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## Editorial

*Dieter Wagner*

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Editorial Mission of JEEMS

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

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

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

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

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

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

Dear Reader,

personnel management, leadership and organisation are closely linked and correlated. Very often, these areas are unpardonably neglected, nicely smiled at, due to their romantic impulsive nature, or just dismissed as second-rate. As a result, your role in the course of a transformation or an integration process could be more vital than you might think. Thinking in terms of “hard” facts such as reference numbers or other standards of efficiency and effectiveness must not necessarily be opposed to the fact that so-called “weak” factors such as company structure or team orientation should also be regarded as success factors. In this leaflet, you will find four articles and a research report which from different perspectives are to be linked to the context mentioned above.

The contribution of Ervasti Mia and Vesa Suutari, based on four case studies, examines the extent to which personnel policy and the most important functions of personnel between Finnish parent companies and Estonian subsidiary companies are mutually agreed upon. In a globalizing world, a stress curve between standardisation and local specialisation is generally formed, whereby the general framework of the country’s culture as well as the company’s strategies and the degree of maturity of the personnel management could be very influential. In the following study which is founded on half-standardised interviews, one notes that while a higher degree of standardisation is applied to selection and employment methods, labour relations and the concepts of training were or should be based more on local facts. The latter, of course, applies particularly to labour relations.

Maria Aggestam analyses the development of corporate governance in two big capital and investment companies in Poland. Firstly, the varieties of corporate governance models that exist in various countries will be clearly highlighted. The difference however, in Anglo-American, German, Latin and Japanese models only provide clues. In the course of the privatisation process in Poland, an effective and legal synthesis obviously resulted from the two first mentioned areas. In all, it is very interesting to recognise how even before the historical background of each company as well as its concrete company strategy and development, varying advisory and supervisory board structures came into existence, which not least, are also of importance in view of the integration of the EU and international corporate governance.

Heiko Schrader in his rather theory oriented contribution, discusses important aspects of social capital and the social transformation in Russia. After retrospection into relevant theoretical fundamentals (such as The economics of Institutions, The theory of Structuration) and adjustment between participants- and process oriented approaches, the meaning of “Trust” and “Distrust” in the stability and the reliance-path of people oriented networks in particular, will be
carved out. In total, this is about a correlation, which on the one hand, is still of expandable, theoretical meaning and on the other hand, is of great significance in the case of Russia.

Gerhard Reber, Werner Auer-Rizzi, and Milan Maly in continuation of their already well-known research on managerial style, then introduce a comparison between Austrian and Czech managers. On the basis of the situational approach to managerial style and decisive behaviour proposed by Vroon and Yetton, certain differences can be identified, whereupon the Czech managers have a greater disposition to autocratic behavioural patterns and therefore, present corresponding behaviour strategies, meanwhile a stronger, characteristic, more participative behavioural pattern and strategy was noticed on the part of the Austrians. With regard to recommendable changes, the authors will discuss different connecting factors both on the individual as well as on the organisational level, whereby the former should be taken into consideration with reference to Austria and the latter, with reference to the Czech republic.

The research note presented by Miroslav Majtán and Jana Sršňová depict the results of a survey in Slovakian industrial firms in view of the degree of their preparation towards the forthcoming integration steps of the EU. Therefore, the strengths and weaknesses will be carved out. In all, it shall be made clear that in many branches already, with attractive prices and increasing quality consciousness, a strong export orientation is present.

Whereby we find ourselves at the starting point of this editorial. Ultimately, this same consciousness of our personnel determines the future “Being” of the company!

I wish you an interesting reading!

Dieter Wagner
HRM in foreign affiliates: A multiple case study among Estonian affiliates of Finnish companies*

Ervasti Mia, Vesa Suutari**

The key question concerning the HRM in MNCs is the extent of global standardization versus localization of HRM-practices. The present study analyses whether the Finnish companies operating in Estonia apply a clear strategical approach to their IHRM and if so, what kind of approach (standardization versus localization) they have adopted across key HRM-functions. The study followed a qualitative multiple case study approach. The results of the study showed that case companies did not have one clear approach to HRM in foreign affiliates in Estonia, i.e. those had not systematically standardized or localized all the HRM-functions.

Ein wichtiges Kriterium im Personalmanagement in multinationalen Unternehmen ist die Gegenüberstellung des Ausmasses der globalen Standardisierung im Vergleich zur Lokalisierung von HRM-Praktiken. Die vorliegende Studie analysiert, ob die finnischen Unternehmen in Estland eine klare Strategie im Hinblick auf ihr HRM verfolgen und falls ja, welche Art von Ansatz (Standardisierung oder Anpassung an örtliche Begebenheiten) sie für Schlüsselfunktionen im HRM genutzt haben. Die Studie basiert auf mehreren Fallstudien. Die Ergebnisse zeigen auf, dass die untersuchten Firmen keinen klaren Ansatz für das HRM in ausländischen Tochterfirmen in Estland haben, d.h. sie haben ihre HRM-Funktionen weder systematisch standardisiert noch lokализiert.

Key words: HRM / MNC / Finland / Estonia / standardization / localization

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1. Introduction

The increasing globalization of business is causing new pressures for HRM within MNCs. The effective management of human resources internationally is increasingly acknowledged as a key competitive advantage in international business (Edwards et al. 1996), and as a major determinant of success or failure in international business (Stroh/Caligiuri 1998). Of all the management domains, HR management is generally considered to be the most sensitive to local context (Gooderham et al. 1999). At the same time, there are strong pressures to adapt global strategies in many fields of industries. The realization of such strategies in turn typically require higher level of global integration of key HRM-processes. Thus, many MNCs have aimed at a higher level of integration of HRM practices, but such aims have faced the resistance due to the local culture, legislation and traditions (Lindholm et al. 1999).

There are different approaches to human resource management within MNCs - which in turn are closely related to international strategies of the firm (see e.g. Dowling et al. 1999; Scullion 1999). Companies with an ethnocentric approach allow little autonomy to foreign affiliates and the major decisions are made in the headquarters. The key positions are fulfilled with the PNC nationals, i.e. expatriates. This naturally increases the use of home country approaches and practices in the foreign affiliates. Companies with polycentric approaches use totally different approaches: major decisions are made at foreign affiliates and key positions are typically filled with host country representatives. This leads to more localized solutions in the HRM. In addition, so-called regiocentric (areal strategy, structure, management and HRM) and geocentric approaches have been traditionally named.

According to Dowling et al. (1999) it is still fairly difficult to classify companies by a single approach since complexity of international operations creates pressures to make changes in basic approaches. The key question concerning the HRM in MNCs is still the extent of global integration (standardization) versus local responsiveness (e.g. Evans et al. 2002; Schuler et al. 1993; Lindholm et al. 1999). Typically, MNCs are seen as important disseminators of HRM practices and innovations in work organizations (Walch 2001). Empirically, the HRM practices that are found in MNC subsidiaries have been analysed in a number of studies (see e.g. Beechler/Yang 1994; Björkman/Ehrnrooth 1999; Ferencikova 2000; Rosenzweig/Nohria 1994; Scullion 1999; Walsh 2001). The most common studies in a CEE context are case studies of enterprises with FDI (Ferencikova 2000). They usually describe the changes, conflicts and results after the entry of a foreign investor into the previously state-owned company and also deal more or less with changes and conflicts in the HR area (e.g. Fogel 1995, Oddou/Mendenhall 1998). Nonetheless, there is a lack of empirical research which focuses on HRM in
Western subsidiaries in Central and Eastern Europe (Björkman/Ehnrooth 1999). The CEE-context is an interesting area for an HRM study since effective HRM has been stated to be a key issue in the successful transformation of organizations in this context (e.g. Frederick/Rodrigue 1994; Gurkov/Kuz'minov 1995; Ivancevich et al. 1992; Puffer/McCarth 1993; Suutari/Riusala 2001). A view one gets from the literature is that work morale and efficiency at the work place have traditionally been very low (e.g. Birch/Pooley 1995; Longenecker/Popovski 1994; Nasierowski 1996). A lack of independent initiative and quality thinking, and low ethical standards have also been frequently discussed (see e.g. Garrison/Artemyev 1994; Nasierowski 1996). Thus, studies of the management of business operations typically report difficulties concerning HRM-issues in CEE-contexts (see e.g. Suutari/Riusala 2000), and the foreign practices in HRM may lead to positive impact on productivity, no matter whether in production, commerce or services (Ferencikova 2000).

In the light of this background, the research objective of this pilot study was to analyse what kind of approach (standardization versus localization) the Finnish companies operating in Estonia apply to their IHRM and how consistent they are in their approach across HRM-functions. Before the presentation of the empirical research findings, some theoretical insights into localization versus standardization are presented.

2. Understanding diversity: the local responsiveness

There are different theoretical perspectives for understanding diversity: the cultural perspective, the institutional perspective, and the network perspective (Evans et al. 2002). According to the cultural perspective an individual goes through a socialization process into the culture, after which he interprets the outside world through the learned values and beliefs. Because of this, it is said that culture provides "the frame of reference" (Ronen 1986) or "mental programming" (Hofstede 1985) to the members of each culture. From this perspective, it has been argued that it is inappropriate to take management practices and theories from the culture in which they were developed and apply them to other cultures (see e.g. Bass/Burger 1979; Hofstede 1985). As Schneider (1988) argues, cultural differences should be taken into account, for example, in HRM because some of these practices may not be appropriate in the national culture wherein the subsidiary is embedded. An individual of a different culture may see these kinds of practices as unfair and illogical, and then the application of these practices may lead to unexpected consequences that hinder a subsidiary's performance. In the light of this, the role of cross-cultural studies is seen to be to provide information for multinational companies which try to transfer organizational practices and policies from one country to
another (see e.g. Bass/Burger 1979; Schneider 1988). From the cultural perspective, the fit between the organizational practices and the local culture is stressed and from this point of view it is argued that extensive global standardization of HRM-practices will not be an easy task. On the other hand, it has been argued that the cultural perspective underestimates the capacity of people from different cultures to adapt alien practices (Evans et al. 2002).

The institutional perspective implies a broader view of the national context; it stresses that the key to understanding business behaviour in different countries lies in the interrelationships between economic, educational, financial, legal and political systems (Evans et al. 2002). Thus, the extent to which MNCs implement innovative HRM practices is clearly affected by the nature and the character of the host country environment within which such firms operate (Walch 2001). For example, Ferner (1997) states that the relative strength or weakness of the host country's culture and institutions, particularly legal framework, will exert a decisive influence on the ability of MNCs to import their own approaches to HRM. In the area of HR, the industrial relations issues are a clear example of such HR issues as are subject to strong legal or customary regulation in the host country in which the subsidiary operates, so that the home country impact is likely to be less clear (Ferner/Quaintanilla 1998). On the other hand, systems such as management development and compensations systems are seen to be less regulated by national industrial relations systems and therefore more affected by the MNC host country effect (Rosenzweig/Nohria 1994).

The network perspective in turn stresses that MNCs are not only influenced by their origins and the norms in countries in which they operate: they are also pressures to conform to international peers and competitors in the field (Evans et al. 2002; Kraatz 1998). On the other hand, other MNCs could rather be seen as sources of institutionalization pressures than as an additional perspective for understanding diversity.

Both the cultural perspective and the institutional perspective provide insights into the localization needs within the HRM-function; the network perspective in turn points out the role of interorganizational networks in diffusing organizational practices as well. All in all, the key reasons for a localization approach within HRM include issues such as being responsive to the requirements of local authorities and public opinion, access to local networks of personal and business contacts, increased job and career opportunities for locals and thus a higher level of organizational commitment among locals, and lower labour costs among locals (Evans et al. 2002). Such reasons may have to be contrasted with the problems of finding local candidates with necessary competencies, developing them with adequate training practices and finally being able to keep them within the company later on.
3. Global strategies: toward increasing global standardization of HRM

Interest in a standardization approach has been recently increasing due to the globalization of the business. The global integration is becoming a competitive necessity in a number of markets in which decentralized strategies were dominant in the past (Evans et al. 2002). Johansson (2000) states that there are four groups of variables that propel companies towards globalization: markets, competition, cost and government (e.g. trade policies, technical standards). On the whole, the approach of the global strategy is evident in the literature, i.e. the term global strategy implies focus on similarities, standardization, homogenization, concentration, and coordination on a worldwide basis (Svenssons 2001). Brake (1999) specifies four main principles which are connected with a global approach: Integration (acts as a co-ordinated network), Flow (resources must be able to flow through the organization), Leverage (drive towards standardization and the reduction of unnecessary duplication), and Optimization (i.e. local responsiveness is balanced with global responsibility in order to produce the best results for the total organization).

There has also been criticism of the global strategy approach. The main weakness of global integration strategies is the potentially negative impact on the firm's ability to be responsive to local demands of customers, employees and other interest groups (Evans et al. 2002). It has been argued that the necessity of matching the global strategy with national responses is inevitable (Hammerly 1992), and that few companies lend themselves to 'naive' global strategies, since all strategies require some degree of adaptation to regional and national conditions (Segal-Horn 1996). Thus there has to be balance and harmony between the standardization versus the adaptation, and the homogenization versus the tailoring, of business activities (Svenssons 2001). In line with this, Black/Ulrich (1999) state that the first critical capability that enables firms to integrate global activities appropriately and also to separate and adapt local activities effectively is being able to determine what belongs to the core of the organization and what does not. Issues that belong to the core of a business generally relate to principles that give the firm its identity and issues which are important to customers. This core should be integrated and standardized throughout worldwide operations. According to Evans et al. (2002), global integration does not mean centralization of all aspects of a company's operations, but may be limited to a particular product, function, or value chain segment. Thus, though adopting global strategies, the question of the extent of localization vs standardization of certain operations and HRM-functions still remains.

From the HR-perspective, a firm should thus consider the HR implications of its global strategies and recognize that people are a critical component of the implementation of such strategies (e.g. Dowling et al. 1999). In the
globalization phase, a global human resource strategy that will put the right, competent people in the right place at the right time doing the right things needs to be developed in line with the global business strategy (Brake 1997; Odenwald 1993; Suutari 2002). Very often the major focus in the strategy process has been on strategy formulation, with very little thought given to the implementation phase. This has resulted in the failure of strategic planning at the operational level, where personnel policies play a central role in ensuring that the employees' work makes strategies materialize (Torraco/Swanson 1995). In line with this, the findings among top global HRM managers indicate that three aspects of HRM were seen to be critical to the MNCs success in the global arena: adaptation of flexible management practices and policies worldwide (i.e. a high enough level of localization of policies), the inclusion of the HRM function as a strategic partner in global business, and the development of global leaders (Stroh/Caligiuri 1998).

The situation has been stated to be very challenging for international HR-specialists since the process of increasing commitment to international activities brings the HR function closer to the strategic core of the business and also changes the scope and content of human resource management (Pucik 1992). Given the critical role of a company's global talent asset base, the role of HR must become more proactive and strategic - HR must become a fully integrated global business partner (Brake 1999). On the other hand, it has been seen that the greatest barrier to HR units becoming strategic on a global scale is their own lack of expertise of international business-related issues (Stroh/Caligiuri 1998).

In all such discussion, the importance of a strategic approach to international HRM is stressed. By the concept of strategic international human resource management is meant HRM issues, functions and policies and practices that result from the strategic activities of MNEs and that impact on the international concerns and goals of those enterprises (Schuler et al. 1993). According to Black and Ulrich (1999), the role of the HR professional in delivering global strategy is to 1) raise, define, and clarify the capabilities required to win globally and 2) invest, design, and deliver HR-practices that ensure these capabilities. This in turn means a higher level of global integration of HRM-practices which are in a key role in building and sustaining key capabilities and related competencies of employees within the organization. On the other hand, this should include the idea that the best policies and practices may originate in countries other than the one where the headquarters is located (Stroh/Caligiuri 1998).

All in all, the literature on HRM in foreign affiliates emphasizes the importance of HRM issues in international operations. The literature also identifies clear strengths and weaknesses concerning both the standardization and localization approaches and thus no 'best practice'-solutions, which would fit all situations, are available. Still, the move toward more standardized/globally integrated HRM solutions within MNCs seems to become a more typical solution than in
the past though the empirical research which covers these issues is still very limited. Next, new qualitative pilot study evidence on international HRM-approaches applied among Finnish companies with affiliates in Estonia is provided.

4. Methods

The present study followed a multiple case study approach (Yin 1994) in which four Finnish owned MNCs with units in Estonia were the sites of the investigation. The MNCs were chosen for this study as they all were Finnish companies, operating in Estonia and with enough employees to have necessary experience of HRM practices.

The study consists of semi-structured interviews of CEOs and/or HR-/administrative managers made in four Finnish subsidiaries located in Estonia. In addition, a variety of company documents were also obtained in order to increase the understanding of the case companies (e.g. annual reports, organizational charts, company newsletters, brochures, manuals and presentations). With one exception (an Estonian manager who had long–term HRM experience of the Finnish parent company), the interviewees were Finnish expatriates. All the interviewees thus had long and profound experience both from the Baltic countries and Finland. The interviews lasted between one and two hours and were recorded with permission of the interviewees.

The interview was divided into two sections, which were split up into different themes. In the first section the respondents were asked to describe their own career and position in the firm. They were also asked about key internationalization strategy issues such as decisions and developments that led to extending the operations to Estonia as well as about the implementation of the entry process. In most cases the interviewees already started to talk freely about related HRM issues, which were the main subject in the second section. The respondents were asked to describe HRM practices in their company (staffing, performance management, personnel development, rewarding systems and labour relations). They were also led to compare their own host country unit’s HRM practices with the MNC’s home country operations. The main objective of this study was to increase the knowledge of the degree of standardization and localization of HRM practices within the companies. Recording of the interviews was done with a dictating machine, except in one case where a video camera was used. The tapes were transcribed and after that the written transcripts were used in the analysis. The validity of the analysis was improved by letting the interviewees afterwards read the case descriptions / interview transcriptions and make the necessary corrections. The changed versions of the cases were sent to the interviewees again for checking.
All case companies represented different business sectors. The MNCs were chosen for this study as they all were Finnish companies operating in Estonia and with enough employees to have necessary experience of HRM practices. A brief sketch of each MNC is provided in the following paragraphs.

Company A. The firm is a mobile operator, which concentrates on offering digital mobile communication services to private and corporate customers. Its subsidiary was established in 1994 and the network was opened commercially at the beginning of 1995. At the end of the year 2000, the number of personnel employed in Estonia was approximately 200. The HR policy was mainly an attempt to emulate the Finnish parent with minimal modification. The net sales in 2000 were approximately 25 million euros, indicating a growth of 57 per cent compared with the previous year. At the end of the year 2000 the estimated number of mobile phone users in Estonia was 500,000, of whom 130,000 were customers.

Company B. The case company was a department store in Estonia which is owned by a Finnish retail trade company. The department store division employs 450 people in the department store in Tallinn in 2000. HR policy was mainly standardized in the company but the company has faced big challenges especially in personnel development. The Department Store Division sales inclusive of VAT were 712.7 million euros. The net turnover in 2000 was 599.1 million euros, up 6 per cent on the previous year. In Estonia, sales inclusive of VAT were 36 million euros and sales grew by 6.2 million euros or 21 per cent.

Company C. The company develops and produces customer-oriented services, systems and individual products to assist professional kitchens in the production of food and beverages. The rapid growth that began five years ago has continued. The company’s net sales have almost tripled since 1995. The company had about 50 employees in Estonia. The company respects in HR policy the host country’s history and culture.

Company D. The company operates on the energy sector. Its business covers the entire energy chain, from the production of oil, gas, power and heat to refining, distribution and marketing, and to energy-related engineering, operation and maintenance. It had over 500 employees in 2000 in Estonia. The company represents a different integrated Baltic aspect of HR policy. Group net sales totalled approximately 11 milliard euros and the operating profit was 906 million euros.

There are inevitably several limitations to the present study. First, the cases were not a statistical sample and second, the number of the cases was not large. Second, the number of interviews turned out to be smaller than originally planned since very few members of the organizations had relevant experience of the HRM questions both in Estonia and in the Finnish headquarters. On the other hand, the respondents were very experienced. Third, all the companies
were Finnish, which should be taken into account when making generalizations on the basis of the findings.

5. Results

The presentation of the results will be made case by case in line with the case study approach. In the conclusions the case findings will be collected together in order to get a total picture of the extent of standardization vs localization of HRM practices across the HRM functions.

The first case company was named Company A. As a business area, telecommunication is pretty young. For this reason technical, service and administrational functions were mainly imported step by step from the Finnish parent company. Although the working model was imported, only some Finnish expatriates have been in Estonia. The company wanted to offer local employees opportunities to be promoted and has organized its own education for the managers. A local HR manager commented that “At first it was difficult to understand why everything was asked and why an agreement was made with the parent company. Now it is understandable that confidentiality is very important and the parent company gives us little by little more responsibility.” Estonians wanted to find good and reliable employers who follow the legislation. Because of that employees were more stable in Estonia. According to the interview, staffing criteria and methods have been mainly standardized by the company. A manager commented, “There is no difference. At some point we even used the same Finnish consult office as the parent company. Nowadays we use the local consult, who tests by corresponding tests”. At the beginning of the company’s extension to Estonia, the telecommunication field was so young that it was extremely hard to find people who would be suitable for recruitment criteria. Telecommunication students have been recruited. They will get theoretical knowledge at a university and at the same time practical experience in the company. A manager stated, “Specialists in telecommunication have been difficult to find. Exactly the same thing was true of Finland before. We recruited directly from schools, because experts simply didn’t exist”. The biggest difference between those two countries was that in Estonia one had to make sure that the diplomas and working certificates were real. The HR manager commented, “In Finland references are asked for but here we are asking whether it is true that this person has worked or studied.” Despite such minor amendments to the recruitment process, it was thus pretty much standardized.

Similarly, the aim of the performance management was to transfer the parent company’s model from Finland to Estonia though some adjustments were made. An executive stated, “The development discussion model, the performance appraisal system and also the work satisfaction inquiry model are taken from Finland, but then we fitted them better to Estonian needs and also developed
some of our own forms based on Finnish ones.” Basically the company wanted to import a performance management system but it was not self-evident. From the company’s point of view, a contract of employment has been more important in Estonia than in Finland and contracts influenced performance management a great deal. A manager commented that “In Finland those documents give a general view of the employees’ working tasks. In Estonia a contract of employment is a big book where are detailed all of an employee’s work tasks and rights. When work tasks change, pages will be added.” Performance appraisal was based on those documents in Estonia, and they measured the performing of the detailed tasks. Also discussions between superiors and subordinates were a very important part of performance management. The HR manager commented that “The most important thing is how the performance management system is sold for the employees. Employees have to know what are the benefits of the system for both sides”. All in all, the performance management was mainly standadized though some changes had been made in Estonia. On the other hand, the system hasn’t been used for very long, which makes it pretty difficult to say whether they will be localized to a greater extent in the future.

