these have had its implications in changes of managerial practices that required transfer of knowledge and changes in the business educational processes on all levels. Lots of problems and difficulties have been observed in the process. The aim of the proposed panel is to give some insight in the transitional process towards market orientation in the
newly emerging democracies, to distinguish the characteristics of this process in context and to possibly give some guidelines for better implementation of the process.

Panelists:

**Ronald Savitt**, Ph.D., John Beckley Professor of American Business, The University of Vermont, School of Business Administration, Burlington, Vermont 05405, tel.: (802) 656-0502, fax: (802) 656-8279, e-mail: reavitt@emba.uvm.edu.

Considering his five years experience in EE and CIS Professor Dr. Savitt will speak about the challenges of developing a market orientation in transformed, indigenous enterprises in those regions. He will point out to the barriers, elements and the expectations in the area of consumer orientation, competitor orientation and interfunctional orientation. Dr. Savitt is not going to provide the answers but to provoke discussion with the questions he will ask.

**Svetla Marinova**, M. Sc., MBA (Warwick), Ph. D. Student at Aston University, UK.

Address till December 10, 1996: Marketing and Law Group, Aston Business School, Aston University, Birmingham B4 7ET, United Kingdom, tel.: + 44 121 359 3611 ext. 4426, fax: + 44 121 333 4313, e-mail: marinost@alpha.aston.ac.uk.

Address after December 10, 1996: to the address of panel organizer (see above).

Mrs. Marinova will cover the issues of the needs of match between the motives, intentions and expectations of investors, host companies and host governments in the privatization processes in EE. Based on her doctoral research, she will present a model for analysis at different stages of the investment process. Mrs. Marinova will compare results from privatizations with domestic and foreign capital in several EE countries. This will provide a basis for comparisons and discussions.

**Jorma Larimo**, Ph.D., Professor of International Business, Faculty of Business Administration, University of Vaasa, P.O. Box 700, 65101 Vaasa, Finland, tel.: + 358 61 3248 286, fax: + 358 61 3248 251, e-mail: jorma.larimo@macpost.uwasa.fi.

Professor Dr. Larimo will analyze FDI behavior and its implications in EE and CIS. Currently he is participating in several research projects that will provide preliminary data for discussion. Dr. Larimo is also studying advertising in CIS and the Baltic States and will provide data of different approaches of companies in various environments and in relation to the nationality of the owners of companies that advertise. Some considerations for successful investment and advertising practices will be analyzed.
**Gerald Watts**, M.Sc., Director of Business Development Unit, The Management School, Lancaster University, Lancaster LA1 4YX, United Kingdom, tel. : + 44 1524 593901, fax: + 44 1524 381454, e-mail: ged.watts@lancaster.ac.uk.

Mr. Watts has very extensive experience in organizing business education in EE and CIS, including his teaching experience at Vienna Summer School, Prague International Business School, University of Lviv in the Ukraine, etc. He has participated in the restructuring of many companies in CIS and EE. His contribution to the panel will be in two aspects. From educational point of view, Mr. Watts will stress on the areas where acting and future managers in EE and CIS need most education and training. From practical point of view, he will discuss the successes and failures in company restructuring.

**Cherrie Zhu**, Ph.D., Associate Lecturer of Human Resource Management, Department of Business, Monash University, Caulfield Campus, Melbourne, Victoria 3145, Australia, fax: + 61 3 9905 5412, e-mail: cherrie.zhu@buseco.monash.edu.au.

Dr. Zhu has been researching the transitional aspects of HRM in China for many years and has been consulting companies worldwide that have joint ventures in China. The topics that will be covered by her are related with the changes and challenges of in China under the transition of its economic system.

**Gus Geursen**, Senior Researcher in Accounting, SYME Department of Accounting, Monash University, Caulfield Campus, P.O. Box 197, Caulfield East, Melbourne, Victoria 3145, Australia, tel.: + 61 3 903 2222, fax: + 61 3 9903 2957.

The difficulties and problems in the changes of accounting system in China and the most appropriate ways to overcome them in other transitional countries will be discussed.

**Elynor Davis**, Ph.D., Associate Professor of Economics, Georgia Southern University, Georgia, Office Telephone: (912) 681-5437, home Telephone (912) 587-5216, e-mail address: edavis@gsaix2.cc.gasou.edu.

Dr. Davis has done extensive research in the experience of US firms involved in international business in the areas of EE, CIS and China. She will talk about successful exports of small US firms from southeastern USA in the emerging markets of these regions. Success factors in the internationalization of these firms as choosing a target market, mastering language and culture, dealing with distribution problems, establishing long-term relationships, etc. will be covered.

