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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 Europe 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

Ten years have passed since major changes in the political and economic system began in Central and Eastern Europe. Now we can rightly raise the question: can we still speak about transition, or are these changes pre-dominantly over with these societies and economies having already emerged with their own specific institutional and market structures and cultures. However, these countries continue to regard the developed European countries as their benchmark. This also means that subsequent changes will hopefully support convergence between the Western and Eastern parts of Europe. One decade is, of course, not a very long time even though we were witnesses to extremely rapid development. Nevertheless, the time elapsed still enables us to look at the past and present with some sort of historic perspective, and not to think in stereotypes, and not to see the world only in black and white, but to watch and identify also the details and subtleties. Well, this is exactly what is typical and characteristic for us in the publications: we can read excellent analytical articles and studies from various authors that make me indeed think in depth.

In Gurkov’s study there is an analysis on adaptation of Western management methods in Russia and it presents very interesting conclusions on values assumed and followed by the Russian top managers and on techniques mentioned above. The managers, particularly in companies producing for export to the West, are fully aware of the significance of such enhanced methods, one can still clearly feel the difference how such methods are applied, depending the market or region they operate on.

The study by Larimo, Nieminen and Springer is also focusing on analysis of market conditions, as the said authors analysed the behaviour of Western European companies (primarily Finnish and Austrian) under the most competitive market circumstances in Central-Eastern European and in Russia. It is most probably a reason for surprise for many of us that the intensity of market competition in the countries of the study is not significantly lagging behind that of the developed European countries, moreover it has a fairly interesting specific feature: this competition is going on dominantly among Western companies and their investments. Nevertheless, local personal connections are so-to-say critical success factors, in addition to the quality and corporate image.

Kewell studies the specific features of personal connections and the networks based on them, primarily using Poland as the example. He raises very exciting questions, like how the network based on personal and political connections and alliances of interest (which still exist and can be easily traced back top the socialist regime) could contribute to the changes in Poland and the emerging organisational structures and management behaviour, while this network is inter-twined through thousands of threads with the ex-communist elite. The article implies several ideas that are tied, of course, not only to specifications
prevailing in Central-Eastern Europe. For example, the dispute over the manager capitalism has been flourishing for decades in the West, and as there were touchable traces of this dispute in many countries in Eastern Europe.

Tony J. Watson, professor of Organisational and Managerial Behaviour at Nottingham Business School points out to the role of managers and the significance of a management that can recognise and be fully aware of the challenges embedded both in bureaucratic procedures and entrepreneur-oriented behaviour (See his interview made by Ruth Alas). The professor is an eminent scholar and expert of the Central-Eastern region, particularly of the Czech Republic and he speaks with great optimism about the knowledge, skills and abilities of managers in the region, specifically about the adaptation capabilities of managers.

The concise country studies prepared by Pučko, Alas and Zernand, Malý, and Llaci, Kume and Leskaj are extremely informative and interesting reading, and they try to present in a standardised structure the following:

- Role of the management in controlling change, and organisational redesign;
- The management functions typical for the transition time (planning, organising, leading, controlling);
- Changes in content or scope of some key business areas (e.g. marketing, financial management, human resources management).

These articles offer to the reader, in summary, a fairly interesting and informative picture on market, management and organisational issues prevailing in the Central and Eastern European countries, and such issues will be increasingly more and more interesting also for the Western readers, because the issues and results presented will soon be shared by these countries.

Miklós Dobák
Management innovations in Russian export-oriented companies: The results of large-scale surveys conducted in Russian enterprises

Igor Gurkov

This report presents the results of a large-scale survey involving Russian enterprises during the year 2000. The results show that Russian export-oriented companies are implementing the latest methods in operations and quality control management, and some forms of modern managerial accounting and personnel management. Despite that fact, Russian CEOs perceive the overall suitability of Western management methods as low. This signifies that CEOs of export-oriented companies will not be active advocates and promoters of advanced Western management techniques in local business networks.


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1 This work was supported by the Research Support Scheme of the Open Society Institute, Research Grant 1562/2000. An earlier version of the paper was presented at the International Congress “Ten Years of Economic Transformation: Experiences and Future Challenges.” 30-31 August 2001, Lappeenranta, Finland.

* Manuscript received: 16.01.2002, revised: 20.05.2002, accepted: 27.05.2002

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1. Introduction

After the ruble lost three-quarters of its value in the last quarter of 1998, Russian industries had an incentive for export expansion. In 2000, Russia’s total exports grew by 38.9%. Russian exports to non-CIS countries grew by 42.4% and reached 86.4% of Russia’s total exports (Goskomstat, 2001). The registered trade surplus of the Russian Federation reached 45.9 billion dollars for the March 2001-February 2002 period. Russian exports currently consist not only of basic commodities but also include merchandise aimed at satisfying low-end demand on the world market. Oil products, ferrous metals, fertilizers, textiles and machinery together comprised 27.7% of Russia’s total exports to non-CIS countries. The value of machinery and equipment exported to non-CIS countries increased by 14.3% in 2000 and accounted for 7.7% of the total exports to these countries.

The crucial question for the further development of the Russian economy is: “To which extent is an export boom accompanied by a strengthening of the competence base of Russian firms?” The active accumulation of knowledge by Russian exporters and the subsequent diffusion of that knowledge through local value chains may enhance overall national competitiveness and contribute to sustainable economic growth (see Denton, 1999). However, the absorptive capacity for technical and especially organizational innovations (Cohen and Levinthal, 1990) of Russian exporters is still unclear. The number of studies of the causes and consequences of export activities at the enterprise level is quite limited (see Buck et al., 2001). In addition, is it not clear to which extent Russian exporters may serve not only as absorbers, but also as diffusers of knowledge.

The theoretical framework of the present study is derived from recent theoretical and empirical studies on the absorption and diffusion of innovations in an international setting. Regarding the absorption of knowledge, it has been suggested that user-supplier relations are central to the diffusion of innovations (Dosi et al., 1990). Such user-supplier relations may, and do, take place over national borders and over large geographical distances. In addition, it is well known that a network that extends beyond a dense core group and into more distant and less frequent contacts, can be of great importance for radical change, i.e. "the strength of weak ties" (Granovetter, 1973, 1360-1380). In Russia, where the majority of exports are directed towards developed economies, we may present such user-supplier relations as direct or indirect contacts with “advanced users.” Therefore, we may speculate that intensive exporting should have a profound impact on the internal organization of Russian firms. Indeed,

- Trading partners from developed countries may require better contract discipline; contract violations with international partners may have more severe consequences than similar violations with local partners. This implies
that not only the timing of deliveries should follow the agreed schedule, but also that the quality of goods and services should be more stable.

- The stability of quality requires the normalization of production processes. This may be brought about by *internal normalization*, for example, by the application of modern standards for operation management (such as ISO standards) or by *external normalization*, for example, a careful selection of local suppliers.

- Such normalization may effect further changes in the internal organization of the firm, such as in human resource practices and organizational structures, and in its external organization, for instance marketing strategies and financing sources.

As a result, the side effects of exporting to developed countries should include not only technical innovations but also organizational innovations. We combine purely organizational innovations and the “soft side” of technical innovations into the term "management innovations." Such a combination is widely used in current management literature and indeed makes sense, as there are strong connections between the technical innovations and the organizational innovations in real enterprises (see: Leonard-Barton, 1988).

This position determined the first goal of the study: to explore to which extent Russian exporters absorb new knowledge and are inclined to implement management innovations.

However, to serve as *diffusers of managerial innovations*, Russia exporters should meet some additional requirements. It was stressed that the costs and benefits of organizational innovation are hard for the potential adopter to evaluate, since the results of the implementation of organizational innovations are more difficult to perceive than those of technical innovations. It is also difficult to determine, in advance, the direct effects of managerial innovations on organizational performance (Kimberley, 1981). Therefore, the possible ex ante criteria of the profitability of organizational innovations for late adopters may be:

- Performance gains of early adopters\(^2\) and
- Subjective beliefs of earlier adopters in the applicability of particular organizational innovations in a broader local context.

In order to understand the role of Russian exporters in the absorption and diffusion of modern management techniques, we should address the following issues:

---

\(^2\) Greater than what? What is the relationship between late and early adopters?
1. What is the current proportion of actively exporting companies to total sum of companies in Russia’s main industries? Do they represent a critical mass among local companies?

2. How are export activities linked to innovations in various areas of enterprise management?

3. What are the attitudes of export-oriented company managers towards the implementation of advanced Western management techniques?

We suppose that if Russia exporters

- demonstrate better performance than their local-oriented colleagues and
- their managers believe in the applicability of advanced management techniques in Russian business conditions,

they may serve as active diffusers of knowledge.

2. Research Design

2.1 The approach to research design

The approach to research design was predetermined by the research goals. However, in identifying the particular methods of data collection we faced additional challenges. First, there was the challenge of the selection of a suitable method for data collection. Our major task was to receive at least a “quasi-representative” picture of the innovation processes in Russian enterprises. Although observational studies coupled with interviews may be the most appropriate form for studying innovation processes (Kimberley, 1976, pp. 321-347), surveys have the advantage of taking into account the tradeoff between scale and costs. One additional advantage of using surveys in transition economy research is the possibility of capturing an “instant photograph.” Under the rapidly changing economic and business conditions characteristic of transition economies, such “instant photographs” often have a greater resolution than prolonged observational studies.

After selecting the survey as the main form of data collection, the second question was the choice of relevant respondents. It has been emphasized by most scholars that while top management can serve an important function in the decision to adopt technical innovations, the importance of top management involvement and visible support for the implementation of management innovations is of greater magnitude. Therefore, we decided to consider the
CEOs of Russian enterprises\(^3\) as the persons in charge of the implementation of most of the organizational changes in their companies. In addition, since management innovations can be influenced by the adopter’s subjective interpretation (see Alange and Jacobsson, 1998), the CEOs’ perception of the effects of particular management innovations may present more valuable and relevant information about innovative processes than any factual data.

The third challenge usually related with the use of surveys is the necessary restriction of the survey to a necessary limited number of items. In studying transition economy management innovations, there is the additional risk of overlooking important areas of change in enterprise management. We overcame this difficulty by using the following two methods. First, we managed to collect 30 reports written by senior executives about the recent changes in their companies. Such reports became an invaluable source of information about the particular new management methods and techniques being tested in various Russian companies. Second, we carried out a series of pilot surveys (three pilot surveys including 210 CEOs) to refine the survey’s questions and determine its scale.

### 2.2 The sample

In the present paper, we address the outlined issues using the results of a large-scale survey of Russian CEOs. In October-December 2000, we conducted a survey that included 1000 CEOs from various companies. The response rate was 73\% (732 questionnaires were collected). The administration of the survey used the network of an influential governmental agency which has local branches in each of Russia’s 89 federal divisions (oblast, kray, republic within the Russian Federation). Although the survey was anonymous, special features ensured that the addressed CEOs would complete the questionnaires themselves\(^4\).

Around 13\% of the companies in the sample are small with less than 100 employees. Twenty-six percent of the companies have between 100 and 500 employees. The remaining 61\% of the companies in the sample have more than 500 employees. Our sample roughly corresponds to the overall structure of the Russia’s large industrial enterprises with 26\% of the surveyed CEOs managing

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\(^3\) Generally, the title of “General Director” of a Russian company assumes a broader authority than that of a Chief Executive Officer in a Western company. Russian general directors usually also serve as the Chairmen of the Boards of Directors for their companies (see Nestor and Jesover, 2000).

\(^4\) In addition to the usual methods, like the insertion of personal questions about age, length of service and the arrangement of the working week among various types of work, we also included, as an addition to the questionnaire, special self-diagnostics tools to assist CEOs to assess the status of innovation management in their company.
machine-building companies, 14% working in food-processing, 11% managing oil and gas production, 10% active in electronics, 9% working in textiles, 7% involved in the chemical industry and finally 6% active in metallurgy. Around 87% of the surveyed companies were established before 1991. Only 9.3% of the surveyed companies are start-ups and 1.5% are joint ventures.

2.3 Research Instruments
The questionnaire consisted of several sections addressing the goals of the study. To map the overall assessment of the company situation for the subsequent comparison between companies at various levels of export activities, two questions were used. First, CEOs were asked to assess the economic situation of their firm on a five-point scale (ranging from bad to excellent), and to compare the present situation with the situation two years ago (again on a five-point scale ranged from much deteriorated to much improved).
Second, we asked CEOs to report on management innovations that had taken place in their companies to see how export objectives were translated into real actions. CEOs were asked to indicate the magnitude of changes in financial management, marketing management, human resource management and organizational design. An opportunity to add to the list was offered to the respondents. Here we used the following three-point scale: 1 - no changes, 2 – minor changes, 3 – major changes. In addition, we requested ratings, again on a three-point scale, for eight management tools commonly used in Russian companies, including ISO standards, Internet marketing research, etc.
Lastly, we asked CEOs to express their attitudes about the applicability of Western methods in six areas of enterprise management on a five-point scale (ranged from not applicable at all to completely applicable).

3. Findings

3.1 The level of export activities
First, we determined the surveyed companies’ export sales during the past three years (see Table 1).
Our results show that Russian exporters are wary of revealing business details. About a quarter of the surveyed CEOs refused to provide answers to this question, while for other questions, the non-response rate was only 1-3%. We may conclude that the subsequent analysis will consider only so-called “white exports,” exports with proper custom clearance and tax procedures.

5 The English version of the questionnaire is available from the Center for Organizational Studies: Kochnovski prozed, 3, Moscow 125319, Russia; e-mail: gurkov@hse.ru
Nevertheless, the data suggests that the number of Russian industrial companies that actively export has only slightly increased over the past three years. In 1998, about 24% of companies had exports that comprised more than 5% of their total sales, and in 2000, 26.6% of companies had exports comprising more than 5% of sales.

Table 1. The share of exports in total sales (percentage of companies)

<table>
<thead>
<tr>
<th>Share of exports in total sales</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 percent</td>
<td>49.4</td>
<td>47.7</td>
<td>47.3</td>
</tr>
<tr>
<td>5 – 20 percent</td>
<td>11.6</td>
<td>12.8</td>
<td>14.7</td>
</tr>
<tr>
<td>21 – 50 percent</td>
<td>4.9</td>
<td>6.0</td>
<td>4.9</td>
</tr>
<tr>
<td>51 – 80 percent</td>
<td>4.2</td>
<td>3.7</td>
<td>4.6</td>
</tr>
<tr>
<td>More than 80 percent</td>
<td>3.1</td>
<td>4.1</td>
<td>4.4</td>
</tr>
<tr>
<td>No answer</td>
<td>26.8</td>
<td>25.7</td>
<td>24.1</td>
</tr>
</tbody>
</table>

Besides the number of exporters, we determined the proportion of exports in the main industries (see Table 2).

A high proportion of exporters to all companies in the industry indicates the possible presence of export-enabled knowledge acquisition within each line of industry. We may see that in oil and gas, metals, timber and textiles the number of active exporters (with exports accounting for more than 20% of sales) exceeds 15% of the surveyed companies. This means that industry-specific knowledge transfers to other industries only along the value chains in supplier-user relationships with export-oriented companies.

3.2 Economic performance of exporters versus non-exporters

To receive a clear picture of the particular strengths and weaknesses of Russian exporters, we divided all companies into five groups according to the percentage of their exports to their total sales. Group 1 contained companies with less than 5% of sales accounted for by exports, Group 2 consisted of companies with exports totaling 5 to 20% of sales, Group 3 included companies with exports making up 20 to 50% of sales and Group 4 included companies with exports representing 50 to 80% of sales. Finally, Group 5 was comprised of “total exporters,” companies with exports accounting for more than 80% of their sales. The subsequent analysis will be based on a comparison between these groups using the ONEWAY ANOVA statistical technique.

First, we compared the perceived company performance for a range of companies with different levels of export activity (see Tables 3-4).

At first glance, a concentration in export sales seems to be a “ticket to heaven” for Russian companies. Total exporters differ significantly from all other groups as can be seen by their positive assessment of the current situation. Total openness towards foreign markets, however, does not automatically guarantee
stable performance. Despite the generally positive conditions for most Russian exports, around 12% of total exporters feel that their situation is “somehow worse” when compared to 1998.

Table 2. Export intensity (industry analysis)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Less than 5</th>
<th>5-20</th>
<th>20-50</th>
<th>50-80</th>
<th>More than 80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minerals</td>
<td>43</td>
<td>21</td>
<td>18</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>61</td>
<td>17</td>
<td>6</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>Timber</td>
<td>54</td>
<td>22</td>
<td>3</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>Chemicals</td>
<td>59</td>
<td>33</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Metals</td>
<td>23</td>
<td>33</td>
<td>20</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Machine-buildings</td>
<td>58</td>
<td>22</td>
<td>6</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Electronics</td>
<td>64</td>
<td>24</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Food</td>
<td>76</td>
<td>10</td>
<td>3</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Textiles</td>
<td>63</td>
<td>13</td>
<td>13</td>
<td>4</td>
<td>6</td>
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<tr>
<td>Construction</td>
<td>100</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Table 3. Perceived economic situation of the companies as assessed by CEOs

<table>
<thead>
<tr>
<th>Current economic situation</th>
<th>Group 1</th>
<th>Group 2</th>
<th>Group 3</th>
<th>Group 4</th>
<th>Group 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bad</td>
<td>21.4</td>
<td>9.7</td>
<td>2.9</td>
<td>12.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>64.4</td>
<td>76.7</td>
<td>80.0</td>
<td>69.7</td>
<td>62.5</td>
</tr>
<tr>
<td>Good</td>
<td>14.2</td>
<td>13.6</td>
<td>17.1</td>
<td>13.2</td>
<td>37.5</td>
</tr>
</tbody>
</table>

Table 4. Perceived performance dynamics in 1999-2000 as assessed by CEOs

<table>
<thead>
<tr>
<th>Economic position of the firm as compared with 1998 is...</th>
<th>Group 1</th>
<th>Group 2</th>
<th>Group 3</th>
<th>Group 4</th>
<th>Group 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much worse</td>
<td>7.1</td>
<td>4.8</td>
<td>0.0</td>
<td>3.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Somewhat worse</td>
<td>10.7</td>
<td>4.8</td>
<td>5.7</td>
<td>3.0</td>
<td>12.5</td>
</tr>
<tr>
<td>No change</td>
<td>10.4</td>
<td>9.6</td>
<td>8.6</td>
<td>9.1</td>
<td>12.5</td>
</tr>
<tr>
<td>Somewhat better</td>
<td>55.2</td>
<td>52.9</td>
<td>57.1</td>
<td>48.5</td>
<td>40.6</td>
</tr>
<tr>
<td>Much better</td>
<td>16.6</td>
<td>27.9</td>
<td>28.6</td>
<td>36.4</td>
<td>34.4</td>
</tr>
</tbody>
</table>

3.4 Managerial innovations realized by exporters versus non-exporters

First, we tried to establish the extent to which companies in different groups have adopted new management methods and techniques (see Table 5).

As was hypothesized, active exporters (*Groups 4 and 5*) are eager to implement all the identified forms of new management techniques. Companies in *Group 4* (with the exports accounting for 50 to 80% of total sales) put special emphasis
on new methods of product design and manufacturing. Almost 50% of companies in Group 4 see the implementation of ISO standards as the most fruitful element of the existing management techniques. Companies in Group 4 also appreciate the introduction of CAD/CAM techniques and are the most ardent users of the Internet for marketing research.

Table 5. Introduction of particular management tools (percentage of companies in each group)

<table>
<thead>
<tr>
<th>Tool</th>
<th>Group</th>
<th>Not introduced</th>
<th>Introduced with minimal effects</th>
<th>Introduced with significant positive effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISO 9000-140000</td>
<td>Group 1</td>
<td>59.7</td>
<td>24.3</td>
<td>16.0</td>
</tr>
<tr>
<td></td>
<td>Group 2</td>
<td>41.8</td>
<td>33.7</td>
<td>24.5</td>
</tr>
<tr>
<td></td>
<td>Group 3</td>
<td>46.9</td>
<td>18.8</td>
<td>34.4</td>
</tr>
<tr>
<td></td>
<td>Group 4</td>
<td>33.3</td>
<td>18.2</td>
<td>48.5</td>
</tr>
<tr>
<td></td>
<td>Group 5</td>
<td>30.0</td>
<td>36.7</td>
<td>33.3</td>
</tr>
<tr>
<td>Computer programs for business planning</td>
<td>Group 1</td>
<td>51.3</td>
<td>35.2</td>
<td>13.4</td>
</tr>
<tr>
<td></td>
<td>Group 2</td>
<td>38.8</td>
<td>37.9</td>
<td>23.3</td>
</tr>
<tr>
<td></td>
<td>Group 3</td>
<td>35.3</td>
<td>35.3</td>
<td>29.4</td>
</tr>
<tr>
<td></td>
<td>Group 4</td>
<td>31.3</td>
<td>40.6</td>
<td>28.1</td>
</tr>
<tr>
<td></td>
<td>Group 5</td>
<td>25.0</td>
<td>37.5</td>
<td>37.5</td>
</tr>
<tr>
<td>CAD/CAM</td>
<td>Group 1</td>
<td>49.7</td>
<td>30.9</td>
<td>19.4</td>
</tr>
<tr>
<td></td>
<td>Group 2</td>
<td>37.9</td>
<td>33.0</td>
<td>29.1</td>
</tr>
<tr>
<td></td>
<td>Group 3</td>
<td>40.6</td>
<td>25.0</td>
<td>34.4</td>
</tr>
<tr>
<td></td>
<td>Group 4</td>
<td>25.8</td>
<td>32.3</td>
<td>41.9</td>
</tr>
<tr>
<td></td>
<td>Group 5</td>
<td>41.9</td>
<td>19.4</td>
<td>38.7</td>
</tr>
<tr>
<td>Computerized systems of managerial accounting</td>
<td>Group 1</td>
<td>39.0</td>
<td>39.9</td>
<td>21.1</td>
</tr>
<tr>
<td></td>
<td>Group 2</td>
<td>25.5</td>
<td>46.2</td>
<td>28.3</td>
</tr>
<tr>
<td></td>
<td>Group 3</td>
<td>32.4</td>
<td>50.0</td>
<td>17.6</td>
</tr>
<tr>
<td></td>
<td>Group 4</td>
<td>18.2</td>
<td>42.4</td>
<td>39.4</td>
</tr>
<tr>
<td></td>
<td>Group 5</td>
<td>12.9</td>
<td>45.2</td>
<td>41.9</td>
</tr>
<tr>
<td>Marketing analysis using Internet resources</td>
<td>Group 1</td>
<td>55.6</td>
<td>30.0</td>
<td>14.4</td>
</tr>
<tr>
<td></td>
<td>Group 2</td>
<td>31.7</td>
<td>51.0</td>
<td>17.3</td>
</tr>
<tr>
<td></td>
<td>Group 3</td>
<td>44.1</td>
<td>41.2</td>
<td>14.7</td>
</tr>
<tr>
<td></td>
<td>Group 4</td>
<td>43.8</td>
<td>34.4</td>
<td>21.9</td>
</tr>
<tr>
<td></td>
<td>Group 5</td>
<td>48.3</td>
<td>31.0</td>
<td>20.7</td>
</tr>
<tr>
<td>Computerized systems of personnel testing</td>
<td>Group 1</td>
<td>83.0</td>
<td>13.1</td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td>Group 2</td>
<td>74.0</td>
<td>18.3</td>
<td>7.7</td>
</tr>
<tr>
<td></td>
<td>Group 3</td>
<td>74.3</td>
<td>25.7</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>Group 4</td>
<td>68.8</td>
<td>25.0</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td>Group 5</td>
<td>67.7</td>
<td>25.8</td>
<td>6.5</td>
</tr>
</tbody>
</table>

By contrast, companies in Group 5 (with the exports totaling more than 80% of total sales) are more preoccupied with managing the cash inflows resulting from export operations. Companies in Group 5 place special emphasis on mastering
Management innovations in Russian export-oriented companies

financial planning (more than 80% of companies) and managerial accounting systems (almost 90%).

As active exporters proved to be at the forefront of implementation of advanced management techniques, we decided to check whether such methods lead to changes in the organization of Russian companies. We may speculate that the implementation of advanced management methods that center on the computerization of particular management processes may eventually require the search for new personnel or changes in performance requirements and the performance assessment of existing personnel. We tested this hypothesis using the CEOs’ responses to questions about the intensity of changes in human resource practices in their companies (see Table 6).

The data suggests that in the implementation of new forms of recruitment and performance appraisal, active exporters certainly exceed their local-oriented colleagues. However, in administration of salary payments, there is no such discrepancy between exporters and non-exporters.

3.5 Exporters as trainers – subjective prerequisites

Our data suggests that active exporters are powerful adopters of various advanced management methods. Exporters also proved to be in better financial shape that local-oriented companies, although this security does not come automatically. But it remains unclear to which extent there is a willingness among exporters to serve as “trainers” to their local colleagues. We have indicated that such willingness would start with an overall assessment of whether modern (presumably Western) management techniques are applicable to Russian business conditions.

We compared CEOs’ opinions on the overall applicability of Western methods in various areas of enterprise management (see Table 7) and found the outcome surprising.

Although the perceived applicability of technology and quality control management is proportional to percentage of exports that comprise total sales, it is not true for other areas of enterprise management. Human resource management and organizational design are the areas where, accordingly to most Russian CEOs, the chances of successful direct application of Western management techniques are low.

4. Discussion

First, we should briefly repeat our main findings.

• In oil and gas, metals, timber and textiles the proportion of active exporters (with exports accounting for more than 20% of sales) exceeds 15% of the
surveyed companies. In other Russian industries the proportion of active exporters is much smaller.

- The higher the percentage of exports in total sales, the better the CEOs assessed the current performance of their companies. However, the performance of Russian exporters is unstable.

Table 6. Comparison of intensity of changes in various aspects of human resource management (percentage of companies in each group)

<table>
<thead>
<tr>
<th>Type of innovation</th>
<th>Group</th>
<th>Did not introduce</th>
<th>Introduced</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>To some extent</td>
</tr>
<tr>
<td>New forms of recruitment and personnel selection</td>
<td>Group 1</td>
<td>56.3</td>
<td>32.8</td>
</tr>
<tr>
<td></td>
<td>Group 2</td>
<td>45.3</td>
<td>33.0</td>
</tr>
<tr>
<td></td>
<td>Group 3</td>
<td>34.3</td>
<td>54.3</td>
</tr>
<tr>
<td></td>
<td>Group 4</td>
<td>18.2</td>
<td>48.5</td>
</tr>
<tr>
<td></td>
<td>Group 5</td>
<td>29.0</td>
<td>48.4</td>
</tr>
</tbody>
</table>

| New methods of performance appraisal   | Group 1 | 50.0            | 36.2       | 13.8        |
|                                         | Group 2 | 36.1            | 42.9       | 21.0        |
|                                         | Group 3 | 22.8            | 57.1       | 20.0        |
|                                         | Group 4 | 24.3            | 51.5       | 24.2        |
|                                         | Group 5 | 20.0            | 43.3       | 36.7        |

| New wage schemes                       | Group 1 | 36.8            | 40.0       | 23.2        |
|                                         | Group 2 | 22.6            | 45.3       | 32.1        |
|                                         | Group 3 | 14.3            | 57.1       | 28.6        |
|                                         | Group 4 | 12.1            | 60.6       | 27.3        |
|                                         | Group 5 | 25.8            | 35.5       | 38.7        |

Table 7. The perceived applicability of Western methods in various areas of enterprise management (opinions of CEOs)

<table>
<thead>
<tr>
<th>Area</th>
<th>Group 1</th>
<th>Group 2</th>
<th>Group 3</th>
<th>Group 4</th>
<th>Group 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology management</td>
<td>2,93</td>
<td>3,03</td>
<td>3,21</td>
<td>2,94</td>
<td>3,37</td>
</tr>
<tr>
<td>Quality control</td>
<td>2,73</td>
<td>2,91</td>
<td>3,30</td>
<td>2,84</td>
<td>3,23</td>
</tr>
<tr>
<td>Marketing</td>
<td>2,67</td>
<td>2,78</td>
<td>3,03</td>
<td>2,79</td>
<td>2,96</td>
</tr>
<tr>
<td>Human resource management</td>
<td>2,39</td>
<td>2,43</td>
<td>2,50</td>
<td>2,55</td>
<td>2,72</td>
</tr>
<tr>
<td>Organizational design</td>
<td>2,53</td>
<td>2,54</td>
<td>2,63</td>
<td>2,63</td>
<td>2,73</td>
</tr>
</tbody>
</table>

Note: scale used – 1 = completely inapplicable, 3 = moderately applicable, 5 = completely applicable

- In all the surveyed industries, active exporters demonstrated a broader use of modern management methods. CEOs of such companies are inclined to see increased performance from the use of advanced management techniques.
- Companies with the exports accounting for 50 to 80% of total sales place special emphasis on mastering techniques for quality improvement and overall normalization of operations, including ISO, CAD/CAM, etc.
Management innovations in Russian export-oriented companies

- The active implementation of new management techniques is accompanied in export-active Russian companies by a limited modification of human resource practices, especially personnel selection and appraisal methods.
- The high respect for Western methods in technology management and quality control coexists with widespread doubts about the applicability of Western methods in the “soft aspects” of enterprise management, namely, human resource management and organizational design.

