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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 Europe.

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 welcome, 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 - The God of Consumerism moves East?

A theme pervading much of this edition is the new imperative in transforming eastern European enterprises towards customer responsiveness. In liberalised markets, privatised concerns are recognising the need to develop externally attuned mechanisms to measure their success in meeting the burgeoning demands of consumers. Behind this strategic shift lies the recognition, commonplace in the west, that the fate of the most Goliath of enterprises rests ultimately with the often unpredictable, yet unassailable, expression of taste by each intrepid buyer. Indeed the “sovereignty” of the consumer remains a tacit article of faith in Western societies at the end of the millennium. and the apparent “triumph” of capitalism suggest that the consumerist value system is set to gain global hegemony. The supermarket open twenty four hours a day is now no longer merely a metaphor for endless indulgence in choice and image readjustment on the part of bargain hunters. In eastern Europe, previous traditions of austerity have, at least at a symbolic level, given way to the imagery of mass consumption, poignantly depicted in the city of Chemnitz where the colossal statue of the head of Karl Marx now fronts a fast food restaurant.

In organisational terms, the gathering in pace of the consumer culture has led to a need to reappraise the dynamics of the producer/consumer relationship. Undoubtedly, the advances made by the indignant and inscrutable citizen have been at the expense of the security and status of service providers in many sectors. So, for example, in the United Kingdom, which during the era of Thatcherism experienced a profound intensification of market orientated values, those in previously protected and quite prestigious occupations such as teaching and medicine discovered that their perceptions of quality service provision were now challengeable by recipients. Thus the certainties associated with professional status have given way to ambiguity resulting from the legitimisation of an alternative, and more commodity orientated view of the worth of jobs and services. The most direct effect of the new climate encapsulated in patients, citizens, students and parents’ charters has been the necessity for producers to compete in terms of speed and quality of service delivery in a context of job insecurity. Consequently, power has ebbed from the accountable provider to the empowered customer.

The status of the consumerism as a great orthodoxy of our times, which influences not only the process of market interaction, but also the identity and feeling of self worth of buyer and seller, means that its appeal invariably occurs at an ideological and rhetorical level. Thus, despite the aforementioned experiments in buyer power in the UK and other countries, one may question the extent to which there have been real revisions in structures of economic power and order. Resourcing limitations in education, the health service and local government have constrained attempts to upgrade service quality, whilst in
private sector top level management have arguably been the primary beneficiaries of the deregulated economic climate. Thus, it seems, there is not an insignificant degree of “window dressing” inherent in the consumerist movement. As a credo for the late 1990’s, there may also be a tendency to apply the principles of consumerism on an undifferentiated basis. It would, at face value, appear absurd to compare the economic functions of, for example, a University and a fast food restaurant, and it would appear to be equally fatuous to equate the economic and social utility of an educational programme and a hamburger.

Nevertheless, at least at a rhetorical level in some educational circles there is a view that “those who buy the lunch will choose the menu”\(^1\). What is surely needed at an organisation level is a more critical and discriminating approach to meeting customer needs, taking into account the nature of the product or service, its significance into the longer term, its moral as well as consumerist value, and any responsibilities of the buyer or recipient. In seeking to establish measures for product quality and consumer satisfaction in eastern Europe, it could be prudent to fine-tune these to the state of organisational (and national) evolution towards market orientation, as well as to the precise nature of the enterprise and its services.

\textit{Graham Hollinshead}

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Service Orientation in Transitional Economies: Analysis of Critical Service Factors in two Slovenian Banks Compared to the USA*

Samo Bobek, Monty L. Lynn, Richard S. Lytle**

Service quality, and the service-oriented practices that create that quality, have been shown to yield competitive advantage to firms in developed and mature markets. The role that service-driven practices play in transitional economies, however, has not been tested. In this study, the SERVOR scale, a measure of organizational service-orientation, was analyzed from 105 employees in two Slovenian banks—one which is a newly established private bank and the other which is a large, older previous state-supported bank. Results indicate that the private bank is more service-oriented in its approach to the marketplace.

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1. Introduction

Service quality, and the service-oriented practices that create that quality, have been shown to yield competitive advantage to firms in mature Western markets (Jones & Sasser 1995; Lytle, Hom, & Mokwa, 1997). One industry in which service has been shown to offer competitive advantage--both in North America (Schneider & Bowen 1995) and in Western Europe (Nader, Buhler & Johnson, 1996; Schmid, 1996)--is banking. In mature markets where technology, accessibility, products, and security are roughly equivalent, innovative service can contribute to breakaway growth (Stalk, Pecaut & Burnett, 1996).

The role that service-driven practices play in transitional economies, however, has not been tested.

In an effort to better understand customer service perceptions and practices we have used the Servor Scale (Lytle, Hom and Mokwa, 1997). Although this instrument has been used in many types of organizations, it has been used most extensively in banks in the United States. Data now exists from surveys of hundreds of employees in several small and large American banks. These surveys have provided information on banking services and have allowed the scale to be proven as a valid and reliable measure of customer service perceptions and practices.

The purpose of this study was to take the Servor scale across US borders and into an international setting. The setting of choice was Slovenia. In this study, the SERVOR scale, a measure of organizational service-orientation (Lytle, Hom, & Mokwa, 1997), was analyzed from 105 employees in two Slovenian banks--one which is a newly established private bank and the other which is a large, older state-supported bank. Bank performance ultimately is not measured by comparing Slovene and US banks, but in gauging how each of Slovenian banks performs relative to other banks in Slovenia. Employees in a bank are comparing their bank’s performance with regional banks, not with American banks. Though American bank data is provided, it is provided as a simple contrast to the Slovenian banks data.

2. Literature Review

Service and service quality are central issues in the marketplace today. Throughout the decade, scholars and executives have continually ranked improving service quality as one of the most critical challenges facing business (Albrecht and Zemke 1985; Heskett, Sasser, and Hart 1990; Roach 1991; Schlesinger and Heskett 1991; Sewell and Brown 1992; Zeithaml, Parasuraman, and Berry 1990). The importance of service is not restricted to a few organizations and industry settings. In fact, the significance of service is quite
broad-based. “Virtually all organizations compete to some degree on the basis of service. It is difficult to name even one industry for which service matters are unimportant...As executives find it increasingly difficult to establish sustainable, technology-based competitive advantages, they will direct added attention and resources to value-added service as a truer source of superiority” (Zeithaml, Parasuraman, and Berry 1990, pp. 1-3).

Research affirms this view and suggests that customer satisfaction, customer loyalty, and organizational success are associated with an organization’s service performance (Berry, Parasuraman, and Zeithaml 1994; Bitner 1992; Jones and Sasser 1995). Service performance is a function of several key organizational factors. First, strong and widespread management commitment to service quality must exist. It is this commitment that energizes and stimulates organizations to improved levels of service performance (Gibbs 1995; O’Connor and Shewchuk 1995; Schneider and Bowen 1995; Zeithaml, Parasuraman, and Berry 1990).

Second, strong and widespread employee commitment to service quality must exist. It is employee behavior oftentimes that directly shapes customer perceptions of service performance and thus customer satisfaction and loyalty (Bitner 1990, 1992; Jones and Sasser 1995). Traditional research supports the idea that customer evaluations of quality service (Parasuraman, Zeithaml, and Berry 1985) directly depend on service-oriented individuals existing at critical junctures in the organizational service creation and delivery chain (Bowen and Schneider 1988; Bowen, Siehl, and Schneider 1989). Determinants of service quality include dimensions such as empathy, caring, understanding, and reliability experienced by customers in the actual service encounter (Parasuraman, Zeithaml, and Berry 1988). In fact, more recent research focuses specifically on customer attitudes and feelings created during the actual employee/customer service encounter. This work finds that customer service perceptions are, partly, a function of service providers’ attitudes and actions (Bitner 1990, 1992, 1995).

Third, an organizational service-orientation must exist creating a climate for sustainable, long-term service performance and the creation of superior value. The relationship between an organization’s orientation and employee behavior is critical: Employee behavior is a function of an organization’s orientation (Bowen and Schneider 1988; Schneider and Reichers 1990; Schneider, Wheeler, and Cox 1992). Service-oriented organizations will establish and embrace relatively enduring policies, practices, and procedures that support and reward excellent employee service behavior. It is purported that these organizations are more likely to deliver outstanding service performance resulting in higher levels of customer satisfaction, customer loyalty, and organizational success. Without an organizational service-orientation, the likelihood of sustainable, long-term service performance is diminished.
Though numerous articles and management groups advocate service excellence and the importance of nurturing an organizational service-orientation, few studies have focused on the systematic development of parsimonious and psychometrically sound empirical measurement models (Berry, Conant, and Parasuraman 1991; Dabholkar, Thorpe, and Rentz 1996; Schneider, Wheeler, and Cox 1992). As such, there is a need for clear specification and measurement of the organizational practices and routines that determine excellent service and comprise an organizational service orientation (OSO). Furthermore, there is a critical need for measures to be managerially relevant: simple yet elegant. Many measurement models are unnecessarily complex and arduous. Useful organizational measures should be reliable and valid, but also simple and effective tools for managers to use as they attempt to assess and manage their organization’s service-orientation.

3. Methodology

In the survey the Servor Scale was used as a research model (Lytle, Hom and Mokwa, 1997). The Servor Scale is comprised of 9 separate dimensions that are intended to measure critical organizational “best practices” necessary for creating and delivering outstanding service quality. The Servor Scale dimensions are:

- customer treatment,
- employee empowerment,
- servant leadership,
- service training,
- service rewards,
- service failure prevention,
- service failure recovery,
- service technology,
- service standards communication.

The dimensions are operationalized or measured by asking employees to respond to different similar but distinct questions for each dimension. The questionnaire consist of 34 questions. Interpretation of the responses is based on the scale ranged from 7 to 1 where the distinct scores have the following meaning:

- 7=Strongly agree
- 6=Agree
- 5=Somewhat agree
4=Neutral
3=Somewhat disagree
2=Disagree
1=Strongly disagree.

The Servor Scale was for the purpose of its usage in Slovenia translated into Slovene and then reverse translated into English to identify any problematic linguistic or cross-cultural phrases.

Respondents in this study were employees of two banks in Slovenia, noted here as StateBank and PrivateBank. StateBank is an old bank. PrivateBank was established in 1991. Although originally funded by a small number of private investors, shares of PrivateBank are now traded on the Slovene stock market. StateBank has about three times the assets of PrivateBank. Due to their differences in capitalization, age, and size, we conclude that PrivateBank is more exposed to competitive market pressures than is StateBank.

Employees participating in the survey identified the branch or office in which they work and indicated whether or not they are a manager. This level of identification was requested so that manager and non-manager perceptions could be compared, and so branch and office perceptions could be compared as well (without linking the identity of any particular branch or office with the responses gathered). The identity of individual respondents remained anonymous to encourage honest employee responses.

Questionnaires were distributed to 263 front-and back-office employees of StateBank. A total of 75 useable questionnaires were returned, yielding a response rate of 28.5%. Represented in the data were 5 corporate departments and 6 branches. Within the offices/branches which responded, the response rate was 64.7%. 12% of the sample respondents were male and 88% of the sample respondents were female. For the bank, this appears to be a fair representation of “back-office” employees by gender. 93% of sample respondents classified themselves as regular employees versus 7% of employees who classified themselves as holding managerial positions.

In PrivateBank 33 questionnaires were distributed to 33 front- and back-office employees in two corporate departments and one branch. A total of 30 usable questionnaires were returned, yielding a response rate of 91%. The majority of respondents were female (23%); most (64%) did not hold management position.

An overall response rate was 35%. StateBank employees represent roughly two-thirds of the sample. The majority of the respondents were female, non-managerial employees.
4. Some Comments on Interpreting the Results

Many of the Servor questions ask the respondent to compare practices at his/her bank with practices at one or more competing banks. Though American bank data is provided, it is provided as a simple contrast in the Slovenian bank data. It is important to note that:

Bank performance ultimately is not measured by comparing Slovene and US banks, but in gauging how Slovenian bank performs relative to other banks in Slovenia. Employees in a bank are comparing their bank’s performance with regional banks, not with American banks.

Occasionally, interpretation is offered relative to the US bank data, but the focus clearly should be on the perceptions of employees at Slovenian bank.

When interpreting data in this study, it is important to keep four broad considerations in mind:

- How do customers define service quality in Slovene banking?
- How wide is the gap between what customers expect and what the bank actually delivers?
- What resources do employees need to provide exceptional customer service? Are those resources available?
- Do the methods used to collect data in this study give an accurate reading of employee perceptions?

Each of these considerations will be addressed briefly.

Customers define service differently across different companies, industries, cultures, and times. The qualities which many Slovenians expect from their banks may include financial security, the availability of particular banking services, how long they have to wait, personal attention, exchange rates, modern facilities, evening hours, or competent bank employees. Customers may value some of these factors more than others. And they may change what they value as technology evolves and as competition among banks escalates. By the same token, when a bank provides a service which is not desired by customers, its service is not enhanced. Even as a moving target, it helps to know what customers want from their bank.

The next step in thinking about service quality is identifying how large a gap exists between what customers desire in terms of service and what the bank actually delivers. If a customer’s expectations of bank service is fairly low--if he expects long lines, little personal attention, and slow processing, for example--then what overall might look like a poorly functioning bank might not be defined that way by the customer. But as customers experience higher levels of service in banks and other types of organizations, the service gap may widen. Customer service often takes on increasing importance as bank competition
rises. Increases in the number of providers of banking services may cause a relatively steep increase in the demand that customers make for responsive service.

What resources do employees need to provide exceptional customer service. Rewards? Training? Incentives? The example of leadership? Communication technology? Empowerment? Are those resources available? It may not be that customer service standards are unknown to employees, or that they don’t understand what it would take to deliver better service. It may be that the organization doesn’t provide a setting which supports enhancements in service delivery. Management often sets the tone in service. If management is not service oriented, efforts in the bank to encourage responsive customer service may create little improvement. Thus, broad thinking needs to be given internally to aspects of the organization which support what it takes to deliver high quality service.

Research data are only as good as the methods used to collect them. Thus, one should consider possible methodological influences may have affected the outcomes. Particularly since employee opinions were measured cross-culturally, careful attention needs to be given to potential cultural biases in the data gathering.

Some translated survey items, for instance, may create different mental images across cultures. Additionally, employees who are unaccustomed to anonymous survey methods may feel uncomfortable giving their real opinions. If employees think they may be punished for their responses, they may give the responses which management wants to hear. Further, employees may not give accurate comparisons of bank practices if they are unfamiliar with any other banks.

Thus, to appropriately interpret the data, one must carefully consider the possible influences these factors may have in the thinking and reaction of Slovenian bank employees and customers.

5. Results

5.1 Customer Treatment
The meaning, definition, and evaluation of service quality exists entirely in the mind of the customer (Chase and Bowen 1991; Parasuraman, Zeithaml, and Berry 1988). Organizations that consistently engage in practices enacting the “golden rule” during service encounters create positive customer perceptions of service performance (Bitner, Booms, and Tetreault 1990; Bitner 1990; Parasuraman, Zeithaml, and Berry 1988). It is the physical treatment of the customer that creates strong impressions of service quality in the customer’s mind.
This dimension seeks to assess employee perceptions of how they believe their unit takes care of its customers. The dimension is operationalized or measured by asking employees to respond to four similar but distinct questions. The average scores:

- Question “Employees care for their customers as they would like to be cared for” are 5 in StateBank and 5.23 in PrivateBank (5.1 in US).
- Question “Employees go second mile for customers” are 4.95 in StateBank and 5.19 in PrivateBank (5.15 in US).
- Question “We are noticeably more friendly and courteous than our competitors” are 5.49 in StateBank and 5.13 in PrivateBank (5.44 in US).
- Question “Employees go out of their way to reduce inconveniences for customers” are 5.51 in StateBank and 5.55 in PrivateBank (5.26 in US).

In StateBank employees somewhat or moderately agree that customers are being taken care of in their respective units. There is not a significant difference in responses between employees of US Banks and employees of StateBank. However, the findings suggest that employees believe that much more could be done to give customers the type of treatment they desire and deserve.

In PrivateBank employees agree that customers are well served and that extra efforts are taken to serve the customer. In three of four cases, the PrivateBank employees evaluated their service higher than did the average employee in a US bank. But recall that the US employees are comparing their service to competing US banks while PrivateBank employees are comparing their service to competing banks in Slovenia.