**John Marangos**, Ph. D. student at the Department of Economics, Monash University, Clayton 3168, Australia, Telephone: + 61 3 9905-2473, fax: + 61 3 9905-5476, e-mail: john.marangos@buseco.monash.edu.au.
Mr. Marangos will cover the topics of approaches and models used in the transition of CIS and EE countries towards market economies. Questions like: what should the end stage of transition be?; what means should be used on macro and micro level to induce the reforms?; what elements of the existing structures should remain and what should be replaced and how?; etc. will be analyzed.

*Marin A. Marinov, University of Colorado at Colorado Springs*

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**Erfolgreiche Durchführung des Internationalen Wissenschaftlichen Symposiums Management und Entwicklung 3/96**


Die Finanzierung des Symposiums erfolgte vor allem aus folgenden Quellen:

- Mittel des Forschungsprojekts -Beherrschung der Entwicklung der Klein- und Mittelbetriebe-,
- Mittel der Europäischen Kommission Phare ACE Programme 1995,
- Mittel des Rektorfonds der Universität Maribor,
- Mittel des Schirmherr (Stadtgemeinde Velenje) und anderer Gastgeber

Nach öffentlicher Einschätzung der Mitglieder des Programm- und Organisationsausschusses sowie auch einiger anderer bedeutender Beteiligter des Symposiums wurde dieses mit gutem Erfolg abgeschlossen. Auch uns als Organisatoren wurden großzügige Glückwünsche und Anerkennung ausgesprochen. Bestätigt wird dies durch die schriftliche Anerkennung der Universität Maribor, verliehen an Prof. Dr. Josef Mugler, Prof. Dr. Stefan Kajzer, Prof. Dr. Jean-Paul Thommen, Prof. Dr. Marjan Senjur und Prof. Dr. Janko Belak. Die Anerkennungen wurden für qualitative Ausführung des Symposiums, für außerordentliche Beiträge zur Entwicklung von Wirtschafts- und Geschäftswissenschaften und auch für die Erweiterung der internationalen Zusammenarbeit zwischen den Universitäten verliehen.

Auf der Abschlußsitzung wurden unter anderem auch die Ausgangspunkte für das Symposium MER'98 bestimmt; Die Programmleitung übernahm Prof. Dr. Jean-Paul Thommen aus der Schweiz, die organisatorische Leitung verbleibt weiter in Maribor.

Janko Belak, Vorsitzender des Organisationskomitees Mer’96, Universität Maribor

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International Conference on Marketing and Corporate Culture - Report

The first international conference on marketing and corporate culture at St. Petersburg’s University of Economics, Business and Finance from 24th to 26th of September 1996 brought together around 70 practitioners and scientists from Russia, Germany, Tatarstan, Ukraine and Bulgaria. Additionally papers were included in the conference proceedings by colleagues from the United States, Sweden, England, France, Finland, Lithuania, Austria and Switzerland. The conference was organised by the St. Petersburg University of Economics and Finance with the assistance of the State Committee of the Russian Federation for Higher Education, the Russian Academy of Management, the International Academy for Higher Education in Russia and the Technical University of Chemnitz-Zwickau. The idea was to integrate the topics of marketing and corporate culture and to show especially the influence of cultural factors towards decision making, organising and developing marketing structures and processes in transformation processes.

The first day of the conference was devoted to five plenary speeches, delivered by A.I. Muravjov, the head of the organising committee, St. Petersburg, (Importance of Marketing and Corporate Culture for the development in Russia), Kruglov (St. Petersburg Region in the Transformation period in Russia), R. Lang Chemnitz, (Role of Managers in the Process of Changing Corporate Cultures), J.N. Golubiev, St. Petersburg, (Role of Technology in the Russian Economic Development), G. Leidlich, Wiesbaden, (Benchmarking as an Instrument of Marketing) and V.V. Tomilov, St. Petersburg, (Problems of Organisational Culture in the System of Business).

It turned out that the national, regional and partly the special corporate culture could be seen as important factors influencing marketing processes, structures and instruments of marketing in Russian enterprises. While Kruglov was focusing on international influences on Russian national and business cultures with a special attention to the Petersbourg region, Lang showed the limited influence of charismatic or transformational leadership for cultural transformations by examining result from empirical studies from East Germany. Golubiev delivered an interesting development picture of Russia showing the stage of technologically driven decline of the industry starting in the early 80ies. He underlined the important role of technology also for the future developments in Russia. Leidlich stated that benchmarking could be used as an instrument also for Russian firms to gain competitiveness. It should include the development to a learning organization who frequently control their products and processes. Tomilov as the least speaker of the first day pointed out that decisions of cooperation with Russian firms should include the knowledge of the regional...
culture which is in the north-west region more Scandinavian like as it is in the Region around Moscow which is seen as closer to German or American culture.