Training and development have instead to a great extent been localized in the company. Rapid technical changes, the newness of the telecommunication area, and the employees’ historical background affected personnel development a great deal. The HR manager stated that “We are mainly a service organization and unfortunately the customer service culture has always been very poor in Estonia.” Understanding the importance of customers, service and selling was thus noticed as very important areas of development. The HR manager reported, “There is a clear difference between Finland and Estonia. Here we have been forced to use an enormous amount of time and energy to achieve better customer service skills.” Positive feedback from the customers has raised the enthusiasm of employees to improve service skills. Managers have also informed all employees about the market situation and future plans, which strengthened the employees’ feeling of having a share in a bigger entity. Some differences in the need for education between nationalities inside Estonia were also noted. It was stated that “Russians have noticed that they get better along in data administration. Education in Russian schools is more mathematical and language problems are smaller in that area.” The market situation for three mobile operators was very hard. The competitive situation forced employees to produce more and to educate themselves all the time. According to the interview people were very eager to develop themselves in Estonia. About 60% of the employees have academic degrees or are taking them. A manager stated, ”There are so many students; they want to learn and develop themselves all the time. And most of the research work was done in their own organization, which means benefit to both parties”. The company supported studies by making education contracts because the system of financial aid to students was very
poor and fees were high in Estonia. When the situation was so different in comparison with Finland, very localized approaches were applied.

According to the interviewees, company’s rewarding system has been standardized. A manager commented, “The rewarding system is mainly the same. Employees are rewarded monetarily or some other way for good performance and projects which are carried out. Profit rewarding systems are very similar in Finland and Estonia.” On the other hand, it was noticed that “Estonians appreciate employers who are paying wages regularly and work in accordance with the legislation, which was self–evident to the Finns”. Feedback culture was developed all the time in Estonia but it was not yet of as high a level as in Finland. It was commented that “young managers are not very good at giving feedback, when they were not used to getting it either”. Another difference was that in Estonia education has had a very high social position. Thus, education was used more as a rewarding tool in the company’s unit in Estonia than in Finland. In both countries leisure-time activities were supported as a rewarding system. Taken together, a farly standardized wage-system was applied and it was felt that it is pretty easy to move such a system from country to country, but the establishment of feedback culture takes much more time.

Labour relations were different in Finland and Estonia. A manager stated, “In Estonia there is no trade organization or union in the telecommunication field. Manufacturing firms have some kind of organized labour unions and lately authorities have started to pay more attention to occupational health service”. Reducing the number of employees was more difficult in Estonia because of the labour legislation. The HR manager commented that “Here is also an office for problems at work. If the employer has infringed the legislation, it is possible to seek assistance from that office.” Interviewees believed that it was better to solve problems inside the firm and maintain an open and trustful relationship between employer and employee. Due to the contextual differences, the labour relations function was localized to a large extent.

Company B started international operations in Russia in 1989. Interest in the markets in Estonia has been raised because there were no Western department store functions. Also experience from Russia, which is geographically near, created interest in Estonia. First they opened a store in 1993, but after good sales they opened a department store in 1996. According to the interview, the aim has been to standardize the criteria and methods used in staffing. An executive commented, “Most of the applicants came to look for employment personally in the department store like in Finland before. There is the Internet main channel for applications. The company will open the same channel later in Estonia and it is expected to be the most common channel to look for a job.” Recruiting happened daily because of part-time workers but on the other hand the turnover of key persons was very small. The manager stated that “it was easy to find suitable persons, because most of the employees were students, who
had good language skills and were well motivated”. Most of the key-persons were trained as the host country unit’s employees. The executive commented, “Only few people have come directly to a leadership position. It has been difficult to find Western thinking people who are committed to really working hard”. The aim of the company was to find the right staff to fit in their organization culture. They have noticed that in most cases a local person is the best choice and they have had only few expatriates.

Performance management was also very standardized across units. The executive commented, “Every department has its own target and it is even divided into such small sections that every seller knows how much they should sell during the day.” The best proofs of efficiency are team-related sales. The biggest problem was the measuring of sales absolutely and objectively. The manager stated, “A person who sits at a cash desk is not more effective than the person who really sells those jogging shoes”. In some departments sellers even follow their sales daily. It was commented that “In Finland it is the same, some departments follow even daily sales”. In any case paying the bonuses was based on group sales. As part of performance appraisal 'mystery shopping' (i.e. anonymous test customers) was used. Its aim is to measure objectively the quality of service.

The personnel’s basic training and development practices were the same in both countries but in addition some key personnel development issues were localized to meet regional needs. Customer satisfaction was the central objective of trading in all its areas of business. In Estonia the biggest challenge was to develop customer service skills. The executive commented, “Customer service isn’t characteristic of Estonians. Estonians are a bit withdrawn, a bit passive, they don’t start talking whatever with a stranger”. The company has really emphasized the training of customer service skills with the aim of getting sales persons from the cash desk to the customer service. The manager stated, “We have started to cooperate with a local training firm, which has given good results. We even planned competitions between departments, where good sellers have been given selling bonuses”. Some differences between nationalities were discovered inside Estonian boards. It was stated that, “Russians are more open and go more easily and naturally to customers while humbling oneself before customers doesn’t belong to the Estonian national character.” Some extra education was also been given about diminishing waste. Job rotation or working in supranational cooperation teams was also offered in Finland as well as in Estonia. All in all, the training and development were pretty standardized functions, but those were complemented with necessary additional training in the host country.

The rewarding system was very similar in Finland and Estonia, i.e. the system was fairly standized across units. The executive commented, “At seller level we have mainly the same kind of rewarding and bonus system. At key person level
the compensating system is also pretty much the same”. One difference is that in Estonia and Russia bonus was also paid for reducing waste. The manager stated, “We have here a tight follow-up and because of that, we have even smaller waste than in Finland”. Salary was not the most important motivation tool, an employer’s safety and stability were seen to be more important. There have also been attempts to encourage the personnel to make their stand. The executive stated, “When the personnel want, they can participate in developing the company and cooperation with Russia and Finland”. Feedback giving was also seen as a part of the rewarding system. Differences were noticed in the taking of feedback between Estonians and Russians. The manager commented, “Russians are taking feedback well, things as things and not as personally as Estonians. Feedback has to be given smoothly so that those who get it don’t take it too deep in their hearts”.

According to the interview labour relations are handled locally in Estonia. Labour market unions already existed, but their working area was limited in Estonia. The manager stated, “There are no commonly applied work contracts, the company is responsible for taking care of things properly.” It was still seen that Estonian legislation protected employee rights pretty well. For example, holidays were tightly set and employees’ protection against arbitrary dismissal was similar to that in Finland.

Company C started operations in Estonia as early as the 1970’s. The company worked through buying organizations until Estonia became independent and buying organizations broke up. The company established its own Ltd in the 1990’s but it was not able to work effectively. The manager stated that “We were lucky that we noticed that things are working only apparently. Physically the office was well equipped but e.g. no project information was saved in a computer. There was also a lack of understanding about the company’s long-term aims”. At first, the company thought that it would be possible to replace only part of the employees but this was found to be impossible and in 1995 the whole personnel was changed. Executives were not able to trust that know-how would stay inside the company because Estonia is a small country and culture where people have close relationships to old colleagues. The manager commented that “Reducing the personnel was pretty easy. There are not tight labour unions. Legislation has to be followed and salary for the term of notice has to be paid. It is also possible to negotiate with people and find a solution together”.

Company C has had a clear personnel strategy from the beginning. It was stated that “Finnish know-how was the basis for development and investments in Estonia. It was important to find good local key persons and then it was possible to diminish the number of Finnish expatriates and at the end discharge them all.” New personnel were in a key position when the company started to create new frames for business activities. The company used consults to find
suitable personnel. The manager commented that “The situation was pretty different than now. The consult was easily able to find hundreds of people and then we just started to search for the potential candidates by traditional methods. It was a second birth of the company, when the personnel was totally changed. The atmosphere was cleared and the company rose in half a year to be the market leader in Estonia.” Staffing operations have been much more carefully targeted later. Internet has become an important work-searching tool. According to the interview the staffing function was pretty standardized, i.e. recruitment and selection methods and the main criteria were the same in both countries.

The performance management system was fairly localized although every unit’s strategic planning and budgeting were based on general targets, emphasis areas and development directions given by the parent company. The executive commented that “The unit’s efficiency was measured through individual planning and budgeting. It strengthened the personnel’s need to be responsible for operations of their own unit. It is difficult in Estonia because it is hard to find persons who are ready to take the responsibility. People are used to getting orders from executives and collectively fill those needs”. About the personnel appraisal system the manager stated that “In Finland both collective and individual targets are used. Every person’s targets are tied up with the salary and bonus system. We haven’t adopted the same personnel appraisal system in Estonia, because I believe it causes the wrong kind of competition. Here we use collective targets. If the whole team reaches the target everyone gets a bonus”. Also PM discussions were not used in the same way as in Finland. In that way, performance management was localized in order to fit in with the local special requirements. For example, the aim was to strengthen the personnel’s willingness to take responsibility. At the same time, the company still wanted to maintain traditional collective ways of working, because of the effectiveness of such practices in Estonia.

According to the interviewee, there had been two key groups in developing the personnel: expatriates and local training personnel. It was commented that “Expatriates should be the trainers of local personnel in the beginning. They are business field experts. Unfortunately it’s rare that they are experts in handling people from a different culture.” Secondly, it was commented that “Training of the local staff starts from the people with suitable education and the right attitude”. At first, people were trained to understand the company’s business culture and environment. After that, the focus was turned to personal professional skills and knowledge. It was stated that “When you find the right personnel which wants to learn and change, they will develop very fast. The right key persons can then sell the reform to other employees”. The company has developed and develops training and development, which fits especially Estonian circumstances. The target was to develop inside company training, of which the host country organization takes care. The main topics were the
strengthening of the service-minded attitude and willingness to take personal responsibility. Also language demands were high in Estonia; four languages might easily be demanded. Job rotation was not considered a good training method. All in all, due to the local requirements, the training and development functions were pretty localized. Still, the role of expatriates was also stressed in training.

A rewarding system was standardized in Company C, but the perceived value of monetary rewards was seen to be different in Finland and Estonia. The manager stated that “Money is a good motivation tool in Estonia, because here working is really profitable. The salary level is lower, but also the tax percentage is low and fixed. The more you work the more you have money to spend”. The monetary rewarding system is based on fixed salary, monthly selling provision and year bonuses in both countries. The importance of bonus was bigger in Estonia, because in Finland taxation was much higher. The manager commented that “It makes sense to work the whole calendar year in Estonia. If an employee is considering a new job, the new salary’s ability to compensate for the year bonus has to be counted”. In both countries it was important to pay attention to people. The manager stated that “It is important to pay attention to things which are important for local culture e.g. in Estonia birthdays and education possibilities. In both countries employees are rewarded for goals achieved together. Unfortunately obstacles to rewarding are high costs and taxation in Finland”.

Labour relations were not perceived to be a difficult issue to handle in Estonia. The manager stated that “If a firm follows the Finnish labour legislation in Estonia, it will succeed well. Of course there were some differences e.g. the number of children influences vacations etc. As long as you are on the right side of the law, the risks are not much bigger than in Finland.” The biggest problems were faced in the interaction with local authorities. The manager commented that “The role of local authorities changes at last, the power they are using will become lower little by little. Already the understanding of the language in bureau is one problem but compared to that, corruption is an even higher problem. When we faced it, we decided that we would have time to wait and not foul our hands with it, because you can’t wash them clean any more.” The crisis in Russia made the situation worse, but the reasons behind the corruption were actually pretty human. The authorities were afraid of a collapse of the economy and losing their jobs. All in all, the company followed pretty much the Finnish practice, i.e. the approach was fairly standardized.

The background of Company D differs from other case companies. The joint venture project started at the end of the 80’s. The Finnish part invested in Western technology, marketing and know-how in joint venture in Estonia and the local partner invested in sites and petrol stations. The joint venture was changed later to become a wholly Finnish-owned company. The oil business
activities were at last in Finnish hands in 1997, but the past had already had a remarkable influence on HRM. The executive stated, “We had a joint venture and local partners tried to find skilled labour here and we brought key persons from Finland. Then we started to learn how we could work together”. The affiliate in Estonia has had plenty of expatriates but the long-term target has been diminishing the number of them and reserving key positions for local people. “It was noticed that foreigners couldn’t sell here from door to door or business to business. It is more important to have expatriates who understand core business than ones who have the ability to speak local languages. After some years we will have only a small organization in Finland which understands Baltic issues, not expatriates in Estonia any more.” Concerning staffing, they have done only some local operations. The manager stated that “We can operate more or less with the same personnel. In most cases we have filled new positions from the inside”. The manager commented about used criteria and methods that “We got most employees in joint venture time and at that time here were no consults or other services.” After the interview the company will be faced with a diminishing number of employees. The manager stated that “Socialism was a perfect system on paper and the protection of the employees was good; it will still be very difficult to reduce personnel. Baltic labour legislation is hard and it includes sanctions.” Due to the joint venture background, the recruiting has been a rather localized function. The manager stated that “Right now our companies in all Baltic countries look different. The Estonian unit looks like my ways of doing things and other Baltic units work the same way as my colleagues. Now we are trying to make them more similar, which is challenging”.

Focusing on the Baltic region as a whole has risen as an important topic in Company D and it doesn’t concern only staffing. The manager commented that “We try to take care of three countries as if they were one country and it is always also a question of efficiency.” Within the performance management system the focus was on the economic targets in the unit level. The manager stated, “One basic difference between companies in Finland and in the Baltic countries is size. Although we are smaller, we make budgets individually and have the same demands and criteria as companies in Finland”. Performance management has changed much in the last five years. Earlier the role of specific job descriptions was more central when measuring performance. It was commented that “People were used to the Russian system, which had very specific job descriptions. Now in this model, which is used in the Nordic countries, it is only suggestively said which are the employee’s work tasks and together as team we had to get all things done”. The goal has thus been to move to a more standardized performance management system across units.

The level of education was seen to be traditionally high in Estonia and people were seen to be eager to educate themselves further. The interviewee stated that, “It is very common for people to work during the days and study for a
university level at night and weekends”. Estonian society has changed tremendously. It was commented that “Estonia has changed in five years as much as other countries in 20-30 years. These people haven’t gone through all transition phases, they have moved directly from the Soviet system five steps straight up”. It was seen that in such a situation it is more important in the beginning to learn internal business ideas and practices than to study more general-level theories. At the beginning Company D sent people from the Baltic countries to Finnish units to learn, but then it was noticed that Finland is too different a place to work in. The executive commented that “We started to bring experts here. They were experts with an understanding of the Baltic background.” The idea was again to manage the Baltic operations as a whole. In addition, job rotation was used in order to give employees the possibility of learning new issues and thus of being more ready for future challenges. In development the employees’ own efforts to educate themselves was a benefit.

According to the interview, the rewarding system was mainly standardized across units in Company D, although there were some small differences. The manager stated that “The basic outline has been that we have a competitive rewarding system but we are not changing it often. It gives the employees a basic feeling of security.” During the last few years the company has used a partial incentive and bonus system. The executive commented that “Building the bonus-systems needs much work. How big are the efforts? I believe that simple is beautiful. I hope that we are not creating such complicated systems that all our time goes to planning.” According to the interview, giving feedback is a very important part of a rewarding system. It was said that “People in Estonia expect more feedback than in Finland. People in Finland feel embarrassed even by positive feedback, but here people need it and take it well”.

According to the interviewee, labour relations were very much tied to company in Estonia, i.e. localized. The manager stated that “Under Soviet trade unions, employers’ and employees’ federations had a remarkable position in society. When the Soviet Union collapsed, the unions lost their position but they still exist. Now new labour unions are following the unions’ actions and position in surrounding countries and then they will slowly get some role in Estonia again”.

6. Conclusions

The present study reported findings from a pilot study on HRM in Finnish owned foreign affiliates in Estonia. Table 1 provides a comparison of the MNC approaches concerning five key HRM functions. After the table, the cross-case analysis of HRM functions is briefly made.

In three case companies of four the staffing practices and methods were fairly standardized, i.e. similar methods were used in Estonia as in the home country
units. The most standardized criteria and methods were used by Company B. The company has coherent firm culture and clear staffing principles which were followed in both countries. In the case of Company A, the difficult staffing situation of the business area was emphasized. The telecommunication field is so young that telecommunication firms had created new ways of recruiting new staff in Finland too. The staffing function was pretty standardized in Estonia and the parent company was kept as a predecessor whose operation models were good to follow. The more traditional manufacturing firm Company C, has nowadays a pretty standardized staffing function, though at the beginning of the Estonian operations things were a little bit different. The only company which used more localized approaches was case company D. The key reason behind this difference was the joint venture background due to which the local partner chose personnel. The Finnish partner had practically no chance of influencing the matter. In later phases only very few recruitments were made.

Table I. A comparison of the MNC approaches concerning five key HRM functions

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As in the case of staffing, three companies out of four used fairly standardized performance management systems across units. The purest standardization approach was represented by Company B: measuring tools and tools tied to rewarding systems were highly standardized. The only exception to standardizing was stressing the reduction of waste; it was appreciated more than in Finland. The performance management system was fairly standardized across units also in Company A since personnel appraisal methods, which functioned well in Finnish units, were applied in Estonia. Still, minor modifications were made, for example, since employment contracts were still in a fairly central role in performance management in Estonia. The case was very similar in Company D though the situation was under change since the aim of the firm was to move toward Baltic approaches. The most localized approach was represented by Company C. In the Estonian unit collective targets were stressed while in Finland individual targets and their supervision were emphasized. Estonians were not considered to be ready for individual evaluation and Finnish style of performace discussions because of historical reasons.

In the case companies a localized approach to training and development was dominating due to the context–related training needs. Although the business areas were different, all companies stressed development, fitted to local needs.
In all case companies the Estonians’ positive attitude to education was stressed. This has also been noticed in former studies in Estonia (e.g. Tulisalo et al. 1994; Üksvärv et al. 1993). Case companies emphasized different areas of development but one common area of development was customer service skills. In spite of their desire to learn, it was sometimes hard for employees to adopt adequate service attitude to customers. The approach taken by Company D was to some extent different since in that case the company aimed to develop regional development approaches for the whole Baltic area.

Rewarding was pretty standardized across countries in all case companies. Especially monetary rewarding systems were imported from the parent company. Transferring the monetary rewarding system was also considered to be pretty easy to carry out. In former studies the importance of money as a motivation tool in Estonia was stressed (Tulisalo et al. 1994). This appeared in the present study also, i.e. monetary rewards were found to be effective in Estonia. On the other hand, that interest had to be aroused by other methods such as feedback. Establishing such feedback system was found to be more difficult, because it was closely tied to culture.

All in all, the study showed that the case companies did not have a clear selected approach to HRM in foreign affiliates in Estonia, i.e. those had not systematically standardized or localized all the HRM-functions. Rather different approaches were used across HRM functions within the same companies. Still, some clear differences could be found within companies. For example, one of the companies was clearly aiming at standardization when possible, while another one was moving toward a regional approach to HRM.

Similarly, no dominating approach could be found in most of the HRM-functions, i.e. within the most HRM-functions at least one of the case companies had applied a different approach than the others. This indicates that in addition to the analysis of national cultures / contexts as entities we should focus as well on differences within fields of industries and within companies to fully understand the factors behind standardization vs. localization decisions. In addition, the field would benefit from the analysis of the effectiveness of such different approaches in combination with the contextual analysis in order to understand when different approaches are efficient and when they are not. The strengths and weaknesses of these approaches are very different, and deserve further attention in future research. When the trend seems to be toward globally integrated HRM-systems, at least within companies with global strategies, clearly more research is needed on global HRM solutions concerning all aspects of HRM.

References


Corporate Governance and Capital Groups in Poland*

Maria Aggestam**

The process of systemic change in Poland has brought about major changes in corporate governance. The enforcement of new laws has created a culture of compliance that has shaped capital groups and the management ethos of the groups, spurring them to improve. It is argued that the Polish versions of capital groups are markedly different from their western counterparts as they reflect unique historical patterns and socio-economic environments. The purpose of this paper is to discuss governance structures within capital groups from their transformation, institutionalization contingencies. Describing current forms of capital groups, the focus is on governance issues illustrated by two capital groups. Building on the Weimer/Pape (1999) framework, a taxonomy is proposed which contrasts governance in Poland with other economic systems. The paper concludes with preliminary theses about trends and current challenges for governing capital groups.


Key words: Corporate Governance / capital groups / transition economy / Poland

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Introduction

Extensive and complex governance systems have evolved over centuries in “western” types of market economies. In Poland, one of the primary challenges faced by corporate governance stems from the breakdown of the old and the enforcement of the new socio-economic system. Market-focused laws, policies, administrative practices and controls, supporting institutions and managerial cultures were in their infancies in the beginning of 1990 (Wawrzyniak et al. 1998; 2002). The lack of experience and absence of model behavioral patterns to follow were impediments to building an efficient base for the growth of firms. Other impediments included weak judicial systems, underdeveloped institutions and financial sector, scarce human resources, and complex ownership structures. The business environment lacked the institutional and professional infrastructures needed for a competitive marketplace. Also, institutional investors overrelied on debt financing and were not yet strong enough to demand fairness, efficiency and transparency of actions. Such conditions created an environment of ups and downs with steady gains in corporate governance. The process, however, was extremely fragile and struggling for survival.

Over the last ten years, privatization programs have transformed the economic landscape in Poland by transferring government-controlled assets into private hands. The process of de-nationalization of the state assets started in the 1990s and a variety of developments in the grass-rooted companies helped to overcome environmental jolts (Aggestam 2002) and then provided enthusiastic endorsement of the steps to economic recovery. The challenges of the environmental jolts also offered opportunities for the state and the private sector to change behaviour and existing rules of the game. In the most turbulent environment in the recent history, the marketization of the companies presented unique challenges to the restructuring of the firms and their managing rapidly changing politics, technology and markets. These firms faced the need to realign radically their competitive assets with rapidly changing market conditions with full cognition of the ongoing turbulent evolution of their environments. The economic argument in favour of reforming the economy was to improve the allocative efficiency and competitiveness of the industries and operating firms in order to promote economic growth of these companies. The privatization of state-owned enterprises was the key element of the transformation, enabling the founding process and creation of “capital groups” operating on the basis of defined ownership rights. “Capital groups” are a Polish version of business groups that are legally independent, joined together by distinguishing mechanisms such as, e.g., ownership relationship, forms of corporate governance, and usage of resources. In other words, capital groups are defined here as a set of companies within connected industries pursuing common development strategies. The main goals of the transitioning capital groups were to improve the efficiency within firms and to lead to better overall
economic performance. The reforming of the public assets was critical to an effective partnership relationship. Another important effort was building consensus and sharing expertise and other resources and assets among the players. Moves towards business concentrations and building the private or semi-private sector were generally oriented towards strengthening the market positions and sustaining the economic power of the firms involved.

With little worldwide attention, the rise of new governance structures in Poland and other Central European countries had fundamentally transformed these economies. The result is an incomplete understanding of the distinctive Polish governance process and the rise of “capital groups”, a Polish version of business group. This paper addresses this gap and some issues that are central to corporate governance. Corporate governance is a framework of legal, institutional and cultural factors shaping the pattern of influences which stakeholders exert on managerial decision-making (Weimer/Pape 1999). The paper also provides insights into transitional processes during the initial stages in the development of capital groups in Poland.