5.2 Employee Empowerment

Since service production and consumption occurs simultaneously (Bateson 1989; Bitner, Booms, and Tetreault 1990; Parasuraman, Zeithaml, and Berry 1985), employees must have responsibility and authority that allows them to tailor service production as service complications and/or service opportunities arise. Organizational members who have the directive, responsibility, and authority to provide superior customer service have been empowered by management and are more able to provide high levels of quality service (Heskett 1987). Empowered employees can make important decisions “close to the customer.” In other words, employees can make decisions “on the spot” instead of having to obtain management permission “up the ladder.”

This dimension seeks to assess employee perceptions of how empowered they feel. The more empowered they feel, the more likely they are to be involved in the types of behavior that will produce high levels of customer satisfaction. The dimension is operationalized or measured by asking employees to respond to two questions. The average scores for:
- Question “Employees often make important customer decisions without seeking management approval” are 3,24 in StateBank and 4,06 in PrivateBank (3,76 in US).
- Question “Employees has freedom and authority to act independently in order to provide excellent service” are 3,35 in Statebank and 4,26 in PrivateBank (3,91 in US).

In StateBank employees do not feel empowered to autonomously take care of customer needs. US bank employees seem to feel somewhat more empowered than Slovene bank employees. The findings suggest that management might consider the appropriateness of providing more empowerment within the bank’s organizational culture.

In PrivateBank employees are neutral regarding whether they are empowered to take care of customer needs without obtaining management’s approval. Still, PrivateBank employees perceive themselves as being more empowered than do average US bank employees.

5.3 Servant Leadership
This construct concerns management’s leadership style. “Servant-leaders” actually “walk the service talk.” They direct and manage their organizations by setting conspicuous service examples rather than simply dictating service policy for the organization (Albrecht and Zemke 1985; 1990; Heskett 1986; Schlesinger and Heskett 1991). Thus, servant-leaders motivate the entire workforce, especially front-line employees, by setting service examples to be followed which reinforces higher service activity by all employees.

This dimension seeks to assess employee perceptions of how servant-driven their managers are. The more servant-oriented managers are, the more likely employees will be servant oriented as they deal with customers. The dimension is operationalized or measured by asking employees to respond to six similar but distinct questions. The average scores for:

- Question “Management constantly communicates the importance of service” are 3,62 in StateBank and 5,1 in PrivateBank (5,41 in US).
- Question “Management regularly spent time with customers and front-line employees” are 2,91 in StateBank and 4,32 in PrivateBank (4,8 in US).
- Question “Management is constantly measuring service quality” are 3,32 in StateBank and 4,39 in PrivateBank (4,92 in US).
- Question “Management shows that they care about service by constantly giving themselves” are 3,09 in StateBank and 4,61 in PrivateBank (4,89 in US).
- Question “Management provides resources, not just lip service to enhance employee ability to provide excellent service” are 3,26 in StateBank and 4,77
in PrivateBank (4,7 in US).

- Question “Managers give personal input and leadership into creating quality service” are 3,36 in StateBank and 4,77 in PrivateBank (4,95 in US).

Employees in StateBank do not feel that their managers exhibit high levels of servant leadership. The average score for these questions was low. They ranged from 2.91 to 3.62. Thus, on average, few employees perceived that managers exhibited core characteristics of servant leadership.

PrivateBank employees are neutral to somewhat agree that that their managers exhibit high levels of servant leadership. Cross-cultural note: Although servant leadership has been found to correlate with service practices in US banks, business leadership styles vary dramatically from culture to culture.

5.4 Service Training

Successful service encounters are significantly impacted by employee training (Chase and Bowen 1991; Schlesinger and Heskett 1991). According to Schlesinger and Heskett (1991), successful service organizations value investment in people as much as investment in machines and view technology as a means for supporting the efforts of workers instead of replacing them. Without proper service training, the ability of employees to meet the complex service demands of customers may be hindered.

This dimension seeks to assess employee perceptions of how much service training exists in their organizational culture. As more service training occurs within the culture, the likelihood of successful service delivery increases. The dimension is operationalized or measured by asking employees to respond to four similar but distinct questions. The average scores for:

- Question “Every employee receives personal skills training which enhances his/her ability to deliver high quality service” are 3,71 in StateBank and 4,9 in PrivateBank (4,31 in US).

- Question “We are taught, coached, and trained how to work effectively as a team” are 4,09 in StateBank and 4,61 in PrivateBank (4,24 in US).

- Question “We spend much time and effort in simulated training activities that help us to provide higher levels of service when actually encountering the customer” are 4,58 in StateBank and 4,8 in PrivateBank (3,74 in US).

- Question “During training sessions we work through exercises to identify and improve attitudes toward service and customers” are 3,94 in StateBank and 4,23 in PrivateBank (4,13 in US).

Statebank employees do not feel that they receive a great degree of service skills training. Scores ranged from 3.71 to 4.58 indicating that, on average, employees do not agree with statements that suggest they receive a fair amount of service skills training.
PrivateBank employees mildly agree that they receive a great degree of service skills training. Scores ranged from 4.23 to 4.9 indicating that, they receive some skills training but that there is light emphasis on working as a customer-service team or on influencing attitudes toward customers.

5.5 Service Rewards

Many scholars and writers agree that an important element of service quality is the link between compensation and service performance (Heskett, Sasser, and Hart 1990; Roach 1991; Schlesinger and Heskett 1991). Service-driven organizations recognize and reward service accomplishments conspicuously within the organizational environment.

This dimension seeks to assess employee perceptions of “if and how” excellent service behavior is rewarded within their organizational culture. The dimension is operationalized or measured by asking employees to respond to two questions. The average scores for:

- Question “Management provides excellent incentives and rewards at all levels for service quality, not just productivity” are 3.07 in StateBank and 3.97 in Privatebank (3.9 in US).
- Question “This organization noticeably celebrates excellent service” are 2.64 in StateBank and 3.45 in PrivateBank (4.44 in US).

StateBank employees do not feel that service excellence is rewarded within their particular work culture. Scores ranged from 2.64 to 3.07 indicating that, on average, employees do not agree with statements that suggest they receive rewards for excellent service performance. It should be understood while interpreting this data that, on average, most employees disagree with statements that suggest they are rewarded for great service.

PrivateBank employees evaluated this dimension lower than any other, suggesting that the reward structure does not significantly support customer-oriented service practices. Responses were 3.45 and 3.97 indicating slightly negative responses toward an application of incentives or the celebration of excellent service.

5.6 Service Failure Prevention

Researchers are increasingly attending to the design and operation of service delivery systems (Chase and Bowen 1991; Heskett, Sasser, and Hart 1990; Lovelock 1988; Schlesinger and Heskett 1991). Recent works have stressed that the creation and delivery of service quality requires an organized, systematic, and system-wide effort. Because service encounters are an important source of information for consumers in evaluating service quality, controlling and enhancing the service encounter through preventative service design is a critical task for organizations (Chase and Bowen 1991).
This dimension seeks to assess employee perceptions of “if and how” excellent service behavior is designed into their organizational culture. Specifically, this dimension seeks to assess the extent to which the bank is seeking to prevent service failure by designing preventative systems ahead of time. The dimension is operationalized or measured by asking employees to respond to three similar but distinct questions. The average scores for:

- Question “We go out of our way to respond to customer problems” are 5.47 in StateBank and 5.58 in PrivateBank (5.18 in US).

- Question “We go out of our way to prevent customer problems rather than reacting to problems once they occur” are 5.71 in StateBank and 5.84 in PrivateBank (4.93 in US).

- Question “We actively listen to customers” are 5.9 in StateBank and 5.74 in PrivateBank (5.4 in US).

StateBank employees do feel that customer service problems are responded to by bank personnel. It might be noted here that the phrase “actively listening to customers” might not have as strong a meaning in Slovenia as in the US. Generally speaking, “actively listening to customers” means conducting market research, collecting customer opinions, going to extraordinary lengths to hear what the bank’s customers have to say.

Employees gave PrivateBank its highest evaluation on this dimension (5.58 to 5.84). Employees generally agree that bank personnel respond to customer service problems. PrivateBank’s evaluation was strongly positive on service failure prevention.

5.7 Service Failure Recovery

At the other end of the spectrum from service prevention are issues of service failure and recovery. Berry, Parasuraman, and Zeithaml (1994) suggest that service failure recovery is an important determinant of service quality. They argue that if an organization fails to resolve customer problems, they have in fact disappointed the customer twice: once for the initial failure and twice for failing to correct what had gone wrong in the first place. Some research suggests that immediate and planned responsiveness to service failure can enable an organization to retain up to 95% of its dissatisfied customers (Albrecht and Zemke 1985).

This dimension seeks to assess employee perceptions of the organization’s attempt to plan strategies to be engaged when service failure recovery occurs. The dimension is operationalized or measured by asking employees to respond to three similar but distinct questions. The average scores for:

- Question “We have an excellent customer complaint handling system for service follow-up” are 3.87 in StateBank and 4.65 in PrivateBank (4.01 in
US).

- Question “We have established problem-solving groups to enhance our ability to resolve service breakdowns” are 3,29 in StateBank and 3,67 in PrivateBank (3,54 in US).

- Question “Every employee knows what determines a good and bad service experience” are 4,47 in StateBank and 4,71 in PrivateBank (4,92 in US).

Employees in StateBank do not feel that the bank engages in service failure recovery behavior. “Best practices” such as service guarantees, follow-up service calls, and employee problem solving groups, in general, do not exist in the bank’s organizational culture which is reflected in its daily practices. The scores in this category were well below a 4.00 - meaning that, on average, no one agreed that StateBank had active service failure recovery strategies.

Employees mildly agree that PrivateBank guarantees service, and has a process for handling customer complaints. But they do not do this in problem-solving groups or teams, nor do they follow-up with customers through service calls. Cultural differences are likely evident here between US and Slovene banking practices. Additionally, a “service guarantee” may be interpreted differently in the two countries.

5.8 Service Technology

Technological superiority is suggested to be one critical dimension utilized by successful firms today as they compete to deliver superior customer value (Treacy and Wiersema 1993). These systems are providing competitive advantage and assisting firms in the creation and production of service quality. This particular dimension focuses on the degree to which the organization is perceived by its employees as leveraging technology to provide a service advantage for the customer.

This dimension seeks to assess employee perceptions of the organization’s attempt to use new technologies to create and deliver outstanding service value to customers. The dimension is operationalized or measured by asking employees to respond to three questions. The average scores for:

- Question “We enhance our service capabilities through the use of “state of the art” technology” are 3,09 in StateBank and 5,16 in Privatebank (5,23 in US).

- Question “Technology is used to build and develop higher levels of service quality” are 3,71 in StateBank and 5,26 in PrivateBank (3,58 in US).

- Question “We use high levels of technology to support the efforts of men and women on the front-line” are 3,62 in StateBank and 5,16 in PrivateBank (3,31 in US).
StateBank employees do not feel that the bank does a good job of utilizing “cutting edge” technologies to provide customers with outstanding levels of added value through service. As was the case in the last category, the scores in this category were well below a 4.00 - meaning that, on average, no one agreed that StateBank was using new technologies to support employees and deliver high levels of service through technology.

PrivateBank employees evaluated this dimension very highly. They clearly agree that PrivateBank’s technology is state-of-the-art, and that that technology enables them to provide high quality customer service.

5.9 Service Standards Communication

Service measurement and standards must exist if service quality is to exist (Chase and Bowen 1991; 1990; Heskett 1986). Based on preliminary focus group research, high levels of service quality are attained by those organizations that measure, control, and communicate service quality standards and information across the organization.

This dimension seeks to assess employee perceptions of the organization’s ability to communicate what is expected from all employees in terms of service standards, practices, and behaviors. The dimension is operationalized or measured by asking employees to respond to five similar but distinct questions. The average scores for:

- Question “We do not wait for customers to complain, we use internal standards to pinpoint failures before we receive customer complaints” are 3,41 in StateBank and 4,65 in PrivateBank (4,01 in US).
- Question “Every effort is made to explain the results of customer research to every employee in understandable terms” are 3,37 in StateBank and 3,67 in PrivateBank (4,04 in US).
- Question “Every employee understands all of the service standards that have been instituted by all departments” are 3,17 in StateBank and 3,48 in PrivateBank (3,77 in US).
- Question “We have a developed chain of objectives linking together every branch in support of the corporate vision” are 3,46 in StateBank and 4,5 in PrivateBank (3,92 in US).
- Question “Service performance measures are communicated openly with all employees regardless of position or function” are 3,29 in Statebank and 4,71 in PrivateBank (4,4 in US).

Employees in StateBank do not feel that the bank does a good job of communicating its service standards throughout the organization. As was the case in the last two categories, the scores in this category were well below a 4.00, meaning that, on average, no one agreed that StateBank was
Communicating its service strategies to everyone in the bank. Since the findings indicate that, for the most part, StateBank does not engage in overt service enhancement practices, it follows that these practices (which do not exist) are not communicated within and across the organization.

PrivateBank employees mildly agree that the bank does a good job of communicating its service standards throughout the organization. Employees are not very aware, however, of the service standards in various departments, nor do they have occasion to discuss customer research with customers.

6. Discussion

F-tests for equality of variances for each of the SERVOR dimensions indicated that the two bank samples were not significantly different in variance. Subsequently, independent sample t-tests were used to test for differences between the SERVOR dimensions at StateBank and PrivateBank. Two banks differed significantly on seven of the SERVOR dimensions. On each, PrivateBank was significantly higher (<.001) than StateBank.

In general, Statebank employees moderately agree that:
- customers are being served adequately at present
- customer service problems are responded to by bank personnel.

The findings suggest that employees believe that there is room for improvement, however, in StateBank advancing to provide exceptional customer service. In general, StateBank employees do not feel that:
- they are empowered to autonomously take care of customer needs
- their managers exhibit high levels of servant leadership
- they receive a great degree of service skills training
- service excellence is rewarded within their particular work culture
- the bank engages in service failure recovery behavior
- the bank does a good job of utilizing “cutting edge” technologies to provide customers with outstanding levels of added value through service
- the bank does a good job of communicating its service standards throughout the organization.

The results of this study clearly indicate that StateBank is not service-oriented organization in its approach to the marketplace. StateBank employees do not embrace a basic organization-wide set of relatively enduring organization policies, practices, and procedures intended to support and reward service-giving behaviors that create and deliver “service excellence”.

In general, PrivateBank employees firmly agree that:
they are providing the level of service that customers want
providing more friendly and courteous service than do other banks
go out of their way to reduce inconveniences
managers communicate service to employees
employees go out of their way to head off and respond to customer problems
employees actively listen to customer’s concerns and desires
their technology is state-of-the-art, supports the front-office employees, and helps provide quality service

PrivateBank employees mildly agree or are neutral that:
they are empowered and have freedom to make decisions on behalf of the customer
managers give of themselves, provide resources, and personally lead
service quality is measured
employees are taught to work as a team and be customer-oriented
employees know what constitutes high and low quality service
a customer complaint handling system operates and service guarantees are offered
measures of service are communicated, branches are linked by common service objectives
problems are pinpointed before customers complain

PrivateBank employees mildly disagree that:
incentives for quality service exist
excellent service is celebrated
problem-solving is handled by employee teams or groups
follow-up service calls are made
employees describe customer research clearly to customers
employees understand other departments’ service standards

The results of this study clearly indicate that PrivateBank is a service-oriented organization in its approach to the marketplace. PrivateBank employees embrace a basic organization-wide set of relatively enduring organizational policies, practices, and procedures intended to support and reward service-giving behaviors that create and deliver “service excellence.” The data support the notion that an association exists between competitive market pressure, organizational performance, and organizational service orientation. We conclude from this that PrivateBank is better positioned than StateBank--regardless of
other financial and operational considerations--to compete as the Slovene economy becomes increasingly competitive.

In competitive market economies, customers are discriminating, have higher expectations, and have multiple products available to satisfy their needs and desires (Jones & Sasser 1995). The result is that customers demand higher levels of service quality and make decisions based on an organization’s ability to deliver it. In fiercely competitive markets, service quality is directly linked with customer satisfaction, loyalty, and organizational performance (Jones & Sasser 1995). This research suggests that a similar relationship may exist in transitional economies.