The next day started with a contribution of G.L. Bagiev, Petersburg, who spoke on the development of the theoretical and methodological view of marketing as an integral part of enterprise-management in Russia. He claimed that now at least in the scientific discussion marketing is seen as an important and integrated part of modern management with a strong focus on customers needs as it is in the West. Other speakers dealt with the market entry strategies of western firms, marketing of investment objectives in project management, the changing role and importance of commerce in Russia. By discussing the historical development of Russian business charity E.I. Nesterenko, Moscow, brought in interesting view into the debate: a special kind of social responsibility in Russian business culture of the past, which can probably used for the development of business ethics and ethical behaviour of Russian managers.

The last day was starting with a speech of D. Rohe, Bernburg. He showed based on new statistical data and 120 interviews with managers the development of a strong export orientation of East German food companies towards the East especially to Russia.

In his final remarks Bagiev proposed to continue the co-operation. Between the participants on the topic. It was recommended to develop research and teaching programs as well as institutional preconditions focusing on cultural issues of marketing.

G.L. Bagiev, E.V. Pesotskaia, V.V. Tomilov University of Economics and Finances (St. Petersburg); R.. Lang, TU Chemnitz Zwickau

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**Interuniversitäre Zentrum für Unternehmer-Ausbildung in Bulgarien**

Es ist geplant, an kleinen und mittleren Unternehmen, Finanzinstitutionen, Beratungsgesellschaften und andere Organisationen anzuknüpfen, die im Umkreis von Kleinunternehmen Entwicklung tätig sind.


Die materielle Basis und das Personal, über die das Zentrum verfügt, spielen eine außerordentlich wichtige Rolle für die erfolgreiche Realisierung der genannten Ziele und für die Entwicklung des Zentrums zu einer Leitstelle in der Unternehmer-Ausbildung in Bulgarien und Osteuropa. Das Zentrum verfügt über 20 Computerarbeitsplätze mit mehreren Laserdruckern, die in einem
heterogenen Lokalnetz verbunden sind und die mit den anderen Lokalnetzen an der Universität und mit dem Internet in Verbindung stehen.


**Kontaktadresse:**

Doz. Kiril Todorov, Universität für National- und Weltwirtschaft
dito
Studentenstadt, 1100 Sofia, Bulgarien
Tel. +359 2 62 52 512, Fax +359 2 962 52 68

**Conference Annoucement**

Snejina Michailova, Copenhagen Business School, Denmark

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**SCOS: 15th International Conference Warsaw July 9 - 12, 1997**

**The Empty Space**

This is an invitation to join in the (de-)construktion of the empty space.

The Empty Space is the title of Peter Brook's (1968) book about theatre. It inspires the reader to reflect both on theatre and on other ideas of emptiness. For Peter Brook, the empty space is a bare stage the minimum site for theatre. The stage is wiped clean all the time it allows for a special openness to change; the theatrical celebration of ifs has been made manifest.
After 1989, change has ceased to be regarded as an occasional disturbance or a shift between stable states. It has become a way of life for many people in the former Eastern block and in what used to be seen as the "West" as well. Many stable states are gone, and have left a void. This void can be seen as an empty space; a stage welcoming ifs to emerge and to become the inspiration for creative vision and germininal possibilities. The empty space is also a state of mind. It opens debate on authorship and authority. It directs attention to the meaning of directions in and sites of production. It is a spiritual and poetic experience; ambiguous and powerful. As such it can be seen as a process a mode of becoming, an invitation to personal creation not defined within the imperatives of any existing form of categorisation. It embraces the power of silence and the indeterminacy, of the blank; empty space is to be interpreted and experienced by authors who enter it. It is subversive: chaos that can be made visible.

Call for Papers:
The conference, SCOS's first in Eastern / Central Europe, and the twelfth in Europe; aims to provide a space for exploring how we feel and think about a variety of changes in contemporary culture and organizing, The following sub-themes will be embraced as fields of inspiration:

- Political collapse(s): the collapse of the Berlin Wall, the collapse of the welfare state end of the culture of sacrifice (the so called 'Japanese model');
- Shifts in the meaning and the role of communication: the globalization and intensification of communication not as means of interaction but as interaction by its own rules;
- Spirituality and immateriality as a way of becoming in the empty space;
- Virtual organization and virtual reality, the opening of material doors, to an immaterial reality;
- Science fiction and role-playing games, as a way of living in the empty space;
- Poetics as resistance, disorganized ideas and systems, the authoring of empty spaces;
- The theatrical metaphor in organization studies, management as theatrical performance not „essences“ but „arts“ of organizing.