The aim of the present paper is to examine the special character of corporate governance issues associated with capital groups in privatized companies in Poland. This character is important in fostering an efficient governance structure and is to be placed in the perspective of three parallel processes: transformation, institutionalization and collateralization. Those processes created new imperatives for Polish companies to be part of and participate in the new (for the country) market logic of the international economy. Research on Polish corporate governance is very new and started only over the last decade. This paper contributes to knowledge on corporate governance and capital groups in Poland by bringing together insights about socio-economic aspects. The study was primarily descriptive and multiprocedural. It was based on annual and quarterly reports and accounts, a variety of archival sources, newspaper reports and publicly available official documents.

The main point of this paper is that the corporate governance and capital groups in Poland are unique and reaching increasingly into the business life in Poland. The central argument advanced here is that developments of corporate governance within capital groups in Poland were shaped by current socio-economic developments. This paper is best understood as an essay employing both theoretical conceptualizations and some empirical examples in order to enhance the understanding of corporate governance and the problems of capital groups. More specifically, this paper focuses on how, for example, the creation of National Investment Funds (NIF) became a powerful presence that continually influenced the process of group transition. Finally, the study focuses on the overall operation of two groups: the National Investment Fund and the Exbud S.A as illustrative examples. This paper does not discuss the portfolio companies.
The establishment of capital groups in Poland was linked to processes of internationalization and concentration of business operations and to enterprises aiming to achieve competitive market advantages and goals. There were usually strategic goals, for example, limiting uncertainty and risk, using the synergy effect and effect of scale, in order to consolidate a competitive position. What was specific to establishing capital groups in Poland was the creation of capital and organizational constructions as a result of marketization processes in state-owned companies and as a result of the implementation of the mass privatization program (NIFs). From this point of view, the emergence of capital groups was also the effect of political and social decisions that created broad social support for the transformation processes.

The paper has three parts: (1) introduction and clarification of the contribution of the study; (2) description of the corporate governance and capital groups in Poland; and (3) illustration of the origin and characteristics of two capital groups. The paper concludes with review of challenges to the operation of the capital groups.

Corporate Governance

The theoretical roots of corporate governance date from 1932 when Berle and Means conducted their seminal investigation of the control system in the American corporation. In Europe and especially in Central European countries such research was scarce. The processes of transformation and internationalization occurring in the Polish economy and the implementation of market regulations have led to increased interest in issues of corporate governance (Aggestam/Stobińska 2002; Bossak/Zalega 2001; Koładkiewicz 1999; 2002; Wawrzyniak et al. 1998).

Weimer and Pape (1999), in summarizing research on corporate governance focused on country-level systems of corporate governance and listed eight characteristics that describe the salient features of different systems. They include the following: the prevailing concept of the firm; the board system; the salient stakeholders able to exert influence on managerial decision-making; the importance of stock markets in the national economy; the presence or absence of an external market for corporate control; the ownership structure; the extent to which executive compensation is dependent on corporate performance; and the time horizon of economic relationships (Turnbull 1997:153). Corporate governance at the firm-level is related to these characteristics. Weimer and Pape also point to work by Scott (1985), deLong (1989), Moerland (1995) and Weimer (1995) as indicating four groupings or styles of corporate governance systems among relatively rich, industrialized countries: Anglo-Saxon; Germanic; Latin; and Japan. The Polish system appears to be a mixture of the Germanic and Anglo-Saxon styles. The four different systems in the Weimer-
Pape taxonomy include but differently emphasize the eight characteristics which are included in the main corporate governance structures and processes.

\textit{Table 1. Taxonomy of systems of Corporate Governance*}

<table>
<thead>
<tr>
<th>System/Style</th>
<th>Anglo-Saxon</th>
<th>Germanic</th>
<th>Polish Mixture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orientation</td>
<td>Market-oriented</td>
<td>Market-oriented</td>
<td>Network-oriented/ market-oriented</td>
</tr>
<tr>
<td>Country</td>
<td>USA, UK, Canada, Australia</td>
<td>Germany, Netherlands, Switzerland, Sweden, Austria, Denmark, Norway, Finland</td>
<td>Poland</td>
</tr>
<tr>
<td>Concept of firm</td>
<td>Instrumental, shareholder-owned</td>
<td>Institutional</td>
<td>Institutional</td>
</tr>
<tr>
<td>Board system</td>
<td>One-tier (executive and non-executive)</td>
<td>Two-tier (executory and supervisory)</td>
<td>Two-tier (executive and supervisory board)</td>
</tr>
<tr>
<td>Salient stakeholders</td>
<td>Shareholders</td>
<td>Industrial banks (Germany), employees, in general oligarchic group</td>
<td>Financial holdings, the government, families, banks, other financial institutions</td>
</tr>
<tr>
<td>Importance of stock market in the national economy</td>
<td>High</td>
<td>Moderate/high</td>
<td>Moderate/high</td>
</tr>
<tr>
<td>Active external market for corporate control</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>Low</td>
<td>Moderate</td>
<td>Moderate/high</td>
</tr>
<tr>
<td>Performance-dependent executive compensation</td>
<td>High</td>
<td>Low</td>
<td>Moderate/low</td>
</tr>
<tr>
<td>Time horizon of economic relationships</td>
<td>Short term</td>
<td>Long term</td>
<td>Short term</td>
</tr>
</tbody>
</table>

* Adapted by the author from Weimar-Pape 1999

Accordingly, the Anglo-Saxon style describes corporate governance in the United States, United Kingdom, Canada and Australia. The Germanic style describes governance processes in Germany, the Netherlands, Switzerland, Sweden, Austria, Denmark, Norway and Finland. The Latin system of corporate governance includes France, Italy, Spain and Belgium. The Japan system includes corporate governance processes in Japan. As with other taxonomies
attempting to describe differences among national characteristics, structures or practices (e.g., Hofstede, 1985), the factors and the classifications in the Weimer-Pape scheme are illustrative and heuristic rather than authoritative. The factors along which corporate governance processes can be compared and the tentative groupings or systems of governance in the Weimer-Pape taxonomy are of interest to conceptualizations here. A re-presentation of the Weimer-Pape (op cit. 1999:154) taxonomy is made in Table 1 with special reference to Poland. In this taxonomy, the eight descriptors of corporate governance are related to the two main systems, that is, Germanic and Anglo-Saxon. Corporate governance in Poland is seen as a mixture of these two systems.

**Creation of Corporate Governance Systems in Poland**

Research in various governance-related fields poses unique theoretical and practical challenges. Research generally finds that corporate governance systems are subject to local, institutional and cultural conditions (Aggestam/Stobińska, 2002; Tricker, 1984; Wawrzyniak et al., 1998; Weimer/Pape 1999). In Poland, due to protracted privatization reforms, corporate governance systems are very young and continually developing. In the near absence of models to follow, Polish governance systems have had to evolve a language for describing the nexus of the new systems of rule-making, political and economic coordination and guidance for solving problems across and beyond the newly privatized companies. That has posed an increasing demand in recent years for research on corporate governance in Poland (Wawrzyniak 2002). The demand has also been fueled by the desire to overcome strategic disadvantages and firm’s agency problems in increasingly turbulent market. Research is also challenged to provide attention to how corporate governance influences the formulation and attainment of goals and organizational strategies in larger economic units.

Corporate governance is a framework of legal, institutional and cultural factors shaping the pattern of influences which stakeholders exert on managerial decision-making (Weimer/Pape 1999). In other words, corporate governance provides for internal and external pressures on management to take decisions in the interests of stakeholders of the firm. In Poland those internal and external mechanisms were weak (Dharwadkar/Brandes 2000). One example is the privatization of Krosno by the Polish state-body (individual investor, 28 percent equity; employees, 12 percent; a local firm 10 percent; the Polish development bank, 15 percent; and the state-body 35 percent) has to be regarded as weak internal and external governance. Poland does not have effective internal and external governance mechanisms that can diminish traditional principal-manager problems (Carlin/Aghion 1996). More experienced economies that lack strong internal governance can use external governance as a substitute. In Poland, firms are not required to send shareholder proxies prior to meeting, a
practice that can limit shareholder actions. Adding to the unique situation, the Polish business landscape is characterized by small illiquid capital markets and underdeveloped bankruptcy mechanisms (EBRD 1998).

Through corporate governance, managerial decision-making is made to focus on creating value for the stakeholders through adroit uses of intellectual capital (Keenan/Aggestam 2001). Broadly, the governance system structures the distribution of corporate control rights over stakeholders including shareholders, board members and the managerial core. In Poland, governance systems are characterized by their persistent rules and regulations, sheer energy and sometimes-controversial practices (Kolodko 2000). They are ideologically focused on the market and largely technocratic, relying on rules and regulations as control mechanisms for compliance. Little attention has been shown to how stakeholders think, feel and act. Such human factors were important to accomplishing the efficiencies dictated by the reforms.

In a capital group where ownership and management are separated, agency problems become critical. Making strategic organizational decisions in each group’s corporate governance is affected by the key actors, for example, managers, employees, shareholders, the competition, customers, state administration (Tricker 2000; Weimer/Pape 1999). Corporate governance of the firms and the process of formulating their goals is focused, on one hand, on meeting the challenges for implementing new institutional solutions and, on the other, by a multitude of personal interests and motives.

The corporate governance system in Poland can generally be characterized as market- or short-term shareholder-oriented (Dockery/Herbert 2000) but also in some cases network-oriented (Trocki 1998) with a two-tier board: a supervisory board and central management board. In NIFs the governance rests upon a system of accountability involving monitoring, evaluation and control of the firms under their management.

**Capital Groups in Poland: Development Paths**

The establishment of capital groups in Poland is largely linked to the process of the state withdrawing from direct ownership, implemented after 1989. While marshalling support for corporate governance reform, the state nevertheless occupied a central position in the economy by being both a dominant shareholder and as an establisher of regulatory devices in the process of creating market-oriented mechanisms (Morawski 1998). This was evidenced not only in the administrative mode of implementing market regulations but also through the state’s direct involvement in the market as a “substitute” owner. The government’s involvement in the founding and ownership of companies was a special challenge to economic reform in Poland and has affected the operation of capital groups.
Poland moved slowly into the process by privatizing 500 companies, a procedure that initiated a state-created investment fund as a control mechanism over shareholders in each privatized company. To assure that the ‘equal access vouchers’ (Hashi 2000) created by the state would control individuals investing in privatized companies, Poland designed “voucher investment funds”. Creation of private investment funds did not initially allow individuals to invest directly in the stock of newly privatized companies. Polish law mandated that individuals could invest their voucher certificates only in a state-created financial intermediary called the National Investment Funds (NIFs) which served as a mechanism to control shareholders of the privatized companies (Lewandowski/Szyszko 1999). The funds were given the status of joint stock companies competent for enlarging the assets of transformed firms into companies included in the funds (Koladkiewicz 1999; Sztyber 1997). Only fifteen NIFs were chartered, each being assigned a controlling 33% of shares in the 500 privatized firms. The balance of the stock in each company was held by other NIFs and by the state (Simonetti et al. 1999). In the companies where NIFs held a controlling stake special management companies were employed to advise on restructuring those companies. The composition of NIFs, that is, capital groups, in terms of shares and the role of their electorate (foreign and domestic) was significant. Polish banks were members of nine of the NIFs groups. NIFs No: 12, 10, 6 and 2 launched their operations with higher sectoral specialization. Polish institutions had a majority share in three of NIFs (NIFs No: 1, 2, and 3). In six NIFs (No: 5, 6, 8, 10, 12, 13), a single foreign institution had a majority control (over 50%) over the management company, and in four other cases (No 4, 7, 14, 15), the joint shares of foreign partners held control of the management company. In NIF No 11 there was no identifiable group as majority control of the management company. NIF No 9 never had a fund manager. Overall, this system encouraged serious problems. One of the major problems was delaying the privatization processes by political infighting over diverse issues such as, for example, selection of a management company that was capable of running the NIFs. Another problem was that its activities have become significantly politicized. The result was that in 1998 only 253 companies out of 15 NIFs were listed on the Warsaw Stock Exchange (PAP News Service 1998). The Polish system deliberately created its stock exchange so it could play the classic role of being the energizer of economic growth and barometer of its economic status.

For certain, capital groups in Poland have not been developed in a political or economical vacuum. There has been a shift away from the complex nature and form of earlier highly politicized concentrations of companies. In recent years, newer capital groups have emerged with the distinctive extensive form and function of economic and political networks and pressure groups. Aggestam/Stobińska, (2002) identified four development paths of capital groups in Poland based upon Romanowska’s (1998) study of capital and
organizational concentration. The groups differ depending upon the role and the principal motivation of the state. There are two types of state involvement: as substitute owner and as guarantor of market regulation. The state also has two motives: political or economic. The aim was to achieve political approval and economic advantage in increasingly turbulent market. Thus, there are four combinations of capital groups: (1) capital groups which were started by the state as the substitute owner and for political purposes; (2) groups that were started by the state as a substitute owner and for economic reasons; (3) capital groups that were started with the state as a guarantor of market regulations and for political purposes; and (4) capital groups started with the state as guarantor of market regulation and for economic reasons. Table 2 illustrates this taxonomy.

Table 2. The Origin of Capital Groups in Poland

<table>
<thead>
<tr>
<th>Type of state involvement</th>
<th>Substitute owner</th>
<th>Guarantor of market regulation of economic relations</th>
</tr>
</thead>
</table>
| NIFs                      | KGHM (Copper Company)  
                           | Katowice Steel Mill  
                           | Sendzimir Steel Mill |
| Coal companies            | ELEKTRIM  
                           | AGROS  
                           | EXBUD |
| Sugar holding-companies   |                  |                                                  |


The coal companies and sugar holding companies are examples of a combination of political motives and the state’s role as a guarantor of market regulation of economic relations. The creation of NIFs exemplifies the domination of political goals and the state’s role as a substitute owner in the transformation processes. In other words, it is a state-centric conception. For example, creating capital groups, e.g., KGHM Polska Miedź, Katowice Steel Mill and Sendzimir Steel Mill, from the previously state–owned bodies was due to privatization of the companies, market inefficiency, underdeveloped capital market and other economic motives. New market regulations based on economic imperatives aimed at enabling transformation of the companies resulted in capital groups such as Elektrin, Agros and Exbud. The position of those newly created groups provided new challenges including, for example, the need to manage effectively and efficiently complex workforces, establish new understandings of buyer-supplier agreements, and adapt to practical requirements of international standards and other transaction-related challenges.
Pressures on Corporate Governance in Capital Groups

The goals and strategies of capital groups are established early at their point of origin. Inscribed into their existence are the ways in which the capital group will continue to respond to extrinsic that is, external, and intrinsic, that is, internal forces. External influences on corporate governance are exerted by the government, markets, investors, and customers. Intrinsic influences are exerted by the managerial core and employees. Over the life time of the capital groups these influences play a continuous role. The capital group can adjust in four ways. It can adapt to or resist the external forces and it can adapt to or resist internal forces.

Adaptation to extrinsic force:

In response to external force the capital group changes its rules, regulations and decision making processes. This option includes gradually redefining the goals, structures and methods of operation in meeting market and other external influences. By being set up by the government, the NIFs are examples of adapting to external forces. Companies are differently affected. For some companies, the external influence results in deep restructuring for achieving a competitive position on the market. For other companies, the external influence provides a life saving association with more successful companies, thus survival.

Adaptation to intrinsic force:

This option involves setting goals and mobilizing resources in response to internal pressures. Such pressures can be focused on better utilization of resources and improving a competitive position. The influences come from managers and employees. An example of adaptation of to intrinsic force was the capital group KGHM Polska Miedź whose management strategized improving the group’s position in the international market.

Resistance to extrinsic force:

This is an option involving avoiding or blocking influences from external forces. The resistance is toward being subordinated to governmental, regulatory, stockholder or market pressures. This option often involves mobilizing political resources to avoid the changes. An example of a capital group resisting external pressure was in a case of coal companies whose ingrained procedures and narrow product line, as well as employee resistance, militated against changing.
Resistance to intrinsic force:

In this option the management of the capital group resists pressures from employees and managers for change. The changes may be in redefining goals, changing structure and methods of operation, or seeking new opportunities in the market. Whatever the reason for resisting the internal pressures, the established ways of doing business persist. Exbud provides an example of a capital group that resisted internal pressures to some extent. Eventually, extrinsic forces prevailed and the capital group was acquired by a foreign investor which discharged the management and re-defined structure and methods of operations.

The origin of capital groups in Poland also defines the basic orientation of the mechanisms for exercising corporate governance. The Polish transformation, particularly, the uniquely situational administrative implementation of reforms, the parallel implementation of economic and social goals, and the weak capital market, has resulted in corporate governance solutions similar to the network-oriented model (Wawrzyniak et al. 1998). A basic assumption of network-oriented relationships is that parties are mutually dependent upon resources controlled by another, and that there are gains to be realized by the pooling of resources (Powell 1990). The network form of governance according to Morgan (1991:2) is somehow impervious to the market and hence not yet influenced by the ‘bottom line’ imperatives of the market-oriented system. Network-oriented models represent a coalition of interests and remain a significant feature of the new governance order. A special feature of this model from the point of view of the present paper is an institutional understanding of a group as an autonomous economic unit forming a coalition of different actors – shareholders, managers, employees, suppliers, national and local authorities, etc., who aim to preserve the company’s continuity (Weimer/Pape 1999). The preservation of the group’s continuity is the most urgent problem due to the decline of economy and to the managerial inefficiency. This situation opens up possibilities for the development of different configurations of influence – dominated by outsiders (externally oriented actors, shareholders) vs. dominated by insiders (internally oriented actors), and different configurations – based on control of internal resources vs. control of the possibilities created by the market. This allows identifying two ways of exercising corporate governance: the internally oriented method and the externally-oriented method. The internally-oriented type is focused on improving the group’s market position and competitive edge and fulfilling managerial’ and shareholder interests. The externally-oriented type is oriented toward maximizing the effects of the group’s functioning and fulfilling mainly the shareholders’ interests (e.g. financiers and creditors). This is illustrated in Figure 1.
Strategies For Growth of Capital Groups

Capital groups in Poland have adopted various strategies in order to stay alive and grow. A new infrastructure of corporate governance has evolved which presents problems and limitations. Capital groups in Poland are not immune to complex governance problems. As with all capital groups, management and organization are problematic (Dockery/Herbert 2000). For example, mechanisms for guaranteeing investments by owners and financiers are only in their infancies and are unable to protect the interests of outside stakeholders.

Fig 1. Directions of Corporate Governance

TRANSFORMATION
(e.g. adapting new rules, laws and regulations; learning and unlearning and a focus on brokering and alliance-building)

INTERNAL
1. Portfolio restructuring
2. Company restructuring
(e.g. channels for transacting internal affairs.)

Directions of Corporate Governance
Transformation

EXTERNAL
1. Collateralization
2. Portfolio management
(e.g. channels for transacting external affairs)

FUTURE DEVELOPMENTS
1. Incorporation into EU-processes
2. Internationalization
(e.g. channels for adaptations to international standards)

Institutionalization
At the analytical core of corporate governance is a concern by contested authority structures. Accordingly, the focus is on evolving system of (formal and informal) economic and political coordination across multiple levels of firms’ authorities. Although this system transcends variety of conflicting questions circulating around shift how corporate governance affairs and transboundary firm’s problems are governed. For me, and many other researchers (Koladkiewicz 2002; Wawrzyniak 2002) these developments represent the evolving new infrastructure of a fragile system of corporate governance. Governing capital groups is a process of never-ending restructuring, collateralizing, portfolio restructuring and managing shareholders portfolio. Restructuring refers to strategies oriented mainly toward carrying out organizational restructuring activity in subsidiaries with the aim of increasing their market value. This strategy assumes there is no pressure to downsize the weakest companies, because firms can still create wealth or values for its stakeholders after appropriate changes. Collateralization refers to strategies oriented toward selective support for subsidiaries’ operations, diminishing number of firms that “don’t fit” the portfolio and acquiring shares in companies in the sector and outside the group. The strategy involves an active policy in shaping the fund’s portfolio according to the sector criterion. Portfolio restructuring concerns strategies oriented mainly toward increasing the value of the shareholders’ portfolio by supporting economically strong subsidiaries and acquiring shares in companies from outside the group. Restructuring processes carried out by the companies are assisted in some way by the fund, but this is not the dominating strategy. Portfolio restructuring and managing of the shareholders’ portfolio refers to strategies oriented toward trade within companies. These are activities aimed at searching for foreign investors and an active strategy in relation to minority stakes.

A Note on Methodology

There is a growing consensus that macro-analysis of the socio-economic situation in one country does not always translate globally or universally. The socio-cultural and economic environment of Poland is unique, diverse and complex. Mirroring such diversity, the development and evolution of Polish firms and in particular their governance has been diverse. The Polish socio-economic and cultural architecture has both allowed and fostered special, diverse consequences for the design and functioning of firms and their corporate governance. In the context of its unique business environment, corporate governance in Poland has had a different evolution and character. Therefore, the phenomena studied here should be approached with a discriminating eye or what Denzin (1994) called the ‘art of interpretation’. He argued that interpretation is a difficult task for the researcher who is trying to make sense of what has been learned. All that has been learned and understood
gives rise to a new body of conceptualizations to be further communicated to the reader.

The meta-analysis method was used for gathering the data for this paper. Meta-analysis is a quantitative method of combining results from other studies (Hunter/Schmidt 1999; Sama/Papamarcos 2000). The cumulative approach required professional judgments about what information was relevant and about data and sources of data. Having this in mind I sought to collect and select information from various secondary sources that would allow me to accumulate data pertinent to the focus of this paper. The sources included: (1) books; (2) academic journals and periodicals; (3) non-academic journals and periodicals; (4) daily press and media information; (5) working papers from various research institutes (6) statistics and reports from international organizations; (7) reports and programs conducted by Polish university, and (8) narrowly-focused research programs documented in internal reports by a Polish university.

These secondary sources were supported by comparative statistics and accounts from the European Bank of Reconstruction and Development (EBRD); and research papers from the World Bank, Washington, DC; OECD (http://www.oecd.org). The paper also uses statistics and other information gathered from the KBN research program conducted by a Polish university in Poland during 1995-1997 and 1990-2000 by Professor B. Wawrzyniak and documented in his book “Polish Capital Group, European Perspective”, issued in 2002. Some of those original sources of my inquiry may present a difficulty to the international reader as they are published entirely in Polish language.

**Illustrations 1: Exbud Group**

The previous section has described the development and dynamics of corporate governance in Poland. In this section, I illustrate two of the capital groups and their complexities

Exbud S.A. was established in October 1977 as an Export Bureau coordinating the export services of a regional group of construction enterprises. The privatization process of Exbud began in the early 1990s and resulted in a capital group that comprised: (a) Exbud joint-stock company conducting its own business operations and coordinating the operations of the group; (b) the company’s representative offices abroad, conducting limited business operations; (c) single-owner limited-liability companies established by Exbud S.A. with 100-percent Exbud S.A. ownership, functioning as separate business units with their own business operations; and (d) companies with mixed capital (including foreign capital) in which Exbud S.A. held minority stakes.