7. Conclusion

The results of this study clearly indicate that PrivateBank is much more service-oriented in its approach to the marketplace than StateBank. PrivateBank employees felt more empowered by management to respond to customer needs. They also witnessed higher levels of servant leadership among managers, meaning that managers set excellent service examples by personally serving employees and customers. PrivateBank personnel reported that their bank did a significantly better job of utilizing technology to create and deliver service excellence than did other banks. Through better communication practices, PrivateBank employees also perceived that they were better informed about what exactly was expected in terms of customer service practices. Additionally, service training practices were noticeably higher in PrivateBank than at StateBank.

Though a statistically significant difference existed between PrivateBank and StateBank in terms of service failure recovery practices, the overall means were quite low. This shows that employees at both banks perceive their employer to be engaged in comparatively little service failure prevention or service failure recovery planning. Additionally, though a statistically significant difference existed between the two banks in terms of service rewards, the means were extremely low indicating that neither organization does a good job of engaging in strategies that reward employees for outstanding customer service practices.

There were no significant differences in means between the two banks in: (1) customer treatment, (2) service vision, (3) service failure prevention. In terms of customer treatment, employees at both banks indicated that they do a good job of taking care of customer needs. Both banks’ scores were relatively high. Both banks’ scores indicate that their respective management teams fairly clearly articulate a service vision for the organization. Finally, employees at both banks indicated that they felt like their banks did a pretty good job of attempting to “head off” service failures before they occur. In light of other results, employees at both banks feel like they treat their customers well, but only PrivateBank
employees actually engage in practices that would enhance its likelihood to do so.

As we stated earlier customers define service differently across companies, industries, cultures, and times. If a customer’s expectations of bank service are fairly low—if he or she expects long lines, little personal attention, and slow processing, for example—then what looks like a poorly functioning bank might not be defined that way by the customer. Customer service often takes on increasing importance as bank competition escalates. Increases in the number of providers of banking services, especially as supply matches demand, may cause a relatively steep increase in customer expectations and in service improvement.

Providing additional services, products, or quality, will add to customer service only if the customer values those enhancements. Customers define what service is. Although banks may anticipate and even lead changes in these expectations, the customer perspective is paramount. Thus, to be service-oriented, banks need to monitor what customers want and identify where gaps exist between customer expectations and the bank’s delivery of services and products. Banks which perceive, understand, and act on customer desires and expectations will more likely gain competitive advantage locally and be in a potentially better competitive position to expand in their home market.

The SERVOR instrument can assist management in measuring the service gap in several ways. First, the SERVOR scale can establish baselines of service performance for the entire organization as well as different units within the organization. Second, it can be used to systematically monitor and track the organization’s performance on each of the ten dimensions. Finally, the results of each SERVOR administration can be used to (1) identify pockets of service excellence and provide appropriate praise and rewards, and (2) identify organizational service challenges/weaknesses in order to allocate appropriate training and resources to remedy the service problems that exist.

After identifying customer needs and service gaps, the bank must provide supports for service delivery enhancement. For example, if management is not service-oriented, efforts in the bank to encourage responsive customer service may create little improvement. Thus, broad thinking needs to be given to aspects of the bank’s changing culture and organization which support or impede the delivery of high quality service. More detailed recommendations for developing service practices are readily available (e.g., Albrecht & Zemke, 1985; Sewell & Brown, 1992).

Replications and extensions of this study would enhanced the present result if they compared with another bank in Slovenia or more than two organizations or collected branch level performance data to allow statistical examination of service practices and performance. It will also be interested to test whether on organizational service orientation, operationalized in terms of daily service
practices and procedures, is associated with market exposure and bank performance in transitional economy.

References


Evolving Management Practices in the Czech Republic: Restructuring and Market Orientation*

Ronald Savitt**

This article examines the market orientation activities of four firms in the Czech Republic. The findings are framed in terms of organizational innovation. Two firms have successfully adopted such practices, however, they had the advantages in one case of being a start up and in the other having the direction of its international parent. The other two are traditional old state enterprises that in spite of having gone through formal restructuring have not made substantial progress in shedding the management processes of the past. The findings suggest that restructuring with current practices and procedures does not foster the innovative environment necessary to move old state enterprise toward marketing practices.


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Introduction
This discussion provides a disciplined look at the transformation of management practices with regard to market oriented practices in the Czech Republic. The purpose of the study is to determine how the restructuring of old state-enterprises has begun to affect the management practice. The prime evidence comes from several in depth case studies as well as the preliminary results of a major study of 76 Czech firms. While it is difficult to extrapolate to the economy as a whole, the findings provide insights about restructuring and the development of market orientation. Although macro economic measures suggest improvement in the performance of the Czech economy and its industrial structure since the Velvet Revolution, less is known about marketing and management practices in the Czech Republic than elsewhere (Hooley, Beracs, and Kolos 1993; Akimova 1997). The present discussion closes this gap.

The Czech Republic along with Hungary, Poland and Slovakia are thought to have reached a convergence point with many western market economies as measured by traditional economic measures, living standards, inflation rates, dominance of the private sector, debt management practices, and access to capital markets (“Bonding Well,” 1996, p. 22). With regard to privatization estimates suggest that in 1996, more than 70 percent of the gross domestic product is accounted for by the private business. On a scale in which Italy received “4,” the Czech Republic was ranked “3” (“Private Parts, December 1996/January 1997, p. 68). A recent World Bank study based on 1992-94 data offers three observations about large Czech industrial firms in contrast to others, Bulgaria, Hungary, Poland and Slovakia. First, Czech firms have restructured the most; second, systematic restructuring has been carried out at a faster rate; and, third, “exports have grown most in the Czech and Slovak Republics” (Pohl, Djankov, and Anderson, 1996, p. vii). The latest World Bank analysis provides further evidence of the performance of Czech firms. In 1995, 73 percent of Czech firms, weighted by employment, were profitable and 98 percent of Czech firms had positive cash flows. Both represent the highest performance of firms in the larger sample that included Romania and Slovenia (Pohl, Anderson, Claessens, and Djankov 1997, Table 3., p. 6; Table 5, p. 8). As impressive as they are, the data say very little about what practices management have employed and whether such practices will carry Czech firms through the next period in the development of the market economy.

From Enterprise Transformation to Market Orientation

Restructuring
All state enterprises in the Czech Republic were required to prepare formal restructuring programs which were to prepare them to face the market economy (Matesova 1994, p. 24). Restructuring is a three part process that aims at
transforming the structure and behavior of the old state enterprise into a business not that dissimilar than is found in any market economy. Although all three parts may take place at one time, it is appropriate to consider them sequentially (Frederick 1994, p. 64). The first is legal restructuring that represents the change in the pattern of ownership that moves the enterprise from state ownership to some form of a joint stock company controlled by a board of directors that is responsible to stockholders. This process is generally referred to as privatization. Financial restructuring is the second part of the process. It is characterized by actions that affect the structure of balance sheets and income statements. Decisions in the former deal with the status of assets and liabilities while those in the second case affect costs and revenues. The last dimension is concerned with the revising the organization’s structure and developing new operational methods. Structural changes include actions taken toward the organization of departments, the internal hierarchies, lines of accountability, lines of communication, and manpower issues. Operational restructuring focuses on changes in production processes, the use of new technology, development of supply relationships and distribution systems, and all aspects of marketing, especially marketing research and product development. It is in operational restructuring that the greatest changes with regard to market behavior are expected. Here is where the strategic programs are developed and implemented. Examining what takes place here provides an indication of the degree to which an organization is becoming market oriented: “it is the most significant way that firms have been developing a long-run strategy for the market place” (Estrin, Gelb, and Singh 1994, p. 151).

**Structural change and market orientation**

Structural change is an important part of the transformation process. Its purpose is to remove the traditionally highly structured, top down management with unique hierarchies, and create a flatter organization that is focused on the market. This is often characterized by adding the marketing function through the establishment of a specific department or making the entire organization market oriented. Both have been used to integrate a number of previous such as packaging, distribution, and sales into a single unit. Often such units have expanded by adding other, new marketing activities including research, new product development, and promotion (Hitchens, Birne, Hamar, Wagner, and Zeinpilinerova 1995, p. 101). The central goal of these changes is to build better relationships with consumers (Edwards and Lawrence 1994, p. 64). Such structural changes are not minor; however, they do not necessarily represent the development of a market orientation. Having a market orientation goes beyond having a marketing department (Lamb, Harr, and McDaniel 1994, p. 10). It represents a commitment that supercedes the role of a single department, no matter how well managed. In an extensive study of a transforming East German pharmaceutical firm, researchers concluded that even in spite of recognizing the
need to engage in marketing activities and the establishment of a marketing department, the firm had difficulties that were inherent in marketing itself let alone the larger concept of market orientation. “There appeared to be a problem within the company with understanding the role of marketing (rather than sales). This was compounded by the cost of marketing activities and the internal lack of experience” (Edwards and Lawrence 1994, pp. 75-76).

Market orientation goes beyond the establishment of a marketing department or engaging in marketing activities. The movement toward sales and marketing activities by transforming enterprises and all that means, it should not be mistaken for engaging in a market orientation strategy. There are many examples in which “Quality, customer orientation, and competitiveness became the mantras of top management in 1992” in the Czech Republic (Newman and Nollen 1996, p. 129), however, they were not part of a comprehensive way of managing the enterprises. A market orientation transcends marketing activities and other management functions. It can best be thought of as “the strategic direction for a business and plays a critical role in achieving a business’s long-run objectives with respect to growth, financial performance, and strategic market position” (Best, 1997, p. 267).

Market orientation has been the focus of intense theoretical development and empirical research over the past decade. It is defined by most scholars with a common set of characteristics: “three behavioral components—customer orientation, competitor orientation, and interfunctional coordination—and two decision criteria—long term focus and profitability” (Narver and Slater 1990, p. 2). The level of market orientation in any business is the degree to which the business (1) obtains and uses information from customers; (2) develops a strategy that will be meet customer needs; and (3) implements that strategy by being responsive to customer needs and wants” (Ruekert 1992, p. 228). The purpose of this research was to develop a basic understanding of what marketing managers saw as required changes to be successful in the market economy. There was no expectation that market orientation as seen in western market economies would be present. Rather what was sought was an understanding of how far these managers have gone in that direction.

**Restructuring and marketing as organizational innovation**

The introduction of marketing practices and market orientation can be examined as part of organizational innovation. Although much of that discussion focuses on pure technological issues, the concepts comfortably covers these ideas as part of the general set of issues contained in "managerial technology" (Brown 1991, p. 152). Organizational transformation in the Czech Republic closely matches the concept of punctuated equilibrium in which the requirement for the introduction of "commercial" or marketing plans represents the dramatic shock to the past system that forces managers to introduce new operating methods
Ronald Savitt (Romanelli and Tushman 1994, p. 1141). Although Czech managers had a mandate to introduce marketing as part of their enterprise-restructuring plan, little direction was given to what it should be. They had to discover and develop what they thought marketing were and they had the responsibility for seeing that whatever it was they came up with diffused throughout the enterprise. This process closely represents the start of a continuous process of innovation. How well marketing diffuse as we will examine more fully later is directly affected by both external and internal factors.

**Research design**

The research is exploratory and represents the initial stage of a much larger study of market orientation. These cases were developed to clarify basic concepts as well as provide a framework for understanding how top management in these firms defined the new market conditions. Of great interest was the ways in which managers were beginning to define the practices that they were employing. The cases also established an understanding of the effects of restructuring on their behaviors. The cases represent four firms operating in the Czech Republic; all of the firms had gone through restructuring, that is, they all were private firms and they all had marketing departments. Of the four, one was a new entrepreneurial development in wholesaling; another was a Czech subsidiary of a multinational firm and the remaining two were non-competing firms in the petrochemical industry. The latter three were restructured, the first by management mandate and the other by legal direction. The choice of these specific firms was arbitrary though inclusion of old state enterprises was critical since they account for such a significant proportion of the Czech economy. The interviews with the petrochemical firms were conducted in Czech, the other two in English. In each case the individuals interviewed had primary responsibilities in marketing. The questions in each interview followed the extended behavioral components of market orientation introduced earlier although there was no direct questioning about the decision criteria of long run focus and profitability. The respondents represent the “top management level, that reports to the operating board and supervise the business functions. Their position was purposefully selected because of their key role in these organizations.

The behavioral components were made operational as discussed as following. Customer orientation is defined by a shift in the firm’s behavior from the production orientation of the past to some set actions that recognized the role of the customer in the firm’s decision making process as limited or extensive as that might be. Competitor orientation is present when management considers what actions its competitors might take as a result of its decisions. Inter-functional coordination is seen to be present whenever one of the following three business functions, accounting and financial management, human resources management, and production, are combined with marketing in the firm’s decision making process. Implementation incorporates three distinct
elements that evaluated as above. There has been no attempt to assess whether implementation of any of the three represents full implementation, that is, its elements not the full component is evaluated. The first is whether or not management collects and uses customer research; the second is whether or not management develops a strategy to meet customer needs; and, finally, the third is whether or not the firm implements that strategy by being responsive to customers. In each case several questions were asked to obtain responses and the final evaluations were made on the basis of multiple answers.

Each case was carefully evaluated to determine whether each of the components was present and the degree to which they had been implemented. Credit was given to implementation even in those cases in which it was not clear as to whether the respondents fully understood the concepts.

**Does Market Orientation Exist?**

**An overview**

Surprisingly some elements of market orientation do exist within the four cases. Less surprising is that Hewlett Packard, the subsidiary of the multinational firm, has a strong market orientation program that is part of the firm’s international operations. Another impressive example is found in the entrepreneurial operation that basically started from scratch as a result of economic transformation. In the other two cases, there is no clear development of market orientation strategy. Some evidence that basic elements are present and managers, though not fully aware of what it is, have engaged in a number of programs to move their companies ahead so as to operate better in the market economy. The evidence from these two cases provides insights as to what is necessary to develop a market orientation as well as the factors that constrain its adoption and implementation. In order to appreciate the findings, a brief description of each of the cases is necessary.

A summary of the case analysis is found in Table 1. Joran and Hewlett Packard closely approximate the components of market orientation while Kaucuk and Spolchmie do not. What is interesting is that the latter two began a restructuring process much earlier than others; however, they are plagued with the challenges of dealing with the old ways. Both have organization charts that clearly identify marketing departments. As will be seen, top management in these organizations does not have clear ideas of how to move from the structures in the charts to purposeful functional actions.

**JORAN CS spol. s. r. o.**

JORAN is a full line merchant wholesaler and retailer of construction tools, electric power tools, accessories and construction adhesives and fixing for
Ronald Savitt

concrete, steel and wood located in Brandys nad Labem about 20 kilometers north of Prague. The firm was originally established as a sales agent for drill bits in 1991, then became part of a Danish joint venture and returned to a single proprietorship in 1994. In October 1997 Joran became part of a German joint venture. Foreign firms supply all of its products and this has resulted in the firm’s early success. Sales grew at a rate of 50 percent in 1995 over 1994 and at a rate of 30 percent in 1996 over 1995; the rate of growth for the first 9 months of 1997 was 10 percent. Their success comes from a clear commitment on the part of management to market oriented practices. Although they have not fully implemented all of the components, they have clearly developed a systemic program in that direction. Their mission statement states that their interests are to “…satisfy the needs of customers at high quality through selling tools, instruments and fixation technologies with maximum effectiveness and efficiency both in the short-term and in the long-term.” “JORAN regards itself as a full-service wholesaler serving both merchant and industrial segments with a full product line in which the greatest attention is paid to customer training, technical assistance and advice and rapid shipment (24 hour) of merchandise.”

The operations are driven by information. Research on the environment, competition and current and potential customers is merged with internally generated financial and operating data. The sales staff is part of the information gathering activities and they are expected to continually ask customers: “What are you willing to purchase from us?” Market research supports customers and their customers. Management is greatly concerned about understanding what competition is all about. With little available information, they have to think carefully about their own programs. They have established a very aggressive marketing effort totally based on what they know about consumer needs and hope that this will suffice until they are able to develop a competitive strategy based on an understanding of competitors.