Abstracts of no more than two pages are due by November 1st, 1996.

Please send abstracts to:
Dr. Monika Kostera and Prof. Andrzej K. Kosminski
Academy of Entrepreneurship and Management
Jagielloska 59
00-987 Warszawa, skr. poczt 240
Poland

Abstracts can also be faxed to: +48 - 22 - 11 30 68

Conference Information:
The conference will begin with a reception on Wednesday evening July 9; and conclude on Saturday July 12. The conference fee (inclusive SCOS membership, vol 4 of Studies in Cultures Organizations & Societies and conference „events“ opening reception, Jazz concert & supper in Lazienki Park & Palace, Gala dinner at the Royal Castle) will be £300.

The price of hotel accommodation will vary between +/- £20 per night for university accommodation inclusive private bath & Telephone (Sokrates Hotel - to +/- £90 {Jan III Sobleski) inclusive private facilities, Telephone, TV, mini-bar and +/- £130 (Marriott) inclusive all luxuries (all prices include breakfast but are exclusive of 7% VAT). Please let us know your preference as soon as possible and indicate if you require a single or double room- doubles are slightly more expensive. In all cases there are two or three grades of rooms (standard / superior or regular / superior / executive); we would be pleased to inform you of further details.

We are endeavouring to arrange that LOT will be the official conference airline (providing a reduction).

For further information contact Marcin Jozefowicz (Conference Manager) or Malgorzata Bandurska (Conference Secretary) tel. +48 (0)22 11 30 61 to 63 & fax +48 (0)22 11 30 68.
Private and Public Management


Häufig wird auch in anderen Ländern übersehen, daß wissenschaftssoziologische Entwicklungen bestehen, die zum Teil in Vergessenheit geraten sind und deshalb die Gefahr mit einschließen, „neuen Wein“ in „alte Schläuche“ zu gießen. Dies gilt vor allem auch für die formalen und die inhaltlichen Anforderungen an ein möglichst konsistentes Führung- oder Steuerungsmodell bzw. ein Steuerungsmodell im Bereich der öffentlichen Verwaltung. In den osteuropäischen Ländern bestehen dabei sicherlich Fragen, die nicht durch das Übertragen westlicher Patentrezepte so einfach zu übertragen sind.

Theoretisch weitgehend ungelöst ist die Integration der einzelnen Komponenten eines Führungs-, Management- oder Steuerungsmodelles. Dies gilt insbesondere für die jeweiligen Ziele und Prinzipien sowie die einschlägigen Systeme, Prozesse und Instrumente. Hier bilden die führungstheoretischen und die personalwirtschaftlichen Implikationen der „Neuen Steuerungsmodelle“ noch ein relativ unerforschtes Betätigungsfeld.

Parallel zur Unterscheidung zwischen der normativen und der strategischen Ebene moderner Managementmodelle ist im öffentlichen Bereich das Spannungsfeld zwischen public policy und public management von besonderer Bedeutung für die Funktionsfähigkeit eines Steuerungsmodells. Einerseits ist der Dualismus von Rat und Verwaltung in einer Kommune zweifellos vorhanden und im Eingreifen des Rates in als politisch bedeutsam eingestufte Verwaltungsangelegenheiten zu sehen. Andererseits kann z.B. eine dezentrale Ressourcen- und Ergebnisverantwortung bzw. eine damit einhergehende
Neubestimmung der Aufgaben von Rat und Verwaltung nur funktionieren, wenn die steuernden Eingriffe in die dezentralisierten Verwaltungseinheiten sich auf jene Fälle beschränken, in denen strategische Zielvorgaben Gefahr laufen, nicht erreicht zu werden. Insofern besteht ein Gleichgewichtsproblem zwischen der Zweifellos erforderlichen Verknüpfung politischer Normen mit organisationalen Strategien einerseits und einen ausgewogenen Verhältnis von Selbständigkeit und Verselbständigung der Verwaltung andererseits.

Daß das Personal die wichtigste Ressource einer Verwaltung darstellt und daß Personalentwicklung, -führung und -motivation zum entscheidenden Produktionsfaktor werden kann, wird häufig nur wenig beachtet oder ist nur als Worthülse existent. Dabei ist die Einbindung des Personals auch hier wichtig, um Innovationspotentiale zu erschließen. Allerdings fehlen vielfach die dienstrechtlichen Rahmenbedingungen und die finanziellen Möglichkeiten für materielle Anreize. Entsprechendes gilt häufig für motivierende Arbeitsbedingungen und Handlungsspielräume zum selbständigen Arbeiten.


Dieter Wagner