In the first half of the 1990s Exbud S.A. took an active part in the processes of ownership restructuring, that is, investing in business units within the
construction sector and outside it (e.g. publishing a regional daily newspaper, printing color magazines).

The strategy of diversifying business operations was aimed at maintaining the group’s financial stabilization in a turbulent environment. During the second half of the 1990s the group consistently implemented a strategy of building a major position in the construction sector. Exbud’s strategy for the years 1999/2000 included a target 2.5% share in this market. This goal was to be reached by measures including the development of operations in sectors with the lowest investment potential (housing, road and hydro-engineering construction’ and construction for the needs of the energy sector), acquisitions of new companies operating in these sectors, increasing existing stakes in companies, and implementing planning and controlling systems in project execution.

Figure 2. Exbud –Skanska S.A.

<table>
<thead>
<tr>
<th>Corporate Stuff</th>
<th>Senior Executive Staff</th>
<th>Skanska Teknik</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skanska Project Development Sweden</td>
<td>Skanska Project Development USA</td>
<td>Skanska Financial Services</td>
</tr>
<tr>
<td>Skanska Bot</td>
<td>Skanska Sweden</td>
<td></td>
</tr>
<tr>
<td>Selmer Skanska</td>
<td>Skanska Denmark</td>
<td></td>
</tr>
<tr>
<td>Skanska Oy</td>
<td>Exbud Skanska</td>
<td></td>
</tr>
<tr>
<td>IPS Skanska</td>
<td>Skanska UK</td>
<td></td>
</tr>
<tr>
<td>Skanska USA Building</td>
<td>Beers Skanska</td>
<td></td>
</tr>
<tr>
<td>Skanska USA Civil</td>
<td>Sade Skanska</td>
<td></td>
</tr>
<tr>
<td>Skanska International Projects</td>
<td>Skanska Telecom Networks</td>
<td></td>
</tr>
<tr>
<td>Skanska Services</td>
<td>Skanska Services</td>
<td></td>
</tr>
</tbody>
</table>

An expansive investment policy under conditions of the deteriorating situation in the construction market in the late 1990s led to the decline of the group’s financial condition. Threatened by a hostile takeover in 1999, Exbud undertook ultimately successful action toward a takeover by a strategic investor – Skanska AB (Swedish based multinational). In the Skanska AB group, Exbud plays the role of a local partner, i.e., a company whose operations focus exclusively on the Polish market. The ownership changes led to the company’s restructuring. The core businesses – general and industrial construction, hydro-engineering
construction and road construction – were separated out and coordinated by sector leaders from other companies within the Exbud group. Exbud became a part of an international cooperation but focused entirely on the Polish market.

The takeover of Exbud by a strategic investor had a significant impact on the mechanisms of corporate governance in the Exbud S.A. group. One characteristic feature of corporate governance at Exbud prior to the takeover by Skanska AB was extensive autonomy of the company’s Management Board. This was facilitated by the company’s ownership structure whereby major shareholders formed a group of inactive institutional investors (a British and an Austrian bank held 5-10% of the shares), while the remaining shareholders comprised a numerous group of foreign and Polish investors, including a sizable group from the company’s top management. The strong position of the Management Board (as a result of dispersed shareholding) guaranteed it an influence on decisions concerning the takeover of the Supervisory Board, in which the company’s employees were the majority. At the same time, documents specifying the competencies of the company’s owner-related bodies did not offer the Supervisory Board possibilities of interfering with the work of the Management Board. Thus, the Supervisory Board’s role was in fact limited to accepting any actions undertaken by the Management Board. The founding owner’s governance method over subsidiaries in Exbud group formally comprised four elements (the Exbud Management Board, the subsidiaries’ Management Boards, the subsidiaries’ Supervisory Boards, the founding owner control bureau and functional specialist offices). In view of the ambiguousness of the competence and responsibility of these bodies, and in spite of Exbud’s strong ownership position in the subsidiaries, effective influence over the subsidiaries was problematic. In effect, the subsidiaries’ management boards enjoyed a large degree of autonomy in making strategic decisions, all the more so since the companies’ Supervisory Boards copied the non-interfering style of conduct of Exbud’s Supervisory Board. The management viewed the strong position of the Exbud Management Board and the extensive strategic independence of the subsidiaries as the strength of corporate governance in the group. However, this model of founding owners controlling became the source of substantial problems: (i) the impossibility of developing a uniform market strategy for the group; (ii) the subsidiaries’ making decisions against the interests of the owner; (iii) limited possibilities of consolidating operations within the group.

The system of corporate governance in the Exbud S.A. group after the takeover by the strategic investor changed significantly both at the capital group level and at the subsidiary level. These changes consisted in introducing the corporate governance model used by Skanska AB. This model includes: (1) mutual structural and personnel ties to the companies’ bodies; (2) the presence of managerial groups as an element of operational management; (3) following
uniform procedures in terms of economics and finance; and (4) expanding local principles of exercising corporate governance.

To date, corporate governance in Exbud SA has included four major developments: [1] introduction of the principle of corporate management in the dominating unit and the subsidiaries; this corporate principle means that a Management Board includes employed members, but also, as non-employed members, members of the operating unit’s Management Board; this principle is implemented at all of the group’s operative levels; [2] appointment of a managerial group in August 2000 (at the level of the dominating unit), which included the Exbud S.A. Management Board Chairman as well as the management board chairmen of the sector leader companies and key functional managers. The managerial group acted as an advisory body to the group Management Board and was responsible for organizing business processes and consolidating the operations of all the units of the group; [3] implementation of the uniform (binding all Skanska AB units in the world) system of budgeting, preparing financial statements, verifying and evaluating investment projects; and [4] maintaining (in accordance with the requirements of the Commercial Code in force in Poland) the principle of corporate governance being exercised by the Supervisory Board.

Exbud was present in the EU market as early as the 1980s but operations in this market were hampered by restrictions resulting from the EU’s protectionist policy toward non-EU companies. For example, on the German market Exbud was discriminated and could only operate as a sub-contractor and only in selected administrative regions. Exbud’s takeover by Skanska AB potentially makes it easier and opens the door for the group to operate in European markets. However, being included in the structure of a global corporation does not mean that Exbud will automatically start operating in markets outside Poland, especially because as a local partner, Exbud has no influence over Skanska AB’s strategic decisions. The future prospects for Exbud joining the race on international markets may depend upon: (i) the strategy of the Skanska AB group toward its local partner and (ii) Exbud’s position on the domestic market.

**Illustration 2: NIF No. 2**

NIFs in Poland are capital groups created by way of the state’s involvement in building new financial environment and new organizational structures that fulfill economic, political and socio-economic goals. The organization of the NIFs gives them a significant influence on the operations of their subsidiaries and substantial autonomy in shaping their funds’ strategies with respect to sector holding companies, portfolio funds and venture capital. That is why NIFs are interesting as subject for study.
National Investment Funds are not like the investment funds in western economic practice – oriented toward portfolio investment and not contributing to management of subsidiaries. The basic goal of National Investment Funds, set in the law on NIFs, is to increase the funds’ assets by increasing the market value of the companies in which the funds hold shares (through restructuring of subsidiaries, consolidating their market position, ensuring them international links) and to conduct business operations and trade in company shares. (Law of April 30, 1993 on national investment funds and their privatization). NIFs by definition are capital groups that are unions of jointly managed companies in strategic areas. NIFs are subject to legal regulations that define the rules of managerial accountancy and auditing and the preparation of consolidated financial statements.

Founding-owner governance and subsidiary company management strategies are the result of the funds’ features: [a] they are closed-end funds organized in the form of joint-stock companies; [b] they are special privatization funds but are governed by bodies specified in the Commercial Code; [c] from the point of view of investment policies, they can be described as active funds aiming to increase their assets by increasing the value of shares in companies in which they are shareholders; [d] a specific aspect that complicates management of the funds and exercising of owner governance is the participation of management companies in that management; and [e] the funds have specified investment restrictions a factor that is important for developing and implementing corporate governance strategies.

During the period between 1996-1999, National Investment Fund No. 2 made some important changes in its strategy that influenced the capital group’s functioning. In the first period, the fund carried out tasks resulting from the law and in the subsequent period the fund’s strategic goals up to 2003 were developed. In accordance with the Law of April 30, 1993 on National Investment Funds and their privatization, in 1995-1997 NIF No. 2 operated as a typical restructuring fund. The basic goal was to increase the value of company shares contributed to the fund. NIF No. 2 did not exercise broad sector diversification of its portfolio, focusing on selecting companies offering good development prospects and those promising results that would increase the companies’ effectiveness and profitability. A new strategy, developed in May 1998 and approved for implementation in June 1998, involved the evolutionary change of NIF No. 2 into a venture-capital-type fund, that is, a fund combining the features of venture capital (financing small and medium-sized businesses with the aim of maximizing profit from investment, with a higher risk) with elements of a restructuring and balanced fund. NIF No. 2’s strategic goal is the long-term growth of the firm value effected through increased net profit per share and increased value of net assets per share. It is expected that increase in firm value will result from forward-looking investments, revenues, dividends and other profits. It is also expected that increase in share prices will
incorporate the effects of change in-group strategy and betterment in governance system.

NIF No. 2 is meant to be universal, that is, with no sector or regional specialization, hence the strategy of diversifying shares and not concentrating on specific types of companies or investing in certain sectors of operation. The main source of funds for NIF No. 2 is the capital market, and debt financing is used only provisionally, that is, in situations of temporary inadequacy of financial resources. This is a significant reorientation of the strategy for 1998-2003 in comparison with the governance strategy of 1995-1997. Reports shows that restructuring action has been taken and completed at the subsidiary companies in all areas of operation – market, product, technology, finance, employment, organization and management. All 34 NIFs companies have completed market restructuring which was aimed at seeking new markets and customers, changing the product portfolio, and changing marketing activity. Asset restructuring mainly involved liquidating, selling off, and giving away assets, setting a company’s legal status in order concerning ownership, spinning off subsidiaries and creating a holding–company structure. Asset restructuring was not carried out in two companies (out of 34). Organizational restructuring included changes in organizational structure, implementing new methods of managing the company, developing programs and action-plan and establishing capital links with local partners. Employment restructuring mainly consisted in reducing employment – various forms of employee layoffs, changing the employment structure, changes of management board members, changing the rules of remuneration and new employee training. Financial restructuring was not carried out in eight companies and wherever it was carried out it was based mainly on legislation created within the 1993 Law on company and bank restructuring. Financial restructuring included cost optimization, the introduction of new methods of managing liquidity and share portfolios, leasing, cash–free settlements, a search for more effective ways of recovering amounts due, and reductions of loan debts.

Ownership restructuring involved spinning off companies, seeking a strategic investor, sale and acquisition of shares in other companies, share issues, going public, and being listed on the Warsaw Stock Exchange. No ownership restructuring was undertaken in 15 companies. Twenty-eight companies undertook technological projects aimed at improving product quality and competitiveness, effected product restructuring and took action to improve profitability. The completed restructuring measures brought positive effects in most of the companies. They failed in a small group, that is, 3 out of 34 of these companies declared bankruptcy. The companies carried out the restructuring in stages, starting with actions considered to be priorities, e.g., actions aimed at maintaining or developing the market and the product, marketing projects, modernization projects, technology upgrading. In the second stage the companies focused on changes in management, introducing new methods of...
remuneration, deepening structural changes in the organization, implementing quality standards and environmental–protection projects.

Corporate governance at NIF No. 2 comprises a complex arrangement resulting from the origins of the group—that is, from the moment the State Treasury formed this institution. In accordance with the Commercial Code in force in Poland, the company’s governing bodies are the general shareholders’ meeting, the Supervisory Board and the Management Board. However, under the Mass Privatization Program the funds’ assets were to be managed by institutions described as managerial firms. Those managerial firms were carrying out functions as a governing body for the whole group. Those companies also filled the role of an advisory body to the Supervisory Board in terms of defining the fund’s goals and investment policy, its capital structure, provision of guarantees and distribution of profit. Implementing these arrangements at NIF No. 2 (similarly to the other National Investment Funds) was complicated by mismanagement within the group that led to specific problems stemming from the imprecise definition of the relations between the prerogatives, duties and responsibilities of the management company’s management board and the fund’s Supervisory Board. To bring order to these relations, in the first stage of managing NIF No. 2 an arrangement was made whereby members of the Fund Management Board were also members of the managing company’s Management Board).

This simplification of the relations between the Fund Management Board and the managing companies became complicated. Conflict among management responsibilities still remained however. There arose the question of whether Management Board members were accountable to the Fund or to the “management company”. These problems were of special importance at NIF No. 2 due to the fact that the management company represented a consortium comprising Polish and foreign companies whose interests were not always identical. Growing conflicts in the Management Board worried the Supervisory Board that persistently demanded improved management efficiency at the Fund, and after two years of trial and error, this led the Supervisory Board to decide to terminate the contract with the “management company”. For the following two years NIF No. 2 operated by itself, supported by its own specialists. Most of the time the leaders of firms lacked a clear vision–of the future that would link to product profitability, efficiency and faster time to market. The situation was difficult and complex and for firms it was often the matter of survival. In 1999 the Fund’s Supervisory Board signed a contract with a new ‘managing company’.

In general, the relations between founding-owner governance methods and its subsidiaries of the Fund are defined by two factors: [a] the specificity of the NIF as a capital group and [b] the specific coalition of power in the Fund,
resulting from the introduction of ‘managing companies’. Broadly, those factors included mixture of rule-making, political authority and power.

The level of the Fund’s active involvement in shaping strategic decisions in the subsidiaries was largely determined by the size of the stake held (according to the law, the size of the leading share package was 33% of shares) and the ban on selling off shares from the leading share package for the first three years. These solutions forced the fund into an active stance toward the companies. This included, for example, active participation in the obtaining of information; monitoring the company’s operations; and enhanced performance toward mutual benefits and profits tied up to ownership. The Fund exercised its owner rights toward the subsidiaries through its representatives on the companies’ supervisory boards. Cooperation between company supervisory boards and company management boards focused on the following problems such as: restructuring of the company; seeking market opportunities; forecasting the situation in the sector; and changes in the capital structure. The scope of this cooperation was largely the result of the goals inscribed into the operations of the National Investment Funds. The weakness of the cooperation lay in the supervisory board, with its noticeable lack of qualified professionals, taking an inactive stand in decision-making processes. Another pressure for intensive restructuring and sound corporate governance was the increasing competition from the EU. It created an uncertain environment in which defects in governance only exacerbated the problems of Polish companies.

**Concluding Remarks**

The Exbud S.A. group was one of the first companies formed as a result of the privatization of a multiple-facility state-owned enterprise. Acquisitions made in successive years led to the formation of a conglomerate that comprised 27 companies in the year 2000. The diversification strategy implemented in the first half of the 1990s, aimed at better adaptation to the conditions of an uncertain environment, evolved visibly in the second half of the 1990s toward a sector consolidation with the goal of strengthening the group’s competitive position.

An analysis of corporate governance in the NIF’s, as illustrated in NIF No. 2, confirms that in the early stage it was oriented to mechanisms regulating the market and characterized by active restructuring measures. In later stages, NIFs governance was focused on improving investment efficiency. The corporate governance had evolved: it had added portfolio management to company restructuring.

As governance evolved in NIFs there was less of a tendency to adopt intrinsic changes and more of readiness to become actively involved in affecting conditions extrinsic to the NIFs. In part, this meant influencing legislative
mechanisms, combating dishonest competition, accelerating privatization, reorienting the tax system to be pro-investment, and protecting domestic enterprises. The uncertainties remained in the legislative process and were a principal concern of corporate governance in NIFs. This caused energy to be spent in consensus-building. These modes of governance, influenced in a variety of ways by diversified firms, reconfigured the state-body power and authority. Accordingly, governance poses with renewed immediacy the question of how the firms should be governed and how the transboundary problems are governed. Further transformation of the NIFs will result from continuous small-scale adjustments and from incremental rather than dramatic changes.

Reflecting on corporate governance in NIFs and Exbud, certain similarities and difference can be noted. In both cases success depended upon ownership-shift. In the case of the NIFs, the ownership was principally the state-body which was in reality a combination of intrinsic and intrinsic forces. Accordingly, in Exbud, there was a similar situation especially since the takeover by Škanska AB. Exbud’s current ownership is also a combination of intrinsic and extrinsic influences on governance. A new governance infrastructure were taking seeds in both groups reaching ever more deeply into “in house” affairs concerning responsibility for governance and enlargement into effectiveness of operations in the face of market pressures.

To sum up, mass privatization took longer and was different in Poland compared to other transitional economies (Aggestam/Stobińska, 2002; Dockery/Herberet, 2000). The main reason was the absence of political consensus and wide-spread corruption among various interest groups (Hashi, 2000). Operating in the competitive market economy was hampered by unethical legal practices and business behaviors and the lack of market-oriented infrastructures. Multiple, diffuse ownership and inadequate corporate controls allowed insiders to strip assets and leave less value for the minority shareholders. However, the two examples of capital groups, the NIFs and Exbud S.A. were pioneering in building their institutions and their professional capacity for corporate governance.

The NIFs, with the state in a double role as provider of venture capital and as investor, have now been fully privatized with their shares listed on the stock exchange. They are now profitable and face stock market pressures for sound corporate governance. The Exbud S.A. group has been taken over by an outsider investor and is positioned to be more competitive and adjusting to world standards. Paradoxically, the takeover has limited the group’s operation to the Polish construction market. Both the NIFs and Exbud S.A. appear to be evolving toward internationally-oriented corporate governance and integration into the EU. This will mean an insistence on efficiency, business ethics, fairness and transparency that is central to operating competitively in the world market.
References


Social Capital and Social Transformation in Russia*

Heiko Schrader**

Social capital is a valuable resource that can be raised and destroyed, and its level in society is path dependent and related to society’s “collective memory” of experience with power structures. Social capital is found both on the network as well as society levels, and a relation between these exists. Fragmented societies with strong, exclusive network ties among the segments and clear-cut dual (inner and outer) moralities often lack strong inherent social capital. Informal norms of action superimpose formal ones and make the functioning of newly implemented institutions dysfunctional. They change very slowly. Russia seems to have performed the transition to a market economy but not to a market and civil society, because social capital on the societal level is rather weak, while it has remained rather strong on the personal network level. The structure of social space of personal relations is opposed to the structure of societal space as solidary civil “community”.


Keywords: Transformation / social capital / trust / double morality / Russia

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Introduction

Market societies of Western Europe, their rationally acting institutions and organizations, and the politico-economic framework in which they can function efficiently emerged in a process of longue durée (Braudel) of economic and social change and modernization (Goetze 1997). Modernization theory assumed that this historical process was a blueprint, occurring with a time lag in non-Western societies, which would eventually catch up with the West. With the collapse of the planned economies of Eastern Europe it was assumed that a short-term institutional systemic change – a transition – would lead the former socialist societies back to Europe (Olson 1995; Poznanski 1995; Zloch-Christy 1998). Based on a development strategy of structural adjustment, institutions should be implemented according to the Western example, constituting the basis for a self-adjusting market. The keywords here are the model-transfer concept and designer capitalism (Kollmorgen/Schrader 2003).

Such an orthodox perspective of transformation implies a relatively short and difficult transitional period of structural adjustment (topics such as ‘shock therapy’ were applied), followed by incorporation into the world market and positive effects for economy and society. The author of this paper takes a different stance. He argues that transformation is not a short-term project of transition, but a long-term process of modernization. This process in Eastern Europe has certain unique characteristics, which engendered a particular low-trust culture in the public realm as opposed to a high-trust culture in the private realm. The long-term nature of transformation is closely related to slow change in patterns of action, attitudes and opinions, and norms and values, which engender institutions and their functioning.

In the first part of this paper I shall argue in favour of a transformation research that considers transformation as path dependent from the specific, socio-structurally embedded typical patterns of meaning, action and behaviour that emerged during, if not even before, the Socialist period and continues to impinge upon post-socialist Eastern Europe. With the issues of trust and social capital I will discuss two closely related concepts in the second and third parts of this paper, which can be applied to both individual and societal levels. I will argue that in societies, characterized by closed personal networks (strong ties according to Granovetter), and which are lacking weak ties to other networks, two distinct cultures of trust and social capital emerge: a low-trust culture (or lack of societal social capital) in the public realm and a high-trust culture or high societal social capital in the private realm. This structuration (Giddens) directly impinges on social and economic interaction and on the transformation process in Eastern Europe.

The last part of this paper will illustrates the theoretical discussion with the case of Russia – that country which experienced the longest and most severe socialist period. I shall argue that, in spite of severe changes of action in post-Soviet
Russia, particular structurations occurred, and actions can be observed in everyday-life, which are outcomes of pre-Socialist times and have continued to exist – although in different settings and with different shapes – since the Soviet Period.

Transformation Research and Transformation

In comparison with an orthodox understanding of transformation research that has been shaped by neo-liberal economists and political scientists and considers the post-1990 events in Eastern Europe as a systemic transition from socialism back to capitalism, the institutionalist approach takes a more differentiated stance. Actions and behaviour of individuals, as well as the functioning of institutions, are path-dependent (North 1981; 1990).

Concerning path-dependency I argue that, while the model-transfer concept identified a number of technocratic development constraints on the political and economical levels, it neglected people’s experienced social time: individual, biographic experiences, personal attitudes and opinions, as well as collective experience and a society’s ‘collective memory’ (Durkheim 1984) that has engendered a unique structuration (Giddens) and culture that even nowadays plays a significant role in everyday life (Hann 2002). From such a perspective,

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1. According to North (1990; 1991:97), institutions are self-imposed limitations of individualsthat constitute the rules of the game of societies, and aim to achieve higher utility by means of cooperation. Together with other constraints, such as scarcity, institutions provide the scope for action. Normative rules constitute the framework of economic action, and can be formal and informal. It is important for the efficiency of economic systems that formal and informal rules match each other, because only then do people voluntarily keep to them. Franzen, Harland and Niessen (2001:22) underscore the importance of informal norms in the transformation process, because these do not quickly change with the formal ones. In line with these scholars, I shall take the cleavage between formal and informal loans as an indicator of transformation failure.

2. The term of social time in cultural sociology implies that time is measured according to socially relevant events, and organized accordingly (cf. Braudel 1981). These events shape the socio-cultural memory of individuals and collectivities.

3. According to Giddens (1979) structuration expresses the mutual dependency of human agency and social structures. He argues that social structures are intimately involved in the production of action. The structural properties of social systems provide the means by which people act and they are also the outcome of such actions.

4. In line with Tetzlaff (2000:27-28) I consider ‘culture’ as a memory of collective experience a system of standardized orientations toward recurrent problems. With their culture people obtain a subjective perception of themselves and a ‘fictitious differentiation’ from ‘others’ and ‘alien’ environment. From such a perspective, culture provides a dense net of meaningful structures surrounding the individual and has formative influence on his or her action and behaviour by means of habitual perception, based upon socialization.
the historical period of socialism (which was not only of different lengths but also different intensities), the type of system change to and from socialism, the present perception of the socialist period, and present and former relations to the Soviet Union and other socialist countries have a similarly sustainable influence on institutional change and development in the post-socialist period as the self-perception of asymmetrical centre-periphery relations.