Customers are segmented by purchase characteristics, profitability, and ability to pay factors. They market differently to the various segments and have been successful in developing specific plans to certain segments based on their needs. For example, using the ability to pay factor, they were able to develop a program that used credit facilities for increasing business. JORAN established its own VISA credit card program and have used it to stimulate sales by providing discounts for customers using the card. It has focused on that group that would be best for increasing their revenues. Clients who obtain this credit vehicle receive 5 percent discounts on purchase of over $250. Thus increasing sales as well as improving cash flow. The organization is flat and market information is widely shared among the management functions. They are proceeding on a “best practices” approach and have modeled some of their operations and objectives on benchmarking. JORAN is a member of the Specialty Tools and Fasteners Association in the United States. Comparisons are made between its operations
and those of similar sized North American firms. Management believes that “we are doing as well as the best firms in our category.”

A singular advantage that JORAN has been able to exploit is that it is basically a new venture. Owners and managers did not have to deal with the legacies of the past. They understood that if they were going to be successful they would have to develop procedures that would allow them to compete in the developing market economy. As part of their recognition, they sought out management education and enrolled in courses at the Czech Management Center. The ideas of market orientation and strategic development literally flowed from the lectures and books into practice.

**Hewlett Packard**

Hewlett Packard (HP) has been operating in Czechoslovakia since 1968 as a branch of the Vienna operations; it became a wholly owned subsidiary in 1991. The shift to a market orientation format started in 1996 as part of the changes in the parent company. Within the Czech context, this was associated with the infusion of more domestic and foreign competitors. Although these offer the same assortment level and services, they did come into the market at lower prices and were successful in undercutting HP’s brand loyalty. Competitors actively exploited the worsening exchange rates and the pressures both in the governmental and industrial sectors to cut costs. The market shifted dramatically, to the point that it is driven almost exclusively by price. HP’s response began with extensive research to clarify what consumers really wanted and to better understand the nature of “price driven” as a means of formulating new marketing programs. Although the major activity had always been marketing and sales, the organization was structured in accordance with the types of computing equipment that was offered. Several different divisions of HP would call on the same customers and many cases the same individuals. Customers could not distinguish HP marketing UNIX based systems from ITNEL based systems; the former were sold directly while the latter were sold through distributors often to the same customers. There was dramatic confusion between the two systems for customers who loyal to HP products were really not certain who or what HP was. In spite of its American origins, HP looked very much like a product driven enterprise and to complicate matters there was dramatic internal competition.

As a result of better understanding customers, HP reorganized itself so that it now offers integrated solutions to computing problems rather than supplying hardware and software. The organization is developing the image that it is a single source with multiple solutions without regard to the combination of hardware and software that create them. Where they could not meet competitors, they moved on to market segments where they could integrate consulting services, systems, and service. To better serve customers needs and wants and
thwart competitors, HP created alliances with a wide variety of domestic and foreign firms, some competitors, in the development of integrated “problem solving systems.”

Within the first six months of the market orientation, approximately 30 percent of the business came from the service-based business. The prospects for expanding this type of business on the one hand is very good and on the other potentially limited. Czech operations have been the most successful. The have had the highest proportion of revenue from the new orientation of any of the HP subsidiaries, suggesting that, in spite of market confusion, that they had the potential of being market oriented years before but had not moved ahead because of their unique position of being the only western computer supplier. While there is great demand for the new systems based problem solving approach for new business, the real challenge will be convincing the large system users to switch to the HP approach in the next several years and then the replacement of such systems as they become obsolete.

**Quack**

Kaucuk is a major Czech petrochemical firm that has not been able to fully shift to a market orientation and shake off old practices. What management has put into place is a marketing department with a variety of responsibilities, basically it is both a strategic function and an operating division. Their emphasis aims at the development of “direct contact with clients,” however; the program has not been clearly defined. If anything, the restructuring has created what management described as a “marketing orientation.” Basically this appears to be the centralization of activities for collecting market data.

The firm’s strategic planning division, a throw back to the internal central planning function though now carrying the new title of marketing. Management collects vast amount of market information. The firm purchases conceivably every data source that has something to do with the petrochemical industry, regardless of whether the data relate to their products and markets. The central concern is to discover as much about consumers as possible, both domestic and foreign. However, management readily admitted that very little is done with the data in spite of sophisticated computing facilities. Most of the data are “massaged” in a variety of forecasting models. The forecasts are very narrowly defined along product lines though special studies are performed for specific products. While they have the capacity to analyze data, they do not know how to apply it making marketing decisions. Market information is also developed from sales activities. The sales force has begun to collect additional information from their current clients; however, the data are neither shared across the various product lines nor moved back up into the planning process. Each salesman holds on to the information that he collects. There is great suspicion among them that their colleagues would exploit these contacts if the information were shared.
Evolving Management Practices in the Czech Republik

Also, they are afraid if their information is incorrect or their clients do not perform to the standards that are set that the salesman will be held responsible. A secondary use of the data is in SWOT analysis to guide the overall development of strategy. Management is keenly aware of the linkage between the data they collect and the planning function although they have never completed a major studies linking the two. The current exercise focuses on the market for building materials, primarily for insulation materials, where they believe they have a competitive advantage. The purpose of the study is to measure the consumption of these materials by specific markets and users. What they have been able to do so far is to forecast the total volume of demand in the Czech Republic. For the first time, competitors have been incorporated in the analysis.

Management speaks concretely about major foreign competitors; however, they have not thought about what plans they need to implement in order to compete with such firms as BASF. It is not clear how far beyond attempting to offer lower prices; they have come to thinking about a competitive strategy. To date, Kaucuk has not gone directly to their customers to find out what they want. While managers recognized that paying attention to customers needs was going to be important, they also expressed the view that customers may not be ready for such practices. They basically want to supply insulation products to their customers and basically were only concerned with price. The marketing of petrochemical products is still viewed as a technological function based on the production of the products and their effective delivery. Paying attention to customers is when there is a problem arises and there it is the technical response that they see as critical.

The organization is still extremely hierarchical with a strong top down decision making structure and it appears that the net result has been to give production more authority. As part of restructuring they became decentralized and many of the products were transformed into free standing businesses, some of which were eventually put up for sale. Consolidation of all of the basic management functions took place at the top of the organization where marketing and strategic planning were added to accounting, finance, human research management, information technology, production and research and development. Marketing and strategic planning were integrated into the Strategic Management Department. It is a staff function and basically serves the top management group in planning activities. While there have a number of efforts to develop plans, very few have ever been implemented and they are used as evidence when government ministers inquire about transformation issues.

Except at the very top of the organization, there has been little success in the coordination of the various management functions. To the extent that this is a start the real success lies in how that method is passed down through the organization. The top management represents the old system. More than 7 are
over 50 years old and only one is under 35. While middle managers are relatively young, they were not brought into the old system and even those who see the need for change are not being brought into the positions where their decisions can have an impact. Historically, this was one of the best companies in the country; it provided stable employment and excellent benefits and salaries, to its employees and it is also located close to Prague. But in spite of having moved through the first stages of restructuring, Kaucuk has not changed dramatically. Those changes that have been made may not prepare it for the future. As with almost all companies in the country it has not developed a strategy for either internal or external markets. Success in the latter is premised on further devaluation of the currency rather than active market participation. What we have here is one of the best of the old state enterprises setting sail without clear direction of the requirements of what it is to be market oriented. They have taken up the cause of marketing and strategic planning but in general have not moved far from the old production based approach.

**SPOLCHEMIE (Spolek pro chemickou a hutně vybrobu, a. s.)**

SPOLCHEMIE is one of the most important firms in the Czech petrochemical industry. It was founded in 1856 and has experienced all of the economic machinations of the twentieth century. In 1994 it returned to private status. The company is organized into three chemical divisions along with central support functions. Senior management reports to the Board of Directors and that group with shareholders determines company policies as well as direction for all of the basic management functions including marketing. Major interest is in the development of a more flexible organization to support the various activities. The direction for advancement has been established: “We will increasingly depend on marketing and on the potential of our employees for our development.” Management has adopted a clear and strong mission statement: “Our business is not producing or selling products, but solving the problems and meeting the needs of our customers.”

In spite of the interest in becoming market oriented, the development and implementation of market oriented activities has been particularly difficult. Marketing is in great disarray as a result of restructuring programs. An enterprise wide marketing department was established in 1968 to serve expanding foreign markets. The department was not that dissimilar with others and operated on a top down formula. More recent marketing organizational efforts have placed marketing horizontally, providing help to each of the three divisions. Central management still is responsible for the development of marketing plans and these are focused on consumer needs. Though labeled marketing, the activities reflect still the production orientation of the past. Product development remains the central function and efforts do not include customers. Marketing skills are production and product knowledge, product applications, and technical problem solving.
While the consumer is defined as the center of management’s focus, in reality there is little evidence support that. While some data are collected from directly from consumers, it is basically demand estimates; not information about wants and needs. Such data are collected in each of the three divisions though there is no evidence that that any of it is shared among them. Secondary data from other sources including the government, journals, research agencies, and trade associations are collected but once again in each of the divisions. Much like Kaucuk the primary use of the data is to forecast market demand.

Central management has identified Austrian and German firms as the major competitors with regard to new products and technical changes and Polish and Slovak firms with regard to price driven competition. What little research is done about competition is limited to the understanding of the technology behind their competitors’ products and management has not been able to develop policies to react to either type of competitor. Except at the top of the organization there is little inter functional coordination or cooperation. In the marketing area, managers share little of their marketing programs and little of their research findings. The marketing manager of one of the division remarked during the interview that he was thinking of purchasing products from one of the firm’s competitors in another division to sell to his customers! These products were better and cheaper and he did not believe the other division could market to his client. Top management talk about marketing but they seem to have little understanding about what it means. There presented a range of definition including advertising, marketing research and sales.

The Findings

Both JORAN and Hewlett Packard have adopted and implemented sophisticated market oriented programs for different reasons. In the case of JORAN, the strategy came as a result of management participation on Marketing and Strategic Planning courses at the Czech Management Center. The company was built around the basic concepts and while not all elements are fully in place management clearly understands each of the components, how far they have come and how far they must go to complete the strategy. Hewlett Packard’s Czech market orientation program is a direct result of the market orientation plan that has been developed and implemented on a world wide basis that included adaptation to local conditions. Their program meets the test of this research and in almost each of the components has been able to develop elements that bring them close to what the optimum market orientation program might look like. Each company has a singular characteristic that provided direction for becoming market oriented. For JORAN, it was the opportunity to start de nova and for HP it was the connection with a larger and progressive foreign parent. These two factors may well be important factors in determining the degree to which individual firms adopt market oriented programs.
Kaucuk and SPOLCHEMIE, on the other hand, represent typical old state enterprises that have gone through restructuring a focus on legal and financial restructuring. Although organizational restructuring was an integral part of the process, the results suggest that the issues involved in becoming market oriented simply were not understood. In great part this stems from the fact that the old managers became the new owners and managers. The process was flawed to the extent that it was done without the assistance of foreign consultants. The old visions of marketing were moved along into the present from the past. Because of these factors, little resources were allocated to developing marketing. Clearly the demands for improvement in production facilities dominated, however, the opportunity to link the new facilities with market needs was missed. The production-oriented activities of the past have been put in new clothing. The financial restructuring has given temporary breathing room to enterprises such as these but as more competitors enter the Czech market and as they lose some of their cost advantages, the absence of market oriented programs may be damaging. Whatever the future brings, firms such as these will have great difficulties in the ever-expanding market economy.

With regard to the organizational innovation a number of factors clearly stand out with regard to both environmental and enterprise dimensions. Innovation in the former case proceeds most rapidly when there is substantial competition among firms. Among these firms except for Hewlett Packard, competition was not well understood by management. Competition had not been experienced by any of the others and although they recognized that there were new firms in their markets, they did not understand how to react to them let alone develop competitive programs that would force the other firms to react to. The development of competitive practices was to be an outcome of the entire transformation process and hence can not be thought of as a positive element sustaining the development of market orientation. Competition in itself is an innovation.

Among the 76 old state enterprises that are the subject of the larger study, there are some signs of innovative practices though they are far from what western firms undertake and still further away from market orientation. One of the most dramatic changes among these firms has been the increased attention on the collection of market data, some of which goes beyond traditional macro economic statistics to customer characteristics. The collection of data in itself should be regarded as an innovative action that may well bring others. What the findings suggest, however, is that while 80 percent of the firms collect such data, only a small proportion, around 14 percent use it in making marketing decisions (Savitt 1998). Almost half of the firms 39 equate the collection of marketing data with marketing.

Within the firm there are two important elements that affect the rate of organizational innovation. In this case, management attitudes and conflicting
goals. Managers of old state enterprises still represent the past in which marketing was if not viewed as unnecessary was considered evil by the nature of its capitalistic orientation. Over 74 percent of top managers responsible for the introduction of marketing in sample of 76 old state enterprises had been employed with them for more than 16 years. "There is a continuity of the post-communist senior managerial group with its state socialist predecessor" (Clark and Soulsby 1996, p. 300). Such people are simply not innovators especially with regard to programs that are basically counter to their ideologies. As a result managers in general do not have a strong understanding of marketing let alone market orientation practices. To the extent that restructuring has brought changes these have been in the context of working through conflicting goals. The government placed dramatic goals for cleaning up the environment and investing in non-polluting technologies. Both of these activities require vast sums of money that might have been allocated toward new plant and investment and marketing activities. Even if the will for innovation were present, it is realistic to believe that the resources would not have reached these ends.

"In short, it has proven impossible to erase 40 years of state socialism, ideology, institution and behavioral patterns, and simply inscribe the new values, structures and the proper conduct of market capitalism" (Clark and Soulsby 1995, p. 216). While restructuring may provide the framework for the development of marketing activities and market orientation programs, the environment does not fully support the innovative process. It provides the opportunity but does not eliminate the barriers for innovation. To the extent that past managers is responsible for developing future plans, restructuring has incorporated the seeds of defeat. The discipline of the market may be the best approach to support the innovation process. Its success clearly depends on how quickly old state enterprises can react to them and that goes back to whether current managers have the way and the will to engage in this process which itself is innovative.

Future research

Future research must focus on innovation learning with an eye of understanding how marketing practices and market orientation develop in transforming firms. Mandatory restructuring to date has not brought about the expected results. What will? An important area for research is to understand how the market behavior of competitors, especially foreign firms affects the adoption of marketing practices by these firms. Clearly as the current managers retire understanding the role of younger managers will be an important area to consider. It may well be that in 10 or 15 years when the top management is composed primarily of people who are not attached to the past and who have worked through the market economy that these enterprises may have become market oriented. Regardless of what research is undertaken, it is clear that it
must be cast within the historical context and the transformation programs. It is all too easy to apply western concepts and models when they are not warranted.

Table 1: Evaluation of Market Orientation Components

<table>
<thead>
<tr>
<th>Company:</th>
<th>JORAN</th>
<th>HP</th>
<th>KAUCUK</th>
<th>SPOLCHEMIE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>I</td>
<td>I</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Competitor Orientation</td>
<td>P</td>
<td>P</td>
<td>A</td>
<td>P</td>
</tr>
<tr>
<td>Inter-functional Coordination</td>
<td>I</td>
<td>I</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td><strong>Implementation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Information</td>
<td>I</td>
<td>I</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Develop Strategy</td>
<td>I</td>
<td>I</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Implement Strategy</td>
<td>I</td>
<td>I</td>
<td>A</td>
<td>A</td>
</tr>
</tbody>
</table>

Where:

- A is absent from market planning activities.
- P is present but not implemented.
- I indicates component is at least partially implemented.
- N indicates that the component is not clearly understood.

References


Privatisation Method Effects on Performance and Market Orientation of Central/Eastern European Companies*

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Privatisation in Central and Eastern Europe was introduced to encourage competition in companies with subsequent beneficial effects on company performance and market orientation. Companies have been privatised by four main methods in these countries depending on the company circumstances before privatisation and leading to different dominant stakeholders after the privatisation. The performance and market orientation of companies privatised by each method are surveyed by mailed questionnaires and differences are found that are attributable to different stakeholder influence as a result of the privatisation method.