At first glance, we may see a considerable discrepancy between the export- and local-oriented sectors of the Russian economy. The export-oriented companies are adopting the latest methods in production and operations management. The favorable financial performance of the majority of the surveyed exporters makes possible active recruitment policies that call for managers who can effectively apply the advanced techniques. In addition to the need for mastering new operation, accounting and marketing methods, there is a strong inclination by CEOs to implement new business methods. CEOs’ attitudes towards the effectiveness and efficiency of the new management methods have established a pattern of internal adoption and the willingness to disseminate the knowledge. Within the company, a CEO’s enthusiasm for new management tools is often a prerequisite for its successful implementation. It has been found that subordinates generally study the behavior of their managers to determine what is really important; what the top manager does and visibly demonstrates, and not merely what he says, gets the most attention. In Russia, where a strong paternalistic tradition exists, young well-educated managers, often believed to be the main players in mastering advanced management methods, still emulate their bosses’ attitudes and leadership patterns (Gurkov and Maital, 2001).

In the intra-company networks, the transfer of knowledge concerning management innovations usually happens informally. In this respect, the inclination of a CEO towards new management tools and his acknowledgment of their performance gains serves as a pattern for the imitation of such a tool by the local business community. Even if CEOs are trying to hide their “powerful competitive weapon,” such management tools become especially valued by local competitors.

We may see an export-oriented CEO’s opinion of a particular management tool as an indicator of its future use in Russia. For example, in our survey CEOs of export-oriented companies assessed the results of the implementation of ISO standards as highly positive (70% of CEOs in Group 4 who tested the methods found the effects to be positive). This assessment referred to their evaluation of 1999-2000 figures. The experts who studied the motivation of local companies to implement ISO standards in 2001 stressed the need “to start to export or to serve the exporters” as the main reason for implementation (Ovsianko, 2001). It seems that export-oriented companies have served as information brokers and role models for their local-oriented colleagues in the assimilation of ISO
standards. We may also speculate that export-oriented companies have initiated
the bandwagon effect regarding the adoption of ISO standards in Russia. A
bandwagon, as described by Abrahamson and Rosenkopf (1993), is a diffusion
process wherein adopters choose an innovation, not because of its technical
benefits, but because of the sheer number of other companies that have already
adopted the innovation. As more firms adopt innovations, pressure increases for
other firms to adopt them as well. Bandwagons create self-reinforcing loops,
because the bigger the bandwagon gets, the larger the number of organizations
desiring to join the bandwagon.

We may observe similar patterns of acceptance with other management tools.
Since computerized systems for managerial accounting were highly rated by
export-oriented companies in 2000/2001, local companies frequently
implemented them in 2001/2002. This trend, taking industry limitations into
consideration, is also applicable to CAD/CAM techniques. At the same time,
active exporters have not found Internet marketing research particularly
effective and have found computer-assisted personnel testing to be totally
inadequate (less than a quarter of users experienced any significant positive
results by implementing such systems). Such methods are still unpopular in
Russian companies.

Besides serving as testers of various management methods, active exporters
may perform as “barriers for other potential testers.” We have seen that CEOs of
export-oriented companies do not believe in the applicability of Western models
in human resource management. Such subjective “dismissals” make these
models unattractive for both internal implementations by company managers or
for imitation by local-oriented colleagues (competitors).

5. Conclusions and Practical Implications

Our study suggests that we should not expect a “second managerial
revolution,” even though such a revolution might result from the current
extremely favorable foreign trade position of Russia. Russian exporters, who
are generally in good financial shape, spend a significant amount of money and
time adopting advanced methods for operations management and quality
control. In this they partly rely on the expertise and assistance of their foreign
partners. However eager to adopt technical (operational) innovations, Russian
CEOs are cautious in changing the traditional financial and human resource
management routines currently in place. When CEOs are forced to do so,
pressured by foreign partners and (in some cases) by foreign owners, they
consider such methods to be inappropriate in general for Russia’s business and

6 The “first managerial revolution” in Russia was claimed by S. Puffer and associates to
happen at the beginning of 1990s (see Puffer, 1992).
management innovations in Russian export-oriented companies

Social environment. The weaknesses of these methods prevent CEOs of export-oriented companies from acting as information brokers and advocates of such methods within local business networks.

In general, we may conclude that in the foreseeable future organizational imitation will play an important role in Russian business. The improving quality standards of products and services and the growing accuracy in business transactions will please the Western trading partners of Russian companies. As long as foreign companies will be able to inform Russian partners about the newest production methods, without going deeply into the internal organizational of their Russian partners, both sides may work well together. Active exporters also may serve effectively as role models for local-oriented Russian companies in absorbing technological and operational innovations, sometimes even initiating the bandwagon effect. However, the local traditions and routines of human resource management will remain largely unaffected by Western methods.

References


Competitiveness and marketing strategies of foreign companies in Eastern Europe: Empirical evidence from Finnish and Austrian companies*

Jorma Larimo, Jarmo Nieminen, Reiner Springer**

Research on marketing in Central and Eastern Europe (CEE) has been of rising interest since the transition started in 1989. In this paper two major areas relevant for marketing in CEE are being discussed: the competitive situation in the transition countries and the basic competitive marketing tools for penetrating these markets. This study reports findings of a survey including 139 Finnish and 97 Austrian companies active in CEE and confirms: Competition in CEE is intensifying but still weaker than in Western markets. The main competitors are other foreign companies. Western companies base their marketing strategies mainly on personal relationships, technical quality of their product, good company image, personal selling, and customer service.


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1. Introduction

Companies going international have to relate to the marketing environment, i.e. the political, legal, economic, financial, and cultural conditions in the respective target markets. In the emerging markets of Eastern Europe (EE) the present environmental differences when compared to Western markets are major. However, it can be expected that, over time, with continued transition, we will see convergence in the business environment and marketing infrastructure of the West and the East. Systemic differences of the past will eventually disappear. At present, there are differences in the focus, objectives and execution of marketing, making it imperative for companies entering the region to understand the existing disparities and to account for these in their marketing strategies (Springer & Czinkota 1999). The key question in this context is: What are the unique features of the marketing environment in Eastern Europe and what impact do these features have on the marketing strategies used in this region?

In the field of international business empirical studies related to EE are still relatively few, although growing. Most of the studies have a narrow focus on only one aspect of marketing strategies, usually specific marketing-mix instruments like advertising. Furthermore, previous studies have dealt with relatively small samples and mostly big multinational enterprises, thus being unable to generalize the results of firm behavior for a larger population. This study offers an overview of competition on marketing strategies in EE. In more detail, the aim of this study is to analyze the following research questions:

- What is the competitive situation in EE from the viewpoint of Western companies: What is the degree of competition compared with the competition in Western European markets and who are the main competitors of Western companies in EE?
- What is the degree of importance of various marketing parameters of Western companies active in EE?

The study reports results of a survey conducted among Finnish and Austrian companies active in EE. For research purposes, Finland and Austria are of special interest because of their exceptional geopolitical position between the East and the West. Being politically neutral, both countries have traditionally served as a gateway to EE for foreign companies – Austria already before the transition and Finland increasingly after the transition. In addition, in both countries the share of EE in total exports has been well above the OECD average from the 1970s until late 1990s.

The paper is structured in the following way. Section two builds up the study framework by analyzing relevant literature on international business in general and East-West business in particular dealing with marketing and marketing strategies. The discussion of the literature review will result in the formulation
of hypotheses. Section three introduces the study methodology along with the
instruments used in the statistical data analysis. Section four reports the major
findings of the survey and tests the hypotheses. The final section summarizes
the main findings and sets avenues for future research.

2. Transition, Competition, and Competitive Marketing
   Strategies in Eastern Europe: Theoretical Consolidation and
   Generation of Hypotheses

2.1. Dynamic Change in the competitive Setting in Eastern Europe
With the ongoing transition towards a market economy competition is emerging
and strengthening in EE (for a discussion of the economics and microeconomics
of transition see Schipke & Taylor 1994; Brezinski, Franck & Fritsch 1998). Especially the abolishment of state monopolies like the foreign trade monopoly
and the price monopoly, the privatization of state owned companies, the
opening of the national economy towards the world economy, and the
introduction of laws to permit and regulate fair competition are major
prerequisites to bring about a competitive constellation becoming similar to the
competitive situation in the markets of the advanced industrialized countries. A
functioning widespread and fair competition is decentralizing the economic
decision process: The State, especially the central planning commission and the
economic ministries lose economic power, the privatized companies gain
autonomy and economic independence. This shift in economic decision
authority from the state to the companies is contributing to competition. For the
countries in transition this process changing the competitive setting is described
in figure 1.

Until 1998 the year in which this research was conducted the countries in
transition have made progress in developing competition and implementing a
competition policy as the evaluation by the European Bank for reconstruction
and Development (EBRD) has reported. Evaluated on a scale between 1 (little
progress) and 4+ (Standards and performance norms of advanced industrial
economies) the average score for EE in regard to implementing a competition
policy was 2 (competition policy legislation and institution set up; some
reduction of entry restrictions or enforcement action on dominant firms). Hungary, Poland, Czech Republic, Slovak Republic Estonia, and Latvia did
have the highest score with 3 (EBRD 1998, 26). On average, the scores for most
other criteria to measure the progress in transition – like privatization,
governance & restructuring, price liberalization, trade & foreign exchange
system, and banking reform – have been higher than the score for competition
policy. This means that the progress in implementing competition policies and
developing fair and mature competition has been lagging behind the average
progress in transition towards the market economy. Based on this we conclude

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that competition does not develop in the short run, but needs time for unfolding. (Behrman & Rondinelli, 2000) An increase in competition is a step by step process which may also differ from country to country.

*Figure 1. Transition and development of competition*

With the framework for competition being in place companies in EE learn to operate in a competitive setting. In this context the successful privatization of state owned companies is an important prerequisite for the development of competition. In mid 1998 the share of private sector in GDP varied between 80 % for Hungary and 20 % for Belarus (EBRD 1999, 14). Such figures are an indicator for the change of the legal status of formerly state owned companies at best, they give no indication in regard to the restructuring of „socialist“ companies into market oriented and hence competitive companies. The key question in this context is whether privatization will lead to a turnaround of formerly state owned, hardly competitive and plan based managed companies into market oriented and competitive companies. (Lizal, Singer & Svejnar, 2001).

The majority of Eastern companies are far from being competitive, the labor productivity in industry is around 50 % or even lower compared to Western companies. In 1994 half of the companies was profitable (Czech Republic 81 %, Hungary 68 %, Bulgaria 34 %), 15 % of all companies or less (Poland 14 %, Bulgaria 9 %) did have a positive cash flow (data collected from EBRD 1996). Many companies lost their markets either to foreign competitors penetrating Eastern markets with Western products or because of the breakdown of the CMEA.

Domestic Eastern companies still base their competition mainly on cost advantages, they follow a short-term survival strategy and not a long-term customer oriented strategy. Such a strategic pattern is possible as long as competition is still underdeveloped and domestic Eastern companies maintain a reasonable market share in a more or less still protected domestic market. Domestic markets may be protected against foreign competition by various trade and investment barriers and strong ethnocentric buying behavior of
Consumers. With the progress in transition competition will intensify and domestic Eastern companies have to adopt market orientation if they want to stay competitive in the market.

The competitive situation in EE is characterized by a high degree of diversity. Within the markets of the countries in transition we distinguish three sectors of competition. In the first sector domestic companies compete, in the second sector foreign companies compete and in the third sector foreign and domestic companies compete. Sectors one and two are basically separate markets since they represent different clusters of customers being targeted by a different positioning of products and services mainly in regard to price and quality. Sector three is still small but growing and most important for the competitiveness of the countries in transition since the domestic companies are challenged by foreign companies and by this domestic EE companies may eventually improve their own competitive position. With growing speed and extent foreign companies have been able to penetrate the market segments still controlled by domestic Eastern companies if foreign companies have started production in Eastern Europe and therefore may benefit from low production costs like domestic competitors and can compete on cost too.

On the whole, the penetration of the markets in EE by foreign companies as exporters and investors has fueled competition and is forcing domestic companies to adapt (see e.g. Richey et al. 1999). Especially the continuous inflow of FDI since 1989 combined with the constant transfer of management know-how has contributed to this development (for trends and impacts of FDI in EE see among others Meyer 1998). The cumulative FDI inflow for the period 1989 to 1998 was 80,605 million US$ with Hungary taking the lead (16,706 mil US$), followed by Poland (15,066 mil US$), Czech Republic (9,973 mil US$), Russia (8,801 US$). The cumulative FDI inflow per capita during 1989 to 1998 is just 184 US$. (EBRD 1999, 12). Rough estimates indicate that more than 200,000 foreign companies do exist in EE.

The results of the transition so far are indications that the marketing environment in EE is still different compared to the marketing environment in the industrialized West. This is illustrated by the fact that low purchasing power, import restrictions, low price stability, and insecure legal conditions are major barriers for market entry into EE. In the long run, it is obvious that the competitive setting in EE will intensify and become similar to the situation in the home markets. This statement is supported by results of a study among Austrian manufacturers of industrial products. Out of 37 manufacturers 55 % think the competitive situation right now is comparable with the situation in Western Europe, 11 % think competition is more intense, and 34 % think competition is less intense. (Borenich & Gruber 1999, 178).

Based on the foregoing discussion we can formulate the following hypothesis:
H1: With the progress in transition the competition in EE is intensifying but still weaker than in the markets of the advanced industrial economies. The intensity of competition differs by firm size, field of business, starting time of the business operations in EE and role of EE markets for the firm.

H2: Major competitors of foreign companies in the EE countries are other foreign companies. Local privatized companies are stronger competitors than local state owned companies.

3. Marketing Strategies in Eastern Europe

In the analysis of different marketing-mix elements the use of the 4P model - product, price, place, and promotion - is commonly used. In the late 1980s and in the 1990s the role of personal relationships and networking has received increasing attention and has therefore been added to our analysis.

What’s the role of different marketing-mix elements when Western companies try to enter and penetrate the EE markets? The comprehensive literature reviews made by Schuh and Springer (1997) and more recently by Schuh and Pacolt (2000) indicate that there are surprisingly few studies analysing in more detail the role of various marketing-mix elements in the entry and penetration strategies of Western firms in EE markets. A majority of the studies is focusing either on a single EE market, single marketing mix element, and/or are case studies. Larger scale survey studies are extremely rare.

Two Finnish studies (Vientiprojekti 1981, n=73; Hirvensalo 1993, n=40) have investigated the importance of various marketing mix elements (the same 13 elements in both studies) used by Finnish companies in the Soviet Union, i.e., before transition started. According to the results in both studies the three most significant marketing mix elements were: 1. price and discounts, 2. reputation of the company, and 3. technical quality of the product. Customer visits to exporters' manufacturing plants, and customer calls and demonstrations were also considered important in both studies. By the end of the transition, good personal contacts and payment and credit terms had become more important. Low importance was given to channel of distribution, design and package of product, and especially to advertising in both studies.

Pues (1994) has analyzed the marketing strategies of German companies (n=180) operating mainly in the former Czechoslovakia, Hungary, and Poland. The results indicated a slight different order of significance of the marketing mix components: 1. high product quality, 2. Western brand name, 3. own distribution system, 4. promotion , 5. low prices, 6. price positioning, 7. personal selling, 8. explaining advertising, 9. product design, and 10. fairs/exhibitions. Because of a somewhat different structuring of the marketing-mix elements included in the studies, comparisons of the results reached by Pues and by the Finnish studies, are limited. However, there seems to be some difference
in the role of distribution and price and discounts. Distribution has been regarded as one problem in EE because of the weak distribution infrastructure and retail level problems (see e.g. Quelch, Joachimsthaler & Nueno, 1991, Batra 1997, and Arnold & Quelch, 1998). Therefore it could be expected that the role of distribution and delivery time has increased, but whether they are really among the most important marketing parameters may be questionable. Furthermore, taking into account the financial problems in most EE countries and the rather low purchasing power of – at least most of the local citizens – in EE, it could be expected that price would be rated among the most important marketing mix parameters (see ibid) although the results by Pues (1994) did not indicate great importance of those parameters.

A low level of advertising was typical in all EE countries before transition. Advertising also received very low importance ratings in all the three studies referred to above. In the 1990s local firms have greatly increased their spending in advertising (see e.g. Batra 1997). Thus together with increasing competition and growing local purchasing power the importance of advertising is increasing. However, it may be expected that the role of advertising is not as significant as e.g. the role of product quality, price, personal selling and relationships.

There are several other studies based on case studies which have also shown that the ability of companies to build up networks based on good personal relationships is a very important competitive advantage when doing business in EE (see Lehtinen 1996, Nieminen & Törnroos 1996, Hirvensalo, Kosonen & Salmi 1999, and Salmi 2000). All the three studies include companies from various industries. Unfortunately they do not include any information about possible differences between producers of goods, consumer goods and/or service companies. Nor do they include any information about possible differences based on timing of entry of the role of EE markets in the operation of the reviewed companies. There are two dimensions of relationships, inter-organizational and interpersonal relations. In Russia these relationships are called blat (comparable to quanxi in China). Because of the constant organizational changes taking place in EE, especially the establishment of new small and medium sized firms, but also the liquidation or break down of old companies the inter-organizational relations are fragile. Therefore interpersonal relations are even more important to have access to a network of decision-makers.

Related to the company and product image Western companies can try to use the country of origin effects (Keegan & Green 1997, 292) and try to benefit from the stereotyped attitudes of customers in EE according to which Western products and services are superior to Eastern products and services. However, Western marketers have to bear in mind that there is no monopoly on a favorable foreign reputation and that customers in EE increasingly implement
an ethnocentric buying behavior which is partially explained by the disappointments with Western foreign products (see e.g. Batra 1997).

Having discussed the general expectations about the role of various marketing parameters when entering and operating in EE markets it may be expected that there are no great differences in the role of the most important parameters. It may be expected that they are the same, perhaps in a different order depending on the field of business, timing of entry in EE markets, and role of EE markets for the company. However, some differences in the role of various marketing parameters can be assumed. It may be assumed that large companies, production good manufacturers and firms having entered the EE markets before transition base their marketing above all on company image, technical aspects of the product and price and discounts in line with the relevance of those aspects before transition and based on their larger resources. When exporting industrial products the role of price, discounts, credit arrangements and various types of countertrade arrangements are also expected to be more common than in consumer goods and service sector. Countertrade arrangements were rather common in trading with EE before transition mainly because of the lack of hard currency and the intention to organize access to modern technology, therefore it may be expected that countertrade still plays a major role since both prerequisites do prevail.

Companies which have entered the EE markets more recently are more or less latecomers in the markets and unless they are very large companies having big resources and possibilities to use penetration pricing, they are forced to compete by using differentiation – product design and adaptation – and other marketing mix elements like personal selling and quick delivery in order to compete with companies which have build their contact networks already much earlier. Finally, it seems reasonable to expect that companies operating in their major EE markets pay more attention to the use of various marketing parameters than companies operating in the region only occasionally. In general, companies entering EE do adapt their marketing strategies to the local institutions and conditions in order to reduce exposure to still highly imperfect markets. (Meyer 2001). Thus, the following hypotheses are presented related to the role of various marketing parameters for the empirical part of the study:

H3: Good company image, technical quality of the product, personal selling, good personal relationships, and price and discounts are the main marketing mix parameters of Western companies in EE, while design and package, trade fairs and exhibitions, advertising, credit and countertrade arrangements are rated as clearly less significant marketing mix elements.

H4: Large companies and production good manufacturers base their marketing strategy more on good company image, technological leadership and service, price and discounts, payment, credit and countertrade arrangements than SMEs, service and especially consumer goods companies.
H5: Consumer good manufacturers compete more on product design, distribution and advertising than production good and service companies.

H6: Companies having entered the EE markets before transition rely more on company image, price and discounts than companies having entered the markets during the 1990s which rely more on design, product adaptation, delivery time and personal selling.

H7: Companies operating continuously in EE markets generally use all marketing mix elements more intensively than companies operating only occasionally in EE markets.

4. Methodology

4.1. The Sample
A survey instrument was developed by using 40 (mainly multiple-choice) questions related to Finnish and Austrian firms' business activities in Central and Eastern Europe. The data was collected in June-November 1998. In Finland, the target firms were selected from the membership files of the Finnish-Russian Chamber of Commerce and the files of the authors. Because of the small number of Finnish companies that are active only in Eastern Europe, but do not operate in Russia, the Chamber of Commerce data was not considered to cause bias in the results. Own files of the authors complemented the Chamber of Commerce data. In Austria, the company directory of the Austrian Chamber of Commerce was used to identify firms active in EE.

In Finland, the questionnaire was sent in June 1998 to 835 prospective firms believed to be active in business in EE. In order to achieve a better response rate and more reliable results, the survey instrument was sent to managers in charge of East-West business operations of the firm. By the end of November 1998, 197 questionnaires were returned, resulting in a 23.6 % response rate. Of the returned questionnaires, 139 (16.6 %) were usable. 58 responses were rejected because of the following reasons: no commercial transactions in EE countries at present; incomplete responses; and because of the respondent's time limitations or because some of the questions were regarded as too confidential to be answered.

In Austria, 300 questionnaires were sent to target companies. The companies were called in advance to address the questionnaire to the manager in charge of business with EE. 121 questionnaires were returned in due time, resulting in a 40.3 % response rate. Of the returned questionnaires, 97 (32.3 %) were usable. Both subsamples resulted in a total sample of 236 companies. The size of the sample and the expertise of the company representatives questioned deliver a rather reliable and objective data set on the marketing profile of Finnish and
Austrian companies in EE. Descriptive statistics of the sample are presented in Table 1.

**Table 1. Key features of the sample firms**

<table>
<thead>
<tr>
<th></th>
<th>TOTAL SAMPLE</th>
<th>AUSTRIAN SAMPLE</th>
<th>FINNISH SAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company size</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(number of employees)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 49</td>
<td>85</td>
<td>16</td>
<td>69</td>
</tr>
<tr>
<td>50 – 249</td>
<td>74</td>
<td>34</td>
<td>40</td>
</tr>
<tr>
<td>250 –</td>
<td>73</td>
<td>44</td>
<td>29</td>
</tr>
<tr>
<td>Missing information</td>
<td>4</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td><strong>Field of activity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer goods</td>
<td>62</td>
<td>25</td>
<td>37</td>
</tr>
<tr>
<td>Industrial goods</td>
<td>132</td>
<td>65</td>
<td>67</td>
</tr>
<tr>
<td>Trade &amp; services</td>
<td>41</td>
<td>6</td>
<td>35</td>
</tr>
<tr>
<td>Missing information</td>
<td>1</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td><strong>Eastern Europe as % of foreign sales</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.9</td>
<td>48</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>5 – 24.9</td>
<td>115</td>
<td>47</td>
<td>68</td>
</tr>
<tr>
<td>25 –</td>
<td>59</td>
<td>21</td>
<td>38</td>
</tr>
<tr>
<td>Missing information</td>
<td>14</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td><strong>Importance of East European markets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating occasionally,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>not a major market</td>
<td>38</td>
<td>15</td>
<td>23</td>
</tr>
<tr>
<td>Operating frequently,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>not a major market</td>
<td>142</td>
<td>67</td>
<td>75</td>
</tr>
<tr>
<td>Operating frequently,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a major market</td>
<td>55</td>
<td>15</td>
<td>40</td>
</tr>
<tr>
<td>Missing information</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Jorma Larimo, Jarmo Nieminen and Reiner Springer
Of the sample firms about 70 % were SMEs, although in the Austrian subsample the share of large firms was clearly higher than in the Finnish subsample. Of the companies over 55 % represented industrial sectors, the metal and electronics industry being clearly the most important sector. The degree of internationalization was high in the sample as in almost half of the companies the share of foreign sales was more than 50 % of the turnover. In the Austrian subsample the degree of internationalization was higher. For one fourth of the companies Eastern Europe generated more than 25 % of total sales, for the Finnish companies slightly more. More than half of the companies were operating in Eastern Europe frequently, but their major markets were elsewhere. For the Finnish companies the East European markets were slightly more important than for the Austrians (for almost 30% a major foreign market).

Russia and Estonia were the main EE markets for almost all Finnish companies whereas the Czech Republic, Poland and secondarily Hungary and Russia were the main EE markets for Austrian companies.

4.2. Operationalization of the Variables

**Competitive Situation and Main Competitors**

In order to determine the competitive situation in EE the respondents were first asked to evaluate the degree of competition in their major markets in EE. For the evaluation a five point Likert scale was used (1 = very insignificant; 5 = very significant). Secondly the respondents were asked to compare the level of competition in their own field of business of their main target markets in EE to their main markets in Western Europe. For the evaluation, a five point Likert scale was used (1 = clearly more insignificant in EE; 5 = clearly more significant in EE). The companies were also asked to identify their main competitors in the EE markets. The following alternatives were given: local state owned companies, local private new companies, local privatized big companies, foreign owned companies and other Austrian or Finnish companies.

**Competitive Advantages and Marketing Strategies in Eastern Europe**

Marketing strategies have to be based on competitive advantages. Therefore the respondents were asked to determine in great detail the competitive advantages being pursued in EE markets. A list of 18 different competitive parameters was offered (see table 5 for the competitive parameters), these parameters were to be evaluated with a five point Likert scale (1 = not at all significant; 5 = very significant). The parameters relate to various aspects of the marketing-mix instruments by which competitive strategies are being implemented.
**Independent Variables**

**Firm size.** In order to avoid any arbitrary classifications, company size categories used by the European Union were used (small firms less than 50 employees; medium-sized up to 249 employees and large firms more than 250 employees). The size categories small and medium were combined in one group. It should be noted that the majority of the large companies in this study were not multinationals.

**Field of Business.** For determining the field of business a distinction was made between three sectors: consumer goods sector, production goods sector, and service sector assuming that the basic competitive strategies as well as the use of specific competitive weapons may differ by sector.

**Timing of Market Entry in EE.** Since the marketing environment has changed substantially with the ongoing transition from planned economy to market economy, a different strategic behavior of the firms was to be expected depending on the timing of market entry to EE. Therefore two time periods were defined: companies that have entered the markets before 1990 and those that have entered the region in the 1990s.