Taking this stance, Stark (/g20992a; /g20992b; /g20992c) and Staniszkis (/g2099/g20) were very critical of neo-liberal prognoses of Eastern European development: a short hard slog of the shock therapy, followed by rapid emergence of a market economy and market society. They feared that a ‘continuity in change’ might occur, which engendered a specifically Eastern European type of capitalism, by nature fundamentally different from the Western type.

Subsequent events have supported this view. More than 10 years after the collapse of socialism, the former production industries are still unproductive or have closed down. Growth rates are dependent more on the service sector than on production, and development prognoses for a number of Eastern European countries are still poor. For most people, living conditions have not improved or have improved only slightly, while post-perestroika supply and advertisement of goods produce income inequality and budgetary deficits. In everyday and business life, interaction with the bureaucracy is characterized by corruption. Criminal organizations use blackmail to extort protection money and control large sections of the economy. Nepotism and patronage hamper the emergence of a performance principle etc. In other words, the development of economy and society is hampered not by the absence of particular modern institutions – such as administration, police or jurisdiction – but by their insufficient functioning in the sense of rational bureaucracy and their calculability and operation according to principles of rule of law, formal equality, secondary liability and efficiency. Many spheres of public administration, governance and jurisdiction are characterized by arbitrary bureaucratic decisions, perversion of justice, venality, and low moral and ethical standards. Even public security, public goods and public services have been commoditized and can often be acquired only by means of additional informal payment or patronage.5 On the basis of my own

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5 While the accumulation of means of production is considered normal, Elwert (cf. Elwert 1987) identified another type of accumulation: venal accumulation. He argues that terms like corruption or bribery conceal the general pattern of commoditization of public goods and services in a number of developing societies, to which I would also add transformation societies.
I shall argue that market society in some Eastern European countries is not only functioning inadequately – as the World Bank and IMF state – but that it has been perverted by the consistent expansion of venality and commoditization to almost all spheres of life, and by having lost its moral embeddedness.

The process of privatization of state property was particularly observed under the aspect of the emergence of property rights as a necessary constituent of market society. A number of scholars discovered specific hybrid forms of entanglement between policy, bureaucracy and the economy for Eastern Europe (Åslund 1995; Stark 1994). Jadwiga Staniszkis (1995) termed this phenomenon ‘political capitalism’, a hybrid societal formation and institutional modus of restructuring socialist societies under conditions of peripheral position. This type of capitalism still functions according to the logic of socialist systems). It possesses a logic of reproduction of power and dependency fundamentally different from the logic of accumulation of capital, but adapted to function under capitalist conditions. For characterizing the type of capitalism in Russia other scholars even applied the term ‘Mafia capitalism’ (Hessinger 2001; Varese 1994). Both concepts demonstrate an understanding of post-socialist path dependency. However, while the terminology chosen relates to an understanding that these developments constitute a departure from the norm (‘Western European capitalism’ or ‘democratic capitalism’ (cf. Tatur 1998)), I shall argue that, from a global perspective in purely quantitative terms, such types of capitalism constitute the norm, while ‘democratic capitalism’ provides the exception. Following Christophe (cf. Christophe 1998) I argue that under the particular conditions of Eastern European capitalism, the observed pattern of behaviour of economic agents is rational.7 I consider the specific, socio-structurally embedded typical patterns of meaning, action and behaviour that correlate with the functioning of institutions to have emerged path dependently.

6 Following my research on pawnshops and poverty in Saint Petersburg/Russia (cf. Schrader 2000a), I am conducting research on small business in the Czech Republic, Bulgaria and Russia, in collaboration with Eckhard Dittrich and a research group from the three countries. Although the level of corruption – and particularly payment of protection money – seems to have decreased, it nevertheless constitutes an important factor in business life, and ought not to be neglected.

7 According to Christophe (1998: 201), the logics of action and preferences of socioeconomic actors decisively depend on the institutional context in which they are embedded. She argues that the general assumption of rational economic action based on cost-utility reflections is the contingent result of successful institutionalization of market pressure and property rights, which do not exist against the background of weak states.
Personal Trust

Every society experiences basic problems of social order to engender a minimum of stability, social peace and external security, out of which emerge further patterns of *Vergesellschaftung* (building civil society). Central to this is the problem of trust. In recent discourse, trust takes on the function of a remedy. It is said to “contribute to economic growth and efficiency in market economics, to the provision of public goods, to social integration, cooperation and harmony, to personal life satisfaction, to democratic stability and development, and even to good health and longevity. Trust is also at the centre of a cluster of other concepts that are no less important for social science theory than for practical daily life, including life satisfaction and happiness, optimism, wellbeing, health, economic prosperity, education, welfare, participation, community, civil society, and democracy. And of course, social trust is a core component of social capital, and is normally used as a key indicator of it, sometimes as the best or only single indicator” (Delhey/Newton 2003). I will start with some general considerations of trust, and then consider the relation of trust and social capital.

In social science, both the metaphysical and philosophical dimensions of trust have been deconstructed by referring to its function in personal relations and within society. Luhmann (1988), for example, interpreted trust as a mechanism to reduce insecurity and risk in a very complex life world. From an angle of synergetics, Haken (1992) referred to an emergence of ‘situational competence’ to cope with uncertainty and complexity. Analytically considered, trust is particularly context and time dependent. Decision theory and game theory have taken the actor’s subjective point of view by applying different contexts and time horizons (Axelrod 1984; 1986). In the typical exchange model in the anonymous market, the situation of transaction is such that we never see the opportunistic agent again. Thus, the risk of being disappointed is high, and we are therefore cautious, because this single transaction is not based on previous experience with the exchange partner. In such a situation, functioning contract law can, to some degree, act as a substitute for trust in the integrity of a person, and considerably decrease risk. With repeated transactions, trust is an outcome of positive experience. On the one hand, it refers to the past: We obtained our own or others’ information on this agent. On the other hand, it refers to the future: The person with whom we interact will be interested not to lose his or her reputation, and will also share the benefits from being trusted. Interacting with known, reliable people reduces the risk level, particularly in situations in which high risk and insecurity characterize the social and economic environment. Furthermore – and this will be important for my argumentation – people’s continued experiences of past rewards and disappointments in situations in which trust was required will strongly influence their ability to provide trust advances to others.
The investigations of decision theory and game theory explain people’s motivation to trust each other by opportunistic motives. Trust is substituted by experience, probabilities and mutual interdependence of utility. These theories do not neglect culture in general, but see it as external to their models. Many sociologists view such approaches as useful, but nevertheless insufficient and ‘undersocialized’, because rational action provides only a small part of social reality, and methodological individualism does not fit for an explanation of social phenomena. Some authors are close to Rousseau in saying that basic or fundamental aspects of trust are a precondition for human interaction in general (Durkheim 1984; Giddens 1990; Misztal 1996). Binding social norms ‘thicken’ into institutions that determine action and behaviour. According to their sphere of effect, they can provide limitations as well as opportunities. Moral economies⁸ are certain spheres of life that are strongly normatively regulated, have narrow binding rules and mutual expectations with regard to reciprocity and redistribution within the group. Economic anthropology showed that moral economy is not as homogeneous as assumed by investigating the sphere of activity of reciprocity norms, relating it to social and geographic space, and showing that in pre-modern societies the degree of reciprocity decreases with social distance. We can also apply this to modern societies, and we find the same assumption in network theory, and in the sociology of organization. In terms of the latter, a moral economy in pre-modern societies restricts choice, while a network moral economy provides an alternative to market and hierarchy: Trust, mutual obligations and social control within the network sphere help to reduce the high transaction costs of hierarchy (organizational structure) and market (risk, contracts, monitoring opportunism, moral hazards. Strong ties, however, may at the same time engender insurmountable boundaries, when we put our emphasis on the two distinct spheres of inner and outer morality. To paraphrase Granovetter (1977) the ‘weakness of strong ties’⁹ in such networks is their tendency to be exclusive. Here morality becomes contextual, and a “cognitive systematization of the social environment according to binary patterns” occurs (Tatur, 1998: 354).

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⁸ Strong normative relationships between individuals or groups constitute ‘moral economies’, which subjugate individual action to socially binding norms. Contrary to older approaches – which in the tradition of Gemeinschaft vs. Gesellschaft take ‘moral economy’ as the antonym of ‘market economy’ – scholars nowadays consider this concept from an actor-oriented perspective to apply it to different spheres of economic life that are morally constrained and exist side by side with market-rational action (Booth, 1994).

⁹ Mark Granovetter investigated strong and weak ties from the perspective of network theory. The ‘strength of weak ties’ is their ability to open up closed networks by building bridges to other networks. Recent approaches applying Granovetter’s distinction to the notion of social capital distinguish ‘bonding capital’ (between people) and ‘bridging capital’ (between groups).
There are a number of concepts in sociology that refer to these morally distinctive spheres. An extreme case provides the fragmented morality of ‘amoral familism’ (Banfield 1958) – a dual morality with unconditioned trust within the network (based in this case upon ascriptive familial relations) turning into strong distrust and a general readiness to exploit others outside the network. Less extreme, for example, is the form of ‘familism’ (Fukuyama 1995; 2000). Common to these specific relations is that they aim at simplifying social complexity and reducing risk and uncertainty by putting the personal identity of the interaction partner into the foreground, setting formal equality out by certain preferences grounded on particular criteria (such as kinship or friendship), and regulating the preference order by norms. To put it another way, this type of social relations stands against the emergence of a societal space, because segmented personal spaces with clear-cut boundaries, different moralities, and scopes of personal action cannot be overcome.

These distinct spheres of morality are one crucial element in the conceptualization of pre-modern and modern patterns of trust. In pre-modern settings, social action is organized according to binary and antagonistic perceptions; trust is a very personal and emotional affair and can only be considered in contrast to distrust. Social relations are structured according to these binary categories, and there is no place for a third, more neutral category of indifference. As Giddens (1990) emphasized, this third category, has become increasingly important for the functioning of modern societies. Indifference means to take a more neutral stance and to de-emotionalize ones actions and social relations. People do not categorize alter as either friend or enemy, but take an impersonal stance. More important than his personal attributes become his functional ones, because people know that they can rely on the institutional framework rather than on their individual power to regulate affairs in case of being disappointed.

System Trust and Actor-Centred Social Capital

Characteristic of modern, reflexive societies is ‘system trust’ (Luhmann 2000). Trust in state institutions and the economy is based on experience of the predictability of institutions – which function according to criteria of rule of law, formal equality and secondary liability – on experts, on ‘certificates’, and on a stable currency in particular. Only with these preconditions can ‘face-to-face’ relations (Giddens 1990) – the criteria for which are good knowledge of and experience with the interaction partner, one’s own efficient sanction mechanisms and the public pressure of the moral economy – be supplemented by ‘faceless’ relations (ibid.). These function without either party needing a personal guarantor, because both interaction partners can assume that they both usually adhere to rules and laws (Christophe 1998:210), and that state institutions negatively sanction offences. From an actor-theoretical perspective,
system trust offers new scopes of action. As a concept, system trust is closely related to the institutional framework; for transformation research, system trust is implemented by ‘institution building’ according to design. To some degree, system trust may substitute personal trust.

A bottom-up perspective examines the concept of social capital at the level of society, which considers trust the property not only of individuals, but also of itself. According to Hardin (1996), trust is a product of individual experience. We constantly modify and update our trustful feelings, and these add up to a climate of trust within society. From the empirical point of view, this means that levels of ‘generalized trust’ reported in societies are an indicator of the trustworthiness of the society, as Putnam (2000:138) argues. Simply speaking, social capital constitutes an asset, which results from social relations. While on the network level it may positively affect ones own career (the perspective that Coleman (1988) takes), it is also assumed to impinge upon the development of entire societies. Thus, during the last decade this concept has experienced great prominence not only among social scientists, but also among development organizations. The World Bank described it as “the missing link” in development (Grootaert 1997), and has made extensive use of Robert Putnam’s Making Democracy Work: Civic Traditions in Modern Italy. Putnam argues that “trust, norms and networks can improve the efficiency of society by facilitating coordinated action” (Putnam 1993:167). He relates development and lack of development to the level of civic involvement in society, and this level is culturally grounded. According to John Harriss, the main problem with both Putnam’s and the World Bank’s considerations of social capital is that they reflect a trend in social science “that systematically obscures power, class and politics” (2001:2). Social capital, trust and civil society are topics that lack a political dimension and power structures.

I agree with Harriss, and will try to bring a political dimension to the concept of social capital. I will start from Francis Fukuyama’s (1995:21) perspective (to which Harriss does not refer). Fukuyama also considers social capital as an important factor for a nation’s welfare and competitiveness. He defines social capital as a given set of informal norms and values that all members of a group share and that facilitate cooperation between group members.

According to Fukuyama, the ability and capacity to communicate in an uncomplicated way and to cooperate is ‘spontaneous sociability’, which constitutes an important part of social capital and plays a crucial role in the creation and maintenance of civil society, because spontaneous sociability enables people who do not know each other to congregate and cooperate with each other. But where this ‘spontaneous sociability’ comes from, and why it is lacking in other societies, are questions that remain open.
The Relationship Between Actor-Centred and Society-Inherent Social Capital

How then can we describe the relationship between actor-centred social capital and society-inherent social capital? In my view, so-called ‘low-trust societies’ (cf. Putnam) are not societies that lack trust in general, but rather societies that have strong, context-related particularistic moralities. However, social capital exists within the boundaries of these moralities, not across them, and it is to this that the concepts of ‘familism’ and ‘amoral familism’ refer. There are manifold examples of how the clear-cut distinction between inner and outer morality, norms and values negatively impacts on societal cooperation and solidarity. Negative effects on governance and economy are discussed with the examples of bribery and corruption: They demonstrate that social capital is as value-neutral as physical capital, but that its application can engender societal benefits, as well as damage.

My interpretation of Fukuyama is that he does not understand culture in a primordial way (as Putnam does), but as a collective experience of social time: a ‘collective social memory’, which is passed on to subsequent generations (Fukuyama 2000:195, 237). According to Fukuyama, society-inherent social capital is not a valuable cultural property of some ‘higher cultures’, but is rather in a continuous process of change, construction, destruction and reconstruction by people, institutions and organizations, governments and ideologies. This means that social capital manifests itself – and constitutes a valuable resource – on the individual, network, and socio-cultural levels. It can be kept in good condition, but it can also get lost; it can be very strong on the actor-centred network level, and at the same time very weak on the societal level.

The expectations of ‘designer capitalism’ constitute a successful interlocking of the framework of society (laws, institutions, and basic principles of formal equality, equity and property rights) with culturally determined social capital. If there is a lack of social capital, Fukuyama argues, it can be compensated to some degree by formal mechanisms of control, such as contracts, hierarchies, constitutions, legal norms, etc. However, the greater this compensation is, the higher are the transaction costs. This perspective can be applied to the failure of true socialism, as will be seen later in this article.

We now return to Harriss’ critique of the concept of social capital lacking a political dimension: When we assume a path-dependent ‘cultural heritage’ that reflects individual and collective experience of trust advances – to others, the state that the economy – manifests itself in informal norms, as well as in the degree of spontaneous sociability, I shall argue that this view of structure-actor dynamics (structuration) also includes a political dimension. Experience manifests itself in specific individual and collective modes of action and behaviour, expectations and attitudes toward the environment, the state, the market, and the like. Norms, values, attitudes and modes of action are passed on
to the next generation. With a time delay, they in turn influence social structure, and a change in social structure may again result in changing experiences and changing norms, values and modes of action. However, these structure-actor dynamics are much slower than politically intentioned systemic institutional transfer. The temporary non-compliance of formal and informal norms results in institutions being dysfunctional, because people both in them and interacting with them continue to behave according to their informal norms, rather than adapting the formal norms.

From this perspective, post-socialist societies may have executed the politically intentioned transition to a market economy, but have yet to make the transformation into a market society. The latter implies that people behave as in a market society, and feel part of it. This presupposes not only the existence of the institutions of a market economy, but also the emergence of institutional trust, system trust, and society-inherent social capital, so that people can choose between the market (faceless transactions) and networks (more personal relations) according to the criterion of transaction costs.

To reiterate, I would like to summarize the relations just mentioned. The implementation of market institutions and constitutional institutions in the course of model transfer in Eastern Europe does not automatically engender a functioning market society. This can be explained as follows:

Social capital on the level of entire society is weak compared with social capital based on personal networks. The structure of social space of personal relations hampers the emergence of a societal space of solidarity-based and civil Gemeinschaft, and influences the functioning of both old and new institutions. It must be emphasized here that institutions do not act independently, as New Institutional Economics assumes, but that their functioning decisively depends upon the action and behaviour of actors within them and others interacting with them.

For the same reason, hierarchical implementation of a functioning market society is very difficult, and entails enormous costs.

**Path Dependency and Social Capital in Russia**

The discussion so far has been theoretical. Now I shall apply the foregoing theoretical concepts to Russia, examining relationships between power relations and low and high trust). In transformation sociology, path dependency is usually applied to the transition from the socialist to the post-socialist period, but I shall consider a longer period – from the pre-revolutionary period to the present. I shall begin with the notion of ‘Soviet man’ and the Soviet period, then step back in history, and finally conclude with my own observations from recent years.
Levada (1993) considers the abrupt change from feudalism to socialism as a ‘social experiment’, which, in both ideological terms and everyday life, engendered a ‘Soviet pattern of life’ – a culture and civilization that was perceived to be self-generated, viable and superior (Arnason 1998:28). With this came ‘Soviet man’ as the enforced dominant social type, at the expense of the elites and intelligentsia, engendered during the Stalin era by state control of education and media, and by terror and liquidation.

The title of Levada’s book, Sovetskii prostoi chelovek [Soviet Common Man], already points at the specifics of Homo sovieticus. He is the antithesis of individualistic Homo oeconomicus: a ‘mass man’, de-individualized, ‘vitreous’, frugal and easily governable. All these characteristics were projected – and politically defined – norms that, however, emerged as a characteristic of people and society (ibid.).

A peculiarity of Homo sovieticus was that he believed himself to be unique and different to people of other times and social systems. He considered himself to be outstanding, with a higher value system, consciousness of his own superiority, and a system of social measures and interpretations incomparable to other social systems (ibid: 16). Thus, the distinction between ‘own’ (Soviet) and ‘alien’ (capitalist), was an important structuring element both in ideology and everyday life. In the course of assigning difference between these two ways of living, certain ambivalences emerged: one’s own was not always better and superior, but could also appear in form of “social-masochist self-humiliation” (ibid: 17; (cf. Witte 1997).

During the post-Stalin era, Homo sovieticus went into terminal decline, both as an ideal type and as a reality. In the late 1980s, Levada argues, he could still be found among the older, rural-based, poorly educated generation; the middle generation experienced a conflict and decay of the typical characteristics, while the young generation consciously dissociated itself from them (ibid: 262f., 290f.).

While Levada’s analysis considers the psychological characteristics of Soviet society as a result of political will and psychological pressure, other scholars treat the Soviet period as a deepening of already existing structures from the pre-socialist period (Veselov forthc.). Although the country had some industrial centres at the dawn of the revolution, some authors consider Soviet society to have emerged directly from feudal peasant society, which was centrally administered but with the center and the appropriating elite spatially and

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10 This became visible in his consciousness of social time – the October Revolution of 1917 as a watershed, his geopolitical orientation (the Iron Curtain), socio-psychological boundary between ‘own’ and ‘alien’, axiological points of reference (own value system) and aesthetic, ethical and epistemological orientation (distinct criteria of truth and beauty) (ibid.).
socially far distant from the rural population. Feudalism, with structures of serfdom characterized by strong feudal dependence, officially existed until 1861.

One issue I can address here only briefly is linked to discussions of the Russian mentality and national character. In this context, scholars repeatedly refer to Russian traditional self-sufficiency. The geographical vastness of Russia stood in opposition to the rural population’s narrow social space. Centuries of exploitation by aristocrats and kulaks (wealthier peasant farmers) affected the small peasants, who patiently bore their destiny. The peculiar mix of lack of responsibility for one’s own destiny, of clientelism and patronage, of very close trust relations on the personal level, and of simultaneous distrust of the state and the elite can therefore be considered a continuation of pre-revolutionary structures, as well as a result of the political system in the Soviet Union.

Let us now go beyond this typically Russian discourse on ‘national character’ and ‘Russian (or Soviet) mentality’ and approach our topic, social capital, from the perspective of social space. Fjodorov and other scholars emphasize a clear-cut distinction between public and private space. Behaviour and action in the public space was characterized by opportunism, which was rooted in feudalism and took a specific form during the Soviet period. Because of the deep distrust of central and political authorities, people demonstrated a ‘hypocritical’ obedience, which was reversed in the private sphere. As Fjodorov (1993:38-39) argues, the constraint to be double-tongued corrupted people. Children learned to talk about issues in an accepted way, although in truth things were totally different. This condition was disastrous for people’s morality on all system levels.

The different moralities that affected U.S.S.R.-inherent social capital are important with regard to our topic. Fjodorov (ibid: 41) argues that these antagonistic moralities were one of the reasons for the failure of socialism. Public goods were not considered communal, but the property of the state that could be appropriated illegally. In this way public goods were not considered as such, but were personally appropriated. The entire Soviet Union was a large ‘self-service’ shop in which everybody took what they could get. Such behaviour was considered legitimate, and those who were less successful than others were considered stupid. People referred with self-irony to the superiority of socialism, because capitalism would not have been able to cope with such a condition. Of course, not all of the political or economic class was corrupt, but it became more and more obvious that people valued personal interest higher than their duty and acquiring the privileges of the elite.

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11 Fjodorov (1993:116) compares the Russian peasant with a sheep shorn so often through the centuries that its wool hardly grew again. This is how he explains the passivity within the Russian national character.
In addition to this public-private divide, I would like to refer to another structuration of social space and personal relations (cf. Schrader 2000b). During my two-year stay in St. Petersburg in the late 1990s, I recognized a frequent use of the terms nash (ours) and ne nash (not ours) in colloquial language. While this distinction, which refers to the social distance of alter, is common in many languages, it acquired a particular connotation in the Soviet Union. Originally, it was used in the official public sphere to denote system-compliant and system-antagonistic action during the Soviet period. In the informal public or private spheres (Zdravosyslova/Voronkov 2002) the term experienced a reverse connotation: Ne nash became a synonym for potential political ‘snitches’, but also for all those whom it was better not to trust, while nash characterized trustful personal relations. Beyond that, the world of nash also acquired an economic connotation, because it was related to ones own provisioning networks. Thus, the worlds of nash and ne nash were two opposed spheres of morality, with no third sphere of indifference: Everyone whom one did not know became subsumed under ne nash. In addition, Srubar (1998:82) mentions that norms of social solidarity and reciprocity of obligation were valid only within ones own social networks, and that the code of conduct was also to use ones own position at work or within an institution to exploit or misuse them for the sake of the members of ones own network. This concrete fear of political spies has been lost during the late socialist and post-socialist periods, but the perception of the life world as two opposed spheres has been maintained.