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1. Introduction

It is widely held that the privatisation of industry is necessary for a successful transition from central planning to the free market in Central and Eastern Europe (Arendarski, Mroczkowski and Sood, 1994; Buckley and Ghauri, 1994; Estrin, 1994; Hare, 1994). The major reason for the collapse of the socialist model was the economic failure of the system (Estrin 1994, Gomulka 1990) caused by lack of efficiency, effectiveness, and competition in Central/Eastern European companies (Bergson 1991, Estrin 1994) all of which are widely supposed to be addressed by the process of privatisation. Many writers identify both macro-economic and company level improvements which should follow from the abandonment of central planning allowing decisions on prices, investment, and technology to be taken out of the hands of public policy makers and placed in the hands of managers who are responsible to private shareholders and who have more appropriate knowledge and skills (Graham and Prosser, 1987). Major macro-economic long-term effects include improvements in the national income and economic well-being (Healey, 1994; Naor, 1994). At the company level it is expected that there will be increased knowledge and more effective use of better business and technological skills. In particular companies are expected to less inefficient, more competitive (Estrin, 1994; Lieberman, 1993), and more market orientated by focusing on serving customer needs in attractive markets. The outcome of these changes is expected to be manifest in improved performance at the company level which in turn will lead to improvement in the national economy. A variety of privatisation processes have been used for companies and the purpose of the present paper is to investigate any differences in performance and market orientation between companies privatised by different methods. In what follows the main privatisation methods are discussed in order to draw out likely fundamental differences leading to expected differences in performance and market orientation. The data were collected as part of a wider survey of marketing strategies, organisation and implementation in the three countries funded by the Action for Co-operation in the Field of Economics programme.

2. The Privatisation Processes

Six main privatisation methods can be identified in the literature on Central/Eastern Europe (Mizsei, Mora and Csaki, 1994; Buckley and Ghauri, 1994; Tietz, 1994; McDonald, 1993; Naor, 1994; Mazur, Dolegowski, Suchnicki, and Mitroczuk 1994; Mencinger 1994). These methods are; organic privatisation, management/employee buyout, mass or voucher privatisation, flotation on a stock exchange, privatisations via state privatisation agencies, and privatisation via Foreign Direct Investment (FDI). There are, of course a number of other privatisation methods which are more country specific and hence cannot be used in this study. These methods include Direct Selling, Public Competition, Auction, and Restitution to former owners. Additionally, Organic privatisation is
not included in the present work as it is peculiar to Poland and the research focuses on differences caused by the method of privatisation across the three countries concerned rather than on country specific issues. Similarly FDI is not included as the variety in the country of origin and investor objectives means that there is no easily identifiable common element within this group. Each of the remaining four privatisation groups has different dominant stakeholders with potentially different objectives and motivations which can be expected to influence their companies’ approach to business, marketing orientation, organisational decision making and, through these, the performance of the companies.

Management/Employee Buyout is a decentralised and largely unregulated process where managers of state-owned enterprises transform them, or part of them, into privately owned businesses. This is done by the purchase of the company directly from the state and the terms of the deal are arrived at by individual negotiation (Carlin and Meyer 1992). This method was introduced in the 1980s whereby decision making power was devolved to the level of the firm by the creation of a management, workers' council and trade union triumvirate. These then initiated the privatisations by insider take-over. Clearly the major stakeholders in these companies have considerable business advantages in that they have appropriate business knowledge and expertise in the form of production processes and supplier customer networks. On privatisation they are no longer constrained by government intervention and are more able to exploit this strategic architecture. This is expected to be reflected in superior performance in the market place. It is, however, debatable whether it will lead to greater market orientation as without outside influence they are likely to carry on with their former attitudes and administrative heritage.

Mass privatisation involves the rapid privatisation of most businesses with free or very low cost shares being offered to all citizens (Lipton and Sachs 1990, Frydman and Rapaczynski 1993). While this is seen as being equitable and socially acceptable to all, there is little initial shareholder control over management and what control there is will tend to be focused on a fairly unsophisticated view of short term return on investment, wage levels, and employment. These views are supported by Schaffer (1992) who indicates that such shareholders have a considerable task in changing entrenched management attitudes and techniques before they can operate to the benefit of the shareholders, while Kornai (1992) argues that the method does nothing to develop entrepreneurs and, by implication, the performance and market orientation of the company.

In Stock Flotation enterprises are sold directly to private investors after setting the value of the property usually with the help of western investment banks. Companies likely to attract this type of investment will already be in a good competitive position. Problems have arisen because of the undeveloped stock
markets and the limited wealth of citizens. As a result relatively few privatisations have been accomplished by this method (Hyclak and King 1994). It is expected that, as in the Western experience, one of the objectives of people investing in the stock market is to maximise their return on investment and this can lead to possible short term interests of the share holders dominating the business activities of the companies in which they invest. In some cases there has been an intermediate stage where the company is converted into joint stock with the shares initially being held by the treasury which appoints supervisors to oversee the management of the company. This emphasises the power of the stockholders in obtaining their objectives via these supervisors who are primarily looking after the interests of the stockholders.

In privatisation by State Privatisation Agencies (SPA) a large portion of state-owned property is transferred to the agencies, which are given responsibility for managing and privatising these assets. They have used several different privatisation methods including public offerings to broaden equity ownership and to stimulate the newly formed capital markets. They have also made private placements where shares were offered to a fairly limited circle of investors (e.g. the issuing bank's institutional clients). In this case of privatisation through the state privatisation agencies the government and its agents are the most influential stakeholders. In this respect it would be expected that they would encourage companies to achieve government objectives such as business and market growth but at the same time they are likely to be influenced by the legacy of central planning bureaucracy. The companies in this category tend to be those initially not attractive to the investors in the other privatisation methods due to weaker performance or positioning.

3. Research Hypotheses

The arguments above lead to the research hypotheses that there should be fundamental differences in the performance of companies privatised by different methods mainly due to the influence of the major stakeholders in the privatised company. Although privatisation in general is expected to lead to greater market orientation, the discussion of the literature does not provide any indications that this will be so. The issues focus on performance relative to competitors in the companies’ industry so that any differences due to industry are eliminated.

H1. There will be considerable performance improvement in the case of Management and Employee Buyouts: These companies will enjoy greater managerial freedom, greater practical business knowledge, and familiarity with local business networks. In addition with financial responsibility now resting with the managers and employees there will be greater incentive to perform better financially in terms of profit possibly through cost control and improved efficiency.
H2. There will be little performance improvement in Mass Privatisation Companies: Because of lack of shareholder power and control due to the large number of shareholders and diffuse ownership, it is expected that autonomous managers might focus on survival objectives. There will also a tendency for former management to stay in place with little change in their former attitudes. There will be little incentive for them to take risks or innovate and overall little change in strategies followed would be expected. As the process develops, however, investment funds will buy the small investor shares leading to a greater concentration of power as has happened in the Czech Republic and to some extent in Hungary.

H3. There will be limited performance improvement in companies privatised by Stock Flotation albeit from a high performance base: Here there is likely to be limited scope for radical improvement because, in order to attract the large scale investment needed for stock flotation, they would already be in a good competitive position. Improvement could also be limited by the strong influence of new owners buying in either for asset stripping or for long term investment. However, these firms would be expected to continue to perform relatively strongly in their sectors with added incentives of pressure from shareholders and the benefits of cash injection.

H4. There will be little performance improvement in companies privatised via the State Privatisation Agencies from an already low performance base: Performance here is likely to be low because they were sold via the State Privatisation Agencies as no buyers could be found by other means. This method also brings with it problems of political influence in the privatisation process leading to possible emphasis on employment rather than profit and continuing entrenched managerial and stakeholder attitudes with little change from their former State Owned Enterprises (SOE) attitudes.

H5. There will be no significant difference in the Market Orientation of companies privatised by different methods. In the introduction it was noted that one of the consequences of privatisation was to increase market orientation of companies. However, few arguments were evident in the literature or the discussion above that would indicate a pattern of difference in the market orientation between the different privatised company categories.

4. Methodology

The methodology consisted of a qualitative phase and a quantitative phase. In the qualitative phase semi-structured interviews were carried out with key personnel in 32 companies in the three countries in order to gain in depth insight into changes in the macro and task environments in which the companies operated, their marketing strategies and organisation, and their market orientations. The interviews were conducted with the people fulfilling the
functions of chief executive and other functional managers by experienced
native academic colleagues enabling the interviews to be carried out in the
respondents' own language by interviewers familiar with their own cultural and
country context. The results of these interviews were used to inform the design
of a mailed questionnaire which was sent to a total of 3000 companies
representative of the company sector and company size profiles in Hungary and
Slovenia, and 2000 in Poland. In the survey as a whole 1619 usable responses
were received, with 589 from Hungary, 401 from Poland, and 629 from Slovenia
with corresponding response rates of 19.6%, 13.4%, and 21.0% respectively.
The responses were also checked for non-response bias using a follow up
telephone survey. A subsample was used in the present work which was
restricted to former SOEs that had been fully privatised using domestic
privatisation and to companies with between 100 and 500 employees. In this
way influences from foreign management and differences caused by company
size were minimised. The focus on medium sized privatised companies led to
relatively small samples limiting the extent to which the results are
generalisable.

5. Findings

5.1 Business Focus

The discussion above indicates that differences are to be expected in the overall
business focus of companies privatised by different methods and in the
performance of these companies. Respondents were asked to indicate their
business focus by ranking the importance of a series of business objectives on a
scale of 1 (most important) to 7 (least important). A seven point scale was used
throughout for consistency with the widely accepted Marver and Slater scales on
Market Orientation. Table 1 shows the responses for each of the objectives
where important signifies that the issue was ranked 1 or 2, neutral that it was
ranked 3, 4 or 5, and unimportant that it was ranked 6 or 7. In overall terms it
can be seen that profit is by far the main business focus with 68.7% indicating
that it is important. Sales volume was the next most important issue (46.1%).
Following these two foci there is a group of foci with almost equal frequency of reported importance,
these are ROI (26.8%), unit production cost (26.3%), and cash flow (25.6%).
Clearly this indicates an emphasis on survival and putting the company on a
sound financial footing. It is significant that market share is quoted by only
23.8% of respondents as being important and might be seen to indicate that
longer term marketing goals are less significant than immediate survival goals.
Table 1 Business Objectives

<table>
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<tr>
<th>Factor</th>
<th>Total n=399</th>
<th>Buyout n=112</th>
<th>Mass n=161</th>
<th>Stock n=72</th>
<th>SPA n=54</th>
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<td><strong>Profit</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
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<td>61.1%</td>
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<td>26.8%</td>
<td>23.0%</td>
<td>13.9%</td>
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<td>7.1%</td>
<td>8.1%</td>
<td>8.3%</td>
<td>11.1%</td>
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<tr>
<td><strong>Sales Volume</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
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<td>Important</td>
<td>46.1%</td>
<td>46.4%</td>
<td>44.7%</td>
<td>45.8%</td>
<td>50.0%</td>
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<td>13.7%</td>
<td>13.9%</td>
<td>18.5%</td>
</tr>
<tr>
<td><strong>Market Share</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Important</td>
<td>23.8%</td>
<td>27.7%</td>
<td>19.3%</td>
<td>30.6%</td>
<td>20.4%</td>
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<tr>
<td>Sig=ns</td>
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<td>48.4%</td>
<td>44.4%</td>
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<td>33.0%</td>
<td>32.3%</td>
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</tr>
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<td><strong>ROI</strong></td>
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</tr>
<tr>
<td>Important</td>
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<td>25.0%</td>
<td>25.5%</td>
<td>31.9%</td>
<td>27.8%</td>
</tr>
<tr>
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</tr>
<tr>
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</tr>
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<td></td>
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</tr>
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<td>14.8%</td>
</tr>
<tr>
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<tr>
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<td>32.1%</td>
<td>22.4%</td>
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<td>38.9%</td>
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<tr>
<td><strong>Provide Employment for Local Population</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Important</td>
<td>12.8%</td>
<td>13.4%</td>
<td>13.7%</td>
<td>9.7%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Sig=ns</td>
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<td>18.8%</td>
<td>22.4%</td>
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</tr>
<tr>
<td>Unimportant</td>
<td>67.2%</td>
<td>67.9%</td>
<td>64.0%</td>
<td>69.4%</td>
<td>72.2%</td>
</tr>
</tbody>
</table>

Not surprisingly in these circumstances the provision of employment for the local population comes low in the list of overall priorities. These overall figures give an indication of the relatively precarious nature of privatised business in Central Europe as a whole with all companies being driven by a common economic climate. There are only two significant differences between companies privatised by different means. The first is that of cash flow where
management/employee buyouts indicate that cash flow is more important than companies privatised by other methods (40.2%). These are likely to be smaller companies that originally were not privatised by stock and state privatisation schemes. As a result they are likely to be more vulnerable to failure through lack of cash flow by not having the resources to cushion themselves against this problem. The second significant difference is the greater emphasis put on the reduction of unit costs for the mass privatised companies (35.4%). A possible explanation is that these were not as attractive to individual institutional buyers precisely because of their high cost operations and are having to focus on this in order to give themselves the opportunity to succeed.

5.2 Performance Relative to Competitors
Respondents were asked to indicate whether they had performed better, the same, or worse than their competitors for a series of indicators. The responses for each privatisation category are given in table 2 where the percentages given are the column percentages. It is striking that a large percentage were unable to answer the questions, with the percentages ranging from 22.8% to 42.6% depending on the question. While it is not surprising that the ability to provide employment for the local population was not known, the lack of knowledge on their competitive performance with respect to the more fundamental performance indicators showed a considerable deficit in their competitor monitoring. Important differences are evident between privatisation categories and without exception the companies privatised by mass privatisation which have the least percentage of don’t knows while it is those companies privatised through the State Privatisation Agencies which exhibit the largest ignorance concerning the various performance indicators.

As the figures above show, companies privatised by mass privatisation are the most competitively focused with their State Privatisation Agency privatised counterparts the least competitively focused of the four categories. However, significant differences in actual competitive performance are observed between each of the privatisation methods. With the exception of profit and the provision of gainful employment for the local population, the management/employee buyout companies perform better than the others. In the case of profit performance and the provision of gainful employment, it is the mass privatisation companies which perform the best (23.6% and 16.8% respectively) reporting better performance than their competitors. With only one exception companies privatised by a stock flotation perform the worst with respect to their competitors. The exception to this is in the reduction of unit costs where the State Privatisation Agency privatisations have fewest respondents reporting a better performance (5.6%).

In order to focus on the issues raised in the research issues, it is useful to discuss the performance characteristics of each type of company separately. Buyout
comparisons focus more on improving cash flow than other types of company. This may be seen as of prime importance as these companies are most vulnerable to lack of resources and the removal of state support given that managers have probably stretched themselves to the limit in the purchase of the company and have little flexibility in the way of financial buffers. Compared with other company types, more respondent companies outperformed competitors in sales volume, market share, ROI, cash flow, and unit costs. This outstanding performance is seen to be associated with greater managerial efficiency in that they are more knowledgeable about their performance in profit, sales volume, and ROI exhibiting the fewest don’t know responses in all these areas in the year on year figures. Undoubtedly they are aided in their business activities by local knowledge and familiar business network as well as being less constrained by central planning with the privatised status. This entirely supports research hypothesis one.