**Role of EE markets.** Based on the assumption that the EE markets may be of different importance to the companies questioned it was expected that all the companies fall into one of the following categories: (1) the company operates in EE only occasionally and is not a major market for the company; (2) the company operates in EE frequently, but is not a major market for the company; and (3) the company operates in EE frequently and it is the major market for the company.

5. **Results of the Survey**

5.1. **Competitive Situation**

As seen in Table 2, the questioned companies regard competition in EE as significant. In total, the intensity of competition was evaluated on a 5-point scale as being 3.66. In the total sample, significant differences in the evaluation of the intensity of competition were identified according to the size of the companies, experience of operating in EE, and the role of EE markets. Consequently, in the total sample no significant differences in the perceived intensity of competition was identified only by the field of industry.

In the total and Finnish samples large firms considered competition to be stronger than SMEs. This indicates that larger firms operate in business areas / product categories where competition is harder. SMEs, on the other hand, may be more capable of utilizing market niches, and adapting quicker to the changes in competition. The degree of competition seemed no to depend significantly on the field of business.
Companies which had entered the markets before the year 1990 rated – perhaps surprisingly – competition as clearly more significant than companies which had entered the markets more recently. Companies with longer experience in EE are more often more committed to the market in terms of having a market presence, while companies with shorter experience in EE may not necessarily understand the competitive environment while running short term businesses in the region.

Table 2. Intensity of competition in EE (mean values and t-tests results)

<table>
<thead>
<tr>
<th>TOTAL</th>
<th>FIRM SIZE</th>
<th>FIELD OF BUSINESS</th>
<th>START OF EE OPERATIONS</th>
<th>ROLE OF EE MARKETS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.66</td>
<td>3.56 1</td>
<td>3.92</td>
<td>3.64</td>
</tr>
<tr>
<td></td>
<td>3.52 6 / 7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.54</td>
<td>3.40</td>
<td>3.77</td>
<td>3.58</td>
</tr>
<tr>
<td></td>
<td>Total N=231</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland N=137</td>
<td>3.75</td>
<td>3.64 3</td>
<td>4.14</td>
<td>3.68</td>
</tr>
<tr>
<td></td>
<td>3.78 7 / 8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.54</td>
<td>3.40</td>
<td>3.77</td>
<td>3.58</td>
</tr>
<tr>
<td></td>
<td>Austria N=94</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Main markets in EE:

<table>
<thead>
<tr>
<th>Russia N=115</th>
<th>Estonia N=26</th>
<th>Poland N=26</th>
<th>Hungary N=18</th>
<th>Czech Republic N=29</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.77 1</td>
<td>3.62</td>
<td>3.65</td>
<td>3.67</td>
<td>3.38</td>
</tr>
</tbody>
</table>

T-tests:

1 = SMEs vs Large firms
2 = SME vs Large firms
3 = before 1990 vs. 1990-1997
4 = before 1990 vs 1990-1997
5 = Occasional vs continuous operation
6 = occasional vs. main markets
7 = occasional vs. continuous operation
8 = occasional vs main markets
9 = Russia vs Czech Republic

statistical significance levels: a = 0.05; b = 0.01; c = 0.001

This explanation may also be valid for the fact that competition was regarded strongest among companies that have their major markets in EE and weakest among companies that operate in the region only occasionally. In the Finnish sample statistically significant differences were found in the same situations as in the total sample. In the Austrian sample, however, no statistically significant differences were found between any subgroups (based on the role of EE markets the difference just out of statistical significance). The intensity of competition was evaluated highest in Russia and lowest in Czech Republic (a statistically meaningful difference). As discussed earlier, most Finnish companies had their main EE markets in Russia.

The companies were also asked to evaluate the competitive situation in EE compared to the markets in Western Europe. The evaluation was on a scale from one (clearly more insignificant in EE) to five (clearly more intensive in
EE), the score 3 then meaning equal strong in both markets. On average the competition in EE was evaluated somewhat weaker compared to the Western markets although close to the score 3 (see Table 3). In total Austrian companies recognized usually a little bit weaker competition in EE than Finnish companies. By firm size, timing of market entry, and role of EE markets no statistically meaningful differences were found between the companies. The only meaningful difference was found to be based on the field of industry where competition in the production goods sector was rated tighter than in the consumer goods sector both in the total and Austrian samples.

To sum up, Hypotheses 1 was confirmed only partly. The competitive situation in EE is significant and almost as strong as in the Western markets. There are differences in the evaluations of the intensity of competition EE and between degree of competition in EE vs. Western Europe by firm size, timing of entry, role of EE markets as expected and field of business.

In Hypotheses 2 we assumed that the competitors for foreign companies in the EE countries are mainly other foreign companies and that local private companies are more competitive than local state owned companies. This hypotheses was confirmed as can been seen from Table 4. The main competitors were in about 75 percent of cases foreign companies and in about 30 percent of cases local companies.

From the local companies private companies were about three times more often the main competitors than local state-owned companies. Austrian companies referred especially other foreign, but also local private companies relatively more often as their main competitors than Finnish firms. Noteworthy is that Austrian companies used multiple choice alternative clearly more often than Finnish companies. No statistically significant differences were found based on firm size, field of business, start of CE and EE operations, and role of CE and EE markets.

5.2. Marketing Strategies in Eastern Europe

The analysis of the importance of the various competitive parameters used by the Finnish and Austrian companies in EE reveals a ranking of these parameters basically in line with the assumption in Hypotheses 3 (see Table 5). In the total sample the most important competitive parameters are ranked as follows: 1. good personal relationships (4.22), 2. technical quality of the product (4.17), 3. personal selling and good image of the company (both 4.12), 5. customer service (4.08), 6. managerial competence (4.06), and 7. delivery time and readiness for delivery (3.94). These parameters were clearly more important than the rest of the studied parameters. Thus, of the expected most important marketing parameters only price and discounts did not receive as high rating as expected (mean 3.69).
What concerns the least important marketing-mix elements, the ability for countertrade received the lowest importance in all samples, followed by government sponsored export credits and guarantees, advertising, and fairs and exhibitions. All those parameters received mean values below 3.0 in the whole sample. Thus, the findings indicated support to the expectations made of the relatively low importance of those parameters. Hypotheses 3 received therefore support related to the other parameters except the role of price and discount.

Table 3. Competition Western Europe vs. Eastern Europe (mean values)

<table>
<thead>
<tr>
<th>Total</th>
<th>Firm Size</th>
<th>Field of Business</th>
<th>Start of CE&amp;EE Operations</th>
<th>Role of CE&amp;EE Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2.79</td>
<td>2.81</td>
<td>2.74</td>
<td>2.58</td>
</tr>
<tr>
<td>Finland N=124</td>
<td>2.85</td>
<td>2.94</td>
<td>2.54</td>
<td>2.79</td>
</tr>
<tr>
<td>Austria N=93</td>
<td>2.70</td>
<td>2.55</td>
<td>2.86</td>
<td>2.26</td>
</tr>
</tbody>
</table>

Main markets in EE:

<table>
<thead>
<tr>
<th>Russia</th>
<th>Estonia</th>
<th>Poland</th>
<th>Hungary</th>
<th>Czech Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=102</td>
<td>N=26</td>
<td>N=26</td>
<td>N=18</td>
<td>N=29</td>
</tr>
<tr>
<td>2.77</td>
<td>3.00</td>
<td>2.88</td>
<td>2.83</td>
<td>2.55</td>
</tr>
</tbody>
</table>

1 Consumer goods sector vs. production goods sector
2 Consumer goods sector vs production goods sector

Significance levels: a = 0.05; b = 0.01; c = 0.001

Based on the country of origin the results indicated some differences between the two samples. Of the most important marketing mix elements especially good personal relationships and good image of the company, but also technical quality received all statistically higher ratings in the Austrian than in the Finnish sample. The greater importance of those elements is apparently for a great part explained by the fact that the Austrian sample included mainly industrial goods companies whereas the Finnish sample included more consumer goods and service companies. This would explain also the clearly greater significance of price and discounts, technical service and training, payment and credit arrangements, government sponsored credits and guarantees, and countertrade in the Austrian sample. In the Finnish sample, personal selling, managerial competence, and delivery time and readiness and product adaptation received statistically higher ratings than in the Austrian sample. Also in these cases the differences are apparently mainly explained by the difference in the sample compositions, because especially service companies rated both elements very high and most of the service companies were in the Finnish sample.
What concerns the influence of company size on the ratings both SMEs and large firms the same six parameters received ratings over four, although in a somewhat different order. Also the other results indicated very limited statistically significant differences in the ratings of various marketing mix elements. Apparently because of the greater resources and better abilities of larger firms, price, discounts, credit, guarantees and countertrade arrangements and abilities were rated higher than in SMEs.

Table 4. Main competitors of Finnish and Austrian firms in EE (frequencies, multiple choices were possible)

<table>
<thead>
<tr>
<th>Competitors:</th>
<th>Foreign owned companies</th>
<th>Local state-owned companies</th>
<th>Local private companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>Total (N=236)</td>
<td>184</td>
<td>78.0</td>
<td>20</td>
</tr>
<tr>
<td>COUNTRY OF ORIGIN</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria (N=97)</td>
<td>85</td>
<td>87.6</td>
<td>11</td>
</tr>
<tr>
<td>Finland (N=139)</td>
<td>99</td>
<td>71.2</td>
<td>9</td>
</tr>
<tr>
<td>FIRM SIZE (N=232)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEs (N=159)</td>
<td>120</td>
<td>75.5</td>
<td>11</td>
</tr>
<tr>
<td>Large (N=73)</td>
<td>60</td>
<td>82.2</td>
<td>9</td>
</tr>
<tr>
<td>FIELD OF BUSINESS (N=235)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer goods sector (N=62)</td>
<td>47</td>
<td>75.8</td>
<td>5</td>
</tr>
<tr>
<td>Production goods sector (N=132)</td>
<td>108</td>
<td>78.3</td>
<td>11</td>
</tr>
<tr>
<td>Service sector (N=41)</td>
<td>28</td>
<td>68.3</td>
<td>4</td>
</tr>
<tr>
<td>START OF CE&amp;EE OPERATIONS (N=232)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before 1990 (N=101)</td>
<td>81</td>
<td>80.2</td>
<td>11</td>
</tr>
<tr>
<td>1990–1997 (N=131)</td>
<td>99</td>
<td>75.6</td>
<td>9</td>
</tr>
<tr>
<td>ROLE OF CE&amp;EE MARKETS (N=235)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occasional operation (N=38)</td>
<td>29</td>
<td>76.3</td>
<td>1</td>
</tr>
<tr>
<td>Continuous operation, not main markets (N=142)</td>
<td>117</td>
<td>82.4</td>
<td>13</td>
</tr>
<tr>
<td>Main markets (N=55)</td>
<td>38</td>
<td>69.1</td>
<td>6</td>
</tr>
</tbody>
</table>

1 Role of foreign owned companies in Austrian vs Finnish firms
2 Role of local private companies in Austrian vs Finnish firms

Statistical significance levels (Pearson chi-square tests): a = 0.05; b = 0.01; c = 0.001
### Table 5. Importance of competitive parameters in Eastern Europe

<table>
<thead>
<tr>
<th>Competitive parameter</th>
<th>Total</th>
<th>Austria</th>
<th>Finland</th>
<th>FIRM SIZE</th>
<th>FIELD OF BUSINESS</th>
<th>START OF CE&amp;EE OPERATIONS</th>
<th>ROLE OF CE&amp;EE MARKETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good pers. relationships</td>
<td>4.22</td>
<td>4.43&lt;sup&gt;c&lt;/sup&gt;</td>
<td>4.06</td>
<td>4.22</td>
<td>4.20</td>
<td>4.03</td>
<td>4.26</td>
</tr>
<tr>
<td>Technical quality</td>
<td>4.17</td>
<td>4.31&lt;sup&gt;a&lt;/sup&gt;</td>
<td>4.07</td>
<td>4.12</td>
<td>4.28</td>
<td>4.02</td>
<td>4.27</td>
</tr>
<tr>
<td>Good image of company</td>
<td>4.12</td>
<td>4.40&lt;sup&gt;c&lt;/sup&gt;</td>
<td>3.92</td>
<td>4.04</td>
<td>4.27</td>
<td>3.87&lt;sup&gt;a&lt;/sup&gt;/a&lt;sup&gt;2&lt;/sup&gt;</td>
<td>4.18</td>
</tr>
<tr>
<td>Personal selling</td>
<td>4.12</td>
<td>3.69&lt;sup&gt;c&lt;/sup&gt;</td>
<td>4.39</td>
<td>4.11</td>
<td>4.07</td>
<td>3.75&lt;sup&gt;a&lt;/sup&gt;/e&lt;sup&gt;c&lt;/sup&gt;</td>
<td>4.18</td>
</tr>
<tr>
<td>Customer service</td>
<td>4.08</td>
<td>3.97</td>
<td>4.17</td>
<td>4.11</td>
<td>4.03</td>
<td>3.92</td>
<td>4.11</td>
</tr>
<tr>
<td>Managerial competence</td>
<td>4.06</td>
<td>3.91&lt;sup&gt;a&lt;/sup&gt;</td>
<td>4.17</td>
<td>4.05</td>
<td>4.09</td>
<td>3.85&lt;sup&gt;e&lt;/sup&gt;</td>
<td>4.04&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Delivery time and readiness</td>
<td>3.94</td>
<td>3.71&lt;sup&gt;b&lt;/sup&gt;</td>
<td>4.11</td>
<td>3.97</td>
<td>3.93</td>
<td>3.93</td>
<td>3.88</td>
</tr>
<tr>
<td>Price, discounts</td>
<td>3.69</td>
<td>3.93&lt;sup&gt;b&lt;/sup&gt;</td>
<td>3.52</td>
<td>3.57&lt;sup&gt;b&lt;/sup&gt;</td>
<td>3.94</td>
<td>3.66</td>
<td>3.71</td>
</tr>
<tr>
<td>Good image of Austrian / Finnish products</td>
<td>3.64</td>
<td>3.78</td>
<td>3.55</td>
<td>3.65</td>
<td>3.67</td>
<td>3.75</td>
<td>3.67</td>
</tr>
<tr>
<td>Technical service and training</td>
<td>3.60</td>
<td>3.89&lt;sup&gt;c&lt;/sup&gt;</td>
<td>3.39</td>
<td>3.53</td>
<td>3.73</td>
<td>3.07&lt;sup&gt;c&lt;/sup&gt;/a&lt;sup&gt;2&lt;/sup&gt;</td>
<td>3.82</td>
</tr>
<tr>
<td>Methods of payment and credits</td>
<td>3.50</td>
<td>3.77&lt;sup&gt;b&lt;/sup&gt;</td>
<td>3.29</td>
<td>3.34&lt;sup&gt;a&lt;/sup&gt;</td>
<td>3.77</td>
<td>3.59&lt;sup&gt;a&lt;/sup&gt;</td>
<td>3.59&lt;sup&gt;a&lt;/sup&gt;/a&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Adaptation of the prod.</td>
<td>3.48</td>
<td>3.26&lt;sup&gt;a&lt;/sup&gt;</td>
<td>3.64</td>
<td>3.54</td>
<td>3.43</td>
<td>3.48</td>
<td>3.42</td>
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<tr>
<td>Distribution channels</td>
<td>3.25</td>
<td>3.51&lt;sup&gt;a&lt;/sup&gt;</td>
<td>3.08</td>
<td>3.16</td>
<td>3.50</td>
<td>3.64&lt;sup&gt;a&lt;/sup&gt;/b&lt;sup&gt;4&lt;/sup&gt;</td>
<td>3.25</td>
</tr>
<tr>
<td>Design and package</td>
<td>3.02</td>
<td>3.09</td>
<td>2.98</td>
<td>2.99</td>
<td>3.12</td>
<td>3.64&lt;sup&gt;c&lt;/sup&gt;/e&lt;sup&gt;c&lt;/sup&gt;</td>
<td>2.77</td>
</tr>
<tr>
<td>Fairs and exhibitions</td>
<td>2.92</td>
<td>2.96</td>
<td>2.89</td>
<td>2.91</td>
<td>2.90</td>
<td>2.95</td>
<td>2.94</td>
</tr>
<tr>
<td>Advertising</td>
<td>2.57</td>
<td>2.69</td>
<td>2.50</td>
<td>2.52</td>
<td>2.71</td>
<td>2.80</td>
<td>2.48</td>
</tr>
<tr>
<td>Gov. sponsored export credits and guarantees</td>
<td>2.45</td>
<td>3.09&lt;sup&gt;c&lt;/sup&gt;</td>
<td>1.98</td>
<td>2.24&lt;sup&gt;b&lt;/sup&gt;</td>
<td>2.86</td>
<td>2.22</td>
<td>2.63</td>
</tr>
<tr>
<td>Countertrade deals</td>
<td>2.08</td>
<td>2.28&lt;sup&gt;a&lt;/sup&gt;</td>
<td>1.94</td>
<td>1.90&lt;sup&gt;b&lt;/sup&gt;</td>
<td>2.46</td>
<td>1.96</td>
<td>2.19</td>
</tr>
</tbody>
</table>

Statistical significance level a = 0.05 b = 0.01 c = 0.001 <sup>1</sup> consumer goods vs. production goods sector, <sup>2</sup> consumer goods vs. service sector, <sup>3</sup> production goods vs. service sector, <sup>4</sup> occasional operation vs. continuous operation, <sup>5</sup> occasional operation vs. main markets
As may be expected, the field of industry had influenced the results more than the company size. Of the most significant marketing mix elements good image, personal selling and managerial competence received all statistically significantly lower ratings in consumer goods than in other sectors. Consumer goods need much more mass marketing which explains the lower rating of personal selling and from the other factors the lower rating of technical service and training and higher ratings for especially product design and package but also for distribution channels. Also advertising received higher rating in consumer goods than in other sectors, but the difference was not statistically significant. The ratings were much more equal between industrial goods and service sectors, only managerial competence received in the former sector a more significantly lower rating. Furthermore, the very high ratings of managerial competence and personal selling in service sector can be explained with the need of direct links to the customers. Thus, based on field of industry hypothesis 4 and 5 received only partial support.

The timing of entry had a rather limited influence on the results. Of the more important parameters companies having longer experience rated good image and price and discounts, and of the other parameters technical service and training and government sponsored export credits higher than companies which had entered the markets during the 1990s. Furthermore, delivery time and readiness for delivery both design and package of the product received higher ratings among companies having entered EE markets during the 1990s. Thus, also H6 received only partial support.

As expected, companies which operated continuously in EE markets weighted almost all main marketing mix elements more than companies operating only occasionally in EE markets. The difference was especially clear (statistically significant) in the use of personal selling, customer service, managerial competence, delivery time and readiness, and price and discounts. Of the other factors use of fairs and exhibitions and use of advertising both received clearly lower ratings in the occasional exporters subgroup. The difference in the weighting of those marketing mix elements may also largely explain why occasional exporters have not gained greater market shares and started to operate more continuously on EE markets. In total the results gave, however, only partial support for H7.

The results indicated also – perhaps even surprisingly – clear differences in the ratings of various marketing mix elements between various EE markets (see Table 6). In Russia and Estonia highest ratings were given to personal selling whereas especially in Hungary and Czech Republic good personal relationships, good image of the company, and technical quality of the product received clearly higher ratings than personal selling. Noteworthy is that the rating of technical quality exceeded the value 4.50 in Hungary.
### Table 6. Importance of competitive parameters in major markets in Eastern Europe

<table>
<thead>
<tr>
<th>Competitive weapon</th>
<th>TARGET COUNTRIES</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RUSSIA N=110</td>
<td>ESTONIA N=26</td>
<td>HUNGARY N=17</td>
<td>POLAND N=25</td>
<td>CZECH REPUBLIC N=28</td>
</tr>
<tr>
<td>Personal selling</td>
<td>4.27 a/b^2</td>
<td>4.26 a/a^1</td>
<td>3.38 a^2</td>
<td>4.19</td>
<td>3.68</td>
</tr>
<tr>
<td>Good personal relationships</td>
<td>4.16</td>
<td>4.12</td>
<td>4.44</td>
<td>4.28</td>
<td>4.38</td>
</tr>
<tr>
<td>Managerial competence</td>
<td>4.12</td>
<td>4.19</td>
<td>4.13</td>
<td>3.76</td>
<td>4.00</td>
</tr>
<tr>
<td>Technical quality of the product</td>
<td>4.12 a^1</td>
<td>4.08 a^3</td>
<td>4.53</td>
<td>4.27</td>
<td>4.28</td>
</tr>
<tr>
<td>Delivery time and readiness for delivery</td>
<td>4.10 a^2</td>
<td>4.08</td>
<td>4.00</td>
<td>3.72</td>
<td>3.57</td>
</tr>
<tr>
<td>Customer service</td>
<td>4.01</td>
<td>4.15</td>
<td>3.88</td>
<td>4.28</td>
<td>4.14</td>
</tr>
<tr>
<td>Good image of the company</td>
<td>3.64</td>
<td>3.63</td>
<td>4.07</td>
<td>3.56</td>
<td>3.59</td>
</tr>
<tr>
<td>Good image of Austrian/Finnish products</td>
<td>3.64</td>
<td>3.54</td>
<td>3.47</td>
<td>3.31</td>
<td>3.21</td>
</tr>
<tr>
<td>Adaptation of the product to the market</td>
<td>3.07</td>
<td>3.30</td>
<td>3.59</td>
<td>3.52</td>
<td>3.50</td>
</tr>
<tr>
<td>Price, discounts</td>
<td>3.62 b^2</td>
<td>3.46 b^4</td>
<td>3.56 a^9</td>
<td>3.72</td>
<td>4.17</td>
</tr>
<tr>
<td>Technical service and training</td>
<td>3.47 b^1</td>
<td>3.23 a/b^5</td>
<td>3.71</td>
<td>4.16</td>
<td>3.79</td>
</tr>
<tr>
<td>Methods of payment and credits</td>
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<td>3.24</td>
<td>3.61</td>
<td>3.44</td>
<td>3.72</td>
</tr>
<tr>
<td>Distribution channels</td>
<td>3.07</td>
<td>3.30</td>
<td>3.59</td>
<td>3.52</td>
<td>3.50</td>
</tr>
<tr>
<td>Design and package of the product</td>
<td>3.03</td>
<td>3.08</td>
<td>3.24</td>
<td>2.72</td>
<td>3.21</td>
</tr>
<tr>
<td>Fairs and exhibitions</td>
<td>2.92 a^1</td>
<td>2.63 a^3</td>
<td>3.31 a^2</td>
<td>3.04</td>
<td>2.68</td>
</tr>
<tr>
<td>Advertising</td>
<td>2.61</td>
<td>2.44</td>
<td>2.63</td>
<td>2.56</td>
<td>2.61</td>
</tr>
<tr>
<td>Government sponsored export credits and guarantees</td>
<td>2.37 a^2</td>
<td>1.88 c^4/a^8</td>
<td>2.59</td>
<td>2.60</td>
<td>3.11</td>
</tr>
<tr>
<td>Ability for countertrade deals</td>
<td>2.21 a^1</td>
<td>1.73</td>
<td>1.88</td>
<td>1.92</td>
<td>2.07</td>
</tr>
</tbody>
</table>

Statistical significance level  
1 Russia vs. Hungary  
2 Russia vs. Czech Republic  
3 Estonia vs. Hungary  
4 Estonia vs. Czech Republic  
5 Hungary vs. Poland  
6 Russia vs. Estonia  
7 Russia vs. Poland  
8 Estonia vs. Poland

A somewhat surprising finding was the clearly lower rating of good company image in Estonia and higher rating of price and discounts in Czech Republic than in the other EE countries. Bigger target country specific samples would be needed especially from Czech Republic and Poland to analyze the country specific differences and the reasons for them.
6. Summary and Discussion

Research interests focusing on operations by Western companies in EE markets has been growing. However, so far there are very few studies analyzing in more detail the competitive situation and use of various marketing mix elements by Western companies in EE markets. In this study both of those important questions have been analyzed using a sample of Austrian and Finnish companies operating in those markets.

In summarizing the results of the study we can conclude the following:

- The competition in EE is intense, but still somewhat weaker compared to Western markets. However, the gap is not as wide as expected. With improvements in the market economy system, ongoing institutional and legal reforms, an increase in purchasing power, further progress in privatization, and the emergence of new players on the markets competition will strengthen and the competitive gap will apparently continue to decrease in future.

- Western companies are mainly competing with other foreign companies in EE markets. Local private and privatized firms were clearly more often main competitors than local state owned companies. Along with the development of the privatization process the role of local state owned companies as the main competitors may be expected to be even less significant in future.

- Foreign companies operating in EE use basically the same competitive strategies as in Western markets. The main marketing mix elements used were good personal relationships, technical quality of the product, company image, personal selling, customer service, and managerial competence. The role of price and discounts was lower than expected. As expected design and package, trade fairs and exhibitions, advertising, credit and countertrade arrangements were rated as clearly less significant marketing-mix elements by Western companies in EE markets.

- Although the same marketing mix parameters usually were used by the firms in various subgroups reviewed, some important differences could also be found. As expected, large firms and consumer goods manufacturers base their competitive strategies more often than SMEs, service, and consumer goods companies on good company image, technological leadership and service, price and discounts, payment, credit and countertrade arrangements. Consumer goods manufacturers compete more on product design, distribution, and advertising than production goods and service companies.

- Good company image and price and discounts were used more often by firms which had entered the EE markets already before transition, on the other hand delivery time and readiness for delivery by companies which had entered EE markets more recently. As expected, companies which operated continuously in EE markets evaluated almost all main marketing mix
elements higher than companies operating only occasionally in EE markets. The difference was especially clear in the use of personal selling, customer service, managerial competence, delivery time and readiness, and price and discounts.

- The difference in the weighting of those marketing mix elements may also explain as a large extent why occasional exporters have not gained greater market shares and started to operate more continuously on EE markets.

This study did not analyze the standardization vs. differentiation questions related to various marketing mix elements nor possible market segmentation or other customer related issues. Secondly, this study did not analyze how well the Western companies had performed in EE markets (some evidence is presented in Larimo, Nieminen & Springer, 1999). In future it would be interesting to analyze whether there exist differences in the evaluations of competitive situations and especially use of various marketing mix elements between Western companies which have performed well in those markets compared to average and poor performers. One conclusion that can be drawn based on Larimo et al. (1999) is that companies whose main markets are in EE have performed clearly better than companies operating only occasionally in EE markets. As discussed above, there was a clear difference in the use of various marketing mix elements between those groups of firms according to results of this study. Furthermore, this study did not analyze in more detail the strategies used by companies related to various possible competitive strategies (cost leadership, technical leadership, differentiation) or standardization vs. adaptation of product and advertising strategies. More detailed analysis of those aspects would also increase the level of knowledge and understanding of the competitive environment and operation of Western companies in EE markets.

The results of the study confirm the repeatedly proven interdependence between developments in the marketing environment of the target market and the marketing strategies implemented by firms having entered this environment (Varadarajan & Clark & Pride, 1992). As far as the design and implementation of marketing strategies in EE is concerned the Western companies do adapt their marketing concepts to the conditions in the transition countries rather than managing and controlling the marketing environment. This can be explained with the high volatility of the marketing environment in EE which requests reactive than active marketing strategies. The continuing progress of transition will change market constellations, and acceleration in the shift from buyer’s to seller’s markets can be expected. In the end, we will see a convergence in the business environments of Central and Eastern Europe and the industrialized West. Speed and scope of the adjustment will vary from country to country. From this perspective, companies in the region are being forced to use marketing as a management concept and, by doing so, are improving their
competitive position. This will gradually enhance competition and reduce the marketing lead Western companies still enjoy in Central and Eastern Europe.