I argue that due to insecurities in life – and particularly due to an insufficiently functioning institutional framework – people rely on and cultivate their social capital, which is hidden in the social network of nash, instead of taking the risk of faceless transactions. My hypothesis is that, in spite of a rapidly growing market economy in Russia, people’s interactions, transactions, and spheres of trust are in many cases still limited to their rather closed social networks, which are based upon reciprocity, but which have a redistributive function within society for the sake of one’s networks. Loyalty and solidarity are often limited to these networks, which typically have organizational patterns based on kinship, ethnicity, local origin, shared history in school years, university, or military service. Leading figures in politics, economics and administration recruit close colleagues from their personal networks, because this supports their own position and generates confidants. The boundary between nash and ne nash marks the outer boundary of reciprocity and inner morality. The cohesiveness of solidarity remains limited to nash and is even counterproductive, because moral barriers outside ones own networks are rather low.

This segmentation of social space is not necessarily relevant in the anonymity of everyday life. The stranger becomes an ignored person of whom one catches a glimpse but with whom one does not interact; this is a pre-condition for peaceful cohabitation (Giddens 1990). However, the stranger "who comes today
and stays tomorrow’ (Simmel (1971) becomes a problem, because then people have to place him or her in either of these two spheres as nash or ne nash. This happens, for example, in kommunalki (communal apartments), which still exist and which constitute the precise opposite of Gemeinschaft in Tönnies’ sense. They are battlefields to achieve a minimum of privacy and intimacy, places of class conflict, snitching and denunciation for personal benefit.

This characterization should not imply that people are basically unable to engender communicative relations with unknown people. On the contrary the boundary between the two spheres of morality can quickly be adapted to the circumstances – for example, on long train journeys through the vastness of Russia, when unknown travellers are involuntarily put together in a compartment, but quickly generate a confidential atmosphere by sharing food, drinks and life stories. This may seem to be a counter example to my explanation pattern, but it can actually be interpreted in such a way that the negative connotation of ne nash forces the actor to temporarily co-opt ne nash in situations of spatial narrowness. However, this co-option is much easier for ‘a stranger who will leave tomorrow’.

The structures that other scholars and I describe here hinder the emergence of the structures of civil society and society-inherent social capital, because they are based upon personal loyalty and/or opportunism, and characterize the whole public sphere. A jointly pursued goal across ones own network boundaries is difficult to achieve.12

Conclusions

In this paper I began that mainstream approaches of short-term transition are inappropriate in so far as cultural aspects of transformation have been neglected. Structuration processes even before, but particularly during, Soviet times have engendered a peculiar double morality that has to be overcome for system change in Eastern Europe to be finally successful. I further argued that this double morality is related to a clear-cut segmentation of society into personal, actor-centred networks with strong actor-centred social capital and a tough moral economy, but at the same time a perception of society beyond these networks as potentially hostile.

A successful transformation into a market society, however, means that not only institutions of market societies exist, but these function like in market societies. To achieve this, one important factor is that people develop generalized and systematic trust, and society-inherent social capital, which so far only exist in

12 An example is provided by buildings of privatized apartments. Although the owners invest their apartments, they do not form an owners’ community that invests in the staircases, which still belong to the state
basic form. From the perspective of network theory, strong ties within personal networks have to be linked with weak ties – or bridges, according to Burt (1992) – between different networks. Only then civil society can emerge – understood as a social structure where people also beyond personalized relations congregate and strive for a common good or interest.

The obvious question is how to overcome this dilemma of bilateral relatedness of action and social structure. The answer that I provided is the question of what causes basically the hen-and-egg problem. My understanding of structure-actor dynamics is that the approaches have to live this dilemma, because on one hand action it is embedded in, or an outcome of, social structure, on the other hand it engenders social structural change. The solution to the dilemma in these approaches lies in the time factor – or more precisely: slowly changing ‘individual’ and ‘collective memories’ – will cause a gradual change of social structure. And this change emerges from the experiences in everyday life in contact with market, working place, bureaucracy, politics, communication systems, education systems, and the like. I therefore applied the term ‘socialization’ to express this gradual process. Changing experiences will in the longer run result in changing attitudes, norms, and values.

Various scholars have already observed this change. Srubar (2001:63-64) emphasizes that a new differentiation of social positions has occurred in the course of transformation, directly influencing life chances and changing social structure. As in Western societies, socio-economic differentiation has occurred that has increased social distance and has broken up formerly personal networks and relations. Of course, it is always very tempting to apply a typology for an entire region with historical similarities, talking about post-socialist path-dependent development (whereas the term ‘post-socialist’ already pre-supposes such a path-dependency) and path-dependent cultural space. However, when we leave the theoretical level and consider empirical cases we should be aware that Eastern Europe (in the same way as Western Europe) does not constitute a homogeneous entity. Different countries experienced different development paths and structuration processes, in spite of the same ideological frame of reference. My own research experience from Russia, which probably constitutes the most extreme case because of the longest communist period and a peculiar stance towards this communist past, suggests that Srubar’s description particularly holds true for the younger generation, students, and people who have recently entered the labour market: They experienced their youth under glasnost, perestroika and post-socialist conditions.

However, the older generation in particular – and to some degree also the medium generation – strongly refer to and rely on their personal networks. These cut across structures of market and civil society, so that not only with regard to the perception of the life world, but also in practice, action within ones own networks provides a higher degree of security and better results than
action and transactions in the anonymous market. The clear-cut boundary between two antagonistic spheres of trust: nash and ne nash, also means that one changes sides when one leaves one's networks. For others, one becomes ne nash.

Civil society requires solidarity between people who do not personally know each other but are in the same or a similar social situation, as well as a personal commitment to these interests across network boundaries. Therefore, it is not really astonishing that civil society in Russia is not being created from the bottom up, but rather that already established organizations and institutions – which in many cases had their origins in Soviet times – these taking up the rhetoric of civil society to pursue their self-interest, without being supported by a base of solidarity. (Schrader et al. 2000). From such a perspective, the transformation process in Russia is intergenerational. It will not be finished with the implementation of market institutions, but requires longer socialization of the actors.

References


The behaviour of managers in Austria and the Czech Republic: An intercultural comparison based on the Vroom/Yetton Model of leadership and decision making*

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In this paper we compare the leadership behaviour of managers in Austria and the Czech Republic, employing the Vroom/Yetton situational leadership model. The model applies a methodology that is close-to-action in contrast to the collection of empirical data based on questionnaires, which target the revelation of basic values as determinants of intercultural differences (far-from-action), such as the studies of Hofstede and the GLOBE-Project. The results show that leadership behaviour in the Czech Republic remains autocratic despite dramatic changes in the societal and political environment of the two countries.

In diesem Aufsatz vergleichen wir das Führungsverhalten von Managern in Österreich und der Tschechischen Republik anhand des Vroom/Yetton situationsbezogenen Führungsmodells. Das Modell nutzt eine Methodik, die praktisch ist im Vergleich zur Sammlung von empirischen Daten, die auf Fragebögen basieren und welche die Enthüllung von Grundwerten als Determinanten von interkulturellen Unterschieden (theoretisch) wie die Studien von Hofstede und das GLOBE-Projekt zum Ziel hat. Die Ergebnisse zeigen, dass dass Führungsverhalten in der Tschechischen Republik immer noch autokratisch ist, trotz dramatischer Veränderungen sowohl im sozialen als auch im politischen Umfeld in beiden Ländern.

Key words: Leadership behaviour, participation, Czech Republic, Austria, cross cultural studies

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1. Introduction

The extension of the European Union began on May 1st 2004. This event will bring about not only new problems but also new opportunities for the existing and new members of the EU. The new opportunities can be realised after the different nations find a way to cooperate. For this cooperation, it is very important that cultural differences be mastered. This is a challenge in all areas of management including marketing, accounting, finance, production and so forth. A key factor among these topics is leadership behaviour. The successful cooperation between companies in the new environment must be implemented by business leaders. Our study will focus on this area.

In addition to practical implications, the study will address methodological problems. Obviously, there is much anecdotal knowledge about cultural differences between neighbouring states and shared within the different countries. However, they contain many prejudices and errors, and systematic empirical studies are seldom conducted. Among the small selection of studies, different approaches were also used. The first part of this paper will provide a brief overview on the characteristics of these studies. We will argue in favour of a model, which takes a ‘close-to-action’ methodology into consideration. In line with that methodology we will apply the Vroom/Yetton model of leadership decision-making and this model will be explained in detail. An empirical application of the model will be used to answer our research question which seeks to explain the cultural differences in leadership behaviour of managers from the Czech Republic and Austria.

2. Cross-Cultural Studies: Value Concept Versus Action Orientation

Empirical studies of cross-cultural differences in leadership behaviour are rare (House et al. 1997). The most classical studies were done by Geert Hofstede (1980, 2001; Hofstede/Bond 1988) and are still quoted today in many relevant textbooks. Hofstede’s analyzed data were collected between 1967 and 1973 by IBM subsidiaries in sixty-four countries. Subsequently he added ten country regions to his data pool, which correspond to twenty-three today. Hofstede’s theoretical concept is oriented on ‘basic values’, which he views as the deepest level of a culture. According to Hofstede, these values are embedded in the individual by the country in which he/she is born and socialized. In comparison to cross-national differences, the cultural dimensions of a profession or an organisation are seen as superficial on the level of symbols, heroes and rituals.

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1 This article presents one of the outcomes of the research activities of the authors sponsored by AKTION program Czech Republic – Austria, cooperation in science and education
Initially Hofstede differentiated four, later the following five, dimensions of national cultures: 1. Power Distance, 2. Individualism versus Collectivism, 3. Masculinity versus Femininity, 4. Uncertainty Avoidance and 5. Short-term versus Long-term Orientation. In addition to anchoring the configuration of leadership behaviour in the attributes of the culture of the relevant nation, Hofstede is convinced that this behaviour exhibits strong inertia and thus high resistance to change. As far as the methodology is concerned, Hofstede employed traditional quantitative empirical research to select five dimensions using factor analysis.

Hofstede’s work was not challenged for a long period. However, in 1994 Robert House initiated the GLOBE (‘Leadership and Organizational Behaviour Effectiveness Research Program’) project. The GLOBE Project was conducted by 150 researchers from 60 countries (House et al. 1997; House et al. 1999). In terms of its broad conception, this project directly followed in Hofstede’s footsteps. The basic value orientation as well as the main methodology remained unchallenged. During the research efforts, the quality of Hofstede’s dimensions and their quantitative operationalisation were criticised and improved. The core results of this attempt led to the identification of nine culture dimensions: 1. Uncertainty Avoidance, 2. Power Distance, 3. Collectivism I, 4. Collectivism II, 5. Gender Egalitarianism, 6. Assertiveness, 7. Future Orientation, 8. Performance Orientation, 9. Humane Orientation. The latter is defined as the degree to which a group encourages and rewards individuals for being fair, altruistic, generous, caring and kind to each other. The initiators of the GLOBE-Project did not draft a complete theory of the culture; they accepted the eclectic and not very systematic theoretical limits of Hofstede’s work. As far as leadership theories are concerned, the concept of charismatic leadership and the attribution theory of leadership are the theoretical models that come closest to the GLOBE-Project, in which ‘implicit leadership theory’ is one of the targets of research. ‘Leadership is defined [...] as the ability of an individual to influence, motivate and enable others to contribute toward the effectiveness and success of the organization of which they are members’ (House et al. 1997: 220).

Parallel to the start of the GLOBE-Project, Trompenaars (1993) surveyed more than 10,000 managers in nearly fifty nations, with particular emphasis upon Europe and eight ex-communist nations, among others former Czechoslovakia. Trompenaars’ (1993) questionnaire includes items addressing seven hypothesised dimensions of cultural valuing. Thus he shares the value orientation; but in contrast to the GLOBE project he intentionally avoided conceptually replicating Hofstede’s dimensions. This was done to challenge the quality of the dominating classification and to check the replicability of the results of these older dimensions (Smith et al. 1996).
The original seven dimensions which Trompenaars derived from earlier theorizing by sociologists and anthropologists were reduced to two in subsequent studies, since it appeared that some of the dimensions were strongly correlated with one another (Smith et al. 1996).

‘The first of the two dimensions can be thought of as representing “hierarchy” versus “equality”. Nations whose managers score high on hierarchy are those in which power differences are accepted, paternalism is expected, job appointments are likely to be on the basis of ascribed qualities, and preferential treatment is given to one’s immediate associates. Nations whose managers score high on equality are those in which work is evaluated and appointments are made on the basis of objective criteria which are applied equally to all persons. The second dimension distinguishes “involvement” from “autonomy”. Nations whose managers score high on involvement are those in which one’s identity is defined in terms of one’s long-term commitment to the organization. Nations whose managers score high on autonomy are those where job involvement is seen as dependent upon a calculus of one’s current rewards, career prospects and alternative opportunities’ (Smith 1997: 377).

Comparing their results with Hofstede’s earlier study, Smith et al. (1996) found that scores on both of their dimensions were to some extent associated with Hofstede’s scores for ‘Power Distance’ and ‘Individualism-Collectivism’. As far as country differences are concerned, they found a striking feature: the former communist nations of the Central Europe cluster are all characterized by combinations of ‘hierarchy’ and ‘autonomy’ in contrast to the West European nations which are characterized by the combination of ‘equality’ and ‘involvement’ (Smith et al. 1996: 247).

Two conclusions emerge from this first comparison on Hofstede’s and Trompenaars’ data bases. First, the links found between both Hofstede’s dimensions and the two dimensions extracted by Smith et al. (1996) provide some evidence of continuity in different approaches to management in the different nations of the world. The two studies used very different samples of respondents, different instruments, and were completed at different times. The fact that their results nonetheless showed some convergence is a persuasive indication that the global variations found by Hofstede are still there, even if they may have decreased in magnitude. The second conclusion comes directly from the inclusion of former communist nations within Trompenaar’s samples. The data from these countries were collected in the late 1980s. The scores obtained confirm what many would have expected, namely that the major variability in approaches to management within Europe lies between East and West. ‘The footprint of history which appears to leave the sharpest imprint at present is not that of the Roman Empire, but that of the Soviet Empire. These data do not of course establish that conclusion unequivocally. There may have been major divergences in approaches to management between Eastern and
Thus, the road through major value-oriented studies, despite some missing data and a detour around the neglect of Central European countries, seems to lead to some coherent results. Their relevance can be limited by the common reliance on the ‘value’ concept. This orientation can be challenged by doubts that values may be illusions but not predictors of overt behaviour. ‘Values’ can be seen as a ‘far-from-action’ concept with a ‘relative distance’ from ‘close-to-action’ concepts such as intended behaviour, commitment or volition (Szabo et al. 2001). A ‘close-to-action’ approach involves the investigation of actual leadership behaviour across cultures and includes basic values as well as situational factors. Value-oriented and action oriented research can come to matching outcomes, as for example, Jago et al. (1995) demonstrated for their high Power-Distance prediction in the case of Czechoslovakia and Poland, using the action-oriented Vroom/Yetton model. However, value-oriented and action-oriented research methods can also result in divergent results. For example, the findings of diversity within the countries of the former communist countries in Smith and Peterson’s (1995) action-oriented ‘event-management’ study contradict the value-oriented results of the Trompenaars (1993) data, which led Smith (1997) to his statement of the overpowering ‘inprint’ of the – as he calls it – ‘Soviet Empire’.

Another example of a ‘close-to-action’ approach is the ‘cultural standards’ method, developed by Thomas (1996), which describes the frame of orientation guiding perception, thinking, and action in a specific culture (society, group). The key approach of this method pertains to its data gathering and interpretation. The emphasis is not on interviewing people from the specific culture under study but on obtaining from foreigners reports of critical incidents that deviate from their expectation of that culture on a day-by-day basis. The interdisciplinary analyses of these incidents then lead to the formulation of the perceived standards. They are not a general description of the foreign culture, but point to norms, which are relevant for action in that culture and are perceived as different to one’s own culture. Thus they can only be seen as a contrast between two cultures and are domain-specific. For example, Novy and Schroll-Machl (2003) describe the Czech cultural standards (in contrast to Germany): downplaying of formal structures (flexibility, improvisation), simultaneousness, person centred control (in contrast to rule centred control), diffusion of spheres, high context communication, conflict avoidance, and unsteady self-confidence.

The cultural standards method has not focused on the contingencies of leadership situations. Such a focus seems to be very promising for future research.
3. The Vroom/Yetton Model

The Vroom/Yetton (1973) model comprises three elements which are interconnected in the logic of the contingency theory: There is (1) no leadership strategy (style) which is successful in all situations, (2) therefore the situations have to be diagnosed and (3) rules have to be found that explain which strategy best matches which situation. The Vroom/Yetton model has been tested in a number of studies and is perhaps the best supported of the situational leadership theories. In this section we give a brief introduction for better understanding the results of this study.

(1) Leadership strategies: According to the model, a leader can choose from five levels of participation when making a decision (AI, AII, CI, CII, GII). These strategies range from a autocratic decision (AI) to a total group decision (GII). AI represents 0% and GII 100% participation. The assignment of different participation scores for the strategies between the extremes of the scale is based on empirical studies in which managers rate the distances on a 1 to 10 scale. As a result, AII represents 10%, CI 50% and CII 80% participation. ‘A’ stands for autocratic, ‘C’ for consultative and ‘G’ for group decision. ‘I’ stands for the concentration on one person (AI = leader alone, CI = one-on-one consultation with all subordinates who could be affected by the decision), and ‘II’ stands for the inclusion of two or more persons at the same time.

Table 1. Decision Strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AI</strong></td>
<td>You solve the problem or make the decision yourself using the information available to you at the present time.</td>
</tr>
<tr>
<td><strong>AII</strong></td>
<td>You obtain any necessary information from subordinates, then decide on a solution to the problem yourself. You may or may not tell subordinates the purpose of your questions or give information about the problem or decision you are working on. The input provided by them is clearly in response to your request for specific information. They do not play a role in the definition of the problem or in generating or evaluating alternative solutions.</td>
</tr>
<tr>
<td><strong>CI</strong></td>
<td>You share the problem with the relevant subordinates individually, getting their ideas and suggestions without bringing them together as a group. Then you make the decision. This decision may or may not reflect your subordinates’ influence.</td>
</tr>
<tr>
<td><strong>CII</strong></td>
<td>You share the problem with your subordinates in a group meeting. In this meeting you obtain their ideas and suggestions. Then you make the decision, which may or may not reflect your subordinates’ influence.</td>
</tr>
<tr>
<td><strong>GII</strong></td>
<td>You share the problem with your subordinates as a group. Together you generate and evaluate alternatives and attempt to reach agreement (consensus) on a solution. Your role is much like that of a chairperson, coordinating the discussion, keeping it focused on the problem and making sure that the critical issues are discussed. You can provide the group with information or ideas that you have, but you do not try to ‘press’ them to adopt ‘your’ solution and you are willing to accept and implement any solution, which has the support of the entire group.</td>
</tr>
</tbody>
</table>

Source: Vroom / Yetton (1973)
(2) Situational Attributes: The leadership decision situation is characterised by seven attributes, which correspond to seven diagnostic questions: (A) Does the problem possess a quality requirement? (B) Does the leader have sufficient information to make a high quality decision? (C) Is the problem structured? (D) Is acceptance of decision by subordinates important for effective implementation? (E) Will an autocratic decision made by the leader be accepted by subordinates? (F) Do subordinates share the organizational goals to be attained in solving this problem? (G) Is conflict among subordinates over preferred solutions likely? The seven questions rely on the assumption that leadership effectiveness is based on mastering two main variables: LE = f(Q x A) where Q stands for ‘quality’ and A for ‘Acceptance’. Quality refers to a leader’s professional competence, with emphasis on knowledge, to meet the ‘technical’ and task-oriented requirements of an organisational goal. Acceptance refers to the subordinate’s commitment to execute the organisational goals. A commitment of this kind is endangered when subordinates are in conflict with the leader’s aspirations, the company’s goals, or when they do not find adequate consensus among themselves on how to tackle the task at hand. The leader needs ‘social competence’ to diagnose these commitment problems.

(3) Decision Rules: The model provides seven decision rules (Leader Information Rule, Goal Congruence Rule, Unstructured Problem Rule, Acceptance Rule, Conflict Rule, Fairness Rule, Acceptance Priority Rule), each one of them excluding certain decision strategies in specific situations. The Leader Information Rule, for example, eliminates strategy AI (autocratic decision making) from being feasible in a situation, where the quality of the decision is important (diagnostic question A = ‘yes’) and the leader does not have enough information or expertise to solve the problem alone (diagnostic question B = ‘no’). The result of applying all the seven rules to a decision situation is a set of strategies (feasible set) for that situation. When the feasible set contains more than one strategy, there are two additional criteria to focus on just one strategy – time and subordinate development. According to ‘Model A’ the most time saving (least participative) feasible strategy is always selected from the feasible set. ‘Model B’ replaces the goal of time efficiency with a goal of subordinate development and selects the most participative feasible strategy which provides greater involvement of subordinates in decision making and more opportunities to develop their own managerial, technical and team skills.
Table 2. Decision Rules

1. Leader Information Rule  
   \[ A + B \]
   If the quality of the decision is important and the leader does not possess enough information or expertise to solve the problem alone, then AI is eliminated from the feasible set.

2. Goal Congruence Rule  
   \[ A + F \]
   If the quality of the decision is important and subordinates are not likely to pursue the organization goals in their efforts to solve this problem, then GII is eliminated from the feasible set.

3. Unstructured Problem Rule  
   \[ A + B + C \]
   In situations in which the quality of the decision is important, if the leader lacks the necessary information or expertise to solve the problem alone, and if the problem is unstructured, the method of solving the problem should provide for information among subordinates likely to possess relevant information. Accordingly, AI, AII and CI, which provide no interaction among subordinates, are eliminated from the feasible set.

4. Acceptance Rule  
   \[ D + E \]
   If the acceptance of the decision by subordinates is important for effective implementation and if it is not reasonably certain that an autocratic decision will be accepted, AI and AII are eliminated from the feasible set.

5. Conflict Rule  
   \[ D + F + G \]
   If the acceptance of the decision is important, an autocratic decision is not reasonably certain to be accepted and disagreement among subordinates over possible solutions is likely, the methods used in solving the problem should enable those in disagreement to resolve their differences with full knowledge of the problem. Accordingly, under these conditions, AI, AII and CI, which permit no interaction among subordinates and therefore provide no opportunity for those in conflict to resolve their differences, are eliminated from the feasible set. Their use runs the risk of leaving some of the subordinates with less than the needed commitment to the final decision.

6. Fairness-Rule  
   \[ F + D + E \]
   If the quality of the decision is unimportant, but acceptance of the decision is important, and not reasonably certain to result from an autocratic decision, the decision process used must generate the needed acceptance. The decision process should permit the subordinates to interact with one another and negotiate among themselves over the method of resolving any differences with full responsibility on them for determining what is fair and equitable. Accordingly, under these circumstances, AI, AII, CI and CII are eliminated from the feasible set.