Mass privatised companies have objectives focused on reducing unit production costs which might indicate more of an internal focus on improvement of and the importance of experience effects on long term profitability. It is also noticeable that they exhibit more knowledge of competitor performance than other company types and, in support of research hypothesis two, they report better competitive performance in the area of employment for the local population than other types of company. This is in keeping with the fact that many of their stakeholders are private individuals for whom this is important. They also report good competitive performance in profit indicating that the incumbent managers are not motivated by former non free market attitudes. This is in contradiction of the expectations of research hypothesis two. Companies privatised by stock flotation are the least likely to report better competitive performance in all performance indicators than all the other company types except in the area of unit costs. As already suggested speculative investors could be attracted to them because of their advantageous position. The poor performance could reflect an arm's length speculative investor attitude to reap short term benefits with little involvement in the company and the lack of managerial and technical input. This possibly indicates that investors are more focused on short term gain than in the longer term development of the company. The companies privatised via the State Privatisation Agencies, as predicted by research hypothesis four, are the worst performers in most respects of the four privatisation methods under study here. As discussed above this may be because the political influence might be more dominant in the privatisation process. They are the least knowledgeable about competitors in terms of all performance indicators. Thus they appear to be least interested in either short term performance or long term competitive development. This is especially true in the case of unit costs compared with their competitors, showing lack of interest in efficiency and, as predicted in research hypothesis four, perhaps reflects a legacy of former SOE attitudes.
### Table 2 Performance Relative to Competitors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Total n=399</th>
<th>Buyout n=112</th>
<th>Mass n=161</th>
<th>Stock n=72</th>
<th>SPA n=54</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better</td>
<td>19.3%</td>
<td>21.4%</td>
<td>23.6%</td>
<td>9.7%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Sig=0.001</td>
<td>35.8%</td>
<td>33.9%</td>
<td>42.9%</td>
<td>33.3%</td>
<td>22.2%</td>
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<tr>
<td>chi=35.09</td>
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<td>12.5%</td>
<td>18.6%</td>
<td>19.4%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>28.6%</td>
<td>32.1%</td>
<td>14.9%</td>
<td>37.5%</td>
<td>50.0%</td>
</tr>
<tr>
<td><strong>Sales Volume</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better</td>
<td>25.1%</td>
<td>31.3%</td>
<td>23.6%</td>
<td>16.7%</td>
<td>27.8%</td>
</tr>
<tr>
<td>Sig=0.001</td>
<td>37.1%</td>
<td>32.1%</td>
<td>46.6%</td>
<td>36.1%</td>
<td>20.4%</td>
</tr>
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<td>16.7%</td>
</tr>
<tr>
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<td>27.7%</td>
<td>12.4%</td>
<td>29.2%</td>
<td>35.2%</td>
</tr>
<tr>
<td><strong>Market Share</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better</td>
<td>19.0%</td>
<td>25.0%</td>
<td>16.1%</td>
<td>15.3%</td>
<td>20.5%</td>
</tr>
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<td>Sig=0.007</td>
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<td>25.9%</td>
</tr>
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<td>10.7%</td>
<td>17.4%</td>
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<td>20.4%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>23.6%</td>
<td>27.7%</td>
<td>15.5%</td>
<td>27.8%</td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>ROI</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better</td>
<td>10.0%</td>
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<td>11.1%</td>
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<td>22.2%</td>
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<td>14.3%</td>
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<td>18.1%</td>
<td>9.3%</td>
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<tr>
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<td>38.9%</td>
<td>57.4%</td>
</tr>
<tr>
<td><strong>Cash Flow</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Better</td>
<td>15.5%</td>
<td>20.5%</td>
<td>15.5%</td>
<td>8.3%</td>
<td>14.8%</td>
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<td>30.6%</td>
<td>11.1%</td>
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<tr>
<td>chi=38.52</td>
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<td>13.0%</td>
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<td>23.0%</td>
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<td>61.1%</td>
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<td><strong>Unit Costs</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better</td>
<td>14.5%</td>
<td>17.9%</td>
<td>17.4%</td>
<td>9.7%</td>
<td>5.6%</td>
</tr>
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<td>48.4%</td>
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<td>31.5%</td>
</tr>
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<td>chi=27.13</td>
<td>11.8%</td>
<td>11.6%</td>
<td>11.2%</td>
<td>16.7%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>33.8%</td>
<td>36.6%</td>
<td>23.0%</td>
<td>37.5%</td>
<td>55.6%</td>
</tr>
<tr>
<td><strong>Provide Employment for Local Population</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better</td>
<td>12.5%</td>
<td>10.7%</td>
<td>16.8%</td>
<td>8.3%</td>
<td>9.3%</td>
</tr>
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<td>Sig=0.038</td>
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<td>6.9%</td>
<td>1.9%</td>
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<tr>
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<td>42.6%</td>
<td>49.1%</td>
<td>31.7%</td>
<td>45.8%</td>
<td>57.4%</td>
</tr>
</tbody>
</table>
6. Market Orientation

In order to study the market orientation of companies privatised by different means, respondents were asked to indicate the importance of various factors concerned with market orientation, on a seven point scale, with 1 being the most important and 7 the least important. The factors in the survey were based on Narver and Slater’s (1990) construct for market orientation comprising customer orientation, competitor orientation, and internal communication and integration. The original Narver and Slater factors were augmented in this case by additional questions found to be important in the qualitative phase of this survey. In tables 3a, 3b, and 3c the means of the responses on the seven point scale are shown for each privatisation category and the significance of differences is calculated using a one way ANOVA and the least squares difference criteria following Narver and Slater’s methodology.

6.1 Customer Orientation

Significant differences between the company types are apparent, as measured by Scheffe’s criteria for differences in the means of the responses, although no generic trend is apparent. The companies privatised by buyout are less committed to monitoring customer needs (mean 3.16) than the other groups of company and are less driven by the creation of customer satisfaction (mean 2.25) than either the voucher privatised or stock flotation privatised companies. This could indicate that they are relying on their historic relations and perhaps more internally focused. It is also seen that the State Agency Privatised companies are more likely (mean 1.65) that the others to put major effort into building stronger relationships with key customers and influencers. This could be explained by this type of company being more dependent on their former customers while in state ownership which could have been one of the attractions for their purchase from the state controlled agency.

The mass privatised companies are seen to recognise less the importance of creating satisfied customers than the buyout companies (mean 2.83). This is also true when the importance of improving external market performance (mean 4.30), and business strategies being driven by increasing value to customers (mean 2.96) is considered and where they are also less customer focused than the stock flotation companies.

6.2 Competitor Orientation

Again no general pattern emerges from the data and no difference between the privatisation categories observed with two exceptions only. One exception being the smaller importance placed by the mass privatised companies (mean 3.40) than by the others on targeting customers when there is the opportunity for competitive advantage.
Table 3a Customer Orientation

<table>
<thead>
<tr>
<th>Customer Orientation</th>
<th>Sig</th>
<th>F</th>
<th>Buy Out</th>
<th>Mass</th>
<th>Stock</th>
<th>State Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our commitment to serving customer needs is closely monitored</td>
<td>.0001</td>
<td>7.04</td>
<td>n=106</td>
<td>n=158</td>
<td>n=71</td>
<td>n=53</td>
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<td></td>
<td></td>
<td></td>
<td>3.16</td>
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<td>2.62</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>&gt;2,3,4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We put major effort into building stronger relationships with key customers and influencers</td>
<td>.0001</td>
<td>7.21</td>
<td>n=106</td>
<td>n=157</td>
<td>n=70</td>
<td>n=54</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.35</td>
<td>2.68</td>
<td>2.21</td>
<td>1.65</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&gt;3,4</td>
<td></td>
<td></td>
<td>&lt;1,2,3</td>
</tr>
<tr>
<td>Senior management in all functions recognises the central importance of creating satisfied customers</td>
<td>.0025</td>
<td>4.85</td>
<td>n=107</td>
<td>n=158</td>
<td>n=71</td>
<td>n=54</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We put greater emphasis on improving our external market performance than on improving internal efficiencies</td>
<td>.0041</td>
<td>4.49</td>
<td>n=105</td>
<td>n=158</td>
<td>n=70</td>
<td>n=52</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>3.75</td>
<td>4.30</td>
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<td></td>
<td></td>
<td></td>
<td>&gt;1,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business strategies are driven by increasing value for customers</td>
<td>.0166</td>
<td>3.46</td>
<td>n=108</td>
<td>n=157</td>
<td>n=72</td>
<td>n=54</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.53</td>
<td>2.96</td>
<td>2.38</td>
<td>2.54</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt;1,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objectives and strategies driven by creation of customer satisfaction</td>
<td>.0218</td>
<td>3.25</td>
<td>n=108</td>
<td>n=159</td>
<td>n=72</td>
<td>n=52</td>
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<td></td>
<td>2.25</td>
<td>1.79</td>
<td>1.86</td>
<td>1.85</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt;2,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top management regularly visits important customers</td>
<td>ns</td>
<td></td>
<td>n=107</td>
<td>n=160</td>
<td>n=69</td>
<td>n=52</td>
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<td></td>
<td></td>
<td>2.91</td>
<td>2.66</td>
<td>2.88</td>
<td>2.94</td>
</tr>
<tr>
<td>Managers understand now employees can contribute to value for customers</td>
<td>ns</td>
<td></td>
<td>n=105</td>
<td>n=159</td>
<td>n=71</td>
<td>n=53</td>
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<td></td>
<td></td>
<td></td>
<td>2.90</td>
<td>2.77</td>
<td>2.85</td>
<td>3.13</td>
</tr>
<tr>
<td>Information about customer needs and requirements is collected regularly</td>
<td>ns</td>
<td></td>
<td>n=108</td>
<td>n=158</td>
<td>n=72</td>
<td>n=53</td>
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<td></td>
<td>2.86</td>
<td>2.77</td>
<td>3.15</td>
<td>2.74</td>
</tr>
</tbody>
</table>

1=Buyout, 2=Mass Privatisation, 3=Stock Flotation, 4=State Agency Privatisation

The only other exception is that the state privatisation agency companies differentiate their offerings from their competitors less than the buyout companies perhaps reflecting more former large sized former SOEs in this category than in the others and an established network of influential customers.
6.3 Internal Implementation

Only two differences between the responses on company types are observed. In the first instance, it is in the buyout companies that sales people are the least likely to share information about important competitors (mean 3.88). This clearly could be due either to lack of competitor information, which is not entirely consistent with the findings of the section above on competitor orientation, or it could be due to a smaller amount of integration of business information in this type of company. Again, no general pattern emerges from the data, with the only other significant difference between company types being the relative impact of interdepartmental rivalry in the companies privatised by stock flotation (mean 3.00).

Table 3b Competitor Orientation

<table>
<thead>
<tr>
<th>Competitor Orientation</th>
<th>1=Buyout</th>
<th>2=Mass Privatisation</th>
<th>3=Stock Flotation</th>
<th>4=State Agency Privatisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers are targeted when we have an opportunity for competitive advantage</td>
<td>3.28</td>
<td>n=105</td>
<td>n=154</td>
<td>n=69</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.90</td>
<td>3.40</td>
<td>2.93</td>
</tr>
<tr>
<td>We try to differentiate our offerings from competitors on factors we know are important to customers</td>
<td>2.70</td>
<td>n=107</td>
<td>n=158</td>
<td>n=70</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.45</td>
<td>2.74</td>
<td>2.87</td>
</tr>
<tr>
<td>Competitive strategies are based on understanding customer needs</td>
<td>ns</td>
<td>n=107</td>
<td>n=157</td>
<td>n=70</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.64</td>
<td>2.60</td>
<td>2.47</td>
</tr>
<tr>
<td>We achieve rapid response to competitive actions</td>
<td>ns</td>
<td>n=108</td>
<td>n=160</td>
<td>n=71</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.92</td>
<td>3.03</td>
<td>2.75</td>
</tr>
<tr>
<td>Information about competitor activities is collected regularly</td>
<td>ns</td>
<td>n=109</td>
<td>n=157</td>
<td>n=72</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.13</td>
<td>3.31</td>
<td>3.00</td>
</tr>
<tr>
<td>We conduct regular benchmarking against major competitor offerings</td>
<td>ns</td>
<td>n=110</td>
<td>n=159</td>
<td>n=71</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.61</td>
<td>2.65</td>
<td>2.58</td>
</tr>
<tr>
<td>Decisions are guided by long term considerations rather than short run expediency</td>
<td>ns</td>
<td>n=109</td>
<td>n=156</td>
<td>n=69</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.79</td>
<td>2.92</td>
<td>3.06</td>
</tr>
</tbody>
</table>

1=Buyout, 2=Mass Privatisation, 3=Stock Flotation, 4=State Agency Privatisation
### Table 3c Internal Implementation

<table>
<thead>
<tr>
<th>Internal Implementation</th>
<th>ns</th>
<th>n=105</th>
<th>n=158</th>
<th>n=70</th>
<th>n=53</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction is frequently assessed</td>
<td>3.82</td>
<td>3.45</td>
<td>3.61</td>
<td>3.57</td>
<td></td>
</tr>
<tr>
<td>Sales people share information about competitors</td>
<td>8.47</td>
<td>n=107</td>
<td>n=156</td>
<td>n=71</td>
<td>n=52</td>
</tr>
<tr>
<td>Rivalry between departments is not allowed to get in the way of serving customers effectively</td>
<td>2.80</td>
<td>n=107</td>
<td>n=156</td>
<td>n=70</td>
<td>n=51</td>
</tr>
<tr>
<td>Business functions are integrated to serve market needs</td>
<td>1.52</td>
<td>108</td>
<td>157</td>
<td>69</td>
<td>52</td>
</tr>
<tr>
<td>Information about customers is freely communicated throughout the company</td>
<td>4.02</td>
<td>n=106</td>
<td>n=159</td>
<td>n=71</td>
<td>n=52</td>
</tr>
<tr>
<td>Top management regularly discuss competitors' strengths and weaknesses</td>
<td>3.26</td>
<td>n=107</td>
<td>n=158</td>
<td>n=70</td>
<td>n=53</td>
</tr>
<tr>
<td>Close attention is given to after sales service</td>
<td>3.51</td>
<td>n=102</td>
<td>n=158</td>
<td>n=70</td>
<td>n=50</td>
</tr>
<tr>
<td>Reward structures are closely related to external market performance</td>
<td>3.06</td>
<td>n=108</td>
<td>n=159</td>
<td>n=71</td>
<td>n=54</td>
</tr>
</tbody>
</table>

1=Buyout, 2=Mass Privatisation, 3=Stock Flotation, 4=State Agency Privatisation

### 6.4 Conclusions and Discussion of Market Orientation

In support of research hypothesis five there is no significant difference between the overall market orientation of companies privatised by different methods, nor in the major components of the Narver and Slater construct, namely customer orientation, competitor orientation, and internal implementation. There are, however, differences in some of the individual factors which can be largely explained by stakeholder influences. Buyout companies are less driven by creation of customer satisfaction than the other types and in terms of internal implementation of market orientation they use less monitoring of customer needs relying on historic experience. This latter is consistent with the buyout managers already being familiar with the business and exploiting the same systems as they used previously. It is also less likely for salespeople to share information about customers. This might imply that they espouse customer satisfaction but in fact don’t monitor their needs regularly, relying instead on
their historic knowledge. Mass privatised companies are less likely to put major effort into building stronger relationships with key customers with less management recognition of creating satisfied customers. They appear to be internally focused with less emphasis on improving external performance than on improving internal efficiencies and less driven by creation of customer satisfaction. This lack of customer orientation is also evident in that they are less likely to target customers when they have competitive advantage. Thus the voucher companies appear to be more internally focused than the others with an emphasis on internal efficiency. SPA companies use little product differentiation with the implication, given their likely previous large market share in their former SOE status and is consistent with them relying on established customer networks. This asset clearly could have been one of the main attractions for their sale via the SPA in the first place. Stock Flotation companies are slightly more likely to display interdepartmental rivalry than the other companies but with this exception are not differentiated from the other company types. The explanation for this is not entirely obvious.

7. Overall Conclusions and Comments

The five hypotheses are largely supported, within the limitations of the data noted earlier, with the differences in performance being largely explicable by the dominant stakeholder characteristics. Buyout companies out perform all the other company categories probably because of the managers prior knowledge of the industry, markets, and processes. Mass privatised companies focus on the reduction of costs and the provision of employment for the local population. In contradiction to expectations, they exhibit good performance in profit with respect to their competitors and the proposition that with little influence from shareholders, managers will retain former non free market attitudes is unfounded. Companies privatised by stock flotation exhibit the least competitive performance apparently possibly because of their former advantageous position and because of the focus of their investors on return rather than company development. The SPA privatised companies perform worst on all performance indicators in accordance with the hypotheses and which can be explained by the continuing legacy of state planning attitudes by their major stakeholders and political influences. Thus it is seen that the performance of companies privatised by different means does exhibit significant differences and that these differences are not inconsistent with the propositions contained in the hypotheses section of this paper concerning the state of the company before privatisation and the attitudes and influences of their major stakeholders.

As expected there is no significant difference in the overall market orientation of companies privatised by different means or in terms of customer orientation, competitor orientation, and internal implementation. Where differences do occur
in individual components of the Narver and Slater construct, they are again not inconsistent with expected stakeholder influences.

References


Open Issues at the Conclusion of Privatization (Corporate Ownership Restructuring) in Slovenia

Jure Kovac *

Numerous restructuring processes currently evolving in our country at various levels, are mutually intersecting and sometimes even dependent of each other. Individual processes may be classified according to their importance and the impact they have upon the global transformation of our society.