With these anticipated developments environmental determinism will gradually weaken and the marketing activities of Western companies shape and change actively the marketing environment in EE. Based on the results of the study we can also conclude that ongoing adjustment in the marketing environment between West and East offers increasingly better conditions to implement standardized marketing concepts.

The entry, and the presence, of Western companies have a positive impact on the marketing systems in Central and Eastern Europe. It remains to be seen to which extent, and in which form and at what speed, marketing strategies used by Western companies will contribute to a change in the marketing systems in this region. Apparently, we will see gradually the convergence of marketing strategies and management styles throughout all of Europe - Western, Central and Eastern.

1 We use the term East European countries to cover all the ex-socialist planned economies in Europe. Central Eastern Europe (CEE) covers here Poland, Hungary, Czech Republic, Slovak Republic, Slovenia, Romania, Bulgaria and countries of the former-Yugoslavia. Baltic countries cover Estonia, Latvia and Lithuania. CIS covers all the countries of the former Soviet Union except the Baltic countries.

References


Table 7. Summary of the statistical tests and verification of the hypothesis made in the study

<table>
<thead>
<tr>
<th>H #</th>
<th>Statistical test</th>
<th>Empirical Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>The competition in EE is weaker than in the markets of the advanced industrial economies.</td>
<td>T-tests</td>
</tr>
<tr>
<td></td>
<td>The intensity of competition differs by firm size, field of business, starting time of the EE operations and role of EE markets for the firm.</td>
<td>T-tests</td>
</tr>
<tr>
<td>H2</td>
<td>Main competitors other foreign firms.</td>
<td>Chi-square</td>
</tr>
</tbody>
</table>
H3  Good company image, technical quality of the product, personal selling, good personal relationships, and price and discounts are the main marketing mix parameters of Western companies in EE.

H4  Large companies and production good manufacturers base their marketing strategy more on good company image, technological leadership and service, price and discounts, payment, credit and countertrade arrangements than SMEs, service and especially consumer goods companies.

H5  Consumer good manufacturers compete more on product design, distribution and advertising than production good and service companies.

H6  Companies having entered the EE markets before transition rely more on company image, price and discounts than companies having entered the markets during the 1990s which rely more on design, product adaptation, delivery time and personal selling.

H7  Companies operating continuously in EE markets use in general all marketing mix elements more intensively than companies operating only occasionally in EE markets.
Hidden drivers of organisational transformation in Poland: Survival networks amongst state owned and privatised firms in the early 1990s*

Beth Kewell**

Three historical case studies from Polish manufacturing industry are used to evaluate the rise of survival networks in Poland during the early 1990s. The article poses the question of whether survival networks represented a hidden driver of organisational transformation and change in post-Communist Poland? In transition economies such as Poland, survival networks appeared to be governed by interwoven ex-communist elites’ and entrepreneurs, of which nomenklatura managers were the dominant group. The paper argues that survival networks may have provided the organisational architecture needed to reinforce elite governance of industry and commerce.

Drei historische Fallstudien aus der polnischen Industrie sollen den Anstieg von überlebenden Netzwerken in Polen während der frühen 90er veranschaulichen. Der Artikel hinterfragt, ob die überlebenden Netzwerke einen versteckten Einfluss auf die organisatorische Transformation und die Wende im postkommunistischen Polen darstellten. In Transitionsökonomien wie Polen schien es, dass überlebende Netzwerke von miteinander verflochtenen exkommunistischen Eliten und Unternehmern geleitet würden, von denen wiederum Manager der früheren Nomenklatura den grössten Teil ausmachten. Im vorliegenden Aufsatz wird die These aufgestellt, dass die überlebenden Netzwerke die notwendige Organisationstruktur für die Verstärkung der elitären Steuerung von Industrie und Handel geschaffen haben.

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1. Introduction

The post-communist states of Eastern and Central Europe and Russia have reached an important stage in their maturity as transition economies. This has given rise to a series of retrospective commentaries on the industrial legacy of restructuring and privatisation policies across the region (see for example: Winiecki 2000; Moers 2000; Barjak 2001; Bornstein 1999). In this paper, the aim is to contribute to a second area of retrospective thought, which involves retracing the origins of business networking and evaluating its historical significance, as a form of organizational change. So far, this has ostensibly focused on changes within Russia's old industrial complexes (Huber and Worgotter, 1998) and, more recently, on a comparative evaluation of privatisation and elite governance in Hungary and Russia (Dinello 2002).

This work shows that in the early 1990s, the post-communist economies of Eastern Europe and the former Soviet Union experienced a transition crisis, within which 'survival networks' formed bridgeheads between private enterprises, former state owned firms, suppliers, entrepreneurs, and foreign investors, private and state owned financial institutions (see in particular: Grabher 1993; Huber and Worgotter 1998). In Russia, survival networks were strongly associated with the rise of ex-communist nomenklatura managers as the owners of privatised enterprises and new businesses (Huber and Worgotter, 1998). The paper argues that similar network coalitions emerged in the late 1980s as important drivers of private and state sector entrepreneurship in Poland (Bloch 1989; Stanizikis 1991).

The Historical Background

Between 1988 and 1993, economic liberalisation in Poland promised reform but instead engineered subtle changes in the control of financial institutions and industry by ex-communist elites, of which former nomenklatura managers emerged as the dominant group (Bornstein, 1999; Glasman, 1994; Balcerowicz and Gelb, 1994; Berg and Sachs, 1992; Stanizikis, 1991). Stanizikis (1991) claims that this led to the emergence of disproportionate and corrupt 'combinations' of capital and power. Stanizikis (1991) and Bloch (1989); also uphold that, in the final months of communist rule, state finances were illegally channelled into private enterprises owned by former members of the communist party and the nomenklatura. Neo-classical ‘shock therapy’ reforms only served to accentuate and fortify elite governance and what Stanizikis (1991) has described as a culture of ‘Political Capitalism’. This meant that business networking in Poland evolved within a complex ‘quasi’ institutional setting in which embryonic markets, networks and elements of old hierarchies co-existed but where this trinity was increasingly dominated by the nomenklatura (Bornstein, 1999; Glasman, 1994; Balcerowicz and Gelb, 1994; Berg and Sachs, 1992; Stanizikis, 1991).
Theoretical Background

The theoretical background for the paper is mainly drawn from 'institutional analysis' and specifically, the study of markets and hierarchies (Grancelli 1995, Williamson 1975, 1991). The discourse of ‘societal effects’ also provides a background note. This literature emerged in the 1980s and early 1990s to contest the ‘one best way’ rational choice approaches to management (Porter, 1990). At the same time, Rose (1985) and Sorge (1991) set out to challenge the efficacy of Hofstede’s (1980) analysis of national culture, branding it stereotypical, and ethnocentric.

The article explores links between elite power and network governance. Following a brief note on methodology, the article then considers qualitative case studies of organisational change from three traditional sectors of Polish industry: manufacturing, food and raw materials processing.

The analysis of the case study evidence builds on observations of network development in post-Soviet Russia, wherein; Huber and Worgotter (1998) identified conflicting tensions between two dominant forms of elite business networks (one reactionary, the other progressive). However, it is not the intention of this article to test Huber and Worgotter’s observations as a hypothesis. Instead, the aim is to provide qualitative snap-shots of organisational life as it was experienced at the case study firms during the early 1990s. The empirical observations upon which the paper is based are thus strictly historical in nature. This said, the case studies presented here do provide some understanding of how senior managers from the same industrial region of Poland interpreted the changes brought on by transition and its nascent effects on organizational behaviour and inter-firm co-operation.

2. Institutional Complexity and Network Development

Organizational research in post-communist Eastern Europe has tended to focus on two central issues: the transformation of hierarchies into markets (Grancelli, 1985, Williams 1975, 1991) and the organizational effectiveness of western privatization methodologies (Radice, 1996; Child, et al. 1993; Stark, 1992; Stark and Nee, 1989). This body of knowledge has, for the most part, been preoccupied with the search for institutional patterns that confirm the predominance of one form of organisation versus another (See for instance Radice, 1996; Child, et al. 1993; Stark, 1992; Stark and Nee, 1989). The organizational and neo-cultural complexities of change were, however, often undervalued, and this lead to a rekindling of interest in the notions of 'societal effects'(Rose 1985; Sorge 1991; Grancelli 1995; Radice 1996) and 'convention theory' (Wilkinson, 1997, Glasman 1995; Nolan 1995; Granovetter 1985).

The societal effects thesis argued that while modes of transitional organisational appeared acultural, their diffusion was contextually driven and conditioned by
social specificity and the pervasiveness of hidden ‘institutions’ (Sorge, 1991; Rose, 1985; Maurice, et al. 1980). Societal effects theorists argued that institutions were not hermetically sealed within a single national culture but acted instead as the ‘unseen hand’ guiding economic transactions and ‘rational choice’ within pan-national industrial systems (see for example: Sorge, 1991). Convention theorists contributed further by acknowledging that 'fads and fashions' might also overtly influence rational choices (Abrahamson, 1991) over the selection, design and deployment of new technologies and managerial innovations (Ray 1995, Grabher 1993). Tacit or unconscious factors, such as an awareness of underlying relationships of trust, subordination, power and control were also viewed as essential to understanding organizational change and the persistence of old behaviours, and constructs (Granovetter, 1985). Convention theorists also acknowledged the importance of local grassroots business networks in motivating economic regeneration (Grabher, 1993; Brunner, 1993; McDermott, 1993).

The Organization and Governance of Business Networks in Poland

Using concepts refined from institutional thinking and convention theory, Stanizikis (1991) provided a breakthrough theoretical analysis of post-communist grass-roots business networking in Poland. In this work, elite control of networks was found to be pervasive, irrespective of whether business transactions took place within hierarchical ‘command’ settings, illegitimately within the ‘grey economy’ or as part of trade within embryonic laissez-faire markets. Stanizikis’s observations were confirmed and developed further in work by Ray (1995) and Wnuk-Lipinski (1995).

In the Polish context, business networks represented multi-relational organisational forms, which occupied spaces between entrepreneurs in embryonic market sectors and hierarchies but remained closer in proximity to the latter (Williamson, 1991; 1975). Networks in Poland formed around centralist power bases (Granovetter, 1985). Through over representation in political systems and business environments, nomenklatura elites perpetuated a stronghold on institutions, trust relations and thus, how they were regulated and enacted (Stanizikis 1991; Granovetter 1985; Michels, 1949). Business networks emerged from this scenario as both environments dominated by political gamesmanship, and settings within which powerbrokers could safely interact with the grey economy whilst protecting allegiances to inherited communist

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1 The ‘grey economy’ is the description used to denote quasi spaces within the command system where legitimate (and illegal) trade took place between the nomenklatura and private sector entrepreneurs. See: Bloch, A. (1989): Entrepreneurialism in Poland and Hungary, Telos, 79.
institutions (Dinello 2002; Grancelli 1995; Glasman, 1994; Ray 1995; Stanizikis, 1991; Bloch 1989).

The Wider Picture

The literature suggests that Poland's experience was mirrored in other former communist states, indicating a pattern that was both institutionalised and convergent (Radice 1996). In post-socialist and transitional economies generally, there were inevitable overlaps between old and new industrial orders (Ray, 1995; Grancelli, 1995; Gowan, 1995). Ex-communist elites were well placed to bridge the gap between old and new systems by mobilizing economic and political assets. Mobilization occurred within and at the behest of organisations but elite forces were most powerful when attempting to mobilize the cumulative assets of networked enterprises and their stakeholders (Grabher, 1993; Stanizikis, 1991; Bloch, 1991).

Indeed, Huber and Worgotter (1998, pp.85-86) contend that elite controlled ‘survival networks’ in Russia provided a safe haven for firms, which saw “Little future for themselves in competitive market conditions, indeed they are formed with the explicit goal of isolating participants from market competition”. This evolution was perhaps to be expected given the quasi nature of the transitional environment and a unique, paradoxical alignment of neo-communist, centralist and market institutions.

Buyer-seller behaviour within these survival networks drew regressively on institutional power-bases formed during the soviet era but also showed traces of entrepreneurialism. Forms of managerial behaviour remained characterised by marginal acceptance of responsibility, defensive posturing, information containment, minimal downwards communication and practices designed to maximise political and economic leverage (Child and Markoczzy, 1993; Pearce, et al. 1993). Observations of similar behaviour traits were documented in other types of post-communist societies and can be explained both in terms of contingency responses and institutional viscosity (Clarke and Soulsby, 1995).

Integration into international business networks was self-limiting in situations where survivalists predominated, as they were inherently less open to the absorption of new behavioural practices and organizing principles. Huber and Worgotter (1998) saw ‘entrepreneurial networks’ as being cut from new rather than old cloth and populated by opportunistic firms. Survival and entrepreneurial networks differed in composition, signalled different managerial attitudes towards foreign investment, and thus embodied different sets of trust relations. Internal struggles for power within survival networks were considered to be a major disincentive to outsiders. Technological obstacles may also have hampered integration (Ray, 1995).

Collaboration with foreign investors within survival networks carried the hallmarks of managerial ‘rent-seeking’ or, the search for a long-term
paternalistic guarantor (Maruyama, 1993). Entrepreneurial networks consisted of actors who were prepared to disengage from rent seeking and embrace changes in managerial behaviour. Firms, which were active within entrepreneurial networks, were more open in their dealings with foreign investors but were politically marginalized as a result.

Entrepreneurial networks were, nevertheless, few and far between. Huber and Worgotter (1998) found evidence that business networks using mixed modes of governance were better placed to survive as they were lead by individuals with a historic power base. The emergence of these networks was, nonetheless, subject to regional differentiation, and the concentration of large-scale enterprises versus small entrepreneurial firms within the micro economy (Ibid.).

The work of Huber and Worgotter (1998) provides an illuminating account of enterprise change in Russia, but does their typology extend to Poland? The next sections of the paper document the case study research I carried out in Poland, which both confirms and adds to Huber and Worgotter's typology, and, in doing so, sheds light on the capacity for organizational change and renewal amongst survivalists.

3. Methodology

The three case study vignettes illustrated here are taken from in-depth fieldwork in Lublin, Poland. Fieldwork visits to the Lublin region took place as part of a wider programme of doctoral research (1992-97). It is acknowledged that this data is historical.

A cross-sectoral analysis of available economic data was performed in order to identify an appropriate sample of case studies. Case studies offer the potential for examining theoretical principles in detail and enlarging their relevance within a restricted social setting or time span (Mitchell, 1986; Gummesson, 1991). Initial rounds of visits were made to firms in several industrial and agrarian regions of Poland. Lublin in the Southeast was chosen as the location for in-depth case research because of its history of dependence on labour intensive industries, low-technology manufacturing, food processing and agriculture. A sample population of 15 firms was eventually narrowed down to four companies, which were visited at six to nine month intervals in 1993-94. As Table 1 illustrates, this sample was selected because each company was comparable in terms of history, size and production orientation.

A total of 30 in-depth interviews were conducted by the author through an interpreter, using a technique for minimizing cultural and linguistic asymmetries devised by Clarke and Soulsby (1995). Background information on each company, including financial data, was collected using a structured questionnaire, which was then translated into Polish. There were significant obstacles to accessing archival documents held by each company created by
language barriers and what others have described as an entrenched culture of secrecy within management (Maruyama, 1993).

The questionnaire was semi-structured and focused on asking managers to describe the history of what were then recent events, focusing on their views of privatization, involvement with overseas investors, restructuring, employee relations and functional changes within management. Tape-recorded interviews were analysed in relation to unstructured field notes (Bryman, 1989; Burgess, 1984). The interviews were taped and then analysed using content analysis. Descriptive coding was then performed in order to discover the typicality and coherence of the themes, issues and events discussed by interviewees (Bryman, 1989; Burgess, 1984).

Table 1: Case Study Sample

<table>
<thead>
<tr>
<th>Firm</th>
<th>Firm B</th>
<th>Firm C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established</td>
<td>1895</td>
<td>1978</td>
</tr>
<tr>
<td>Location</td>
<td>Lublin</td>
<td>Lublin</td>
</tr>
<tr>
<td>Sector</td>
<td>Food processing</td>
<td>Tobacco</td>
</tr>
<tr>
<td>Avg. employment in 1989</td>
<td>815</td>
<td>1015</td>
</tr>
<tr>
<td>Type of production</td>
<td>Low order technology processing operation.</td>
<td>Low to medium tech processing operation.</td>
</tr>
</tbody>
</table>

The issue of networking arose as a major theme within the interviews. It was commonplace for managers to evaluate change in relation to externalities, including interactions with competitors, suppliers, customers, overseas buyers, local politicians, state officials and foreign investors. A strong impression was given that personal affiliations, goodwill and mutual reciprocity were crucial to the functioning of business relationships.

4. Research Findings

The case study vignettes illustrated below are condensed from in-depth doctoral research. Descriptions of events and incidents provided by respondents during interview are presented here in narrative form (Sayer, 1984). Data is necessarily constrained and not generalizable. The case study vignettes serve an exploratory purpose, rather than as apposite reflections of theory. Management themes are considered in preference to the study network of configurations per se. The analysis therefore focuses on evaluating the scope of managerial leverage (bargaining power) within the confines of pre-existing trust relations, elite networks and social relations of the firm.
Firm A

This case study describes the recent history of business dealings at a state-owned sugar refinery based in Lublin, southern Poland. Interviews with managers from Firm A indicated gradual organisational change was taking place within normative patterns of behaviour, both in terms of cognition and action. Most respondents demonstrated a tacit awareness of the need for change. There was, nevertheless, strong evidence to suggest that familiarity with market-orientated concepts was superficial amongst some managers. Implementation was thus limited to rudimentary changes in hierarchy and functionality. Production methods were improved but this was contrasted by adherence to entrenched attitudes towards the management of the labour force within shop-floor production. Opportunities for business growth were identified but progress towards maximising Firm A’s presence within the market was constrained by rent-seeking behaviour. Managers at Firm A expressed their intention to maintain financial subsidies from government while simultaneously looking to attract international businesses as clients and possible short-term foreign investors.

In the spring of 1992 an agreement was reached to allow five refineries, including Firm A, to be privatised. Nine refineries had already been transformed into privately owned employee-managed firms. A ballot of the workforce at Firm A indicated that there was widespread employee support for privatization. Managers privately favoured the idea of modernizing the company while remaining as a ‘corporatised’ entity within the state sector. This would allow Firm A to abolish the Worker’s Council, restructure and at the same time continue to draw on state subsidies.

While managers at the plant were intent on using leverage with ministerial officials to achieve this end, an appetite for new business contrasted this form of rent-seeking behaviour. Firm A’s General Manager expressed his intention to engage more aggressively in marketing products and developing a brand image for the firm:

“we would like to pay more attention to the way the products look, to make the packaging more attractive, and also improve the cases (cartons) the candies are packed in. The company is trying to introduce some changes to the look of the product, and using new materials, especially the imprints (lettering). we stay in very close contact with the sales department who take orders from our customers and so we have a very good idea of what we need to manufacture, on the next day”.

There was a strong perception that Firm A’s future was in producing sugar for the food processing industry. Firm A had developed a marketing strategy to take advantage of the influx multinationals into food production and retail (Central European Weekly, 1994). A newly appointed Director of Marketing engaged in developing personal contacts with potential multinational clients.
invested considerable time and resources in securing a contract with a Spanish multinational for up to 20 percent of annual sugar production. The contract included guarantees that production facilities would be extensively modernised. New plant and equipment were purchased using a mixture of government aid and local finance provided by a state owned bank. Capital investment focused on bringing in new technology. Hygiene standards were improved in line with guidance set by multinational food producers. Nevertheless shop-floor workers and supervisors were given only limited access to re-training.

A new organisational chart was drawn-up and restructuring focused on implementing a programme of voluntary redundancy. The workers council was replaced by a management board, which included representation from the Inter-Ministry Committee for Restructuring the Economic Environment of Agriculture (or INCREEA). Trades Union representatives also sat on the board but reported at interview that they felt marginalised within processes of decision-making and were disappointed with the outcomes of management led changes:

“The decision to privatize the company which took place two years ago was a turning point for the company. Prior to that the workers council was made up of 15 representative of the workers and when the change took place the workers council was transformed into the board of directors. The trade unions and the workforce received only two seats and that meant taking away a lot of negotiating power from the workers and this changed the structure of the company. The workforce were quite aware of giving up power, but they where hoping that the benefits would somehow make up for the loss of power…The workers thought that privatization would tighten discipline, taking into consideration lay-offs. They were aware of the bad negative side effects to the workforce, that would happen as the privatization process went on, but they were also hoping that because of all the negative side effects the company would be doing much better and the company would be profitable and the workforce would be able to participate in that process. But unfortunately the workforce regrets the decision, and the problems that the company and the workforce have are enormous and they feel that the atmosphere has not been healthy and they regret the decision”.

Management promotions took place internally and were secretive. New appointees were sent to the Lublin Business School for re-training, but this privilege did not extend downwards to technicians and shop-floor supervisors. A range of functional changes were made which made it possible for Firm A to routinize information handling by setting-up tracking and monitoring systems. The introduction of formal mechanisms of supply-chain management helped reduce waste and improved the quality of raw materials used in production. Nevertheless, there was only limited evidence that managers accepted collective responsibility for their actions. Management-led change also appeared not to
have lessened an ingrained culture of blaming individual workers for production failures. Management communication skills and understanding of employee relations issues remained poor. While a raft of changes had been introduced, Firm A remained under ministerial governance upon exit from field. The fabric of social relations within the firm had altered but without effective accountability safeguards or the extension of opportunities for job enrichment to employees.

**Firm B**

This case study describes a series of events in the early history of a licensing agreement between a multinational tobacco corporation and a state-owned tobacco refinery, situated in Lublin, southern Poland.

The case of Firm B echoes many of the conflicts and clash of managerial cultures, which are widely known to ensue within joint ventures between multinational corporations and Eastern European firms (Child and Marcozy, 1993). Managers at Firm B responded defensively to pressures from the multinational partner to introduce changes in procedures, shop-floor supervision and waste-management. They also proved to be unwilling to assist in ‘hands on’ problem solving. Information was treated secretively and not shared appropriately with staff from the multinational company. Production values were extremely low, as was the quality of management supervision on the shop floor. Human resource practices were found to be virtually non-existent and a coercive culture of blame and retribution was used to instil worker discipline. Employees were perceived by staff from the multinational firm as more receptive to change than their line-managers and supervisors. As a consequence, improvements in production were achieved through shop-floor change and employee enrichment at the point of production, rather than in the context of top-down managerially led intervention, which proved difficult to implement.

Before the collapse of the tobacco trade within the Council for Mutual Economic Assistance (CMEA) in 1991, tobacco was an important export commodity to the Soviet Union. Throughout 1970s and 1980s ministry of Agriculture provided substantial capital investments and encouraged tobacco refineries to strike-up joint ventures with Western cigarette manufacturers (Rainnie and Hardy 1996). A strong precedence for collaboration with multinationals already existed within sector but previous ventures had taken place under the direction of central government.

The privatization of the tobacco sector began in July 1993. A conservative estimate of the time suggested that the revenue from the privatization of tobacco would exceed 500 million USD. Nationally, there was considerable grassroots discontent amongst peasant farmers and some trades unions to the prospects of
multinationals buying-up the tobacco sector (Business News From Poland, 1994a; b).

As a state enterprise Firm B employed 1000 permanent and seasonal workers in Lublin. During the 1980s, Firm B embarked on expansion plans, which led to the opening of a second production facility in the town of Krasynstaw, near Lublin. By all accounts the Krasynstaw operation was technologically superior to the Lublin plant.

In 1992, Euro Tobacco expressed its intentions to begin manufacturing tobacco products in Poland. Discussions with the Ministry of Privatization and Treasury officials highlighted the possibility of using Firm B as a brown field site for its new manufacturing operation. Following a series of high-level meetings, a preliminary licensing agreement was signed between the Euro Tobacco and government officials. Euro Tobacco viewed Poland as its largest potential growth market in Europe. The western investor’s long-term aim was to acquire the plant at a rock-bottom price and transfer production from its factories in the UK and Germany. The decision was made not to invest significant capital into the licensing agreement with Firm B while it remained in state-hands. Once under ownership of the multinational, the Krasynstaw plant would be sold at market rate to a commercial investor in order to claw back some of the costs of modernizing the Lublin plant.

Several interviewees from the multinational partner described Firm B as excessively hierarchical and bureaucratised. A great deal of management activity seemed to involve political gamesmanship and jockeying for position around the General Manager, who acted as the single authority figure within the company. Collective management responsibility was minimal and garnered little evidence of an acceptance of the need for change.

The General Manager of Lublin plant was key figure in the industry who enjoyed access to high office but who was sensitive to rivalries with larger state-owned tobacco producers and cigarette manufacturers in northern and southern Poland. Interviews with the General Manager and other members of his staff indicated that collaboration with Euro Tobacco was regarded as a status issue. Firm B’s unions were described as being more hesitant about take over prospects but this was counter-acted by the support of local dignitaries who saw Euro Tobacco as potential long-term mass employer. Euro tobacco played along with this but disclosed at interview plans to bring in labour saving equipment and Just-in-Time (JIT) production methods, which meant that, in the long term, they were looking to significantly reduce the workforce.

A pilot-manufacturing unit was set-up by Euro Tobacco staff at Firm B. The project endured technical failures early on and some unexpected difficulties hampered progress. For example, Euro Tobacco had planned to use Polish tobacco in cigarette manufacturing but the quality of local produce was found to
be very low. The secondment of workers from Firm B to the pilot project created significant management conflicts. Managers from Firm B were reluctant to send their best workers. Shop-floor staff and technical workers demonstrated an uneven range of skills and abilities. Better workers were often under-utilised. Workers seconded to Euro Tobacco were taken out of the host environment and retrained in the UK. While this was highly expensive, it was widely believed by Euro Tobacco staff that a break in cultural continuity was essential if the benefits of training were to be maximised:

“We’ve tried to make recruitment as scientific as possible and to minimize the subjectivity of the recruitment process. We’ve brought in what we call the ‘Puffer Machine’, which is basically a diagnostic skills machine tester. What you are actually doing is checking people’s ability to think logically. What we’ve had at Firm B is pressure to recruit certain people, because they’ve been with the company a long time or they’re related to someone who works there. But this time round partly because the technology is that much more sophisticated and the whole operation has expanded immensely we’ve had to be a lot firmer. I got the feeling that at the end of the day it actually helped them out of a hole because they were able to say: ‘look you know, despite what I may have hinted in the past these people from outside they’re insisting on this’.”

The knock-on effect of Euro Tobacco’s programme of retraining and job enrichment was to fundamentally alter social relations within Firm B. Retrained staff was not easily absorbed back into the firm. Petty jealousies were commonplace. The pilot manufacturing operation also highlighted serious deficiencies within Firm B’s labour relations policies. A lack of routine waste-management, stock-control and shop floor monitoring practices meant that individual workers were regularly accused of theft or made to pay for damaged items. A culture of intimidation and reprisals was used to ensure worker compliance with management directives. Staff at Euro Tobacco described how suggestions for improving shop-floor conditions had been met with resistance from management:

“I mean the objective was to try and draw in the local management so that they can eventually take over from our expatriates based there. It’s not ideal to have expatriates; they’re expensive for a start and our ultimate objective is to have our local partners take the full responsibility for fulfilling the terms of our local agreements which basically boils down to producing cigarettes for us and to agree quality standards, to an agreed price. But we are finding it very difficult in Poland to get the local management to take responsibility. They’re quite happy for our people to come in and run the business. They are extremely reluctant to take responsibility for anything. Of course salaries are extremely low in Lublin and there is no real incentive for them to take on increased responsibilities. The real problem comes back every time to senior managers not wanting to get
involved and manage their business properly. But then you come to managers from the old communist school who just can’t or won’t adapt”.