7. Acceptance Priority Rule  
   \[ D + F + E \]
   If acceptance is important, not reasonably certain to result from an autocratic decision and if subordinates are motivated to pursue the organizational goals represented in the problem, then methods which provide equal partnership in the decision making process can generate far greater acceptance without risking decision quality. Accordingly, AI, AII, CI and CII are eliminated from the feasible set.

Source: Vroom / Yetton (1973)
4. Cross-Cultural Comparison of Austrian and Czech Managers

4.1 Method and Data Collection

The applied method and data collection were dominated by a clear action orientation. No questionnaire was used and all data were collected by administering a ‘problem set’ in the form of thirty decision-making situations. The thirty cases were selected and rewritten from actual descriptions of real decisions provided to the authors (Vroom/Yetton/Jago 1976) by hundreds of real managers and were validated with the assistance of trained managers. If eight out of ten of those trained managers detected the same problem attributes within the same case, a sufficient validation was assumed. This test, applied for the English problem set (Jago/Vroom 1978) was repeated in a German version (Böhnisch 1991). For the Czech studies, a translation of the thirty cases by native speakers was used; the semantic ‘corrections’ were not tested systematically. However, in discussions with the Czech managers during their training program, one of the authors in charge of the feedback session got the impression of a ‘face validity’ of the translations as the author found that the same problem attributes were mentioned.

The problem set was administered to managers who, at the time of data collection, were unfamiliar with the Vroom/Yetton model. In addition to the cases, they only received the definition of the five strategies and were asked to select one for each case. An average time of two hours was needed to read the cases and to make the thirty decisions.

The results of the decision process mirror intended behaviour. Validation studies conducted by Jago and Vroom (1978) for the US and replicated by Böhnisch et al. (1988) for Austria came to the conclusion that the intended behaviour as a reaction to the problem set is equivalent to the real behaviour of the involved managers.

The Czech and Austrian data were collected prior to leadership training programs. In such a training program, the respondents were not providing a ‘favour’ for the researchers since their main concern was the improvement of their own leadership behaviour. All of the participants received feedback, in which their first reactions to the problem set were compared to a description of the model. Training was provided to assist the participants in using the diagnostic questions and the decision rules for upcoming leadership decisions in their home organisational environment.

The data collection in Austria began in 1984 and in the Czech Republic in 1991 with the most recent data collected in Prague in Summer of 2003. The total numbers (2863 managers in Austria and 710 in the Czech Republic) were standardised based on a matching process. Matching was performed on organisational and demographic variables – provided by the respondents – known to affect leadership style: gender, hierarchical level, managerial
function, age, as well as organisation type, number of subordinates, and tenure with the company.

4.2 Results

Participativeness: The most straightforward of problem set statistics are the simple “frequencies with which managers choose each of the five strategies”. The top part of Table 3 contains the means from the two cultures. The comparison confirms the finding that Austrian managers are less inclined to employ autocratic strategies (AI and AII) while they most frequently use group processes (CII and GII) for decision-making. Czech managers differ significantly from the Austrians in the use of consultative group processes (CII) and the consensus seeking strategy (GII). As far as the CI strategy is concerned no differences were found; both countries show this strategy with the second lowest frequency. The CI-Strategy is the only strategy in which managers in both countries showed no significant difference. While there seems to be a common ‘need’ for this strategy, this does not reveal for what purpose a consultative private conversation between the manager and subordinate might take place in the two countries.

Based on the participation score of the chosen strategies, a ‘mean level of participation (MLP)’ can be computed. In our study it is not computed on the individual level (which reveals a personality factor), but rather as an average on the national level. In addition, the standard deviation (SD) around the average is computed again on the national level. The SD demonstrates flexibility: the higher the score – the maximum on the participation scale being between AI (0) and GII (10) is 5.0 – the higher the variance of strategies.

The value of the MLP score and the standard deviation are found at the bottom of Table 3. The table indicates that the Czech show a significantly lower MLP in comparison with Austrians. It is interesting to note that the Czech possess a slightly higher SD than the Austrians. This confirms the assumption (based on the GLOBE data) that Czech managers possess a high degree of flexibility as a whole, which can be interpreted – as already mentioned – as a sign of readiness for change processes.
Table 3. Participativeness

<table>
<thead>
<tr>
<th>Variable</th>
<th>A</th>
<th>CZ</th>
<th>F-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Use of Strategies:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AI - Autocratic</td>
<td>19,6</td>
<td>25,5</td>
<td>20,42</td>
</tr>
<tr>
<td>AII - Autocratic</td>
<td>14,9</td>
<td>20,9</td>
<td>41,58</td>
</tr>
<tr>
<td>CI - Consultative</td>
<td>16,0</td>
<td>15,8</td>
<td>0,09</td>
</tr>
<tr>
<td>CII - Consultative</td>
<td>29,6</td>
<td>24,3</td>
<td>24,22</td>
</tr>
<tr>
<td>GII - Group Decision</td>
<td>19,9</td>
<td>13,6</td>
<td>39,84</td>
</tr>
<tr>
<td>Mean Level of Participation</td>
<td>5,31</td>
<td>4,30</td>
<td>65,06</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>3,64</td>
<td>3,69</td>
<td>1,39</td>
</tr>
</tbody>
</table>

* p < 0,05  ** = p < 0,01

Agreement with Normative Model: Table 4 reports the mean frequencies with which Austrian and Czech responses fell within the feasible set across the thirty cases. Austrian managers outperform their colleagues in the Czech Republic with a very high F-Value; Austrian and Czech managers show the same degree of agreement with Model A (time efficiency) but a big difference with the use of Model B (subordinate development).

Each time a respondent’s choice is outside the ‘feasible set’, that choice has violated one or more of the seven decision rules underlying the normative model. Rates of rule violations are also reported in Table 4. These data isolate the sources of disagreement between managers and model behaviour. For six of the seven rules, Austrian respondents display a lower rate of violation than Czech respondents; the Czech and Austrian managers are congruent in Rule 2. This rule excludes the GII strategy in a situation in which quality is at stake and the subordinates do not share the organizational goals. The violation of Rule 2 has the lowest frequency and is the only one to show no significant differences between the two countries.

As previously stated, rules 1 – 3 are designed to protect decision quality whereas rules 4 - 7 are designed to protect decision acceptance. Rates of quality rule violations (appropriately adjusted for the frequency of rule applicability) and rates of acceptance rule violations are also included in Table 4.
The first conclusion to be drawn from aggregating rule violations is that regardless of culture, departures from the model’s prescriptions are more likely to be attributed to violations of acceptance rules rather than of the quality rules. This is consistent with the evidence in all studies completed within the framework of the Vroom/Yetton model (Vroom/Yetton 1973; Vroom/Jago 1988; Reber et al. 1993; Maczynski et al. 1994; Reber et al. 2000) and seems to have specific signals for the education process concerning future managers. The deficits are significantly higher in the area of social rather than in the area of ‘professional’ (in the tradition of a narrow ‘task’ orientation, respectively technical qualities of decisions).

Nonetheless, significant differences exist between the two countries. Austrian managers display significantly lower rates of acceptance violation in comparison to Czech.

Attribute Main Effects: Based on the diagnostic questions, *main effects* are reported in Table 5. The main effects show behavioural differences that take place when the attribute is absent versus present. A positive main effect indicates a behavioural tendency to be more participative when the attribute is present (i.e. when the answer to the diagnostic question is ‘Yes’), a negative main effect indicates the reverse. The results portray a relatively complicated picture. At a first glance into the dimensions of the quality requirement, Austrian and Czech managers are more participative when the problem at hand

**Table 4. Agreement with the Vroom/Yetton Model**

<table>
<thead>
<tr>
<th>Variable</th>
<th>A (158)</th>
<th>CZ (158)</th>
<th>F-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Agreement with:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feasible Set</td>
<td>72,4</td>
<td>66,4</td>
<td>42,70</td>
</tr>
<tr>
<td>Model A Choice</td>
<td>37,9</td>
<td>36,4</td>
<td>1,64</td>
</tr>
<tr>
<td>Model B Choice</td>
<td>29,6</td>
<td>20,4</td>
<td>63,64</td>
</tr>
<tr>
<td>% Rule Violations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rule 1 - Leader Info,</td>
<td>9,9</td>
<td>12,1</td>
<td>3,61</td>
</tr>
<tr>
<td>Rule 2 - Goal Congruence</td>
<td>11,5</td>
<td>7,7</td>
<td>10,43</td>
</tr>
<tr>
<td>Rule 3 - Unstructured</td>
<td>36,3</td>
<td>48,3</td>
<td>25,45</td>
</tr>
<tr>
<td>Rule 4 - Acceptance</td>
<td>16,6</td>
<td>30,1</td>
<td>69,00</td>
</tr>
<tr>
<td>Rule 5 - Conflict</td>
<td>34,1</td>
<td>51,1</td>
<td>47,41</td>
</tr>
<tr>
<td>Rule 6 - Fairness</td>
<td>30,4</td>
<td>60,4</td>
<td>66,05</td>
</tr>
<tr>
<td>Rule 7 - Accept, Priority</td>
<td>62,2</td>
<td>70,6</td>
<td>8,50</td>
</tr>
<tr>
<td>Quality Rules (1-3)</td>
<td>15,8</td>
<td>17,6</td>
<td>5,75</td>
</tr>
<tr>
<td>Acceptance Rules (4-7)</td>
<td>30,7</td>
<td>45,7</td>
<td>85,43</td>
</tr>
</tbody>
</table>

* p < 0,05      ** = p < 0,01
contains a quality component and is, from the organisation’s perspective, nontrivial. On the other hand, they display greater autocracy on the organizationally trivial issues.

In situations in which leaders do not have sufficient (technical, professional) information, an inclination to become less participative is increasingly apparent among Austrian managers (-0.47) in comparison to Czechs (-0.73). If the situation is unstructured, the tendency for autocratic reactions to decrease is stronger in Austria than in the Czech Republic. In situations where acceptance of the subordinates is important, Austrian managers tend to use participative styles to a higher degree than managers in the Czech Republic – although the difference is not significant. In situations where leaders and subordinates are in conflict, Austrian managers become significantly more participative than their colleagues in the Czech Republic. If the conflict is between subordinates, Czech managers consider it appropriate to become more autocratic than the Austrian managers.

Table 5. Attribute Main Effects

<table>
<thead>
<tr>
<th>Variable</th>
<th>A  (158)</th>
<th>CZ (158)</th>
<th>F-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Requirement</td>
<td>0,66</td>
<td>0,90</td>
<td>1,81</td>
</tr>
<tr>
<td>Leader Information</td>
<td>-0,47</td>
<td>-0,73</td>
<td>2,87</td>
</tr>
<tr>
<td>Problem Structure</td>
<td>-1,72</td>
<td>-1,59</td>
<td>0,39</td>
</tr>
<tr>
<td>Acceptance Requirement</td>
<td>0,87</td>
<td>0,79</td>
<td>0,24</td>
</tr>
<tr>
<td>Prior Prob. Acceptance</td>
<td>-2,87</td>
<td>-2,23</td>
<td>13,88 **</td>
</tr>
<tr>
<td>Goal Congruence</td>
<td>0,44</td>
<td>0,96</td>
<td>14,23 **</td>
</tr>
<tr>
<td>Subordinate Conflict</td>
<td>0,11</td>
<td>-0,14</td>
<td>2,96</td>
</tr>
</tbody>
</table>

* p < 0.05  ** = p < 0.01

5. Discussion

The study substantiates three conjectures and empirical findings of earlier studies mentioned above.

1. Austrian managers show a very high profile of participativeness in their leadership behaviour.

2. Czech managers are divergent from their Austrian colleagues, with higher preferences for autocratic leadership styles, higher disagreement with the prescriptions of Vroom/Yetton model and in most of the main effects.
National culture is a ‘dominating’ factor for the conception and execution of leadership styles.

How can these results be explained for the Czech Republic, which politically brought about a revolution and a reorganisation of its economy from central state planning and state ownership to a market system with a privatisation campaign and an opening for international competition? Did more drastic changes remain on the national level and somehow manage not to penetrate the organisational and individual levels? The latter seems to be the reality, in spite of the fact that individual leaders show a high readiness for flexibility with high scores in their standard deviation. Is a ‘configurational’ view the best approach to explain stability within a change process? In a simplified picture, we could argue that a model of three main levels would bring us closer to an explanation of this paradoxical situation of stability within a flux of change. The change took place on the societal/political level; the population worked and fought for the right to vote, to exercise the right of government participation, to express more individuality, and to support private ownership. At the individual level, these are indicators that similar values and flexibility exist but do not have a place on the organisational level of private enterprises and it does mean that this potential can be tapped. Perhaps a change at this organisational level can only be brought about when the opportunity is administered congruently, and the ‘whole’ and its ‘parts’ can find an optimal (ideal) ‘Gestalt’. The existing ‘values’ need the appropriate situational conditions in order to be transformed into ‘actions’.

The situation in Austria after World War II may provide an example. It can be speculated that before the end of the war, culturally and individually preferred leadership styles would not have scored highly on the scale between AI and GII. The state was in the hand of one party and the economy was state-controlled to divide the most available goods among the majority leaving the least for private consumption. When the war was over and democracy was restored in the Austrian economy, the social/economic partnership model was created within the framework of the distribution of political and economic power between the social democrats and the conservatives. This occurred under the leadership of the old political elite from the First Republic (after World War I) who saw no future for the extremes of capitalism and communism. To deal with decision-making and conflict resolution, a system was constructed in which all stakeholders had a ‘voice’ rather than an ‘exit’ option and consensus (GII) was the preferred strategy of decision making and actions (Szabo et al. 2002). Ideas of partnership did not only govern on the highest political-economic level, but transcended into the daily experience of managers at the organizational level. Laws requiring co-determination – as in West Germany – forced them, as well as their subordinates and their union representatives, to negotiate and agree on norms of cooperation and participation which endorsed new patterns of leadership behaviour. As this process was not achieved in Austria overnight, it
took its toll on development in the form of ‘over consensualism’ with delayed adaptation to fast environmental changes in the EU and the world. Just recently, the erosion of the ‘two party’ political power structure became manifest in the election for the present parliament. This development in based on value changes in the population in favour of more individualism by younger generations born after the two World Wars with no experience of a civil war, poverty and a need for solidarity.

In the Czech Republic, this organisational level could be the bottleneck. It seems crucial that the results of the ‘de-statisation’ process, with its key elements of privatization and the governance structure in the new ‘private’ companies, were insufficient. Of all the economic plans launched since 1989, voucher privatization (Kost 1994; Fogel 1994) must rank among the most ambitious. In contrast to other post communist countries, the majority of state property has been, at least formally, transferred to private hands. However, the economic system is often not transparent and enterprise ‘owners’ are often not real owners but rather managerial cliques having gained their power through connections cultivated in the old regime. Voucher privatization has led to a paradox. Share ownership has been transferred to investment funds, which are private only in their legal form, since they are actually mostly controlled or owned by banks in which the state has a large or even majority stake. The National Property Fund (NPF) owns the state banks, which own the investment funds, which in turn own the majority of companies. The companies are indebted to the same banks, which artificially keep the companies alive because otherwise they would be forced to admit that a large part of their loans are unrecoverable.

In a situation like this, the market system does not bare its teeth in fierce competition against inefficient companies. The managers in protected industries can continue in their former functions and mindset. These managers are characterised by a lack of entrepreneurial spirit and a strong aversion towards taking responsibility. The typical Czech talent for passive resistance leads to delays in necessary restructuring measures. Managers remain order-takers, conservative, risk averse, operations focused, ‘inside’ people with low mobility and relying on personal contacts. Proficiency in foreign languages other than Russian is relatively low. Older managers in particular are technically oriented with a propensity to stick to a plan as a rule. They are flexible but their flexibility has a completely different aim: A typical attribute of central command planning was shortage. This included shortages of raw materials, energy, semi-finished products, transport capacities, skilled/unskilled labour force, and investment capital, etc. These predicaments called for competence to improvise and be flexible on the input side of business activities. The market system’s accent is on the output side towards consumer and market orientation.
A market reform alone does not change the governance structure within companies. The Czech government did not initiate legislation based on the experience with co-determination gained in Germany and Austria; the ideals were closer to economic systems along the Anglo-Saxon models, the United States in particular. Perhaps consensus-seeking systems were too close to collective characteristics. It seems that concepts such as freedom, individualism and competition are more appealing to victims of a centralized command system than to politicians who were deceived by their first democratic system and hurt by its complete failure. The unchanged inner hierarchical governance structure of the many directly or indirectly state-owned companies does not force managers to change their habits. In the leadership seminars, managers stated repeatedly: ‘I would like to include my subordinates in the decision-making process, but they expect me to make the decisions alone. That way if the decision is wrong, I alone take the blame’. Perhaps a communication problem exists (who tells whom first, what is expected in reality) or the leader forgets his/her responsibility as ‘model’ and has to be the front runner when it comes to admitting he/she does not have all of the information and therefore needs help and advice and depends on the commitment of subordinates to get the job done effectively.

However not all companies and industries are parts of the privatised but nevertheless state owned conglomerates. Real ‘private’ companies do exist and they struggle against financial contingencies in a system that makes it nearly impossible for newer, smaller businesses to obtain loans. New loans normally have to be repaid within four years. Additional opportunities can be seen within old industries through new international alliances. Several Czech companies became part of international corporations. In these cases the managers are currently in conflict between the aspirations of the foreign company and their own culturally bound ways of doing things. Here research on the ‘cultural standards’ (Thomas 1996) of the countries involved – for Germany, Czech Republic, and Austria see Schroll-Machl and Novy (2000), Fink et al. (2001), Novy and Schroll-Machl (2003) – gives insights on how to avoid pitfalls and make the cooperation productive through understanding each other’s norms, which govern their behaviour.

An example of a very successful model and partnership is the cooperation between Volkswagen and Skoda (Kunz 1995; Groenwald/Leblane 1996; Dorow/v. Kibed 1997; Maly 2000). In this situation, a so-called Tandem System was installed. For a transition period of several years, a manager from Germany and a manager from the Czech Republic shared the same job. A decision was only authorised when both managers signed a document. This procedure can be seen as a bilateral consensus-seeking programme within one company; namely a structure with some elements of the partnership system on the national level in Austria and on a company level in Germany. The Skoda/VW company is not only successful within the Czech Republic, but also internationally despite
internal competition against their products manufactured in countries such as Germany, Spain, Mexico and marketed world-wide.

In contrast to the development in large market-driven companies, two other sources of change seem to be effective. First of all, company owners with charismatic behaviour find acceptance within their institutions and take the responsibility for leading their enterprise through difficult conditions. The second stimulus may come from a new breed of young managers who are professionally oriented, some with an MBA education, and capable of speaking western languages such as English, German and French. These young, new managers are not only entrepreneurial, active, flexible, and open-minded, but also, through a typical Czech trait, possess a specific talent for improvising and ‘surviving’. They rely on market signals and are risk-takers with strategic planning and vision. These characteristics are optimistic conjectures; we hope that they can become reality and be documented in the future.

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The behaviour of managers in Austria and the Czech Republic


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Die Vorbereitung der slowakischen Industriebetriebe auf den Beitritt in die Europäische Union (Research Note)*

Miroslav Majtán, Jana Sršňová **

The paper defines crucial adjustment instruments of the Slovak business sector in the course of its accession to the European Union. Analysis of these instruments is illustrated with a sample of 110 Slovak manufacturing firms. Analysis shows that companies with over 500 employees, in particular in engineering and electrical engineering industries are better prepared for the accession. These companies are distinguish themselves with a high level of internationalization (a high share of exports in the EU market on the company’s sales), utilization of higher forms of input on the common EU market, utilization of 9000 ISO standards and participation of a foreign investor, especially from the European Union. At the same time, analysis pointed to several risks, namely those related to competitiveness. Business in the size group from 50 to 499 employees with a higher rate of added value have to be paid a greater attention.


Key words: Slovakia / European Union / internalization / competitiveness

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EDITORIAL REMARK: Since issue 1/2004 JEEMS only publishes papers and research notes in English. We make an exception here, because this paper was already submitted for the first time in 2002!

Die Analyse, deren Ergebnisse im folgenden präsentiert werden, ist ein Teil der Studie der Handelsfakultät der Ökonomischen Universität. Ihre Besonderheit besteht in der betriebswirtschaftlichen Ausrichtung mit dem Ziel die Vorbereitung der Industriebetriebe der SR auf den EU Beitritt zu untersuchen. Die Analyse geht dabei von der Beurteilung der für die betriebliche Sphäre notwendigen Instrumente aus. Diese können in drei Gruppen unterteilt werden:

A. Ausgewählte Charakteristik, die mit der Internationalisierung des Unternehmens zusammenhängt – Anteil des Exports am Erlös des Betriebes, Anteil des Exports in die EU am Betriebserlös, Anteil des Exports in die Länder der V4 (die Visegrad-Länder) am Erlös der Unternehmen, sowie angewendete Beitrittsformen zum Markt der EU.

In der Praxis zeigt sich, dass das Maß der Internationalisierung der Betriebe (Anteil des Exports am Erlös), ihre Orientierung an den EU-Ländern, sowie die Form des Eintritts auf die EU Märkte unmittelbar die Vorbereitung der Industriebetriebe beeinflussen. Weiterhin gelten ein hoher Anteil am Export, die territoriale Ausrichtung auf die EU-Länder, sowie der Einsatz direkter Formen der Etablierung auf dem Auslandsmarkt, die auch die Marktpräsenz des entsprechenden Marktes ermöglichen (z.B. Vertriebsniederlassungen im Ausland) als bestimmend im Vorbereitungsprozess.

C. Für die strategische Entwicklung der slowakischen Industriebetriebe sind Auslandsinvestoren von großer Bedeutung. Deshalb ist der Einstieg von Auslandsinvestoren, die den slowakischen Betrieben bei der Adaption an den EU Markt helfen (insbesondere aus der EU stammende Investoren), die Teilnahme der Auslandsinvestoren in slowakischen Industrieunternehmen, deren Beiträge für das Unternehmen, das Herkunftsland der strategischen Investoren, die Staatsunterstützung sowie die Erfüllung der Erwartungen des strategischen Investors, zu betrachten.