Restructuring of the economy is positively one of the most complex processes, bound to induce profound changes and distinguishing effects upon our future. Designation of such economic structure that will be able to successfully cope with competition and integrate into global economic trends is, and probably will be a multiple year process which can not be carried out without major difficulties and turmoils.

The entire process of economic restructuring has been developing at various levels and specific areas of interest, including ownership restructuring, corporate legal status and international economic integration. The source of modifications in the national economy is definitely the construction of new social system, and the ownership restructuring, popularly called privatization.

The restructuring of ownership takes a central position in the modification of economic structure. Fundamental legal grounds for the ownership restructuring are various Acts, passed by the legislation: Corporate Ownership Restructuring Act passed in 1992, has defined the methods and the configuration of the ownership restructuring (excluding public enterprises, insurance companies and banks), Commercial Corporations Act passed in 1993, has determined the legal and statutory structure, and Employee Participation Act passed in 1993, setting the model of associate participation in management (this Act relies heavily upon the German model of employee participation).

Today the corporate ownership restructuring process in Slovenia (with the exception of banks, insurance companies and public enterprises) has approached its final phase. It is safe to estimate that around 80% of the total number of corporations participating in the ownership restructuring process had acquired new and recognized owners. The draft of the new Bill, regarding the completion of the ownership restructuring, has already been lodged into the Parliament.

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procedure. This Bill is expected to rectify certain irregularities and misinterpretations, detected during the restructuring process.

Early analyses of the ownership restructuring process results have opened several issues of key importance to the further integration of the Slovenian economy into the global economic tendencies, such as the question whether the privatization process could contribute to better competitive position of our enterprises at the international market.

Prior further elaboration it is necessary to hover briefly upon the methods applied in the process of privatization in Slovenia. The formula included the combination of charge-free distribution, and deferred payment acquisition of property. According to the Corporate Ownership Restructuring Act, 40% of corporate property was intended to be distributed among the employees and other Slovenian citizens, 40% was intended for paid acquisition, and the remaining 20% should have been allocated for specific purposes in equal shares to the National Retirement Fund and for the State Compensation Agency requirements in the denationalization proceedings.

Each citizen of the Republic of Slovenia has in the year 1993 been allocated a share certificate, the value of which had been determined by the person's age. Each person could therefore exchange the value of the certificate for a property share of a chosen company, or invest its value in one of numerous investment funds (who also took part in the privatization process). Companies had a choice of models, offered by standing legislation, to follow for their ownership restructuring. The selection of any particular model has been completely left to the discretion of individual companies. There were of course some limitations, but mostly regarding the size and the value of a company and consequently the choice of ownership models. Companies with strong financial and capital base for example, experienced great difficulties to gather any significant ownership share with only the value of certificates gathered from employees, their retired workforce and relatives. On the other hand, companies with powerful labor background, as well as small size companies, managed to acquire the controlling share of ownership with internal buyout, based upon certificates of their own actual and former employees and their relatives.

This method consequently resulted in two prevailing company ownership configurations in Slovenia. One consists of companies with prevailing internal ownership structure (including actual and former associates and their close family members), and the other with prevailing number of external owners (including representatives of various funds, business partners, and others). The results of the first analyses regarding the financial results of companies with dispersed capital ownership, carried out by CEEPN (Central & Eastern European Privatization Network) (Simoniti et al., 1998) display some interesting facts.
In this particular analysis the CEEPN experts, working in collaboration with outside fellow researchers, wanted to check the following hypotheses, that have recently gained importance within the professional world:

- companies with prevailing exterior owners indicate the trend of exhausting the company resources by the pressure for dividend payouts;
- companies with prevailing interior owners indicate the distribution in favor of labor element, equally exhausting the company resources and reducing the chances of internal financing of investments;

The corpus consisted of 933 restructured companies, of which 787 with prevailing internal ownership and 346 with external ownership. The period comprised years 1994, 1995 and 1996. The above stated corpus represents a major corporate share in the economic structure of Slovenia, since the cited 933 companies handled 32,2% of assets and owned 37,1% of capital of all Slovenian enterprises.

The results of the analysis indicated the following features: the volume of profit from operations and of net profit clearly indicate that companies with prevailing exterior ownership are more successful than those with internal ownership. Companies with employees holding the controlling share of ownership indicate trouble in handling expenditures. Whilst in the monitored period the companies with controlling ownership share held by exterior owners reported net profits in the annual amount of round SIT 8 billion (DEM 85 million), the companies with internal owners reported clean loss in the years 1994 and 1995, and a positive zero standing in the year 1996.

Some other financial indicators also display more successful economic performance of companies owned by major exterior shareholders. Those companies indicate:

- higher amount of added value per employee;
- reduced indebtedness and increased amount of investments into fixed assets;
- increase of employment and sales revenue growth.

Companies with prevailing employee ownership are in the process of passive restructuring. They display the increased borrowing trend, devestments, etc. (Simoniti, 1998).

Reviewing these data, a question comes forward: is internal ownership impeding the process of active restructuring of companies and consequently their integration into the global economic activities?

Workforce in Slovenia has got decades of experience in the area of participation in management, from the times of associated labor and self-governing. However, major number of serious empirical analyses carried out in the self-governing socialist era, indicated that the power of decisions, notwithstanding the
institutionalized model of workers' participation in the administration, laid in the hands of management. Whilst employees may have had formal right of governing the company, the actual decision-making never left the hands of management. It is therefore difficult to expect that experience, dating from the recent self-governing age, may be successfully applied in the new circumstances with the internal ownership model.

It is our estimate that the leap into the new environment has been experienced by most labor force as a major modification and the introduction of related novelties that most of them still haven't actually realized as yet. Globalization and constant struggle for better competitive position both represent notions that most employees have yet started to recognize. In this moment, companies with mostly internal owners carry out the process of adjusting to new market circumstances rather slow, or maintain the status quo. Managers in such companies have also adjusted to the actual situation and do not wish to exert any unpopular measures.

But the described situation may be detrimental for particular companies. Some managers in these companies have realized the solemnity of the situation and have released comprehensive reorganization projects. In most cases the restructuring process is bound to bring negative consequences for the workforce (redundancies, wage reduction, etc.). Employees react negatively to such radical approaches. In Slovenia we have witnessed first management substitutions in companies with prevailing internal ownership structure, where the managers intended to remodel the company and get ready for the incoming competition (integration in EU).

There is no doubt that the actual ownership structure will further modify in the future. We may expect gradual concentration of ownership structure, which is quite dispersed at the moment. Trends in this area support this statement. Such big number of companies with prevailing internal ownership structure in Slovenia will not be able to remain for long in the future. The restructuring process requires the modification of ownership structure (entry of foreign strategic partners, or bankruptcy). The existing situation in the area of internal ownership is a very rich experimental space to study the scope of employee participation in the management of a company.

Managerial styles in companies with different ownership structure would be quite an interesting area of study. There is no warranty that managers in companies with prevailing internal ownership structure exercise more participative method of management compared to others. Findings based on indirect data and arising from empirical research in the area of communication (Kavčič, 1996) indicate major communication problems in the relationship between the managers and their associate employees. Equally, there is a gap regarding the availability of information employees may obtain about the
situation in the company at a given moment. This is frequently the reason for strikes and other forms of protest.

In the following years it is safe to forecast a rather dynamic activity in the area of changing existing company ownership structures in Slovenia. It is therefore somewhat premature to try evaluating the prosperity of any particular form of company ownership structure based on existing experience.

References:
Simoniti Marko (et al.) (1998): Certain features of operations in companies with internal and external owners, CEEPN, Ljubljana;
Kavčič Bogdan (1996): Analysis of carrying out the Employee Participation Act, ITEO, Ljubljana;
Open Issues at the Conclusion of Privatization (Corporate Ownership Restructuring) in Slovenia - Comment and Views

Danijel Pucko*

The influence of privatization of former state (self-managed) enterprises in Slovenia on their competitive position and financial performance is the core issue dealt with in the article.

The analysis performed by CEEPN shows some first perceived influences which are evidently different in the enterprises with the prevailing internal ownership (employees are their dominant owners) from those which are present in the enterprises with the prevailing external owners. (The corpus of enterprises analyzed is unclear in the article - but I believe that it includes 787 enterprises with the prevailing internal ownership and 346 enterprises with the prevailing external ownership what makes the total number of 1133 enterprises analyzed.)

It is not against expectations that (according to the analytical findings) the enterprises with the prevailing external ownership have achieved better financial results (i. e. net income). An internal owner - employee has interest in a relatively higher wage and therefore a relatively lower financial result of the enterprise. This is the way how less net income is distributed to external owners. No doubt there appears the question if it is appropriate behavior that will provide for the enterprise’s existence and development in the long run?

One should not be surprised at the findings that enterprises with dominant external ownership have decreased the level of their indebtedness. As the interest rates in the country have been higher than the level of profitability of the companies, any decrease in the debts has normally contributed to better financial results.

One can wonder why the enterprises with the prevailing external ownership have invested more in their fixed assets and why they grow faster than the other group of enterprises. My hypothesis is that employees-owners do not see themselves as enterprise owners in the long run. The logical consequence is their inclination to increase the indebtedness of the enterprise, disinvestments, management substitutions in case that top management makes decisions which are not in

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accordance with the interest of internal owners etc. Such explanation is supported by a few perceived facts from my field research work in Slovenia. One can find internal “stock exchanges” organized nearly in all enterprises with the prevailing internal ownership. Such an institution is not usually present in the enterprises with dominant external owners.

The process of ownership concentration of the enterprises with the prevailing internal ownership is going on with assistance of such internal “stock exchanges”. The stocks of enterprises with the prevailing internal ownership are not usually traded on public stock exchanges yet. These enterprises do not intend to come with their stocks to the public stock exchange before the year 2000. Top managers report that there is much more tension in the supervisory boards’ decision making between the representatives of internal and external owners than in the enterprises with the prevailing external ownership.

In my opinion one can expect faster strategic restructuring of the enterprises that have dominant share of external ownership. The other group of enterprises will need more time for their advancing through the phase of revival towards the phase of renewed successful financial performance. I do not believe that the entry of strategic partners or bankruptcy are the only strategic options for the latter group of firms. Many options will be implemented. The domestic takeovers could be already well perceived as one of them. My own research findings show that the strategic restructuring process of “old” Slovenian enterprises (those that already existed in the socialist era) have advanced in a positive direction. There were 17.2% of manufacturing enterprises in the crisis situation in the beginning of 1994 and only 6.8% in the beginning of 1996. The satisfaction with the profit achieved in the enterprises also improved in 1996 in comparison with 1994. The profitability level achieved in enterprises was higher in 1995 than in 1993. It can not be argued that those achievements are there just because of the enterprises with the dominant external ownership.

Not only leadership styles but the whole management process should be considered as being in some phase of “searching”. In previous Yugoslavia participative decision-making within the framework of workers’ self-management was present. Today one can argue that the “natural reaction” happened. Many strong tendencies to implement autocratic leadership style are present in Slovenian enterprises. Numerous elements of organizational culture in enterprises which are still strongly rooted in the workers self-management system do not permit for an autocratic leadership style to perform well. Frequent indications that internal information and communication systems in enterprises are not adequate are noticed in my field research work. These signals are just one strong warning that a proper management system that will take into account

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the wholeness of cultural background of the region is still to be developed in Slovenian enterprises.
Slovenian firms after privatisation: is there a transformational leadership?

Bruno Grancelli*

The issue posed by ....... concerns the influence of privatisation patterns and the competitive positions of firms. In the Slovenian case, the usual distinction in property rights applies between firms with a prevailing internal ownership and firms in which the majority of shares is held by external owners.

The Author points to the fact that in both cases the same problem is going to surface, that is, the rapid exhaustion of company resources: in one case for the pressure of Labour; in the other for the pressure of external owners. In other words, both internal and external shareholder are interested in quick returns and do not bother much about strategic issues. A difference is there, though: companies with prevailing external ownership are usually more successful while those which have not yet overcome the consequences of insiders’ privatisation tend to show a picture of ‘passive restructuring’.

But passive management is not the general rule, even in firms with internal ownership. As the author states, in ‘particular companies’ there are attempts to set in motion ‘comprehensive reorganisation projects.’ What does this suggest? It suggests something both on method and the object of analysis. Here I would like to put forward some quick remarks on both issues.

On the research issues. Here what is going to become clear is that the preoccupation of top management with privatisation issues has come to an end. Now it is time to address some important strategic decisions. Transformational leadership is then the issue which is coming to the fore: is there the capacity to overcome the legacy of ‘socialist self-management’ which, as a matter of fact, was not so different from that of Soviet management. How strong is, among Slovenian managers, the propensity towards passive adjustment to the current situation and to avoid unpopular measures? The answers to these questions imply a focus on both individual personalities and the way they cope with the internal and external environment.

On the approach. The Author concludes its paper by stating that the existing experience is not yet enough to evaluate the correlation between forms of ownership and competitiveness of the firm. This may be true if one considers the

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Slovenian case in isolation. But we can see that the problems referred to in this paper are not so different from those which exist in other transitional societies. Thus, if one compare the same issues in different countries one can realise that it is not premature to analyse the correlation quoted above. Of course, the experience provided by case studies is not enough per se. Some kind of theoretical framework is needed as well, if anything because we need clear criteria for assessing the relative weight of the many variables who impinge on restructuring processes and management strategies. What is worth recalling here is that the old compulsion to see theoretical work as a short-circuit of sort between interests of social groups and organizational/institutional change are of little heuristic value: at the best it can lead us to see only one side of the coin. I am referring especially to neo-Marxist approaches, some of which are now drawing insights from neo-evolutionary economics. Also inadequate, in my opinion, are other approaches which express market transition only in its structural and power dimension, such as ‘local corporatism,’ ‘political capital,’ and so on. In other words, one should not consider collective actors only but individual actors (and their networks) as well.

I agree with the Author on the fact that management style would be an interesting area of study. But the approaches referred to above (and applied to a number of case studies) are not best suited to the purpose. Other approaches centred on the concepts of ‘social capital’ and ‘cultural capital’ may be more useful, even if some problems of methods remain to be solved.

If we frame the available evidence within an adequate comparative approach, we can realise that less and less attention should be devoted to the ownership structure to focus, instead, on other discriminating variables. One of them is the branch the enterprise belongs to, because technology matters, and the issue of technological innovation/retooling of production matters most where the value of fixed assets is higher. Another important variable is the degree of diversification of the local economy, if anything because it provide managers and employees with different exit options from an unsatisfactory condition. Admittedly, regional differentiation is less important in Slovenia than, say, in Russia. Nonetheless, it would be interesting to compare the Slovenian economy with that of other regions in Central-Eastern Europe. With a caveat, though: We should not skip over issues such as the different degree of economic integration with advanced Western countries or regions.

Following this research path, the main difference to focus on is no longer that between insiders’ or outsiders’ ownership: It is between the 20-25% of Slovenian firms who have got some kind of partnership with Western companies and the rest. This is the main discriminating variable which explains management style. It is here that the two related concepts of social capital and cultural capital come to the fore.
Social capital is a resource related not so much to specific know how as to a *know who*, that is, to the social and political networks of the individual manager. Cultural capital is linked, instead, to specific skills acquired either in learning at school or within programs of management training in the home country or abroad. Acquiring the latter kind of capital involves a process of learning and forgetting. And what is to be forgotten are the attitudes and behavioural patterns useful for a professional career within ‘self-managed’ economic institutions.

It is cultural capital (along with east-west business collaboration) which can pave the way organizational and economic transformation, also because the overwhelming majority of firms with export capacity have already got, I guess, external ownership.


Ihre Schrift wendet sich in erster Linie an deutsche Firmeninhaber, die vorhaben, sich in Rußland wirtschaftlich zu engagieren, die dort investieren wollen oder beabsichtigen, Niederlassungen einzurichten, die Unternehmen gründen möchten bzw. das alles bereits getan haben.

Darüber hinaus ist das Buch eine Informationsquelle für Finanzfachleute, die sich für den russischen Markt interessieren sowie auch für Studenten der entsprechenden Fachrichtungen.


Hilfreich für den Leser ist, daß wichtige Bilanzpositionen und Kontenbezeichnungen in beiden Sprachen beschrieben werden, so daß selbst derjenige, der die russische Sprache nicht beherrscht, sich dennoch in den in dieser Sprache erstellten Buchführungsunterlagen sehr gut orientieren kann.