The General Manager had to be present at all negotiations and was unwilling to devolve decision-making to line-managers and supervisors. On exit from field, the privatization processes had stalled nationally. The licensing operation was facing an uncertain future. Euro Tobacco had also begun to look at other brown field sites as alternatives centres of production.

**Firm C**

This case study describes the events leading to the breakdown of a licensing agreement between an Italian consortium of agricultural equipment manufacturers and a supplier in Poland. Managers at Firm C had run an export business for many years and were sophisticated ‘wheeler-dealers’ and nomenklatura managers. As a successful export company, Firm C was able to broker capital investment funds from both state financial institutions and private backers. Firm C was in a strong bargaining position with both potential foreign investors and state banks. Firm C set out to maximize the company’s position with state financiers but at the same time wanted to tap into new seams in domestic and international market places.

Managers at Firm C embark on an astute programme of organisational restructuring which evidences a capacity for entrepreneurialism. The transfer of know-how did not, however, follow a one-way channel from multinational to host. While some new ideas were learnt through contact with the Italian multinational, the Polish partners initiated independent forms of managerial innovation and change.

During the 1980s Firm C had built up a successful manufacturing export business to southern Europe and Scandinavia. Firm C first began to consider the possibility of collaborating with a consortium of Italian investors in 1988. Under the terms of a licensing agreement, Firm C would assemble 20 000 6-horse power tractors but the management sought assurances that this would not reduce the company to a skeleton operation:

“The final goal was to manufacture at least 80 per cent of the tractors here in Poland and the rest of the tractors would come from Italy. The parts would also come from Italy. But you’ve probably noticed that the deal was rather one sided. The Italians were manufacturing the parts and sending them here. The Polish side was expected just to assemble the tractors! In my view a lot of mistakes were made during the negotiations of the deal. But then it was 1988 and the economy was centrally planned. It was a real challenge to go into business with foreign investors. So in the end it turned out to be a positive experience in getting to know a foreign investor. I think that our potential success was just beginning in 1988 and our early experience at dealing (sic) with very advanced
methods of management, marketing and sales techniques is why we are successful right now. Yes, I think it all started for us back in 1988”.

The Treasury prepared the groundwork for the privatization of Firm C in 1990. While Firm C would be a relatively attractive prospect to a foreign buyer, quality assurance remained a key issue. Further development of the export side of the business would be dependent on Firm C achieving ISO 9000 accreditation. Necessary changes were made on the shop floor and in the management of production.

Negotiations took place to establish Firm C as a joint venture with its existing Italian investment partners in 1991. Extensive restructuring and mass redundancies were proposed. The Polish partners had felt pressured by the Italians into making difficult decisions they would have to justify to a disillusioned workforce and they were unhappy about the mistrust enforced redundancy had created within the company.

The Polish partners put forward a solution, which involved dividing the Firm C into two parts. A subsidiary firm was created as the sole supplier to Firm C of key assembly components. The subsidiary company then employed a large percentage of the redundant workforce. The managing director of the subsidiary company was an ex-director of production at Firm C who maintained very close links to the General Manager. The split enabled the restructuring of Firm C’s assembly production in-line with Western batch production methods and flexible manufacturing. A new deal was done with the Italians partners but with additional investment capital provided by local Polish state-owned vehicle maker. Moreover, the Polish Treasury was insistent that the Italian investors should not hold more than 10 percent of company stocks. A state-owned investment bank was brought-in to underwrite the venture.

Firm C’s General Manager remained in post but new appointments were made to the management board from outside of the company. Key members of staff were sent for re-training at Lublin Business School. Ancillary services were contracted out, while the company’s social housing and empty factory units were sold-off. By 1994, tensions were beginning to surface between the Italian and Polish partners regarding the development of a future business strategy for the venture. The Italian partners were willing to offer additional finance for the development of two new models of tractors but were increasingly seen by the Polish partners as a hostile partner. On exit from the field, the Polish partners were considering abandoning the venture with the Italians and were seeking instead to attract alternative investment from state banks to finance the re-integration of the subsidiary company with Firm C alongside plans to buy-up local dealerships.
5. Discussion: Changes in Managerial Behaviour

Excerpts from the research in Poland have been necessarily restricted here to three case studies, which are entirely historical and limited to the early phase of the transition process. The study was also small scale, specific to one region, and did not set out to evaluate firm behaviour in other industrial districts of Poland. It should also be acknowledged that the case study data was confined to snapshots of firm behaviour rather than being part of a longitudinal evaluation. Cultural and linguistic barriers acted as additional layers of filtration.

The case studies may confirm observations of behaviour traits consistent with firms in Russian survival networks, as documented by Huber and Worgotter (1998). The data also suggests that firms placed within survival networks were, at this time, engaging in moderate forms of entrepreneurial behaviour. The case studies also highlight the extent to which survivalists utilised ‘Historic power bases to exploit opportunities’ to fortify entrenched relationships of power and elite governance whilst at the same time cultivating ties to foreign investors as powerful ‘outsiders’ (Huber and Worgotter, 1998:87). Relationships with outsiders were necessarily constrained and conditioned by the existence of embedded mechanisms of elite organisational governance, which codified managerial behaviour and galvanised attitudes towards trust (Granovetter, 1985).

Firms A, B and C were similarly reliant on supply chains which pre-dated economic deregulation and entry into the privatization process. At Firm B, a vital opportunity to integrate with suppliers and forge stronger alliances with wholesalers was overlooked because of the inability of senior managers to embrace opportunity seeking. By contrast, in the cases of Firms A and C, there was evidence to suggest that managers increasingly saw the consolidation of supply chain management as part and parcel of raising quality, strengthening market position and gaining access to western clientele. Managers at Firm C had also reached the point at which they were considering vertical integration with suppliers, thus creating a regional monopoly for the company.

The new found openness toward opportunity seeking shown by managers at Firms A and C was, nevertheless, counterbalanced by the desire to affirm ties to state financial institutions. Managers at both companies expressed preferences for investment from domestic banks and viewed foreign direct investment as an additional but untrustworthy source of ‘patronage’. Mistrust of foreign investors was evident at Firms B and C. Managers at Firm B were described as resistant to change, particularly in relation to shop-floor supervision and the recruitment and selection of workers. At Firm C, mistrust arose from differing perceptions amongst the Italian and Polish partners of the merits of further cooperation.
Managers at Firm A appeared not to see a contradiction between engaging in competitive practices and remaining as a ‘corporatised’ business within the state-owned sector of industry. Managers appeared resistant to the idea of full privatization because of fears that government subsidies would be lost. While this was undoubtedly the case, it was also clear that corporatization had greatly enhanced managerial control within the firm. Privatization was viewed by the trades unions at Firm A as way of breaking managerial dominance and returning the enterprise to participative decision-making through employee share ownership. Firm A was not, however, unusual and fits in with similar examples of conflicts arising from differences in trades union and managerial attitudes toward privatization documented by Rainnie and Hardy (1996).

6. Theoretical Implications

By concentrating specifically on low-order technology sectors, the aim of the research was to document evidence of change in managerial behaviour against the backdrop of ‘embedded’ elite controlled networks and thus inherited understandings of the value of obligations, reciprocity and exchange. It was assumed that inherited modes of organisational governance would be reflective of the soviet-type model of enterprise behaviour widely described within the literature (Child and Marcoczy, 1993; Burawoy and Hendley, 1992) but might also exhibit signs of neo-communist values and constructs (Walder, 1986; Grancelli 1995).

The case studies offer reinforcement to this literature but also evidence the belief of convention theorists that managerial adaptation and change was conditioned by embedded social relations, pre-existing relations of trust and in particular, the ability of key actors to broker transactions within networks. In Poland, nomenklatura managers became pivotal actors within these networks and were, the early 1990s, clearly shaping the future direction of industrial reform at the micro level. Some commentators regarded this phenomenon as transitional and subject to a ‘time lag’ but this under-estimates the extent to which oligarchical control was a deep-seated societal trait, which predated communism (Walder, 1986).

Both communism and laissez-faire capitalism were inadequate devises for rectifying the imbalances inherent to societies traditionally dominated by ruling elites. Policy-makers largely ignored the ‘third way’ solution, which focused on developing a social-democratic framework for industrial reform (Gray, 1995). As a result, enterprise cultures emerged in the early 1990s as both centralist and entrepreneurial but few checks and balances existed to safeguard employee rights.

Organisational change and renewal was shaped as much by interaction between participants in these networks as it was by exposure to Western management.
practices. Organisational governance at this time in post-socialist Poland may therefore have been simultaneously reflective of old and new orders, reflecting fragments of both Western and Eastern European value systems. Elite business networks thus provided a catalyst for the development of overlapping ‘quasi’ management cultures. For example, while old order rent-seeking behaviour ultimately shaped relationships with foreign investors at Firms A, B and C, this did not prevent actors within the case studies from adopting new management ideas and constructs and thus developing the capacity for organisational change and development.

Nonetheless, while new ideas entered the vocabulary of management and attract a symbolic relevance, the transcendence into practice was tenuous in some functional areas, specifically employee relations (Child and Markoczy, 1993). In so doing, the case studies also challenge the efficacy of the ‘one best way’ approach, as local managers clearly used insights into Western management techniques to develop independent courses of action.

7. Conclusions

In this paper, I have returned to historical data of organizational change from the transition in Poland. The aim of the paper was to review the significance of networking, as an organisational driver of change. The role of elite governed 'survival' networks was clearly very important and there appear to have been elements of symmetry between network development in Poland and in Russia (Huber and Worgotter, 1998). The case studies also highlighted the extent to which inherited legacies of nomenklatura control shaped some of the tensions, which lay beneath the adaptation of managerial behaviours and strategies of change.

Nonetheless, it is recognised that there is a need to update the empirical work cited in this paper, which only reflects a partial sequence of events in the early phase of the transition process. The transition process has, itself, moved on considerably since my PhD research was completed. Future research might concentrate on evaluating whether there has been a contingency adaptation of elite governance within network environments? This research could also usefully map the proliferation, differences and similarities of survival and entrepreneurial networks across Poland, and perhaps engage in a comparative assessment of the role of networks and coalitions in regional economic regeneration.

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Management in transition times - Where are we after ten years of the transition?

In March 2000 I received an short article from Daniel Pučko, who is one of our corresponding members. It dealt with developmental paths as well as results of the transition process in Slovenia. After reading it I had the spontaneous idea that this article could be the starting point for a very interesting forum under the heading “Management in transition times - Where are we after ten years of the transition?”. So I sent the article to a number of corresponding members of JEEMS in Eastern Europe asking them to write a similar one about their countries. Honestly, I was a bit surprised to receive only three articles and to my regret I was unable to motivate more colleagues to make a contribution. However, as it is now 2002 we decided to publish the articles we have got so far and these ones, together with the essay of Prof Pučko, reflect very well the process of transition and the current situation in Slovenia, Estonia, the Czech Republic as well as Albania. I am sure you may find the following presentations very interesting and maybe you might find some interesting parallels to the developments in your country.

Ingo Winkler
Management in the Central and Eastern European transitional countries

Daniel Pučko *

Individual articles published in JEEMS and elsewhere analyze individual aspects of the management process and its changes in different transitional countries. There is a certain lack of an overall overview of what has been achieved in the last decade in the management field in the companies in the region. This issue seems to be a topic that should be discussed by many researchers and acting managers. Mass media often raise the question of what is the quality of acting managers in companies in the transitional countries. The answers given are usually not founded on firm empirical evidence. Certainly one might argue in an indirect way that a better macro economic performance of a country could prove that also the management quality in that particular country is better. I would prefer to discuss the management quality issue in a more direct way.

It is not unknown that management could be defined in different ways. Management means managers in organizations. Management means a scientific discipline. Management means a process which is present in any organization. My intention is to discuss the management from the latter aspect. The management process could be defined as a set of activities directed at combining resources efficiently and effectively in order to attain the organization’s goals (Barney/Griffin, p. 8). Managers carry out the management process. This process is divided into steps in many ways. Let us use here two classifications of its subparts. The first offers the management process as a set of management functions, i.e. planning, organizing, leading, and controlling (any other enumeration of management functions will probably include at least these four functions!). The second classification differentiates the management process by areas of management, i.e. marketing, finance, operations, human resources, and others. While approaching the management process along these two classifications we can ask ourselves what one could assess about the management quality levels in companies in the European transitional countries nowadays?

It is beyond my capabilities to discuss the overall quality level of the management processes in companies in all transitional countries. Therefore the

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discussion will rather be limited to the situation in my country. But at the same time I am asking the colleagues researchers and managers to clarify situations in their countries.

**Planning**

Planning as a management function has been indispensable in companies in the last decade, especially in the process of strategic (operational) company restructuring. Strategic planning has been a very much needed concept in the last ten years in companies. Nowadays top management teams practice strategic planning approaches in their companies in a great majority of companies. The empirical research implemented during the year 1997/1998 in the Slovenian middle and large enterprises shows that 51.1% of the firms plan strategically for a period longer than 4 years, 42.5% for a period between 2 and 4 years, and 6.4% do not plan strategically. The quality level of strategic planning processes might be assessed as relatively good. This assessment is based on the evidence that there is less than one tenth of the “old” companies (i.e. those which had existed before the transition started) at the end of the nineties which are still in crisis, 21% are in their revival phase and the rest of them already perform quite well (Pučko/Edwards, 1999, p. 84-85). FDI contributed to an upgrading of strategic planning processes in relevant companies. Nearly half of the middle and large size companies implement different forms of co-operative strategies with partners from Western Europe and this stimulates strategic planning processes in the Slovenian companies, too. Methods and tools which are used in the strategic planning processes are certainly not very sophisticated, and one would expect significant improvements in the future.

Annual planning or budgeting is well in use in middle and large Slovenian enterprises. According to the findings of an empirical research (Pučko, 2000) all the enterprises in the sample did have their annual plan in 1999. All managing directors considered annual planning as very important (52.4%) or important (33.3%), and an average importance was assigned to annual planning by only 14.3% of managing directors. Nobody assigned a lower level of importance (i.e. not important or not important at all) to this management function. There are perceived weaknesses in annual planning activities. Less than one half of the firms prepared their annual plan for the year 1999 in due time. Most firms had their sales plan and production plan. Around three quarters of the companies had the purchasing plan, personnel plan and pro forma income statement, balance sheet and flow of funds statement. All other kinds of annual budgets were often not present. Today the quality level of planning instruments used in annual planning is not very high (i.e. forecasting methods, planning standards, flexible budgeting approaches, planning directives, etc.). Only 38.1% of the firms have an annual planning manual.
Organizing
Organizing as a management function still seems to be a subpart of management where weaknesses prevail in companies. Prevailing organizational structure of large Slovenian enterprises is still functional (Hočevar, Jaklič, Zaman, p. 212). The same is the case in Croatian enterprises and it is valid even for the diversified companies (Galetić, Tipurić, p. 151). Research shows that no important changes have taken place in the organizational field of companies yet. Organization is obviously a serious weakness of enterprises. Only 13.2% of managing directors of small enterprises’, 8% of middle and 16.7% of large enterprises assess the organization as a competitive advantage of their firms in Croatia (Galetić, Tipurić, p. 156). Enterprises are mostly slow and inflexible. Modern organizational structures, such as project or matrix structure, well established profit centers or strategic business units, etc. are applied in a marginal number of larger companies. Decentralized organization, flatter organizational hierarchies, leaner structures, flexible networks and other modern developments in the organizational field are still missing in companies. It seems that managers often still lack managerial knowledge in this management field.

Leading
Leading as a management function is without doubt changing the most together with the changes in top management teams. The available research findings prove that there were significant changes in top management teams in the Slovenian enterprises in the last decade. Nearly two thirds of the managing directors were replaced in the first half of the nineties in the “old” Slovenian enterprises (Pučko/Lahovnik, 1997, p. 363). Most top managers now belong to the age bracket of between 36 and 45 years. Their age structure might be assessed as relatively young. All these changes have contributed to the changes in the quality level of leading as a management function in Slovenian enterprises. Managers’ values have been changing slowly. They still differ noticeably from the value systems of Western European entrepreneurs and managers. Personal objectives of the Slovenian managers match better with the personal objectives of the managers in Western Europe. Older managers still possess fears, values, stereotypes, mentality, old habits and entrenched behavioral patterns which mean obstacles for effective leading. On the other hand there is a significant number of younger managers who “do not carry the baggage” (Vlachoutisicos, p. 492) from the previous socialist system. It could not be denied that Slovenian managers in general still have skill deficiencies related to needs of operating in the market environment, for instance, appropriate knowledge in the field of marketing, finance, human resource management, and strategic management as well as regarding international management and command of foreign languages. The stated weaknesses are more emphasized by older than younger managers. Motivational and reward
systems in enterprises are still very old fashioned, not focused on rewarding individual performance. Managers’ compensation systems are not developed very well. There are many complaints in the firms that the communication system is very poor. Managers still do not perform well their function of being an effective coordinator and change agent in organizations.

**Controlling**

Controlling as a management function is not neglected in companies. The research findings prove that nine tenth of top management teams in the Slovenian enterprises use a certain system of tactical feedback control and a quarter even the feedforward type of control. Three quarters of the firms apply periodic control. Two thirds use variance analysis. 50% of the middle and large size Slovenian firms have a controlling department (Pučko, 2000). Managers are surprisingly less satisfied with their managerial controlling systems than with their planning systems. Their control systems are not timely (in 60% of the firms). The control systems are established in the responsibility centers in not more than one third of the enterprises. Less than one quarter of the enterprises have defined so called controllable variables in their responsibility centers. The highest quality level is achieved in controlling production, less in controlling sales. Direct labor cost, production overhead, distribution cost, promotion etc. are controlled very poorly. Managers describe their control reports as not being standardized enough, not timely enough, not relevant enough, not frequent enough and not properly focused on controllable variables in responsibility centers. On assessing controlling from the behavioral aspects one might state as weaknesses a low level of self-control in companies, subordinates’ fears linked to control, superiors that are not inclined enough to consider the proposed measures by their subordinates, etc. Evidently the controlling field allows for numerous improvements.

**Marketing**

Marketing is an important management task. How much and how well is it carried out in companies after a decade of transition? Evaluating the marketing quality level in companies one should differentiate between “old” enterprises, newly founded enterprises during the transition period and FDIs. Research findings offer evidence that newly founded enterprises are the most market oriented in Slovenia. FDIs have not made a significant move towards a marketing orientation, while “old” enterprises lack a marketing orientation the most (Rojšek/Podobnik, p. 103). In marketing terms enterprises are focused predominantly on products, offering “the best products”, instead on customers. There are only 30% of enterprises which are focused on customers (Rojšek/Podobnik, p. 100). Enterprises carry out mostly quantitatively oriented market research (market potential, market share, etc.) and still neglect qualitative oriented approaches to market research (buying motives and
behavior, market segments, trademark perceptions, etc.). Enterprises still expect from a market research to produce an answer “to how much” instead of the answer “to why”.

The main obstacles to more intensive marketing approaches in Slovenia are identified as top managers’ personalities, their values and convictions, organizational structures of enterprises, a lack of capabilities and skills for a high quality marketing activities, and the climate in enterprises which does not stimulate a needed participation. A peculiar research finding should be mentioned here, valid for the year 1996, stating that those “old” middle and large manufacturing enterprises in Slovenia which were more market oriented, achieved a lower level of financial performance (Rojšek/Podobnik, p. 110). Such a finding was certainly not expected. The explanation for it is probably linked to methodological weaknesses of the research.

**Operations management**

The management of operations should be the most developed management area in the enterprises in the transition countries. The production function was appreciated already in the socialist era. In spite of the stated fact the management of operations is confronted with many weaknesses today. The enterprises’ restructuring processes brought a long lasting problem of the poor production capacity usage in the majority of enterprises of Slovenia. Apart from a low volume of production production managers deal with many severe problems. The degree of automation in production is still a weakness in spite of the fact that this degree is not low anymore (Rusjan, p. 18). IT has been penetrating in the production management processes relatively intensively. 42% of firms are equipped with CAD, 54% with CAM, and 73% with computerized production planning and control. In spite of these stated shares the Slovenian production managers share the prevalent opinion of inadequacy of current information systems in production.

There are many business firms which have introduced ISO standards and TQM approaches. JIT, business process reengineering and programmable, flexible automation, outsourcing, lean production, elimination of non value added activities are also concepts which enterprises are starting to apply, but the majority of them have not had any significant achievements in this regard yet. The Slovenian enterprises established many long-term relationships mostly with the Western European partners, but the quality of these relationships is still in many cases on a low level (Rusjan, p.22).

A low level of the workers’ motivation in production is a serious managerial issue. It could be even said that at present the production function in Slovenia is not able to compete effectively for a high quality personnel. A certain lack of knowledge and skills are present in the production as a logical consequence.
Financial management
The area of the financial management in the Slovenian enterprises is probably one of the managerial areas where the difference between the quality level in the enterprises in developed market economies and in the Slovenian enterprises is the biggest (Mramor, p. 226). The process of the relevant knowledge and experience acquirement takes a relatively long period of time. There will be many financial experts in the Slovenian firms that will never adapt to new demands. The main criteria for financial decision-making in the country is still not very clear (it is still not the maximization of the owners’ value). Capital budgeting methods are in use. There are even many applications of these methods. The weaknesses are linked to neglecting the proper cost of own capital and not explicitly taking risk into account in the relevant decision-making. The risk is properly included in capital budgeting in around one third of the companies (Mramor, p. 228). There are just a few business firms that analyze the issue of optimal capital structure. The majority of companies use too much of their own capital. The ways how the companies are financed in a long-term are much different from those which are in use in developed market economies. The financial planing in the Slovenian firms in a long run as well as in a short run has still serious weaknesses. 84% of the firms prepare cash flows (Mramor, p. 241), but the quality level of this planning is low. Financial managers are not very familiar with the analytical methods known in the financial management theory and therefore they are not in use.

Human resource management
Human resource management as a management area has not been developed satisfactorily in the Slovenian enterprises. One can still find predominantly still approaches to personnel management in the firms that consist of carrying out traditional legal and administrative activities connected with employees, of developing traditional rewarding systems and communicating manners, of dealing with working conditions, and other tactical issues. It is fair to say that elements of the leadership model are present too (Lipičnik, p. 72). An orientation to leading, solving work problems, labor productivity and training are emphasized in these approaches quite heavily. The enterprises that are more market oriented try to implement elements of the financial model too. Systems of rewards, work measuring instruments and government regulations of salaries and wages are in the focus within the latter approach. The approaches of real human resource management which would focus on strategic issues, changes, comprehensive problem solving, developing different reward systems that stimulate creativity and work performance, developing labor flexibility, and the individuals as well as their needs are still not management reality in the Slovenian companies.
Management processes differ in the Slovenian enterprises from those in the socialist era. Management practices are becoming more similar to management processes in the enterprises in market economies. They are not completely comparable yet. They will become less different in the future, but probably never quite similar.

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Management in the Central and Eastern European transition countries: Estonia

Ruth Alas, Maris Zernand*

International institutions and experts have frequently highlighted Estonia as a transition country that has relatively rapidly and successfully introduced economic reforms and achieved substantial results in the transition process. The following article is written on the basis of four main functions of management. Those are planning, organizing, leading and controlling. In addition change management and management by activities are being handled like marketing-, finance- and personnel management.

At the moment, it is complicated to find a thorough research work on all fields of management. Most extensive surveys have been conducted about the international human resources management, CRANET survey 2000 in Estonia and about the organization culture and employees’ attitudes toward an organization change.

Managerial environment in Estonia

According to the Statistical Yearbook (Estonian Statistical Office 2001), there are more than 77.000 different enterprises, non-profit associations and foundations in Estonia. More than 63.000 (82%) of them constitute entrepreneurs. The biggest part (39%) of the enterprises by activity constitutes wholesale and retail trade companies. The next part by volume (17%) constitutes by companies dealing with real estate, renting and business activities. Current proportions by the activity have been the same during the last six years.

In 2000, there were 14.206 different government agencies, local government agencies, non-profit associations and foundations in the statistical profile. The size of the public sector has doubled during the last six years.

Small entrepreneurs dominate by the number of employees. More than a half (67%) of the enterprises have less than five employees; smaller part (24%) contains business organizations with five to nineteen employees. Only 8% from

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the enterprises have 20 -199 employees and less than 1% (230 from 42.591) have 200 and more employees.

According to the survey conducted by Nurmi and Üksvärav (1994), in the beginning of 90-ies, most of the older generation of the Estonian managers has a technical background, but many of them have also a fairly good management education thank to the field of management education. The younger generation may have had a lesser education, but they tend to come from a wider background and some of them are educated and trained abroad. As a consequence, they are more flexible and more open to new ideas than their predecessors (Nurmi; Õksvärav, 1994)

Today, the situation has changed. A big part of managers have spent their time to get an education or additional training abroad. Concepts of innovative learning, organizational learning, innovative learning, learning organization and knowledge management are useful tools for analyzing and solving change management challenges in the transition process. (Elenurm, 2001)

A rapid transformation of the economy in recent years has been achieved, partially by matching new economic demands in terms of knowledge and experience with appropriate styles of management. (Vadi, 2001)

**Planning**

Survey among 218 Estonian business and public sector organizations (Alas, 2001b, p.79) showed that organization mission has been defined and stated in writing in 64% of all organizations, even somewhat more in the public sector (69%) and less in business sector (59%). 20% of organizations declare lack of a mission statement. Mission is formulated mostly in very small and very big, old service and manufacturing companies. It appeared that the main shortcomings in formulation of mission lie in newly established intermediate companies (Virolainen, 2001).

Corporate strategy, as it could be expected, is most often defined in large organizations of the business sector. 77% of those maintain that they have one written and another 10% claim to have an unwritten strategy. A little bit more than a half (53%) out of all the surveyed public companies have a written corporate strategy.

Strategic planning is a surprisingly widespread practice in the public sector where slightly over a half of the organizations states the existence of a defined corporate strategy. (Alas, 2001b)

Out of the Virolainen’s (2001) studied research, it came out that the objectives are set in 94% of companies. The most frequently mentioned objectives are enlargement, quality improvement and specialization. Almost each company has written down its main objectives they want to achieve.
Another significant link is the distribution of objectives. In the research, it was given to the extent of 54% of all companies. Mainly, the set objectives are short-term ones. The main reason that the managers mention for not having long-term objectives is the impossibility of a long-term planning due to the rapid changes in the Estonian economy. The research showed also that hierarchical planning is being exploited in 46% of the surveyed companies. The biggest shortcomings concerning hierarchical planning appear in the manufacturing companies.

New planning techniques like MBO (Management by Objectives) is used only in a very few companies.

**Organizing**

Organization structure is being affected by the former times. Regulations and policies remain managerial instruments, but the axing of the party shadow organization, and shedding of layers of the administrative staff and bureaucracy has been a trend (Nurmi; Üksvärav, 1994).

The most dominated type of organization structure is a functional one. This is caused by the affection of the former times on one hand and the big number of young organizations on the other hand. The structures tend to be rather narrow than wide and it shows still a small delegation of management. A few organizations that are already developed and also organizations based on knowledge management tend to be flatter and they use more matrix and team structure.

**Leading**

The international research about the Charismatic Theory of Leadership in Estonia is currently in process.

Hersey-Blanchard’s situational leadership theory based on the research among 14 companies (Orula, 1999) concluded “selling” as dominated management style among the managers in Estonia. The estimated managers evaluate their employees lower and think that it is necessary to tell them in detail what and how to do something.

A new survey among the Estonian successful managers (Fontes, 2001) indicates directive, as the most used management style. Consulting style is used less. After that come negotiating, participating and finally delegating styles.

Research about job satisfaction carried out in 11 different companies in Tallinn (Ševerev, 2000) indicated that employees were more satisfied with general working conditions, including necessary working instruments, work regimen, and work environment itself. Satisfaction with superiors and awareness of the company’s objectives was also estimated with high rates. The lower satisfaction was seen with several aspects of motivation and salary and organization culture.
A lack of promotion opportunities and additional training possibilities in organizations cause dissatisfaction among people (ibid).

From the comparative study of values (Kooskora; Valler; Virovere, 2001), it can be observed that the Estonian managers prefer organizational-juridical values to cultural and personal values to social and ethical values ranked on a 10-point scale between 8 and 9. The research showed that 82% of the conflicts were vertical (conflicts between employers and employees – at different hierarchical levels) and only 18% were horizontal.

Survey about the decision-making (Kooskora, 2001) showed that the decisions people make in business situations are very much affected by the social environment and organizational climate, company culture, leadership styles and managerial roles. Also, by the attitudes and opinions the person has got and by the attitudes and opinions he thinks are appropriate in the eyes of the society and the organization.

Studies conducted at EBS (Kooskora, 2001 p.55) show that the main reason for conflicts in the society and in companies lies with the decision-maker himself, his value and judgments and morality. As the main goal in the Estonian business community is profit earning, then the whole society is self-centered and driven only by a personal interest, which leaves no room to the ethical consideration.

**Controlling**

According to the research of Virolainen (2001), the control type mostly performed is control by field (80%). The biggest shortcoming among all companies lies in the resource control (20%). Manufacturing companies attach less importance to the human resource control. Hierarchical controlling is performed in 40% of the companies. The research showed that if hierarchical controlling is being performed by a smaller or bigger extent in nearly all the companies, then internal control is mostly carried out in older and bigger service companies.

The main control carried out in companies is external control (control though personal supervision and use of formal administrative system).

Compulsory outside aimed statement system was implemented by 82% of the enterprises in 1999. (Haldma 2000, p. 14). The internal statements (income statement, statement of outstanding bills, statement of acting costs, etc) are compiled mostly in term of months. Marginal return based statements are used to a relatively less extent. The results of the enterprises action are pointed out mainly by functions (68% of the firms) by the product groups (52%) and to a small extent by client groups (20%) sales areas (18%) (Haldma 2000, p.15). Most firms consider internal planning and development of statements very important. The need for detailed and opportune information is the main reason
for changes, but also the increase in administration activity. The Activity based costing and principles of Balanced Score Card have been implemented in bigger companies.

**Marketing**

Strategic marketing management, as a value creation activity in today’s successful companies, is not considered as the responsibility of marketing department alone; marketing should be everybody’s responsibility. In the increasingly competitive markets, growth and profitability come from meeting the needs of customers more effectively than of the competitors. The globalization of markets, changing industrial structures and information technology development set criteria for a fundamental strategic marketing management. Marketing management is undoubtedly very important, however, real value can only be created in cooperation with every single functional unit and department of a company like purchasing, production, marketing, sales, logistics, customers service, internal communication and others. Marketing is not primarily a functional activity; rather, it should be the common focus of everyone in the business (Doyle, Knight (1997), p. 3, p. 5). Only in this way, a company could create value and stay ahead of competition. The essential idea behind this development is that any business should create value for customers and shareholders, very often the latter one is forgotten. Value could be created only if a business is market-orientated and marketing is considered as a central function of any business. Some research has been carried out that provides evidence of the increasing importance of marketing management that leads market leadership. Preliminary marketing research on market orientation among medium size companies has shown that marketing, according to print mill company’s employees, is considered more like a function and not as a process. Further investigation showed that employees lack in market orientation, which has resulted in stagnating sales and decreasing competitiveness. Employee motivation was considered as an important factor in determining market orientation (Linnamäe, 2001, p. 67). A furniture manufacturing business that had a clearly developed marketing and sales department with clear objectives employs people who understand their role in servicing customer needs and therefore, were more marketing orientated (Linnamäe, 2001, p. 68). Marketing is the management process that seeks to maximize returns to shareholders by developing relationship with valued customers and creating a competitive advantage (Doyle (2000), p. 29). Companies who want to stay ahead of competition and gain long-term profits, must be market oriented with their marketing and other business functions and activities.
Operations management

More than 180 (184) ISO 9000 standard certificates have been issued before October 2001 (EQU, 2001). As it can be seen in the figure 1 the number of the issued certificates has dramatically increased in the last five years.

As it appeared from the survey already in 1996 (Tammaru, 1996), 83% from the 75 answered enterprises considered the quality questions very important and 16% important. 12 surveyed organizations had a formulated quality system.

The extent of the implementation of quality management methodology in companies and other organizations and general economic competitiveness of a particular country are in a distinct positive correlation (Kiitam 2000).

The Estonian Quality Award project was initiated this year. 8 companies participated in the pilot project. The pilot project is followed by the real award competition.

Figure 1. ISO 9000 certified companies in Estonia

Financial management

Finance got the priority by developing accounting in Estonia in the condition of transition to the market economy. The International Accounting Standard was accepted in 1994. Less attention was paid to the development of managerial accounting. It has created a situation where internal accounting system did not satisfy the real needs of management. It cannot be said that all firms are guided by the principle of magnification of the owners’ property. The budgeting of investments is at the necessary level only in the big enterprises and the companies with foreign owners.
Most Estonian enterprises have experience in business plans and long-term finance plans thanks to the developed banking. The budgets for short periods are less used and analyzed. According to the Accounting Act, all enterprises have to prepare a turnover statement.

Internal funding was spread at the extent of 49% in years 1994-1998 (Kangur 1999, p. 25). This kind of structure complies with the developed countries. This proves indirectly that most Estonian enterprises are aware of the management of capital structure and price.

**Human resources management**

In the area of personnel/HR management, the Estonian organizations are currently moving from traditional methods in personnel management towards the application of human resource management ideology.

According to the survey (Kaarelson; Alas 2001), Estonian organizations with 200 or more employees as a rule have a personnel/HR department and/or a personnel/HR manager. A written recruitment and selection policy exists in approximately 40% of the organizations in both sectors, a bit more in public organizations. Every sixth large organization lacks such a policy.

Estonian organizations are characterized by a decrease in the number of employees. In the business sector, three organizations out of five, i.e. 60%, have stated at least 5% decrease in the number of employees during the past three years. Only 25% of the companies have increased the number of employees in the same period.

The average expenditure on training in large organizations constitutes 3.9% of the annual labor costs.

Of all the personnel management services, Estonian organizations purchase most frequently training services. 66% of large organizations, including 75% of business organizations practice it regularly.

**Organizational change management**

The research among 137 Estonian companies (Alas, 2001a) indicates that 75% of the studied companies had changed their strategy, 61% of them had changed their organizational culture and 58% the management style. In these organizations, radical changes took place, which changed the system itself. Only in 10% of the studied companies, there has been no change in transformational factors.

To summarize, Estonia has passed transition from a former part of the Soviet Union, with centrally planned economy, to a politically independent country with free market economy. To operate successfully in free market conditions Estonian companies have in the process of change and a remarkable part of
these changes is deepest by scope - transformational changes. There have been major changes in management of Estonian organizations during economic transition and management practices have moved toward management processes in the Western countries. But non of changes have been completed entirely. The changes in management of Estonian companies have to continue in order to be competitive in future.

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Managerial changes in transition: Case of the Czech Republic

M. Malý*

The main objectives of the current research done in many transition countries in Central and Eastern Europe in the field of management are more and less the same: the assessment of managerial changes realised in this ten years period of 90-ties.

The methodological access for studying managerial development however is different. In countries with a homogeneous and relatively small sized economy it is possible, under certain circumstances, to generalize the results and draw final conclusions for the whole country. In larger economies or more complicated development the general conclusions would not fit to the high diversity of individual cases. Under these circumstances it is more purposeful to concentrate on comparative analysis of the former and present reality and point out the main areas of managerial changes that emerged during the last period.

Strategy management changes

Company management is facing the new reality of being fully responsible for its own economic results and all decision-makings must follow primarily economic criteria. The new private owners evaluate the level of managerial work according to economic results, not by fulfilling the planned targets or social goals (e. g. full employment). Mostly “social thinking” taken as a Czech cultural phenomenon, rooted deeply in social democracy traditions (Clark, Soulsby, 1999) prevented Czech senior managers to adopt offensive strategies. Instead, defensive and passive strategies (Malý, 1996), strategies of survival, were implemented with the main social goal of employment stability. As Clark and Soulsby (1999) point out, the strategic goals were not analyzed by classic capitalist criteria of maximising revenue but by sustaining existing employment level. This myopic policy finally led to a drastic decrease of employees or bankruptcy. On the other side, the senior managers with a clear strategic view implemented from the beginning offensive or limited offensive strategies (Malý, 1996). These strategies helped them to overcome the first years of transition. The case of Škoda Czech car-maker (J-V with Volkswagen) is an example of the courage to decrease the number of employees and later on even

* University of Economics Prague
to increase the initially number of employees (Table 1), using an offensive strategy from the beginning of transition period.

*Table 1. Development of employment at Škoda Czech*

<table>
<thead>
<tr>
<th>Year</th>
<th>Škoda Czech</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>19,862</td>
</tr>
<tr>
<td>1991</td>
<td>16,359</td>
</tr>
<tr>
<td>1992</td>
<td>17,105</td>
</tr>
<tr>
<td>1993</td>
<td>17,048</td>
</tr>
<tr>
<td>1994</td>
<td>15,985</td>
</tr>
<tr>
<td>1995</td>
<td>15,649</td>
</tr>
<tr>
<td>1996</td>
<td>16,721</td>
</tr>
<tr>
<td>1997</td>
<td>18,977</td>
</tr>
<tr>
<td>1998</td>
<td>20,441</td>
</tr>
<tr>
<td>1999</td>
<td>20,322</td>
</tr>
<tr>
<td>2000</td>
<td>22,588</td>
</tr>
</tbody>
</table>

**Management style**

Within the framework of AKTION Program (Reber, Malý, 1999) the empirical studies of leadership behaviour were carried out. In the period from 1991 to 1999 the data of the 559 respondents was collected in a time span of eight years and organized in four two-years period.

The main objective of this research was to analyze the managerial style changes using Vroom/Yetton model (Vroom, Yetton 1973). In this model the managerial styles are classified into three main groups or let us say five subgroups: autocratic AI, AII, consultative CI, CII and group decision (participative) GII styles.

The first conclusion is that the prevailing managerial style of Czech managers is an autocratic style as a heritage of forty years of the centrally command system. The second conclusion is that the Czech managers demonstrate absolutely no significant change when comparing the data of the whole period and there is also no significant change as far as participativeness and main effects are concerned.

Reorganization of the economy from central command planning to a market system did not have any substantial influence on managerial style of Czech managers. The phenomena can be explained not only by the fact that it is estimated that approx. 70 per cent of former nomenclature managers continue in their functions but as well as by high degree of conservatism. Clark and Soulsby (1999) point out a sense of resistance as one of the typical Czech values.

**Organizational Redesign**

Managerial conservatism prevents Czech managers to overcome the old way of “social thinking”, a strong identification with the fate of employees (Clark, Soulsby, 1999). Many of them still don’t realize that the managerial problems are not located any more at the “input” side of the company (shortage of raw material, energy, labour force) but they where shifted into the “output” side (marketing, selling the products, profitability, low costs). Maintaining employment and strategy of survival are still the leading strategies used primarily in large-scale companies with majority state ownership.
Organizational structure of the majority of Czech companies underwent the typical development of former “centrally planned” companies from hierarchical functional structures through divisionalized, cost centres, profit centres, strategic business units and in some cases to holding structure. The highest change took place at the corporate governance level. The former principle of “one man leadership” and “unity of command” was suddenly replaced by team management and board structure on the company top level. A two-tier system was introduced in Czech companies following the Commercial Code (managing board and supervisory board), contrary to some other “Eastern” countries like Poland and Russia, where one-tier system was implemented (board of directors). In many Czech joint-stock companies privatized mainly by voucher method, a hybrid structure was implemented. It can be labelled unofficially as a three-tier structure (senior managers, managing board and supervisory board). The basic difference is that the members of the managing board are mainly the representatives of investment funds, active in voucher privatisation and usually the most powerful shareholders of the company. The role of supervisory board is marginal without any real controlling power or any influence on appointing the managing board members. This inefficient hybrid is now slowly changing into a real two-tier system, where the senior managers are appointed to the managing board and the representatives of other stakeholders become the members of the supervisory board, including the representatives of investment funds. The OECD principles on Corporate governance (OECD, 1999), are implemented step-by-step into the Corporate governance system in Czech companies.

Managerial learning

One of the most important tasks in the transition period was connected with an effort to increase the level of local managers and match it with the western counterparts. Clark and Soulsby (1999) state that central to understanding the managerial changes since 1989 has been the fact that the senior managers have been predominantly from former “nomenclatura” provisions. The structure sample of Czech managers is depicted on Table 2. The average age of managers confirms the above-mentioned situation.

There are different ways how to improve the managerial level. The classical way is to establish business schools leading mostly to MBA degree for executive managers. This of course takes some time, usually 2-3 years as part time studies. One of the most successful methods of managerial learning was the direct learning implemented in Czech joint ventures. The most successful systems are the “tandem system” and the “distant learning system” (Malý, 2000):

The tandem system is being implemented by Škoda-Volkswagen car-maker. The tandem system is organized so that every Czech mid-level manager has a
Volkswagen counterpart. They have equal authority and are responsible for the same tasks. Both must work very closely together.

The arrangement has its positive and negative aspects. The main advantage is that the tandem system is a very direct learning method. Both partners learn from each other during the actual working process. Learning is not limited to mere facts and figures but is extended to unwritten (behavior) modes encompassing broader socio-cultural areas. A tension between nationalities did not seem to be as prevalent a problem as one may have expected. Rather, an informal division of competencies is possible (as in the parenting model where certain things are decided by the mother, others by the father).

Table 2. Age structure and educational level of Czech managers in 1999

<table>
<thead>
<tr>
<th>Educational level</th>
<th>Total sample</th>
<th>Gender</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Male %</td>
<td>Female %</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>231,00</td>
<td>87,45</td>
<td>12,55</td>
</tr>
<tr>
<td><strong>Elementary</strong></td>
<td>1,00</td>
<td>100,00</td>
<td></td>
</tr>
<tr>
<td><strong>Vocational</strong></td>
<td>3,00</td>
<td>100,00</td>
<td></td>
</tr>
<tr>
<td><strong>Secondary</strong></td>
<td>32,00</td>
<td>87,50</td>
<td>12,50</td>
</tr>
<tr>
<td><strong>Bachelor’s degree</strong></td>
<td>4,00</td>
<td>75,00</td>
<td>25,00</td>
</tr>
<tr>
<td><strong>Master degree</strong></td>
<td>180,00</td>
<td>86,67</td>
<td>13,33</td>
</tr>
<tr>
<td><strong>Doctoral degree</strong></td>
<td>11,00</td>
<td>100,00</td>
<td></td>
</tr>
</tbody>
</table>

Source: Trexima (2001)

Communication problems may turn out to be largest negative feature. Differences in language and cultural backgrounds of the two groups may cause confusion both up and down the hierarchy. It could happen that the two partners fail to co-ordinate their actions. As always when people have to work very closely together, the situation has the potential for conflict (which can also be seen as positive in the proper circumstances). However, the current rules may, at times, become offensive to Czech mid-level managers. Their signatures mean almost nothing if they are not confirmed by their foreign counterparts.

The distant learning system is being used in the Glaverbel Czech joint venture. Every Czech middle manager in Glaverbel has a counterpart, a similarly positioned manager at Glaverbel in Belgium. The Czech partner has the duty to consult by phone, fax or mail with his Belgian counterpart in advance of all important decisions or referrals to higher management. The two partners have to reach a consensus and then the local partner can implement the decision to submit a referral. The company thus intends to do everything possible to help its
middle management – as well as all other personnel – to undertake the gigantic move from a planned economy to a market one. Proper management is therefore guaranteed, leading to the overall success of the venture.

In-company training, used by almost all joint ventures, combined with internships in the foreign partner’s subsidiaries is one of the best ways to retrain the local managers quickly and effectively. Many large Western corporations and some small companies have developed their own education, training and retraining programmes to compensate for the shortcomings to their official business school systems.

The other question is how to increase the managerial level of domestic firms. In spite of the fact that managerial know-how is one of the weakest areas of Czech managers, only about 24% of the local companies are interested in management training.

Eastern European managers have been overwhelmed by the many offers of various types of courses, short-term, mid-term, and long-term, leading to MBA. The first cohorts of students were those managers fluent in foreign languages (mostly English and German). For the most part, upon completion of their various study programmes, these managers left their local employers and applied for jobs with foreign firms. This is one of the reasons why so many domestic firms are unwilling to send their managers on this kind of retraining. Another reason could be that the programmes are too general, usually repeating very simple basic topics that local managers already know. Lastly, the language barrier often turns managers away from retraining.

Conclusions
Managerial changes in strategy management, management style, organizational redesign as well as managerial learning are ranked as highly important factors in the process of increasing the managerial level in Czech Republic. This is of course not the exhaustive list of all managerial issues. The importance of one other topic is permanently growing in this region: managerial ethics. In business, as in life, our ethical principles are extremely important. They tell a great deal about who we are and what we stand for. Business ethics is of the same importance as Accounting or Corporate Finance. The challenge for the newly emerging market economies of Central and Eastern Europe is the ongoing fight for new ethical norms in business, instead of corruption and bribes. If we don’t succeed in preventing the managerial and mafia coalesce in these countries, the whole efficiency of a new social order will be marginal at best.
References


A relatively limited research has been carried out so far on management issues in Albania, so that the field can be considered as not sufficiently explored. Therefore, undertaking more complex studies and revitalizing the scientific debate is of utmost importance. It can help to generalize the positive experience and successes achieved in the first decade of transition, as well as generate recommendations of practical value, which in their turn can facilitate the process of management becoming the key factor of success.

On the other hand, comparison with other Eastern European countries is a moment of twofold values in both theory and practice. It helps us recognize our achievements as compared to others who are following the same path, though reflecting their own particularities. It also represents a tool for learning from the positive experience, by accelerating the progress and avoiding the occurrence of the same mistakes. To our opinion this is one more reason to “hurry up” with the publication of a series of such papers produced periodically by management experts of the countries in transition. By doing so we can contribute to a better and faster future progress in this both known and unknown path.

Issues on Management in Albanian Businesses

The transformation of our economy into a market one is a long and difficult process. The last decade of XX-th century witnessed numerous successes, but at the same time failures were not rare. Our “struggle” for progress showed, among others, the lack of expertise. This holds also true in the management field. Some may contradict it, since our macroeconomic performance is good and it continued improving further during 1998-2001. But the history of macroeconomic performance and especially its stabilization tell us that even in Hoxha’s time we had a stabilized macroeconomic situation, though the result was a poor economy and an even worse management. Nowadays, we are praised by international organizations (and of course politicians praise themselves particularly during the election campaign) for the macroeconomic stabilization and for macroeconomic indicators such as the economic growth and inflation. But we are still having a poor management performance both in public and

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private sector. Our national economy is also suffering from lack of managerial expertise.

The main concern, at least among the specialists of this area, is the answer to the question: when we'll achieve a reasonable level of required managerial skills and where can we compare ourselves to other Eastern European countries in transition?

Leaving aside other problems, we are already aware that the transformation process of our economy was accompanied with some special features of the new emerging businesses, which have to face various difficulties and problems. Nowadays, as the severity of the market competition is expected to be more emphasized and environment is changing rapidly, the need for increased effectiveness in the businesses’ management is becoming more evident. In order to understand and explain the various managerial aspects of Albanian businesses, as well as the problems they are facing, a survey was undertaken. It sees at the management process as a set of four main managerial functions such as: planning, organizing, leading and controlling. It also makes a classification according to areas of management (marketing, finance, operation, human resources etc).

Information used on this purpose was large. Feedback was received from surveys of about 160 businesses. Besides, results from other surveys, various studies, reports and specialized scientific centers and individuals are critically taken into consideration.

In order to discuss and judge about the management features in Albanian Businesses, the questionnaire prepared focused on the following issues: Training of the managers, age, organizational structure of the businesses, workers’ participation in the decision-making process, delegation of competencies to dependents, monitoring and controlling, motivation, short term and strategic planning, values, strategies and the management style used.

These questionnaires were distributed to the managers/administrators of businesses of different sizes and activities, in various industrial sectors. The main activities of the enterprises where the questionnaires were distributed were construction, services and the food processing industry.

Results from the questionnaires

In Albania like in other eastern countries, the main businesses are small and medium sized. Within this range micro-businesses are the prevailing ones. The main businesses are concentrated in trade and other services, construction industry, dressmaking, food processing, etc. The entrepreneur, who manages the activities of the firm/company, generally is not educated in economics, management, accounting or finance. In Albania, as the entrepreneurs’ class was
not aware of the importance and role of an effective management, only simple elements of management are applied.

The Albanian businessman, together with his/her property right, is generally exercising the main role in management process of his/her business. In other words, there is no clear separation between the property right and management. This is linked with large percentage of micro businesses (micro firms), where the owner is performing by himself the management of his/her business. The owners hesitate to delegate the management right of their firm to somebody else. According to our survey, the major part of the businessmen are planning to grow their activity, but even in this case, they still want to keep the main role in the management process. Some of them may agree to delegate some management functions to somebody particularly reliable (i.e. relatives).

Based on questionnaires and other data published by INSTAT (2000), 25 percent of the owners have completed 8-year schools, 28 percent had completed general secondary schools, 31 percent had completed secondary professional schools. Only 15 percent of them had completed higher education.

About 70 percent of the owners/managers interviewed, were 30-39 years old. This figure is nearly the same as in other Eastern European Countries. This age seems to be dominant, because at that time individuals make important decisions for their future. They are keen to achieve their own targets. On the other hand, they are more capable to be adapted with the changing environment. Thus, the entrepreneur’s profile is described more or less, like 30-39 years old individual of secondary school education, with insufficient training and other necessary management skills.

**Planning**

Planning, and particularly the strategic planning is one of the most important phases of management and at the same time a key factor for the success of the business in general. 72 percent of the businesses interviewed, produced annual development plans. Only 60 percent of the businesses produced budget plans. They were only short-term plans. In these circumstances, rising owners’/managers’ knowledge about the principles and the need of an effective planning is indispensable. This will help them to be more oriented to the market.

It is a fact that before ’90-ies the strategic planning was unknown. What was inherited by the past was a 5 years-centralized plan. This means that there is no room for comparison e.g. with Slovenia where in 1987/1988 the majority (51.1%) of the medium and large size enterprises used strategic planning for a period longer than 4 years (Pucko, 2001). This negative experience is allergic to our business owners and was an obstacle for their adaptation with the new changes of the overall environment. Despite the fact that Albanian firms didn’t
apply any long-term planning, during 1993 they were very successful in the market. This was due to the “thirst” of the market and the very weak competition. It must be emphasized that only 22 percent of the interviewed businesses prepared annual plans for the development of their activities, while 60 percent of them prepared budget plans. Even in those businesses where such a plan was prepared, it has a limited time span.

Regarding the question whether Albanian owners/managers follow their objectives and in what extent they work with written objectives, they stressed as the most important the cost reduction, profit, market share and financial independence. Most of the managers thought that in the coming years their main objectives would be cost reduction (34 percent), looking for new markets (31 percent), increasing the quality of products (29 percent), etc.

Achievement of the objectives requires a written strategy. The term “strategy” seems to be unknown for Albanian businesses. Regarding the development, implementation and control of company’s strategies, the period 1992-1995 is presented by the respondents as “poor”, while as time goes, they evaluate this process as an “average” one. This is because of the growing awareness of managers for the need of long term-planning, although there are a lot of limitations.

The fact that the interviewed declare that the decisions are planned and are known much better than the strategies, sounds interesting. This could be explained by the fact that in the socialist regime the strategies were prepared by the ministries and not by the enterprises themselves.

Comparing the main tasks of 1996 with those of 1999 thought from the owners/managers there could be observed some important changes. There are many firms now that have a better vision for the future, a better-defined strategy, more clear tasks for the personnel etc.

Organizing

This function of management of the Albanian enterprises is still regarded as not important. This is reflected in the inflexible organization structure with a high level of centralization. Delegation of authority and modern organization structures such as matrix or project structures are almost unknown (while profit centers or strategic business units are even not known as new concepts) and as a consequence not applied in business. This is due to the fact that most businesses are very small and the low level of expertise of managers, too.

Based on the results of the questionnaires’, 85 per cent of the businesses interviewed are organized in simple linear structure, with one management level mainly. The most common functions are production, selling, logistics and finance accounting. Even in such functions, we have to take into the consideration the fact that it is very difficult to say that the employees who deal
with such functions are all qualified. On the other hand, in the micro firms all these duties are carried out mostly by one person - the owner/manager.

According to another study done by INSTAT (June, 2000), the results were as follows:

1. In the enterprises, with status of natural person, in more than 90 per cent of them the accounting function was done by the owners.

2. In the group of enterprises with the status of legal person, in about 48 per cent of the cases the accounting function was done by specialists not employed in the firms, 30 per cent of specialists employed by the firm and in 22 per cent of them the accounting function was carried out by the owners of the firms, or other family members or relatives.

As it might be seen, in both categories, there are a high percentage of enterprises on which other persons carry out the accounting function, generally without necessary skills. Also, the fact that marketing function is added recently in middle and large enterprises is evident.

**Leading**

Questions related to the authority delegation, were answered as follows: 75 per cent of the owners do not allow their dependents to take by themselves the decisions related to the functions they are working. In about 80 per cent of the cases, it is the entrepreneur who participates in the company’s decisions. An autarchic style of management is evident in Albanian businesses, where the owner/manager wants to control everything in details, even for small activities performed by his dependents. This feature is an obstacle for the top-level managers (in the firms with a well-established managerial hierarchy), who in this way are not able to deal with the general aspects of management. This will also result in inefficient decisions. A single person couldn’t be able to be expert in everything.

The question: “Is there any kind of consultation taking place in the process of decision-making between managers and their dependents?” Nearly 60 per cent of the interviewed answered negatively. Thirty percent said “a little” and ten percent said, “there is sufficient consultation”. While the question asked regarding the decisions related to the company policy, whether they were taken only by the managers/owners, 90 percent answered “all decisions”. This information shows that the employees of the low-level management are not involved in the decision-making process. This is justified by the autocratic style of the Albanian businesses. In this way, employees do not feel as part of the enterprise, which in reality reduces the level of motivation and performance.

Despite this mentality and situation, the information collected from questionnaires, shows that nowadays tendency with the decision-making process is decentralization. This was confirmed by about 80 percent of
interviewed persons. Questions directed to them about how they explain this kind of evolution, 90 per cent answered “Decentralization of decision-making in their own businesses is linked with the growing process of their enterprises, as well as with the rate of increase in the number of employees and activities.

Also, even in the presence of deficiencies in the organizational structuring and the actual level of centralization of decision-making, the interviewed managers think that decision-making as a process has evolved. Data shows that decision-making now is faster. Still, fast decision-making does not bring the right decision. On the other hand, slow decisions can be a catastrophic alternative in a rapidly changing environment.

It can be concluded that the tendency of Albanian managers is actually towards the systematic and quick decisions. If that is true, they will not complain of managers’ being incapable to act wisely.

The above aspects are also linked with the organizational culture of a company/firm. This should not be seen separately from the culture and environment traditions of employees. Basically, Albanian society can be classified as patriarchal family based. It is such a mentality that influences the relations within an organization/company.