Barz gliedert ihre Arbeit in drei Teile: Teil I (S.1 – 40) behandelt die rechtlichen Regelungen des russischen Jahresabschlusses; im Teil II (S. 41 – 112) wird das
russische Buchführungssystem erläutert und im Teil III (S. 113 – 118) erfolgt ein zusammenfassender, grundsätzlicher Vergleich deutscher und russischer Rechnungslegungsnormen.


Im Teil II stellt die Verfasserin das russische Buchführungssystem dar. Dieser Abschnitt enthält Aussagen über Verfahren und Techniken der Buchführung, die bei allen Unterschieden der deutschen Systematik auch ähnlich sind (Hauptbuch, Grundbuch, Nebenbuchhaltungen u.ä.). Der Leser erfährt konkret, wie wichtige betriebliche Vorgänge im russischen zu buchen sind (z.B. Umsatzerlöse nach dem cash- und accrual-principle, Buchungen im Sachanlagenbereich und im Beschaffungsbereich usw.).

Im Mittelpunkt dieses Teils aber steht die Darstellung aller russischen Konten (das sind 97 zuzüglich der außerhalb der Bilanz zu führenden Konten). Von Vorteil ist, daß die Konten sowohl mit ihren russischen Bezeichnungen vorgestellt als auch in deutscher Übersetzung angegeben werden und ihr Inhalt je nach Wichtigkeit mehr oder weniger ausführlich erläutert wird (S. 55 –112). Die Autorin nennt auch wichtige Unterkonten und erleichtert dem Leser das Verständnis dadurch, daß sie zeigt, wie grundlegende Geschäftsfälle verbucht werden. Bei diesem Schwerpunktteil der Arbeit handelt es sich somit um eine sehr brauchbare Orientierungsgrundlage, eine rasch zu erschließende
Wissensquelle und damit um eine ausgezeichnete Arbeitsgrundlage für diejenigen, die ihre Bücher nach russischem Recht führen müssen.

Eine übersichtliche, zusammenfassende Gegenüberstellung der Rechnungslegungssysteme im Vergleich enthält der Teil III der Arbeit, der jedoch durch Einbeziehung der deutschen steuerrechtlichen Regelungen und der IAS–Normen (internationale Bilanzierungsgrundsätze des International Accounting Standards Committee) an Aussagekraft noch gewonnen hätte.

Im Anhang (Teil IV der Arbeit) hat die Autorin die deutsche Übersetzung einer gegenwärtig gültigen Anweisung des Ministeriums der Finanzen der Russischen Föderation über Buchführung und Rechnungslegung sowie die Jahresabschlußformblätter in russischer Sprache beigefügt, die es dem Leser ermöglichen, sich an den Originalen zu orientieren.

Eine kleine (und unsystematische) Auswahl von Unterschieden in der rechtlichen Ausgestaltung der Rechnungslegungs- und Buchführungssysteme zwischen beiden Ländern soll abschließend den unbestrittenen Wert unterstreichen, den die Veröffentlichung besonders für jene besitzt, die aufgrund ihrer Standortentscheidungen bzw. –intentionen sich ernsthaft mit russischem Recht auf jenem Gebiet beschäftigen müssen.

- Verlustvortrag und Jahresfehlbetrag werden in Rußland im Gegensatz zur deutschen Bilanz auf der Aktivseite ausgewiesen
- Geschäfts- und Kalenderjahr sind in Rußland immer identisch
- Die Bildung von Rückstellungen ist in Rußland stark eingeschränkt (die Autorin nennt dafür eine durchaus stichhaltige Begründung, S. 12)
- Imparitäts-, Vorsichts-, Niederstwertprinzip oder z.B auch die umgekehrte Maßgeblichkeit sind Bewertungsgrundsätze, die das russische Recht nicht kennt, nicht zulässt bzw. nicht anwendet
- Eine im Sinne des deutschen Handelsrechts erstellte Gewinn- und Verlustrechnung existiert in Rußland nicht
- Eine Abgrenzung zwischen Aufwendungen, Ausgaben und Kosten erfolgt nicht
- Kalkulatorische Kosten sind folglich unbekannt
- Unterschiede zwischen betrieblichen und neutralen Aufwendungen bzw. Erträgen erfolgen zwar, werden aber anders als im deutschen Recht abgegrenzt und zugeordnet
- Eine periodengerechte Gewinnermittlung erfolgt in Rußland nicht; das cash-principle wird z. Z noch dem accrual-principle vorgezogen
- Unter Zugrundelegung aller russischen Vorschriften wird man immer ein höheres Ergebnis als nach deutscher Berechnung erhalten (S. 19); ein Teil der
Betriebsausgaben ist nach russischem Steuerrecht nur beschränkt oder überhaupt nicht abzugsfähig (detailliert wird dies im Abschnitt 1.9, S. 33 bis 40 gezeigt)

- Im russischen Bilanzierungs- und Buchführungsrecht sind außerplanmäßige Abschreibungen bei vorübergehender Wertminderung nicht bekannt (S.49)

- Das russische Recht kennt nur lineare Abschreibungen, gestattet aber bei Abstimmung mit dem Finanzamt in Ausnahmefällen auch leistungsbezogene und degressive Abschreibung (S.61)

- Im Rahmen der Forderungsbewertung gibt es nur die Einzelwertberichtigung. Abgeschriebene, jedoch einbringliche Forderungen müssen fünf Jahre lang außerhalb der Bilanz ausgewiesen werden

Insgesamt gelingt es Svetlana Anuschka Barz, für Uneingeweihte Licht in das Dunkel russischer Bilanzierungs- und Buchführungsvorschriften zu bringen. Da sie durchgängig bemüht ist, dem Leser die Unterschiede zwischen deutscher und russischer Rechtssprechung zu erklären, erweist sie v.a. deutschen Investoren in Russland und generell Interessierten am russischen Markt eine große Hilfe auf einem speziellen, für die Unternehmensführung bedeutsamen Gebiet.

Klaus Müller, Lehrbeauftragter für Rechnungswesen I (Buchführung) am Lehrstuhl BWL III „Unternehmensrechnung und Controlling“ an der Fakultät für Wirtschaftswissenschaften der Technischen Universität Chemnitz

Horst Brezinsky, Michael Fritsch (Hrsg.): The Economic Impact of New Firms in Post-Socialist Countries. Bottom-up Transformation in Eastern Europe, Edward Elger Publishing Ltd., Cheltenham UK; Brookfields USA, 1996 (I)

Horst Brezinsky, Michael Fritsch (Hrsg.): The Emergence and Evolution of Markets, Edward Elger Publishing Ltd., Cheltenham UK; Lyme USA, 1997 (II)

Erschreckend deutlich wird die Aktualität der in den vorliegenden Bänden behandelten Themen durch die jüngste Finanz- und Wirtschaftskrise in Rußland. Was sich hier noch in einzelnen empirischen Untersuchungen, vorsichtigen Fragestellungen und ebenso vorsichtigen Schlußfolgerungen andeutet, erweist angesichts jener weltbewegenden Vorgänge seine perspektivische Aktualität, ja prognostische Brisanz. Insofern kommt der zweite Band zeitlich gerade recht, aber auch der erste ist nach wie vor zeitgerecht und zeitgemäß. Beide sind im Zusammenhang zu sehen und zu besprechen.

Hervorgegangen aus dem zweiten und dritten Freiberger Ökonomie-Symposium (Technische Universität Bergakademie Freiberg, Deutschland) 1993 und 1994 sowie einigen Beiträgen zu Forschungsseminaren, vereinigen beide Bände Abhandlungen zahlreicher osteuropäischer, deutscher und anderer


Wettbewerbsatmosphäre, eine Erhöhung der sozialen und wirtschaftlichen Flexibilität und einer Kompensation von Arbeitsplatzverlusten (I, S.3).


Graduell, aber nicht prinzipiell anders war die personale Ausgangsposition für die Transformation vom Plan zum Markt in der ehemaligen DDR, wie Michael Thomas (I, S.227 ff) darlegt: Einerseits gab es eine kleine, aber im osteuropäischen Vergleich beachtliche Zahl privater Unternehmer, allerdings in ihren Möglichkeiten stark eingeschränkt und bevormundet; andererseits wurden bestimmte Aspekte des realsozialistischen Systems hier stärker akzeptiert, was zu einer deutlicheren Kritik an den Transformationsfolgen führte. In diesem Spannungsfeld müssen sich die neuen Unternehmen entwickeln und behaupten. Prinzipiell, nicht nur graduell unterschiedlich, so Thomas Hinz und Rolf Ziegler, waren der finanzielle Spielraum (insbesondere durch den Währungsumtausch) und die Kapitalausstattung, obwohl diese für das Überleben dennoch oft zu gering ist. (I, S.233 ff)

Das Fazit der Herausgeber in Form von Empfehlungen für eine künftige ökonomische Politik: Unternehmerische Aktivität zu legalisieren und zu konsolidieren, Marktbedingungen zu implementieren, die einen produktiven Austausch ermöglichen, ein effizientes Finanzsystem zu generieren, entsprechende politische und soziale Rahmenbedingungen rechtlich zu
stabilisieren, unternehmerische Fähigkeiten zu qualifizieren und die Anzahl erfolgreicher Unternehmer zu erhöhen, stabile makroökonomische Bedingungen zu formieren und die nationale Wirtschaft in den Weltmarkt zu integrieren. (I, 259 ff)


So erfüllen die hier vorgelegten Bände eine doppelte Funktion: Wer sich für den realen historischen Verlauf der osteuropäischen Transformationsprozesse gegenwärtig oder in Zukunft interessiert, wird nicht umhin können, zu diesen beiden umfassenden Textsammlungen zu greifen. Aber auch derjenige, der nach theoretischen Anregungen, insbesondere zum tieferen Verständnis der Dynamik von Marktentstehung, Marktveränderung und „bottom-up“ Transformationsprozessen sucht, wird hier reichliches Denk- und Tatsachenmaterial finden.

*John Erpenbeck, Berlin*
Call for Contributions

2nd International Workshop on

Organization of the Future in the "Information Society":
Managing Change, Human Resources and Structure

Cádiz (Spain), May 25-28, 1999

The objective of the 2nd Workshop coordinated by the Departamento de Organización de Empresas at the Universidad de Cádiz and the Departamento de Economía y Empresa at the Universidad Pablo de Olavide (Seville) is the focused study of the challenge of managing change and developing of the organization. Our aim is to provide a forum for the discussion about the key issues. We want to encourage an informed debate on strategies for change. What techniques can we use to build more dynamic organizations? What features will organizations need for success in rapidly-transforming industries and markets, characterized by information and knowledge? How can organizations renew their core competencies, their structures and their human resources?

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Area 2: Strategic change and human resources. Chair and keynote speaker: Prof Angelo DeNisi (Texas A&M University)

Area 3: Strategic change and structure: building strategic flexibility and dynamic core competencies. Chair and keynote speaker: Prof John McGee (Warwick University)

Concluding comments: Prof. Isabel Gutiérrez (Universidad Carlos III)

Proposal for papers may be presented in either English and Spanish, as simultaneous translation will be provided. The numbers of participants and papers accepted will be limited and early applications are requested.

Deadline for Abstracts: January 15, 1999
Deadline for accepted papers: April 30, 1999

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Recent transitional developments in the former communist countries have aroused considerable interest among economists and political scientists alike. Yet relatively little attention has focused upon the ways in which these significant changes have impacted the micro realities of life within the transforming state-owned enterprises.

_Organizational Change in Post-Communist Europe_ provides a unique and detailed examination of the complex processes of transformation in former state-owned enterprises in the Czech Republic. Drawing on in-depth case studies of organizational transformation, this book adopts a social-institutionalist approach to the study of organizational restructuring and management redefinition during the early transition period of 1990-1996. In particular, the authors highlight how these processes have been shaped by continuing historical state-socialist legacies and the powerful role played by senior managers in their efforts to fashion the new privatized organizations in their own interests. By successfully re-balancing the prevailing disposition towards macroeconomic research into the post-communist transition in Central and Eastern Europe, this volume constitutes an important work for all those interested in human resource management, organizational behaviour and the management of change.

For further information: email: info.research@routledge.co.uk
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2. internationale Konferenz zur

Ethik des Unternehmens
und der öffentlichen Verwaltung

Hradec Králové, Tschechische Republik
18.-20. Mai, 1999


Die Beiträge können in folgenden Themenbereichen angesiedelt sein:
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- Ethik und Informationstechnologie
- Die ethischen Dilemmata in der Informatik
- Ethik der Autorenschaft im Schulwesen und in der Industrie
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  - Die ethische Analyse und Entscheidung
- Fragen der Integration in die Europäische Gemeinschaft
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- 15.02.1999 Einsendeschluß für Beiträge

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CALL FOR PAPERS

FIFTH ANNUAL CONFERENCE

The Impact of Transformation on Individuals, Organizations, Society

BUCKINGHAMSHIRE BUSINESS SCHOOL - Centre for Research into East European Business and Transforming Economies -CREEB-

22 and 23 June 1999

This conference will explore the impact of the transformation process on the countries of Central and Eastern Europe, the Former Soviet Union and other transforming economies.

The scope of the conference will combine keynote speakers, paper and poster presentations, discussion, etc. The themes will include:

- Employee and managerial responses to transformation
- Company transformation and development
- Impact of transformation on management functions
- Impact of transformation on public and voluntary organizations
- How local communities experience transformation
- Transformation and regional/national economies
- Multi-country studies

Venue: Missenden Abbey Management Centre of Buckinghamshire Chilterns University College, Great Missenden, Bucks, UK

Abstracts of proposed papers should be submitted by Monday, 22 February 1999.

Completed papers for publication in the conference proceedings must be submitted by Monday, 17 May 1999.

For further details:
Margaret Levell
CREEB, Buckinghamshire Business School, Buckinghamshire Chilterns University College, Newland Park, Gorelands Lane, Chalfont St Giles, Bucks, HP8 4AD, U.K.
Phone: +44 1494 603159 Fax: +44 1494 874230
email: creeb@buckscol.ac.uk URL: http://www.buckscol.ac.uk

Das Bild vor Ort läßt sich kurz dreidimensional darstellen - die Vergangenheit, die aktuelle Lage und zukünftige Erwartungen. Sicherlich ist so eine Betrachtungsweise schematisch und läßt keine tiefgreifende Analyse der verschiedensten Managementaspekte zu. Zum ersten Nachdenken scheint es uns aber geeignet.


Schlecht oder gut, effizient oder Imitation; man praktizierte auf allen Ebene des wirtschaftlichen- und sozialen Lebens in Bulgarien das Management. Die Ursachen für den Fall des Systems und die Wende sollten daher nicht unbedingt
im Feld des Managements gesucht werden. Sie sind vielmehr woanders zu finden: sowohl in der gesamten Wirtschaft aber auch im Versagen des politischen Systems.


Die neu entstehenden, vorwiegend relativ kleinen Unternehmen, versuchen natürlich, die Offenheit zu Europa zu nutzen und wenden Elemente des Managements sowie des Marketings an. Dazu helfen einige der EU Programme, wie z. B. das Transformprogramm der BRD, das auf die Entwicklung und den Aufbau von kleinen und mittleren Firmen zielt.


Höchstwahrscheinlich soll in den nächsten zwei, drei Jahren die Privatisierung und die Umstrukturierung vollständig beendet sein. Die Anpassung, d.h. die

Aber der Kluft zwischen Managementtheorie und Praxis wird, so hoffen wir einmal überbrückt werden.

Es ist auch zu erwarten, daß das Potential, das bereits vorhanden war, nicht weiter verloren gehen soll, oder auswandert, wie allein etwa die 500000 jungen Leute, die ins Ausland gingen.

Ohne Zweifel sind noch bestimmte Vorurteile, kulturelle Unterschiede, alte Managementvorstellungen zu überwinden: Man muß lernen, nicht nur technologisch zu denken, sondern auch im Stande sein, die Transformationsprozesse mit neuem Management, d.h. z.B. Leitungsinstrumenten, zu beherrschen. Ob die Rahmenbedingungen dazu reifen werden, bleibt abzuwarten. Sicher ist nur, daß das Management gemanagt werden sollte. Und zwar vor Ort, im Lande und im Einklang und Mitwirkung der Bulgarien freundlichen EU Staaten.
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