Asked about the style and the methods used for managing their businesses, the businessmen were answered as follows:

More than 30 percent of businesses think that they have a spirit of loyalty in their businesses. This was more obvious in the small businesses, especially when the employees were members of their family or their relatives, as well as when the employees have been with that business for a long period of time. About 40 percent of business owners used the top-down delegation of authority, while the rest relayed on the strong supervision of their dependents.

It is well known that involvement of managers to the company goals is closely related with their motivation and as a result, a high motivation will lead to a common interest of meeting the goals of the individuals and the organization itself. The interviewed stated that the managers’ commitment for their companies was in a satisfied level during 1992–1995. This was an unexpected result, taking into account that during socialist regime it was very poor. Liberalization of salaries might be one of the factors improving Albanians commitment.

Albanians managers believe that the level of commitment will be enhanced as time goes by. This will be due to growing of work interest and salaries. The enhancing of manager’s commitment will enhance also the motivation. They hope that the level of motivation will be enhanced during the next years. One of the reasons to support such a statement is the enhancing of competition which has lead the Albanian businesses to invest on enhancing the motivation of their managers, otherwise Albanian businesses will be threaten of loosing their best
managers. The second factor is enhancing of awareness relating to the importance of human resources. Finally Albanian managers think that motivation of managers will be better during 2000 – 2005. One thing to be mentioned is the fact that generally the main criteria used for employee’s motivation, the owners mentioned the motivation through bonuses and salary differentiation. All the business owners interviewed expressed the opinion that under the present conditions, money is the best motivation.

It is interesting that the level of motivation is being enhancing more in ex-state companies than in private ones. A rapid transformation does not mean that the level of motivation of state companies or former state-run companies in higher than private ones.

Relating to figures gathered by questionnaires do not exist serious problems on commitment level of managers dealing with company tasks. It is a good chance for the Albanian businesses to use effectively all country human resources.

**Controlling**

Control, as one of the functions of management, involves the process of measuring, evaluation and comparisons of the results achieved with those planned. The main aim of control is to take the necessary corrective actions in order to improve the performance.

In small Albanian Businesses, the owner/manager generally does the controlling function. In 80 per cent of firms/companies interviewed, the owners/managers said that the control procedures exist, but these procedures in 62 per cent of the cases are followed by qualified people, in 48 per cent of the cases are followed by the owner or other persons selected by him/her. In 60 per cent of the cases the aim of control was to prevent rejects and in 40 per of the cases to eliminate product rejections.

The way the control is done, as well as the assessment of results has an impact on the motivation of the dependents. According to 97 per cent of the cases assessment of bad results was performed immediately after the control, while the assessment of good results was performed later. Based on the study results, it is evident that immediate positive performance evaluation is more effective and provides more motivation. On the contrary, if the evaluation for a bad work is made immediately, this will have a negative motivation effect on the workers/dependents.

All the firms interviewed exercise financial control on expenses, though its degree and type varies between different businesses. The large and experienced businesses apply more specialized control, which is performed by professionals, though quite often control is done by owners themselves.
Marketing

Marketing researching might be the least well-known and applicable method used (in Albania) in order to manage the small business successfully. Most of the managers don’t believe that the information provided by the market research or market survey is worthier than the proper expenditures on such issue. This might be due to their lack of knowledge how to gather and process the research figures. All those businesses that provide what market needs and differentiate their products and services are likeable to resist and develop.

According to the questionnaire results, only 18% of small business (29) pretended to apply a market research. 14 out of those businesses declare to conduct a formal written research. 15 out of 29 firms declared to conduct such research with non-employees of those firms. The others declared to conduct such research with their employees. It is understandable that this was due to the educational level of managers/owners.

The managers of small businesses often are in charge to draft only the questionnaires without previously identifying why and to whom the results will be serving.

Even though small businesses pretending to conduct marketing research have identified four general patterns of marketing searching survey, each of them serving to a certain goal. The consumer survey is more applicable. (60% have conducted during past three years only one consumer research). Competitiveness survey generally was reported as a research conducted on their own efforts. (60% of the businesses that have conducted these researches with their own manpower have performed a research during the last three years). The study on effectiveness of advertising was conducting mainly with external specialists, whereas public surveys were conducted within the business environment.

The small business managers conducting marketing survey were asked if they were satisfied with marketing survey results. According to their figures, 71% have declared that were satisfied and only 29% were not satisfied from such a survey. The interviewed were capable to implement the survey results. Only 6% were declared as non-capable.

The case when the information received by the marketing research counts more than the expenditures on that issue, might be one of the most important questions. Concerning to that question 8% of the interviewed were replying “No” and 84% were replying “Maybe” or “Yes”.

Results suggest that most of small businesses do not conduct marketing research. Even though the businesses who pretend to conduct such a survey, most of them use the manpower of the organization. The most applicable survey was that of client observation. Most of the interviewed owner/managers feel
that the information receiving by the survey counts more than expenditures on that survey.

**Table 1. Small business characteristics dealing with marketing research during past three years (1999-2001)**

<table>
<thead>
<tr>
<th></th>
<th>The percentage of businesses conducting the survey with their own efforts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owner/Manager age</strong></td>
<td></td>
</tr>
<tr>
<td>less than 34</td>
<td>41</td>
</tr>
<tr>
<td>more than 35</td>
<td>39</td>
</tr>
<tr>
<td><strong>Owner/Manager education</strong></td>
<td></td>
</tr>
<tr>
<td>without University Degree</td>
<td>30</td>
</tr>
<tr>
<td>with University Degree</td>
<td>43</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td></td>
</tr>
<tr>
<td>less than 5</td>
<td>38</td>
</tr>
<tr>
<td>5-25</td>
<td>62</td>
</tr>
<tr>
<td>more than 25</td>
<td></td>
</tr>
</tbody>
</table>


According to analyze on managing orientating level towards the market, it is likeable to improve a lot during this decade. Big transformation has proceeded rapidly in state enterprises that in private ones. Approximately half of the state companies directors feel that the orientation toward the market is being improved during 1995-2000, whereas in the mean time, only 10% of private enterprises directors, agreed upon such a figure. The reason of that rapid progress of the enterprises owned by the state was at a very low level since the beginning and as a result it grows up “artificially” the rhythm of their transition. Based on the answers of interviewed managers/owners of businesses it is concluded that the orientation towards the market during 2000 will be more than “good”.

It is still difficult to answer the question if the Albanian managers are becoming more orientated toward the market or this might be overvalued. The researches resulted that the knowledge on the market is strongly improved.

**Financial management**

All the interviewed businesses exercised financial control on expenditures, although its type and degree varies differently according to the types of the businesses. In the large businesses this control was more specialized and was
performed by specialists. In most of the businesses, the owner himself carried out the control.

Financial strategies of the group evidenced the fact that at the very initial phase of the business, they all have experienced difficulties in finding the capital. All owners interviewed said that their aim is to grow their business. The majority of the owners have received loans for the initial phase of the business. This was more typical for those businesses that had existed in the past in the form of the state-owned enterprises. 60 percent of the businesses studied met the criteria for receiving a loan from the banks. 20 percent of the interviewed people has started their business with from emigration. The other 20 percent had used their personal savings/ or money borrowed from their relatives. Asked about the way that they could find the financial means for extending their activity, all the interviewed answered that they will reinvest their profits.

Lack of sufficient financial funds is ranked nearly the top of the restrictions for SMEs development not only in Albania, but in all the region of Eastern and Central Europe countries. This is mainly due to the fact that the economies in transition are characterized by a slight development of capital markets.

One of the main concerns of the interviewed was the contraband or other illegal economic activities. The contrabands’ goods have a negative impact on the growth of their business.

**Human resource management**

It is well-known that more than ever nowadays, human resources are a key factor of success. The progress of a country in the market economic conditions is measured better by the index of human resource development (HRD), because it is offering an alternative way in assessing relatively social and economic progress of a given country.

In the Albanian case, it is UNDP that made an effort to calculate the above index in the global HRD report of 1998 through indirect methods. According to their calculation, the index is counted 0.656 and has placed Albania in the 105th place amongst 175 countries (Sh. Llaci, 2001).

Discussing in more concrete terms, it has to be emphasized that the first years of transition have indicated the lack of employee qualification. Managers are asking more and more for more trained employees. The business directors indicate that the chances for training will be enhance for two main reasons: enhancing of competition and enhancing of training services in Albanian Market.

It is strange that foreign companies do not foresee any training improvement services by the company, even though it is believable that foreign companies bring advanced training methods. On the contrary the companies operating in the so-called modern industry invest much more in training than the companies
operating in traditional industries. This has to do with the fact that these industries are newly introduced to Albania.

From the study, it comes out that there are deficiencies in the training and trainers knowledge, especially in the former state-run companies. Even though, the companies’ managers feel that they need to enhance their managerial abilities. If all of the Albanian business managers will think the same, this will be a good sign for the future of the Albanian economy. Thus, it is worth mentioning that that experience and the training of managers are not enough. In order to complete this framework, the experience of all manpower is need.

Some of the people inquired, admitted that they have been trained in special courses in the areas related to their activity. So far they have lacked time and chances, but they were eager to get trained through short-term courses in areas such as financial management and business management.

As far as the employment criteria of are concerned, the majority of interviewed emphasized that they employ people based on their specialty. As a second criterion, they mentioned experience and education. In two of the businesses, the primary criterion was the age and sex. One of the interviewed answered that, as a primary criterion was the employment of family members and relatives. Despite all these, the employers generally were interested to employ the persons who fit better to the requirements of the job.

The main request of owners towards their employees was the quality work, while the businesses, which have many contacts with clients, are more clients oriented. A less important criterion is the independence in actions and personal growth.

References
Clague, C., Rausser C. (1999): The emergence of market economies in Eastern Europe.
Studies on economic development possibilities in Albania (1995): Published by F. Ebert foundation, 34.
IDSE (1992): The tranzition of market economy in Albania, Quaderno 17.
Kashi Nath Tiwari (1996): Comparative management issues, South-west review of international business research.
Interview with Tony J. Watson

Tony Watson is Professor of Organisational and Managerial Behaviour in the Nottingham Business School. He teaches, researches and writes about organisations, managerial work, industrial sociology, human resource activities and management learning processes. His key research interest is with the way managers handle both day-to-day and strategic issues, as human beings who have to manage their own lives, identities, biographies, anxieties and emotions at the same time as trying to shape work activities and relationships. His academic work builds on his personal managerial experience within industrial organisations and on research work carried out in a range of different settings. A special interest is in the value of ethnographic research as a means of investigating the complexities and contradictions, pains and delights of organisational life.

Alas: Which research projects you have carried out and which ones did you find most interesting? Which results were most unexpected?

Watson: I have carried out a range of different studies of various aspects of managerial work. I think the ones I have enjoyed most have been those where I used the participant observation approach to research. This means being directly involved in a managerial job at the same time as researching what was managing. I first did this when I worked as a young manager in Rolls-Royce's aero engine division. I was involved in managing the move of employees from an old foundry into a new steel casing factory and wrote my first big research report about this. I find it very fulfilling to be analysing and writing about something that one has first-hand knowledge and experience of. I used the same method when I did the research for my book In Search of Management (originally 1994, re-issued in 2001 by Thomson Learning). For this I became a manager for a year in a company which is now part of the very unfortunate Marconi company. I very much enjoy talking to managers from different countries and to comparing their experiences. When I was writing the preface for the re-issued edition of In Search of Management, I was working for a week in Prague. I spent a lot of time talking to people involved in Human Resource Management and was fascinated to note how similar their work was to managers working in situations which, at first sight, look very different.

Alas: How can leaders' influence the performance of the organizations they manage?

Watson: In all the different societies that I have looked at, it is clear that leaders who have the most positive influence over performance in the long term are ones who build solid and trusting relationships with the various groups to which
their organisations relate - from employees to suppliers, from the press to customers. In the short-term, leaders can achieve high performance through bullying and manipulating people. But for long-term success, there has got to be a trusting 'give and take' relationship between an organisation's management and everybody it deals with.

**Alas:** Your book “In Search of Management” is written about Czech Republic. Based on this experience, how different are management practices in Czech and UK, in East-Europe and West-Europe? How can leaders in East-European reform countries most influence an organization’s effectiveness?

**Watson:** When I look at the changes occurring in Eastern Europe, I get the impression that some managers are only slowly moving away from the older highly centralised and bureaucratic ways of doing things whilst others are too enthusiastically embracing rather unstructured and allegedly market-oriented approaches. It seems to me that the managers who are going to be the most successful are those who can achieve a good balance between the very necessary bureaucratic procedures that large organisations require and the flexibility and entrepreneurship that an increasingly global world market calls for. In the final analysis, the best managers in the west and the best managers in the east are very similar indeed.

**Alas:** How do Western leadership theories fit in to East European reform countries?

**Watson:** I think good management theories are ones that will work anywhere. A great deal of standard Western theory has been inadequate because it started with assumptions that everybody in the world wanted the same things from life as did middle class American academic writers. We get, for example, the highly influential Maslow theory of motivation and its insistence that what everybody ultimately wants is 'self actualisation'. In practice, this is of little to use to any manager - anywhere. But it makes many people feel good.

We need theories that managers can take into their everyday working lives - ones that assist them to make wise and shrewd decisions about practical matters. Theories will never tell managers what to do. But good ones will help managers apply more wisely the basic commonsense that every one of us starts off with. This is an important theme in my new book Organising and Managing Work: organisational, managerial and strategic behaviour in theory and practice, Harlow: FT Prentice-Hall, 2002 (available in Autumn 2001). I have written this book in an attempt to bring together the types of situation in which managers find themselves in practice and the types of academic ideas that can positively inform the way they handle those situations.

*Ruth Alas, Estonian Business School*
News / Information

Technology Transfer Forms and the Integration Processes

The globalization of the world markets and the rise of competition create a new vision towards the problems of the contemporary business. It is obvious that the national markets cannot provide the desired strategic advantages for a large period of time. The global diversification seems the mean to establish stability of income and protection from the temporary fluctuations of the regional markets.

The aim of this paper is to explore the influence between the integration processes in the European space and the development of the technological transfer forms.

This influence is mutual to a great extent. On the one side the integration and the rising competitiveness of the European economies set new requirements towards the transfer of technological knowledge. On the other side, the development rate and direction of the current technologies, their ability to spread and apply practically across all spheres of social life predetermine the integration success.

There are a variety of forms of technology transfer but here attention will be paid to those of them, which mostly reflect the specificity of the discussed processes.

In this sense traditionally important for the business remains the trade with licenses and high-tech products, the turn-key projects and the direct foreign investments. A new importance gain the inter-business co-operation and the strategic alliances in their different variations.

Because of the fact that the financial resources and scientific potential, in most countries aren’t at the necessary level for organizing a completely independent scientific and technological policy, the licenses of patent-protected knowledge or know-how have a great importance not only for the development of the firm itself, but also for the national economies.

The turn-key projects as a form of technology transfer can be considered demonstration of high technology potential and ability for effective investments integrating different elements of the technological product. The transfer

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1 This research was undertaken with support from the European Community’s Phare ACE Programme 1998. The content of the publication is the sole responsibility of the author and it in no way represents the views of the Commission or its services.

2 In the mid-90’s they made 12,7 % of the EC’s aggregate export, 24 % of USA’s and 25,3 % of Japan’s export, while for only 5 years that export has risen with 55 %, 38 % and 63 % accordingly.
connected with building up industrial objects – turn-key plants, starting a new production– product-in-hand, or establishing a certain level of quality – quality-in-hand, is always an indicator for technological and organizational maturity of the supplier in the respective area.

The globalization of markets and integration of national economies create new models for establishing an **inter-firm co-operation**. The evolution in the different forms of agreements can be seen as follows:

- The agreements, providing complex decision of a certain problem come to the hand.
- The companies combine the advantages of different forms and less apply the so-called “pure” forms.
- The present co-operations and alliances acquire new characteristics. They develop long-term relations, based on mutual trust and willingness for joint work as the only possible way of combining different cultures and skills.
- There’s also a progress in the goals, which are pursued when making a decision for co-operation with another company. The tendency towards reducing the risk between partners and distributing the financial price maintains. Of importance becomes also the access to the unique resources and skills of the partner, growth of the productivity and creation of conditions for optimum use of the obtained results.

The opening of the borders worldwide has as a consequence the appearance of another model for co-operation between companies – the so-called **virtual formations**. This is an emerging form based on the existing co-operatives and strategic alliances.

To build up a virtual formation there must be high mutual trust, innovative company structures, capable of working in a dynamic conditions and appropriate level of progress of informational and communicational technologies, that will turn into the basis for developing a virtual business.

The potential of these forms of technological transfer should be used for changing the negative technological balance and for overcoming the technology gap between the European Union on one hand, and the USA and Japan on the other. In these processes Bulgaria has its own part together with the rest of Central and Eastern European countries.

The positions and abilities of the country today are greatly predetermined by its past progress. That is why, although briefly, the basic forms of international technological exchange recently applied should be stated. According to their character and intensity, the following groups can be formed:

- Relations between the former socialist countries. They differed with high intensity and equality of the partners. The largest number during the period until 1990 had the projects for building joint objects, formation of
international teams for scientific researches, exchange of experts, completing development programs for certain scientific fields, license sales. Unfortunately in most cases the realization of these projects lacked the direct connection to market and the obtained results didn’t always respond to the expectations.

- Relations with the developing countries. The contacts here differed with smaller intensity and one-way motion of technological products. The reason for the success of these contacts was the accumulated experience of the former socialist countries in establishing their own technological base.\(^3\)

- Relations with the Western European countries. Here the influence of the political factors was the strongest and turned the technological transfer between the East and the West into a hostage of the political climate between the two social and economic systems. Trying to slow down the spreading of technologies with double use (civil and military) the Coordinating Committee for Multilateral Export Control (COCOM) was established.

After 1990 the contacts made throughout the whole 3 groups broke up. The disorientation and lack of priorities for strategic development, the financial difficulties and the total crush of the Eastern European economies led to destruction of the created technological base and scientific potential. Bulgaria fell into a strong dependent position on his partners in the international technological exchange. As a result the enormous deficit in country’s technological balance looks like an ordinary occurrence.

There are, of course, changes at hand and they are keeping with the changes in the world economy, the integration tendencies and use of the existing strategic opportunities. In these conditions the governmental efforts are directed to the creation of economic, technological and financial environment to enable national industry to become an active member of the European networks.

An important condition for realization of the governmental policy in the high technology branches is the serious international help for Bulgaria’s efforts in the following direction:

- Programs within the range of the European Union, OECD, etc.;
- Programs of the World Bank, EBRD and other international financial institutions;
- Long-term international contracts, as the Black Sea Economic Co-operation for example;
- Bilateral agreements for technical assistance;

\(^3\) Up to the 80’s the technological potential in these countries could be defined as significant, having in mind that 1/4\(^{th}\) of the world expenditures for research and development were made there.
- International programs of local and foreign public foundations, unions, branch and commerce chambers, etc.;
- International networks for development and transfer of high technologies, exchange of experts and information.

Special attention should be paid to the full association of our country in EU’s Fifth Research, Technology and Demonstration Framework Programme (FP5). This is important not only from the point of the possible financing of projects, training experts and know-how transfer, but also for speeding up our country’s integration in the European structures for scientific and technological researches and preparation for full membership in the EU.

Teodora Georgieva, Economic University Svishtov (Bulgaria)

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**Handelseffekte der Liberalisierung im integrierten Europa**¹

Die Evolution des europäischen Wirtschaftsraumes (European Economic Area) ist ein Vorbild für die Verwirklichung der Idee der wirtschaftlichen Integration, sowie für die Beschreibung des Übergangs vom bipolaren Modell hin zu einem Modell, welches sich auf die gegenseitigen Verknüpfung der Wirtschaften und vielseitigen Partnerschaft bezieht. Nach den fundamentalen politischen Reformen in den zentral- und osteuropäischen Ländern beginnt der Aufbau einer neuen Struktur und Organisation des wirtschaftlichen Raumes in Europa, wobei die Kräfte der Integration und Kooperation eine erstrangige Bedeutung haben.

1. **Arbeitshypothesen und Forschungsmethoden**

Die gegenwärtige Restrukturierung des europäischen Marktraumes steht unter dem Einfluss der Integrationsidee. Das Hauptmerkmal der wirtschaftlichen Integration ist die Handelsliberalisierung, die natürliche Bedingungen für das Zusammenbringen der an der Gemeinschaft beteiligten Nationalwirtschaften schafft. Ohne Zweifel basiert die wirtschaftliche Integration auf den bekannter Theorien für die statischen und dynamischen Effekte der Kooperation. Der statische Effekt, der auch “trade creation” genannt wird, hat eine führende

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¹ This research was undertaken with support from the European Community’s Phare ACE Programme 1998. The content of the publication is the sole responsibility of the author and it in no way represents the views of the Commission or its services.
Bedeutung bei der Bestimmung des Wohlfahrtzustandes der Gemeinschaftsmitglieder. Die gegenwärtige Forschung fokussiert genau den Aspekt der Handelsbeziehungen, der aktuellen Mitglieder der europäischen Integration und die Veränderung dieser Beziehungen während der Osterweiterung. Die heutigen Maßstäbe der wirtschaftlichen Integration provozieren neue Ideen und Hypothesen sowohl über die Ermittlung der modernen Handelseffekte der Liberalisierung als auch über die Institutionalisierung einer gemeinsamen Handelspolitik in Hinsicht auf die Harmonisierung der Gesetzgebung in den neuen Mitgliedsstaaten.

Das Thema der Handelsliberalisierung hat besondere Bedeutung für die Länder, die zur EU assoziiert sind. Deshalb ist das Objekt der Untersuchung im vorliegenden Beitrag, die Effekte der Liberalisierung, die als Schlussfolgerung der ökonomischen Integration im Rahmen des europäischen Marktraumes beobachtet werden. Forschungsziel ist die Ermittlung der positiven und negativen Effekte dieser Liberalisierung für die osteuropäischen Länder, insbesondere für Bulgarien, unter den Bedingungen der Wirtschaftsreformen des Transformationsprozesses. Auf Grund des gegebenen Ziels können wir folgende Aufgaben der Analyse formulieren:

- Kritische Analyse des asymmetrischen Modells im Handelsaustausch zwischen den EFTA-Ländern und EU-Ländern sowie zwischen den ZEFTA-Ländern und EU-Ländern;
- Bedeutung des Aufbaus von Nationalwirtschaften in Osteuropa und Sicherung des Äquivalents beim Warenaustausch zwischen den ost- und westeuropäischen Ländern im Prozess der Integration;
- Herausarbeiten von Schlüsselfaktoren für die Intensivierung der Integrationsprozesse (bezüglich freier Bewegung von Gütern und Produktionsfaktoren) in der Relation Ost-West.

Die Arbeitshypothesen basieren auf drei Forschungsaspekten, die entsprechende Forschungsmethoden benötigen. Zusammengefasst stellen sich diese wie folgt dar:

1. Aspekt - Volumenänderung und Preisdifferenzierung im Handelsaustausch:
   Die angewandten Forschungsmethoden schließen in erster Linie den Index der Verflechtung des gemeinsamen Handels und in zweiter Linie die Quantifizierung der Handelsverflechtung ein.

2. Aspekt - Preisdifferenzierung bei dem Warenexport zwischen:
   a.) EU und EFTA
   b.) EU und CEFTA
   Bei der Untersuchung wurde die Dynamik der Exportpreise für die Untersuchungsperiode 1995-1999 ermittelt.
3. Aspekt- Umstrukturierung der wirtschaftlichen Profile der osteuropäischen Länder:
Dafür war die Durchführung einer Strukturanalyse der exportorientierten Wirtschaftszweige notwendig.

2. Volumen- und Preisdifferenzierung im Handelsaustausch


Als Rahmenbedingungen der Analyse wurde die Dynamik der Mitgliedschaft berücksichtigt. Sie basiert auf Daten, die die Periode 1990-1999 einschließen. Von der historischen Entwicklung des europäischen Integrationssystems ist bekannt, dass:

- EFTA als Subsystem der gemeinsamen Integration Bestandteil ist, deshalb ist die Handelsabhängigkeit dieser Länder sehr groß;
- Voraussetzung dafür ist die gleiche Identifizierung der Waren nach ihrer Auskunft;
- der Warenaustausch zwischen EFTA und EU hat größere Bedeutung für die Länder, die zum ersten Handelsblock gehören, weshalb auch die Handelsverflechtung zwischen den Ländern der EFTA und den Ländern der EU höher ist (über 50%).

In diesem Sinne kann man behaupten, dass es eine asymmetrische Abhängigkeit zwischen den beiden Handelsblöcken existiert (Tabelle 1.)


Bulgarien bleibt hinter den ersten drei o.g. Ländern zurück. Wenn wir jedoch die Dynamik des Warentausches berücksichtigen, dann können wir feststellen,
dass in den letzten fünf Jahren eine Umorientierung hin zu den EU-Ländern zu sehen ist.

**Tabelle 1. Quantifizierung der Handelsverflechtung zwischen den europäischen Ländern**

<table>
<thead>
<tr>
<th>Länder</th>
<th>Index 1990</th>
<th>Index 1995</th>
<th>Index 2000*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Österreich</td>
<td>0,6640</td>
<td>0,6660</td>
<td>0,6740</td>
</tr>
<tr>
<td>Belgien/Luxemburg</td>
<td>0,7290</td>
<td>0,7470</td>
<td>0,7520</td>
</tr>
<tr>
<td>Deutschland</td>
<td>0,5385</td>
<td>0,5585</td>
<td>0,5612</td>
</tr>
<tr>
<td>Dänemark</td>
<td>0,5260</td>
<td>0,6455</td>
<td>0,6480</td>
</tr>
<tr>
<td>Spanien</td>
<td>0,6200</td>
<td>0,6735</td>
<td>0,6712</td>
</tr>
<tr>
<td>Frankreich</td>
<td>0,6325</td>
<td>0,6370</td>
<td>0,6358</td>
</tr>
<tr>
<td>Großbritannien</td>
<td>0,5185</td>
<td>0,5575</td>
<td>0,5570</td>
</tr>
<tr>
<td>Griechenland</td>
<td>0,6405</td>
<td>0,6205</td>
<td>0,6200</td>
</tr>
<tr>
<td>Italien</td>
<td>0,5785</td>
<td>0,5870</td>
<td>0,5873</td>
</tr>
<tr>
<td>Irland</td>
<td>0,7280</td>
<td>0,6515</td>
<td>0,6527</td>
</tr>
<tr>
<td>Niederlande</td>
<td>0,6820</td>
<td>0,6735</td>
<td>0,6730</td>
</tr>
<tr>
<td>Portugal</td>
<td>0,7130</td>
<td>0,7715</td>
<td>0,7800</td>
</tr>
<tr>
<td>Schweden</td>
<td>0,5485</td>
<td>0,6100</td>
<td>0,6142</td>
</tr>
<tr>
<td>Finnland</td>
<td>0,4625</td>
<td>0,5745</td>
<td>0,5780</td>
</tr>
<tr>
<td>Schweiz</td>
<td>0,6320</td>
<td>0,5970</td>
<td>0,5956</td>
</tr>
<tr>
<td>Island</td>
<td>0,6320</td>
<td>0,5970</td>
<td>0,5989</td>
</tr>
<tr>
<td>Norwegen</td>
<td>0,5495</td>
<td>0,7340</td>
<td>0,7200</td>
</tr>
</tbody>
</table>

* Nach wirtschaftlicher Prognose. 


Die zweite Arbeitsanalyse behandelt das Problem der möglichen Preisdifferenzierung beim Warenaustausch hinsichtlich zweier Aspekte: erstens zwischen EU-Ländern und EFTA-Ländern und zweitens zwischen EU-Ländern und CEFTA-Ländern. Währenddessen die erste Hypothese die quantitative
Seite der Handelsbeziehungen unter dem Einfluss der Integrationsprozesse schildert, wirft zweite Hypothese etwas Licht auf die qualitative Seite.

_Tabelle 2. Handelsverflechtung zwischen CEFTA- und EU-Ländern_

<table>
<thead>
<tr>
<th>Länder</th>
<th>Export nach EU, in %</th>
<th>Export nach CEFTA, in %</th>
<th>Import von EU, in %</th>
<th>Import von CEFTA, in %</th>
<th>Index EU</th>
<th>Index CEFTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgarien</td>
<td>39.5</td>
<td>27.6</td>
<td>15.9</td>
<td>21.2</td>
<td>37.4</td>
<td>36.5</td>
</tr>
<tr>
<td>Tschechien</td>
<td>50.9</td>
<td>51.3</td>
<td>30.3</td>
<td>31.4</td>
<td>48.3</td>
<td>49.2</td>
</tr>
<tr>
<td>Ungarn</td>
<td>52.4</td>
<td>53.2</td>
<td>27.4</td>
<td>28.1</td>
<td>51.7</td>
<td>52.3</td>
</tr>
<tr>
<td>Polen</td>
<td>62.7</td>
<td>63.7</td>
<td>13.8</td>
<td>14.9</td>
<td>63.4</td>
<td>61.2</td>
</tr>
<tr>
<td>Rumänien</td>
<td>46.1</td>
<td>34.8</td>
<td>13.9</td>
<td>23.1</td>
<td>48.5</td>
<td>50.5</td>
</tr>
<tr>
<td>Slowakei</td>
<td>29.7</td>
<td>31.4</td>
<td>47.2</td>
<td>36.4</td>
<td>32.1</td>
<td>33.6</td>
</tr>
</tbody>
</table>


beim Import in die EFTA-Länder teurer. Gleichzeitig machen sie den Import aus den EFTA-Ländern günstig, weil die importierten Waren keine Zollzuschläge haben.

3. Sicherung des Äquivalents des Warenaustausches im Handel zwischen EU und CEFTA

erklären manche CEFTA-Länder die nicht effektiven staatlichen Unternehmen für Pleite oder sie suchen ausländische Investoren, die für die Restrukturierung sorgen können.

Hier besteht das Problem der Konkurrenzfähigkeit der Analogwaren, die in den Ost-Ländern produziert werden. Das Statut der Assoziiermitgliedschaft macht die Liberalisierung des Handelsaustausches möglich. Dies macht aber nur für die konkurrenzfähigen Waren den Weg frei. Leider besitzen die Länder Zentral- und Osteuropas wenige komparative Vorteile (bei begrenzter Anzahl von Produkten) im Vergleich zu den EU-Ländern (Tabelle 3.).

**Tabelle 3. Konkurrenzfähige Produkte aus den CEFTA-Ländern**

<table>
<thead>
<tr>
<th>Tschechien</th>
<th>Ungarn</th>
<th>Polen</th>
<th>Bulgarien</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastikwaren</td>
<td>Kleidung</td>
<td>Korn- und Getreidewaren</td>
<td>Konsumgüter</td>
</tr>
<tr>
<td>Glas und Porzellan</td>
<td>Lederwaren</td>
<td>Nahrungsmittel</td>
<td>Metalle</td>
</tr>
<tr>
<td>Nichtmetallwaren</td>
<td>Schuhe</td>
<td>Tabakwaren</td>
<td>Mineralien</td>
</tr>
<tr>
<td>Maschinenbau-</td>
<td>Möbel und Holzwaren</td>
<td>Polygraphie-</td>
<td>Tabakwaren</td>
</tr>
<tr>
<td>elemente</td>
<td></td>
<td>waren</td>
<td></td>
</tr>
<tr>
<td>Transport-</td>
<td>Baumaterialien</td>
<td>Instrumente</td>
<td>Chemieprodukte</td>
</tr>
<tr>
<td>ausstattung</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andere Industriewaren</td>
<td>Zement</td>
<td></td>
<td>Gemüsekonserven</td>
</tr>
</tbody>
</table>


Das wichtigste dabei ist, dass jedes Land die Produktion der Produkte zu entwickeln versucht, die komparative Vorteile besitzen. Für alle anderen, die im internationalen Warenaustausch nicht konkurrenzfähig sind, macht die Produktion für dies Länder keinen Sinn. So hilft der Kampf um die Erhöhung der Konkurrenzfähigkeit bei der Umstrukturierung der Produktion. Uneffektive Produktionsbetriebe werden modernisiert oder geschlossen. Die parallele Politik der Umstrukturierung führt zu einer Stimulation der exportorientierten
Produktion und damit dazu, die "Terms of Trade" in für die Wirtschaft günstiger Relation zu halten. Das bedeutet, dass die Exportpolitik dieser Länder an die Veränderung im internationalen Markt durch Umstrukturieren des Produktions- und Exportprofils angepasst werden muss.

4. Ergebnis

Auf Grund der Analyse wurden folgende Ergebnisse ermittelt:


3. Die Umstrukturierung der nationalen Wirtschaftsprofile in der Transformationsperiode führt zur Veränderung in den komparativen Vorteilen. Das hat eine allmähliche Verbesserung der Terms of Trade, die lange Zeit eine Tendenz zur Verschlechterung gezeigt haben, zur Folge.

4. Die Umstrukturierung der Produktion entwickelt sich weiter, was zur Folge hat, dass viele nichtkonkurrenzfähige Produktionsunternehmungen verschwinden. Gleichzeitig jedoch erhält die Schlüsselproduktion gute Möglichkeiten zur Vervollkommnung und damit auch bessere Exportaussichten.

Tanja Gorcheva, Wirtschaftsakademie Svischtov (Bulgarien)

Aspects of Logistics and Quality Control in the Management of Production Strategy

Summary: Synergy of Logistics and Quality Management in Business Strategy. The paper deals with the basic links between logistics and quality management in business strategy. It defines logistics quality and the potential for improving logistics management by means of ensuring the quality of the project, as well as realizing the qualitative changes in the logistics chain of a firm.
Globalization brings keen competition, which given the weak condition of Czech production development – can worsen the economic situation of domestic firms. This happens as a result of these institutions not being able to adjust to the intensive competition. Thus, it is vital to produce affordable, high quality and safe products.

This necessitates good working logistics which contributes greatly to the heightened flexibility of the company, reduces costs and leads to better quality management.

There exists a connection between logistics management and quality management. It involves different branches of knowledge and job analysis developed in foreign companies. Experience from abroad shows that successful companies take approximately 35% less time to fill an order, and 20% less time in dispatching it. In this way logistics costs are about 35 to 40% lower than is usual in Czech firms. And this is vital to the improvement of quality. Not only big companies, but also small and medium sized ones are beginning to see that the creation of an efficient logistics organization leads to less time needed for the implementation of a better supply system, while reducing costs. Optimalization of the logistics chain improves the situation not only by reducing costs, but especially by better satisfying the customers’ needs. The quality of customer service is a not inconsiderable part of the firm’s business activities. The knowledge gained from the job analysis (intra-system) in the EU, led to the competition factor, which can also be called consumer satisfaction in the future in Europe.

1. Why is there relationship between logistics management and quality management?

The main meaning of "synergy" is to explain the mechanism for creating new quality, to look at the general rules for the creation of new quality through the universal characteristics of the arrangement of subsystems, their function and development. It is the correlation, cooperation and concurrence in the creation of the new qualities impact on the reciprocal incidence of particular units; i.e. the subsystems. For example, an exact supply system allows us to effectually prepare and solve optimal alternatives for the "product material solution", pursuant to knowledge of the product, its distribution strategy, conditions of production and the availability of raw materials. It especially allows the reduction of the so called traditional supply systems, it leads to the essential reduction of reserves and reduces the material reception and first production operation in the firm. It is important to mention that this is different to ensuring quality in the firms new economic conditions. For instance, in the transformation from the centralized system of material-technical supply to the decentralized system using the mechanism of
contract prices, another factor plays an important part—the choice of a reliable supplier. The choice of supplier should bring satisfaction to both parties to the transaction.

The suppliers contribution to quality is this: he uses only the best quality equipment in deliveries in order to guarantee quality. This brings great economic benefits.

A good supplier guarantees efficient and regular supplies thus creating the main conditions necessary for continuity of production.

The effect of logistics on quality touch other areas, too:

- The transformation process in e.g. the production control system.
- After sales service,
- The follow up and evaluation of quality costs and their return to the production cycle
- Global quality monitoring and the evaluation of logistics management

It helps to define the basic functions of logistics in ensuring the quality of the business:

- To evaluate the logistic costs needed for planning, regulating and increasing quality,
- To register important logistics points.
- To evaluate economic expeditiousness and ensuring the process of quality control in logistics.

In this relationship it is important to take four crucial factors into account which in the field of production deepen this relationship and help to increase and improve quality. They are:

- Utility,
- Economy,
- Complexity,
- Respect for the time factor.

Utility expresses expediency and the production process. It demonstrates the effect which a particular action brings: interest, savings, revenues; i.e. the demand related to a particular action-costs or expenditures.

Economy expresses the relationship between input and output. In the case of scarce resources, it is crucial to allocate and realize consumption so that they are used in the most advantageous way.

Complexity encompasses all direct and indirect logistic effects which exist during the particular action. It is necessary to observe the main production
process, but also the level of overall time of the production cycle: - before, during and after production. Of course, it is essential to set the quality parameters.

2. When do we talk about logistics quality?

Quality is displayed in the process of optimization of the material flow. To understand this, it is necessary to get to know the methods used in the field. Experience from our firms shows that they are not prepared for this problem. Management in many cases isn’t familiar with the classic methods, and also doesn’t insert these methods in the new control systems of the control, connected with logistic management and optimization of the material flow.

The aim of logistics quality is:

- The right material,
- In the right amount,
- of the right quality – only guaranteed quality, packing, additional information,
- In the right time (Just In Time),
- Delivery to the right place on the assumption that we consider this a criterion of efficiency and cost minimization.

The choice of the adequate method can help to the optimization of the material flow. Generally we consider these methods:

- The methods used most often to analyse the feed and distribution of material and goods – logistics system analysis, ABC analysis, Value analysis, Cost analysis,
- Operational analysis and modeling,
- The methods of simulation,
- The methods used to forecast whole processes and the movements in the logistics chain,
- The methods we can use to work out exactly figure the particular procedures and processes, to divide whole procedures and movements in to small parts to determine which of them are non effective, the plan or code methods, mathematics-statistics methods, graphic methods.

Nowadays the optimization of the material flow (the logistics chain) won't work without knowledge of the particular field, or conditions of application of some of the new systems of operating the material process:

- MRP I a MRP II,
- Jit, resp. Kanban,
These and other new management methods make it possible to provide and improve the material processes in logistics management to a high quality.

3. The quality project or the good quality change?

The two above mentioned trends don’t exclude one another. They are closely linked and in logistics management represent the solution system. If we talk about the development and exercise of strategy in logistics, we can choose the project system for successful outcome. It is necessary to ensure the quality of the project in its very basic stages:

1. stage: To respect and improve system elements in the logistics:
   - the material system,
   - the control system,
   - the information system.

2. stage: Logistics situation analysis, which should involve:
   - analysis of the competition,
   - the position on the market,
   - analysis of the risk factors, the possibility of failure of delivery, failures in production, sale and competition, in the whole logistics chain.

It is possible to improve flexibility, greater confidence in the material flow, development of production supply, whole costs, shorter time to carry out logistics operations.

3. stage: To determine the strategic conception. That means the application of logistics principles to achieve given aims. The aims are:
   - to reduce the time of the delivery and turn,
   - better delivery and production quality, better customer service,
   - greater flexibility,
   - lower supply costs,
4. stage: To putting the strategy into action. In this stage we have to choose from the available options, the particular methods in order to achieve logistics' goals. Alternative strategies can be supplemented by the following criteria:

- the ability of the desired strategy to be integrated into the organization as a whole,
- compatibility of the strategy with the present and future situation of the business and especially the material and financial opportunities,
- to follow up on the production and business potential,
- the possibility of improving the logistics system through the information system,
- to improve the contractual obligations with the supplier.

Greater demands are constantly being placed on logistics. The organization structure as it stands is not able to cope. Efforts to improve this situation using new techniques have led nowhere. Permanent and guaranteed growth of logistics quality requires a new approach with regard to the complexities of the logistics chain.

Procedural oriented quality changes are in logistics management of critical importance and it is possible to enact them in two ways.

The first one is called continuous improvement. It is a continuous system of improvements which works like so: first by setting and maintaining standards, after which there can be further improvements implemented. Quality changes can directly and indirectly affect the problems of supply production or distribution (picture 1).

The second approach, reengineering, concentrates on critical reinterpretation and radical reconstruction of the logistics process. It means to put into effect radical changes in order to improve quality and set capacity such as: flexibility, speed, quality, time and costs, and service. It is necessary also to mention the vital role in reengineering the logistics process played by information technology.

The basic role of information reengineering should be the consistent analysis and construction of a secure information system for logistics, which imposes mutually binding obligations between the material and control systems. In the past the main emphasis was on physical logistics such as transport and handling but nowadays the information flow is more important, as it can plan, organize and control the whole operation in business. To see the radical change in the logistics chain it is necessary to look at the systematic and integrated solution.

This system of integration in logistics has proved to be an effective tool. Logistics, financial accounting, control and human resources in companies
abroad are starting to be an integral part of the unit organization in response to the growing complexity of business systems and leading to increased quality, competitiveness and customer satisfaction.

*Picture 1. Gradual Improvement of the Logistic Chain Elements*

```
Supply Market
  ↓
Supply Store
  ↓
Purchase and Supply Logistics
  ↓
Production
  ↓
Production Stage
  ↓
Interim Store
  ↓
Production Stage
  ↓
Production Logistics
  ↓
  ↓
  ↓
Store of Goods
  ↓
Distribution
  ↓
Sale Market
  ↓
  ↓
  ↓
  ↓
  ↓
  ↓
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*Picture 2. The Integration of Logistics, Quality and other Company Activities*

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<table>
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<td>Store Management</td>
<td>CAD/CAM, CAP, CIM</td>
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<td>Finance and Accounting</td>
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<td>Control</td>
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<td>Human Resources</td>
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It can improve the quality of the unit organization itself. Businesses which dramatically changed the problems linked to logistics management say this
change will bring improved quality. They know that compete in the new business environment they need to be able to deliver better quality products in a shorter time, thus improving customer service. The basic aim of the quality change is high quality logistics strategy which of great importance to every business, contributing the positive economic growth (pic. 2).

Jan Herman, University of Economics Prague

Theorie in der Warteschleife

Anmerkungen zum gegenwärtigen Stand der Management Science, entstanden während des Annual Meeting of the Academy of Management Denver/Colorado vom 09.-14.08.02


Organizational Cognition & Identity Theory


Aber das ist nicht die einzige Schlacht, deren Helden man eigentlich schon fast beerdigt und deren Waffen man schon im Museum wähnte. So ist es heute für Bill Starbuck immer noch eine brennende und bücherfüllende Frage, ob Manager denn nun tatsächlich präzise, also akkurat wahrnehmen oder nicht. Die geradezu erschlagende empirische Evidenz der Nichtakkuratheit managerialer Kognition wird zwar registriert, allerdings ausschließlich als methodisches, bestenfalls methodologisches Problem behandelt, nicht aber als epistemologische Barriere, als soziales Phänomen, oder gar als praktische Irrelevanz begriffen. Die Auseinandersetzung mit dieser Frage läuft einzig und allein die Kritik der bisherigen empirischen Forschung („science-foollore“) hinaus. Es wurde bislang nur falsch gemessen, die falschen Leute befragt, die falschen Fragen gestellt, die falschen Auswertungsmethoden benutzt. Und das immerhin 55 Jahre nach Herbert Simons ‚Entdeckung‘ des „satisfactory behavior“.


auf das Paradox von Gleichheit und Differenz zur Umwelt; ohne dass das Paradox allerdings als solches in seiner Fundamentalität erkannt ist. 2.) Die Identität von Organisationen ist nichts rigides, auch wenn angenommen werden kann und muss, dass sie transindividuell stabilisierende Funktionen erfüllt. Wie aber weiter von hier aus und vor allem: wohin? Ein Drehen im Kreis ist auch hier auszumachen. So kommen die Weick-Schüler Sutcliffe, Roberts und Porac über eine Neuerfindung des „organizational slack“ (Cyert & March) bzw. der „loosen Kopplung“ (Weick) in Form des neuen Begriffs der „organizational resilience“ nicht hinaus. Jenseits dessen findet jedoch kaum eine Suche von auf den Nägeln brennenden Themen statt.

**Diversity & Gender Theory**


„Probanten“ bewertet wird. Ergebnis: Diversität ist nicht „attraktiv“, wird vermieden. Dass dieser Befund alles andere als neu ist, spielt keine Rolle, es ist und bleibt Grund genug für die Forschung, noch härter und unbeirrter nach Nützlichkeit von Diversität zu suchen, koste es (v.a. an Mess- und Prüfverfahren) was es wolle. Die Forschung prozessiert sich im Reflexionsstopp, ist selbst im Paradox moralischer Kommunikation gefangen und schafft die Unterscheidung, an der sie parasitiert durch ihre Aktivitäten immer wieder neu.

**Network Theory**


**Schließlich: Die Tagesaktualität als Thema**

Fazit


All dies: Reflexionslosigkeit, Theoriearmut und trivialisierter Selektiv-Empirismus können aber auch als Indizien für einen allgemeinen
Entrepreneurship research in Transition Economies: Summary of the AOM Workshop

Transition economies offer fascinating grounds to refine and test existing and develop new organizational theories (Peng & Heath, 1996). This includes the area of entrepreneurship. On August 11, 2002, as part of the Academy of Management Meetings in Denver, Colorado, numerous scholars came together to discuss content and methodological issues of entrepreneurship, strategy, and international business research in countries in transition. This report summarizes the presentations of the four main speakers, Mike Hitt of Arizona State, Mike Peng of Ohio State, Sheila Puffer of Northeastern, and Mike Wright of Nottingham University as well as some key questions raised by the audience. The workshop was organized by this author.

Based on a review of the relevant literature, Dr. Hitt concluded that entrepreneurial opportunities exist in transition economies and that for existing firms entrepreneurial activity was expected as an outcome of privatization. However, internal and external barriers led to disappointing results of the transformation in many—but not all—countries. Resources, organizational learning, and the institutional environment are all critical factors for entrepreneurship in transition economies. Firms there by and large do not have the resources and capabilities to accomplish the transformation needed to become successful actors in competitive markets. Moreover, firms do not have the absorptive capacity (Cohen & Levinthal, 1990) to acquire new capabilities.
from foreign organizations. This requires close cooperation between firms in transition economies and foreign partners for the successful transfer of technological and managerial capabilities (Hitt et al., 2000).

Further, countries’ institutional environments affect entrepreneurial activity and strategic actions (George & Prabhu, 2000). Decentralization of political control in Russia, for instance, allows for greater flexibility to pursue entrepreneurial opportunities, but the uncertainty and lack of resources because of centralized financial control delimit entrepreneurial strategies (Hitt et al., 2001). Alternatively, centralized political control in China limits flexibility, but decentralized financial control provides opportunities to firms to acquire valuable resources. Yet, much of this is preliminary knowledge. We need to better understand the primary drivers of entrepreneurial activity in transition economies and emerging markets.

Combining the institutional theories in sociology (Scott, 1987) and economics (North, 1990), Dr. Peng introduced a model of institutional transitions and strategic choices for transition economies (see Peng, 2003). His goal is to explain the institutional transition from relationship-based, personalized exchange to rule-based, impersonal exchange. Firms and entrepreneurs follow a network-based vs. a market-based strategy, respectively. As economies develop and firms expand, the costs of relationship-based exchange grow and its benefits decrease, while the benefits of markets increase and the costs of market-based strategies decrease. Thus, Peng predicts, currently relationship-based institutional arrangements in transition economies will over time develop to become rule-based markets. Sweeping, linear statements, such as “blat or guanxi is all you need in Russia or China, respectively”, reflect only a snapshot of the transition process and are therefore of limited value.

Using a different analytical approach, Dr. Puffer’s presentation built on her many years of research in Russia, and in particular on 5 case studies of Russian entrepreneurial ventures (see Puffer & McCarthy, 2001). She stated that specific to Russia, entrepreneurs have always been vilified as exploiters of society, even before communism. Given this and numerous other major environmental constraints, the entrepreneurial mindset is the key to creating successful ventures during the country’s transition to a market-oriented economy. Optimism, perseverance, and flexibility are key elements of this mindset. In addition—and extending the perspectives on resources introduced by Dr. Hitt—the creative use of scarce resources is further critical input in the entrepreneurial process. Not surprisingly, political power was the most valuable of these resources.

Finally, Dr. Wright discussed theoretical issues that need to be analyzed further in the transition environment and challenges in empirical research there. He also emphasized the importance of resources and capabilities for organizational competitiveness and the relevance of a theoretical perspective, but suggests that
while most research has focused on privatized firms, start-up firms have found little attention. Of particular interest might be the question of how entrepreneurial cognition and mindsets can develop in transition economies, given the environmental challenges.

Particularly problematic for research on firms and entrepreneurs in transition economies is the availability of reliable data. For instance, while the transition process often requires a longitudinal design, sample attrition is a serious problem. For surveys, an unreliable postal system and the powerful position of the director, which reduces the value of inter-rater reliability tests, create additional challenges. Also, archival financial data are often problematical, further reducing the potential to triangulate data. Particular opportunities can be seen for case study research in transition economies because they can build the foundation for new theory building as well as providing complementary qualitative data to supplement evidence obtained elsewhere. Further, there is more need for comparative studies that examine the impact of different institutional approaches to transition on the development of entrepreneurship.

The workshop concluded with a discussion involving the entire audience, which included many with research experience in transition economies. Three issues were recognized as particularly salient: First, how can we generalize conclusions drawn from research on transition economies to the broader business environment, so that our research contributes to organizational theory? Second, in reference to the recent accounting scandals particularly in the United States, one must be aware of the lack of quality of data we also deal with in research in developed countries. Possibly, researchers can learn from the international business literature. Finally, we discussed in more detail how smaller or start-up firms can acquire knowledge when partners are not available. Several options were discussed, for instance, entrepreneurs may travel to foreign countries to acquire knowledge there; firms can learn from customers, supplier or competitors, particularly if these have foreign partners (second-hand learning); and firms can become local distributors for foreign firms, which allows gathering financial resources, acquiring technological know-how, and strengthening relationships with customers, such as Legend originally did in China.

References


*Klaus Uhlenbruck, A&M University, Texas*

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**The Gorbachev Foundation of North America at Northeastern University, Boston**

**Conference on Corporate Governance and Investment in Transitioning Economies, April 24-26, 2003**

**Call for papers**

Deadline for abstracts: February 15, 2003

**Conference Theme and Purpose**

The Gorbachev Foundation of North America at Northeastern University in Boston is hosting a two-day conference on corporate governance and transparency for doing business and investing in the transitioning economies of the Former Soviet Union and Central and Eastern Europe. Participants are to include an international group of academics, business practitioners, and government and nonprofit-sector officials. A major mission of the Gorbachev Foundation is to foster democracy around the world, particularly in transitioning economies. Effective corporate governance practices and the surrounding infrastructure of legislation and judicial and administrative enforcement are consistent with democratic principles of openness, fairness, access to information, and informed decision making. All of these promote trust
and ethical business behavior, which are supportive of democratic principles and action.

The conference will explore the progress being made in corporate governance and related areas in transitioning economies. It will feature panels of academic, business, and government experts discussing key areas of governance, including legislation affecting corporate ownership, boards of directors, property rights and land ownership, tax laws, government reporting requirements, and accounting and auditing practices and standards. Corporate governance and its impact on direct and indirect investment in these transitioning countries will also be a major topic of discussion.

Conference Topics
Papers are invited on topics of corporate governance and/or investment in transitioning economies of the Former Soviet Union and Central and Eastern Europe. Papers with implications for practitioners and for the advancement of corporate governance processes in these regions are especially encouraged. Best papers will be published in a special issue of the Journal of World Business.

Topics include:

• Social, political, cultural, legal, and economic contexts of these transitioning economies and how they affect corporate governance or investment

• Specific corporate governance issues that have emerged in any or all of these countries

• The influence of corporate governance systems from other countries or regions, e.g., the U.S., Europe, or Asia

• Implications of theories of corporate governance for transitioning economies

• Cross-country comparisons of corporate governance theories and practices

• Relationships between corporate governance and investment

• Increasing the value of firms or decreasing the cost of capital through effective corporate governance practices

• Trends in corporate governance and/or investment in transitioning economies

Conference Location, Registration, and Lodging
Location: Conference activities will take place on the Northeastern University campus, 360 Huntington Avenue, in downtown Boston.

Registration fee: ($950 corporate, $450 academic and nonprofit) includes all meals, two gala dinners, receptions, and conference materials.
Lodging: A block of rooms at the conference rate of $159. per night (plus tax) has been reserved at The Colonnade Hotel, 120 Huntington Avenue, Boston, MA, 02116, USA. Attendees may arrange for lodging at their own expense by calling the hotel at 1-800-962-3030 or making reservations at www.colonnadehotel.com.

Submission Guidelines
Authors are invited to submit, by February 15, 2003, 250-word abstracts and author contact information. Full papers for consideration for publication in the Journal of World Business are due April 1, 2003. Submit abstracts and papers by e-mail to:
Professor Sheila M. Puffer, Program Director
Gorbachev Foundation of North America at Northeastern University, Boston
E-mail address: spuffer@attbi.com Web site: www.gfna.net
Telephone inquiries: 617-373-5249 Fax 617-373-8628

Call for Abstracts
Deadline: December 1st
The College of Business at the University of Limerick, Limerick, Ireland, will host the 7th Conference on International HRM in June, 2003. Building upon the work of the earlier conferences (Singapore, 1987; Hong Kong, 1989; Ashridge, 1992; Gold Coast, 1994; San Diego, 1996; and Paderborn, 1998), IHRM 2003 in Ireland will seek to present a complement of papers dedicated to exploring the multidimensional and dynamic nature of the field of International HRM. Reviews, critical commentaries, empirical papers and case studies, or combinations thereof, that make a significant contribution to the field and are relevant to those with an interest in international and comparative HRM are most welcome.
For further information on the conference, including details on how to submit an abstract for consideration as a full paper, a poster or a symposium, visit the conference website at WWW.ihrm2003.com or contact the conference chair at the following address:
Dr Michael J Morley Conference Chair, IHRM 2003 [www.ihrm2003.com]
Department of Personnel & Employment Relations College of Business
News and Information

University of Limerick National Technological Park Limerick IRELAND email: michael.morley@ul.ie

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18th Workshop on Strategic Human Resource Management

We are happy to announce our 18th Workshop on Strategic Human Resource Management. The workshop will take place in our new premises, in the city center - April 3-4, 2003. See all details on:
http://www.eiasm.org/frontoffice/event_announcement.asp?event_id=289
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Aufgrund einer fundierten theoretischen Herleitung der Themenstellung sowie der ausführlichen Darlegung eines Fallbeispiels sind die in diesem Buch abgeleiteten Gestaltungsempfehlungen nicht nur für den theorieinteressierten, sondern insbesondere auch für den praxisorientierten Leser von Nutzen, der sich mit der Gestaltung von Veränderungsprozessen auseinander zu setzen hat.

Hans Georg Zilian / Jörg Flecker (Hg.):
Steuerungsebenen der Arbeitsmarktpolitik