Der Beitrag ist in drei Teile gegliedert:

1. Charakteristik des Untersuchungsobjektes
2. Ergebnisse der durchgeführten Umfrage
3. Schlussfolgerung der durchgeführten Umfrage und Verallgemeinerung der Untersuchungsergebnisse

Charakteristik des Untersuchungsobjektes

Die Umfrage betrifft die Industriebetriebe der SR. Die Stellung des Industriebetriebes kennzeichnet die Verteilung des BIP-s nach Wirtschaftszweigen. (Tab. 1)

*Tabelle 1. Gross domestic product by economic activists in 2000 in %*

<table>
<thead>
<tr>
<th>Total</th>
<th>100 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Goods</td>
<td>35,7</td>
</tr>
<tr>
<td>Industrie total</td>
<td>26,4</td>
</tr>
<tr>
<td>Market Services</td>
<td>42,1</td>
</tr>
<tr>
<td>Non Market Services</td>
<td>12,5</td>
</tr>
<tr>
<td>Other</td>
<td>9,7</td>
</tr>
</tbody>
</table>


Die Größenskala der Betriebe ist mit der Methodik in der EU kompatibel. Sie umfasst drei Betriebsgruppen:

1. 1-49 Mitarbeiter
2. 50-499 Mitarbeiter
3. 500 und mehr Mitarbeiter

*Tabelle 2. Größenstruktur des bewerteten Komplexes*

<table>
<thead>
<tr>
<th>Größengruppe</th>
<th>Betriebszahl</th>
<th>Anteil am Umsatz des Komplexes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 1 – 49 Mitarbeiter</td>
<td>1</td>
<td>0,1 %</td>
</tr>
<tr>
<td>2. 50 – 499 Mitarbeiter</td>
<td>38</td>
<td>10,9 %</td>
</tr>
<tr>
<td>3. 500 und mehr Mitarbeiter</td>
<td>62</td>
<td>89,0 %</td>
</tr>
<tr>
<td>Zusammen</td>
<td>101</td>
<td>100 %</td>
</tr>
</tbody>
</table>
Folgende Größenskala liegt dabei zu Grunde (Tabelle 2).

Die durchschnittliche Größe des Betriebes ist in beiden Gruppen (2, 3) markant unterschiedlich.

In der Gruppe mit 50-499 Mitarbeitern beträgt sie 0,622 Mrd., und in der Gruppe mit über 500 Mitarbeitern 2,96 Mrd. Es ist also evident, dass es sich im Hinblick auf den gemeinsamen Markteinfluss und die Chancen um unterschiedliche Betriebsgruppen handelt.

2. Ergebnisse der durchgeführten Umfrage

A. Internationalisierung des Betriebes

Wie stark der EU-Markt Einfluss auf den Betrieb als auch seine Chancen nehmen kann, hängt von der Größe und der Internationalisierung des Unternehmens ab. Letzteres haben wir durch ein „System von drei Indikatoren“ geprüft. Die dabei gewonnenen aber auch weitere Daten bestätigen, dass der Anteil am Exporterlös in einzelnen Industriebranchen zwar unterschiedlich, aber dennoch bedeutend ist (Tab. 3, 4).

*Tabelle 3. Exportanteil der Unternehmen am gesamten Export der Branche, die mehr als 50 % Anteil am Exporterlös haben*

<table>
<thead>
<tr>
<th>Branche</th>
<th>Jahr 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maschinenbau</td>
<td>99,4</td>
</tr>
<tr>
<td>Chemie-, Pharmazie- und Kautschukindustrie</td>
<td>97,3</td>
</tr>
<tr>
<td>Metallurgie</td>
<td>99,5</td>
</tr>
<tr>
<td>Energieerzeugung</td>
<td>86,0</td>
</tr>
<tr>
<td>Holzverarbeitungsindustrie</td>
<td>88,7</td>
</tr>
<tr>
<td>Elektroindustrie</td>
<td>100,0</td>
</tr>
<tr>
<td>Konsumgüterindustrie</td>
<td>100,0</td>
</tr>
<tr>
<td>Nahrungsmittelindustrie</td>
<td>-</td>
</tr>
<tr>
<td>Glasindustrie</td>
<td>85,7</td>
</tr>
<tr>
<td>Produktion von Baumaterialien</td>
<td>84,8</td>
</tr>
<tr>
<td>Druckgewerbe</td>
<td>100,0</td>
</tr>
<tr>
<td>Förderindustrie</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Die oben genannten Anteile sinken in mehreren Branchen wesentlich, wenn wir die Grenze des Exportsanteils am Erlös auf 75% steigern (Tab. 4).

Der Einfluss des gemeinsamen EU-Marktes (und Bedarf der Adaptation) soll auch unter dem territorialen Aspekt der Exportorientierung im Hinblick auf den EU-Markt als auch den Markt der V4 Staaten und zukünftiger EU Mitglieder einzelner Betriebe untersucht werden.
Tabelle 4. Exportanteil der Unternehmen an der gesamten Ausfuhr der Branche, die mehr als 75 % Anteil am Exporterlös haben

<table>
<thead>
<tr>
<th>Branche</th>
<th>Jahr 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maschinenbau</td>
<td>86,9</td>
</tr>
<tr>
<td>Chemie-, Pharmazie- und Kautschukindustrie</td>
<td>26,1</td>
</tr>
<tr>
<td>Metallurgie</td>
<td>92,1</td>
</tr>
<tr>
<td>Energieerzeugung</td>
<td>-</td>
</tr>
<tr>
<td>Holzverarbeitungsindustrie</td>
<td>27,2</td>
</tr>
<tr>
<td>Elektroindustrie</td>
<td>81,0</td>
</tr>
<tr>
<td>Konsumgüterindustrie</td>
<td>62,6</td>
</tr>
<tr>
<td>Nahrungsmittelindustrie</td>
<td>-</td>
</tr>
<tr>
<td>Glasindustrie</td>
<td>85,7</td>
</tr>
<tr>
<td>Produktion von Baumaterialien</td>
<td>35,9</td>
</tr>
<tr>
<td>Druckgewerbe</td>
<td>-</td>
</tr>
<tr>
<td>Förderindustrie</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Wenn man die Tätigkeit einzelner slowakischer Betriebe auf dem EU-Markt betrachtet, können diese Betriebe in drei Gruppen eingeteilt werden (Tab. 5):

Tabelle 5

<table>
<thead>
<tr>
<th>Orientierung</th>
<th>Branche</th>
</tr>
</thead>
</table>
| 1. mit starker Orientierung an der EU | Maschinenbau
Konsumgüterindustrie
Glasindustrie
Elektrotechnische Industrie |
| 2. mit mittlerer Orientierung an der EU | Chemie-, Pharmazeutische und Kautschukindustrie
Holzverarbeitungsindustrie
Produktion von Baumaterialien
Druckgewerbe |
| 3. mit schwacher Orientierung an der EU | Nahrungsmittelindustrie
Förderindustrie |

Der Anteil der Branchen mit starker Orientierung am EU-Markt hat in der Exportstruktur des Jahres 2001-40,7 % des gesamten Exports ausgemacht.

Ein wichtiger Punkt bei der Internationalisierung im Betrieb ist auch die angewandte Zutrittsform zum ausländischen Markt. In der Untersuchung wurden folgende Möglichkeiten in Betracht gezogen:

- indirekter Export (durch fremde Organisationen),
- direkter Export ohne Investitionen (eigene Abteilungen als Bestandteil der Betriebsorganisationsstruktur, z. B. Abteilung für Absatz, Marketingbereich u.a.),
- direkter Export mit Investitionen (repräsentatives Büro, Absatzfiliale im Ausland)
• Joint Venture im Ausland,
• Tochtergesellschaft im Ausland.

Die Aufteilung der einzelnen Zutrittsformen zum Auslandsmarkt zeichnete sich in der Untersuchung wie folgt ab:

• Indirekter Export 22
• Direkter Export ohne Investitionen 71
• Indirekter Export mit Investitionen 21
• Joint Venture 9
• Produktionsunternehmen im Ausland 10


*Tabelle 6*

<table>
<thead>
<tr>
<th>Stärken</th>
<th>auf dem Inlandsmarkt (Anzahl Nennungen)</th>
<th>auf dem EU-Markt (Anzahl Nennungen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tradition</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Monopolstellung</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>eigene F&amp;E</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>technische und technologische Stufe</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>ausreich. Produktionskapazitäten</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Flexibilität</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>Billige Arbeitskräfte</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Personal</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Marktenkenntnis</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Kundenkenntnis</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Marke</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Qualität</td>
<td>41</td>
<td>28</td>
</tr>
<tr>
<td>Sortiment</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Service, Dienstleistungen</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Preis</td>
<td>25</td>
<td>19</td>
</tr>
<tr>
<td>Kosten</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Produkt</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>gute Finanzlage</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>geographische Lage</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>ISO</td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>
B. Charakteristik interner und externer Umwelt

Die Wettbewerbsfähigkeit slowakischer Betriebe ist ein wichtiges Adaptationsinstrument für den Beitritt zum gemeinsamen EU-Markt. Die Betriebe führen in der Untersuchung folgende Stärken an (Tab. 6).

Die Reihenfolge der Stärken aus Sicht der Betriebe zeigt Tabelle 7:

<table>
<thead>
<tr>
<th>Inlandsmarkt</th>
<th>EU – Markt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualität</td>
<td>Qualität</td>
</tr>
<tr>
<td>Preis</td>
<td>Preis</td>
</tr>
<tr>
<td>Flexibilität</td>
<td>Flexibilität</td>
</tr>
<tr>
<td>Produkt</td>
<td>Personal</td>
</tr>
<tr>
<td>Sortiment</td>
<td></td>
</tr>
</tbody>
</table>

Auf beiden Märkten dominieren die Marketinginstrumente Distribution und Kommunikation, die nur wenige Betriebe als Schwächen anführen.

Die Beitrittsgründe slowakischer Betriebe zum EU-Markt sind vielfältig. Es überwiegen aber die Ausnutzung der Produktionskapazitäten sowie die Sättigung des Inlandmarktes und Reduzierung des Risikos (Tab. 8).

<table>
<thead>
<tr>
<th>Motiv</th>
<th>Anzahl</th>
</tr>
</thead>
<tbody>
<tr>
<td>bessere Ausnutzung der Produktionskapazitäten</td>
<td>65</td>
</tr>
<tr>
<td>auf dem Inlandsmarkt wird kein Wachstum erwartet</td>
<td>26</td>
</tr>
<tr>
<td>der Inlandsmarkt ist gesättigt</td>
<td>35</td>
</tr>
<tr>
<td>Erwerben finanzieller Mittel</td>
<td>14</td>
</tr>
<tr>
<td>Gewinn von ausländischem Know–how</td>
<td>21</td>
</tr>
<tr>
<td>Reduzierung des Risikos</td>
<td>33</td>
</tr>
<tr>
<td>Andere</td>
<td>6</td>
</tr>
</tbody>
</table>

Entscheidende Informationsquellen über den EU-Markt sind die SOPK (Slowakische Handels- und Industriekammer), sowie die Banken und Handelsvertreter (Tab. 9).

<table>
<thead>
<tr>
<th>Informationsquellen (über den EU-Markt)</th>
<th>Menge</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOPK</td>
<td>31</td>
</tr>
<tr>
<td>Banken</td>
<td>30</td>
</tr>
<tr>
<td>Handelsvertreter</td>
<td>24</td>
</tr>
<tr>
<td>Persönliche Kontakte</td>
<td>7</td>
</tr>
<tr>
<td>Muttergesellschaft</td>
<td>6</td>
</tr>
<tr>
<td>Ausstellungen und Messen</td>
<td>6</td>
</tr>
<tr>
<td>Andere</td>
<td>4</td>
</tr>
</tbody>
</table>
Von 101 Unternehmen nutzen nur 30 die verschiedenen Unterstützungsformen des Exports (Tab. 10).

**Tabelle 10**

<table>
<thead>
<tr>
<th>Unterstützungsförderung der Ausfuhr</th>
<th>Menge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informations- und Beratungsdienste</td>
<td>14</td>
</tr>
<tr>
<td>Staatsversicherung der Ausfuhr</td>
<td>13</td>
</tr>
<tr>
<td>Finanzierung des Exports</td>
<td>12</td>
</tr>
<tr>
<td>Bewertung der Exportleistungen</td>
<td>5</td>
</tr>
</tbody>
</table>


Die Ausnutzung von Adaptationsstrategien steht im „Einklang“ (was sehr erfreulich ist) mit den anderen Ergebnissen der Teilnehmeruntersuchung (insbesondere bezüglich der Beitritts motive zum EU-Markt und der Zutrittsformen zum ausländischen Markt. (Tab. 11). Die häufigsten Strategien sind Kooperation, Expansion und Diversifikation.

**Tabelle 11. Strategien die beim Beitritt zum EU-Markt angewendet werden**

<table>
<thead>
<tr>
<th>Ausgewählte Strategien</th>
<th>Häufigkeit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kooperation</td>
<td>45</td>
</tr>
<tr>
<td>Diversifikation</td>
<td>26</td>
</tr>
<tr>
<td>Akquisition</td>
<td>8</td>
</tr>
<tr>
<td>Fusion</td>
<td>7</td>
</tr>
<tr>
<td>Lückenstrategie</td>
<td>8</td>
</tr>
<tr>
<td>Expansion</td>
<td>27</td>
</tr>
</tbody>
</table>

Die untersuchten Unternehmen stehen dem Beitritt der SR zur EU insgesamt sehr optimistisch gegenüber. Auf die Frage, ob sie einen positiven Einfluss vom Beitritt in die EU erwarten, antworten 80 Betriebe mit ja (79,2 % der gesamten Anzahl), nein antworten 9 Betriebe (8,8 % aus der gesamten Zahl), und 12 Unternehmen antworten „ich weiß nicht“ (dies bedeutet 11,9 %). Weniger optimistisch sind die betrieblichen Erwartungen in Bezug auf Ertrag und Gewinn (Tab. 11), wo geringe und durchschnittliche Unternehmenserwartungen überwiegen, mit zusammen 74,3 % der gesamten Unternehmenszahl des untersuchten Komplexes.

Einzelne slowakische Betriebe erwarten vom Beitritt zum gemeinsamen EU-Markt eine Erhöhung der Absatzmöglichkeiten und die Abschaffung von (Zoll-, Verwaltungs- und anderen) Hindernissen.
Einzelne slowakische Betriebe erwarten vom Beitritt zum gemeinsamen EU-Markt eine Erhöhung der Absatzmöglichkeiten und die Abschaffung von (Zoll-, Verwaltungs- und anderen) Hindernissen.


Auch die an der Lösung der Forschungsaufgabe beteiligten Facharbeiter beurteilen die Einflussmöglichkeit, Chancen und Risiken des gemeinsamen Marktes,. Die Ergebnisse dieser Bewertung zeigen, dass 32 Betriebe der Größengruppe über 500 Mitarbeiter (Gesamtzahl 62) den Einfluss und die Chancen, „richtig“ einschätzen. Der Anteil der Erlöse dieser Betriebe (32) am gesamten Erlös des untersuchten Komplexes (101 Betriebe) beträgt 48,9 % (durchschnittliche Größe 3,2 Mrd.). Es geht also hauptsächlich um Betriebe, deren Erlöse höher als der durchschnittliche Erlös dieser Gruppe sind.

In der Größengruppe 50-499 Mitarbeiter beurteilen 17 Betriebe (von 37) den Einfluss des gemeinsamen Marktes und die Chancen als „richtig“. Der Erlösanteil der „richtig bewertenden“ Betriebe am gesamten Erlös des untersuchten Komplexes macht 56,4 % aus.

Insgesamt kann man feststellen, dass 49 Betriebe (von 101) den Einfluss des gemeinsamen Marktes und auch mögliche Chancen „richtig“ beurteilten, wobei der Anteil an den Erlösen des untersuchten Komplexes 49,8 % ausmacht.

**C. Strategische Betriebsentwicklung**

Ein Auslandsinvestor stellt in der Regel ein gutes Adoptionsinstrument für den Beitritt zum gemeinsamen EU-Markt dar. Im beurteilten Unternehmenskomplex (101) war der ausländische Investor in 17 Unternehmen der Größengruppe 50-499 Mitarbeiter, und in 22 Unternehmen der Größengruppe über 500 Mitarbeiter.
Mitarbeiter involviert (nur selten handelt es sich um Investoren aus Staaten außerhalb der EU). Die Erlöse der Unternehmen mit Beteiligung ausländischer Investoren nehmen folgenden Anteil an den Gesamterlösen einzelner Größengruppen ein:

- Größengruppe 50-499 Mitarbeiter 56,4 %,
- Größengruppe über 500 Mitarbeiter 47,3 %.

Der Anteil der Erlöse von 39 Unternehmen mit ausländischer Beteiligung an den Gesamterlösen des untersuchten Komplexes beträgt fast die Hälfte, 48,8 %.

Die Motive der Auslandsinvestoren sind vor allem Markt motive (Erweiterung des Marktes, Sicherstellung des bestehenden Marktes) und niedrigere Lohnkosten (Tab. 13).

**Tabelle 13. Motive der Auslandsinvestoren**

<table>
<thead>
<tr>
<th>Motiv</th>
<th>Häufigkeit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gewinnung neuer Märkte</td>
<td>19</td>
</tr>
<tr>
<td>Sicherstellung bestehender Märkte</td>
<td>12</td>
</tr>
<tr>
<td>Niedrigere Lohnkosten</td>
<td>20</td>
</tr>
<tr>
<td>Niedrigere Steuerbelastung</td>
<td>1</td>
</tr>
<tr>
<td>Bessere Beschaffungs- und Versorgungsmöglichkeiten</td>
<td>2</td>
</tr>
<tr>
<td>Staatliche Unterstützung der Investitionen</td>
<td>--</td>
</tr>
<tr>
<td>Erwartungen eines höheren Gewinns</td>
<td>7</td>
</tr>
<tr>
<td>Andere</td>
<td>2</td>
</tr>
</tbody>
</table>


Positiv kann man auch die Zufriedenheit der Auslandsinvestoren - 34 von 39 bewerten.

**3. Schlussfolgerungen**


Aus Sicht der Adaptationsinstrumente hat die territoriale Orientierung des Exports - insbesondere in die EU - für den Beitritt zum gemeinsamen Markt Bedeutung. Auch hier spielt die Branchenzugehörigkeit eine Rolle.

Die Beobachtung der internen und externen Umgebung ist (teilweise) mit der Beurteilung der Konkurrenzfähigkeit am gemeinsamen EU-Markt verbunden, und führte zu diesen Schlussfolgerungen:

- Die entscheidenden Stärken der slowakischen Unternehmen sind hauptsächlich Qualität und ein niedriges Preisniveau, wobei angemessene Qualität zum „guten“ Preis nicht im Widerspruch steht.
- Der niedrige Preis könnte in Zukunft besonders für Unternehmen aus Branchen mit hohen materiellen und energetischem Aufwand ein mögliches Risiko darstellen.
- Als Schwächen treten die Marketinginstrumente Distribution und Kommunikation hervor (sie erscheinen auch in anderen Untersuchungen).
- Entscheidende Motive der Industriebetriebe für den Einstieg in den gemeinsamen EU-Markt sind hauptsächlich das Bestreben, die Produktionskapazitäten voll auszunutzen und die Tatsache, dass der Inlandsmarkt gesättigt ist und dadurch das Risiko gestreut wird.
- Überraschend ist die geringe Anwendung aller beliebigen Unterstützungsformen der Ausfuhr.
- Als entscheidende Informationsquellen über den Gemeinsamen EU-Markt werden SOPK, Banken und Handelsvertreter angegeben.
- Als positiv zu bewerten ist, dass die ausgewählten Adoptionsstrategien im Einklang mit den Antworten auf mehrere andere Fragen im Einklang stehen. Im Beitrittsprozess scheinen die ausgewählten Adoptionsstrategien – Kooperation, Diversifikation und Expansion (für Großunternehmen der Größengruppe über 500 Mitarbeiter) vielversprechend zu sein.
Auslandsinvestoren können ein wichtiges Adaptationsinstrument sein, besonders wenn sie aus der EU stammen. Als positiv kann man die ausgeglichene Unternehmenszahl mit ausländischer Beteiligung in beiden Größengruppen bewerten. Das ist auch Ausdruck der Zufriedenheit der Auslandsinvestoren mit ihrer Tätigkeit in der SR. Bedenklich sind jedoch die Motive der Auslandsinvestoren, auch die fehlende staatliche Unterstützung von Auslandsinvestitionen.

Die hohen Erwartungen slowakischer Industrieunternehmen an den Beitritt zur EU sind für die an der Untersuchung beteiligten Fachkräfte keine Überraschung (sie tauchen auch in anderen Untersuchungen auf). Dennoch ist nicht offensichtlich, dass dieser Optimismus auf einer Unterschätzung des Einflusses des EU-Marktes auf die Betriebe (wie auch die Untersuchung des betrachteten Komplexes zeigte), oder auf mangelnder Differenzierung zwischen dem Beitritt der SR zur EU und den Ertrags- und Gewinnmöglichkeiten einzelner Unternehmen, basiert. Ebenso überbewertet sind auch die erwarteten Chancen. Im untersuchten Komplex kann man die Gesamtsituation folgendermaßen bewerten. Die Unternehmen, die 50 % der Erlöse am Gesamtkomplex aufweisen, bewerten ihre Situation als „richtig“ (es handelt sich besonders um die Unternehmen mit einem Personalstand von über 500 und starker territorialer Orientierung auf die EU).

Aus den Schlussfolgerungen ergeben sich folgende Verallgemeinerungen der Untersuchungsergebnisse:

- Größere Industriebetriebe (mit mehr als 500 Mitarbeitern und mit einem Durchschnittserlös von über 2,9 Mrd. SK), z.B. Betriebe des Maschinenbaus, sowie der elektrotechnischen, Glas- und Konsumgüterindustrie sind in der Slowakei auf den Beitritt besser vorbereitet, als Kleinbetriebe.


- Gleichzeitig zeigt sich, dass im Beitrittsprozess nach wie vor größere Aufmerksamkeit den mittelständischen Betrieben, mit Mitarbeiterzahl 50 – 499 zu widmen ist.

**Literaturverzeichnis**


Book Reviews


Undoubtedly, outward internationalization processes are of growing importance for the transforming countries of Central and Eastern Europe. This holds especially true for the new EU members of the region that are faced with the challenge to compete in the “sharks’ pool” of the enlarged common market.

Therefore, it does not surprise that the number of publications discussing this topic is continuously increasing these days. However, while most contributions deal with a broad overview, which sometimes tends to become somewhat coincidental or even superficial, the book written by Andreja Jaklič and Marjan Svetličič sharply contrasts with this kind of studies. The authors explicitly concentrate on the case of their home country Slovenia. Thus they deliver an in-depth analysis which clearly proves their insider status.

The book is divided into five parts. In the first three chapters, part I, a broad introduction is given with geographical, political, and historical background information. Part II (chapters 4-7) then draws a picture of the Slovenian outward investments in the 1990s. The authors refer to geographical (especially discussing successor countries of former Yugoslavia) and industrial distribution. Moreover, the particular role of companies investing abroad is highlighted. Further, part III (ch. 8-11) provides the reader with a process perspective on Slovenian foreign investments. Both, motivations as well as barriers of investment are discussed and the effects of outward activities are reviewed. Part IV (ch. 12-19) contains extended case studies about seven Slovenian firms which are investing abroad. Therefore, the structure of those processes is concretely demonstrated. Finally, results of the diverse analyses are critically discussed and lessons are drawn from the Slovenian case in part IV (ch. 20-22).

Jaklič and Svetličič took the challenge to work out a systematic in-depth analysis of a prominent current topic particularly focusing on one specific country which is to be highly appreciated. This book is highly valuable for both, readers inclined with Slovenia as well as all those interested in Central and Eastern Europe or just in internationalization processes of smaller countries. Additionally, a large amount of material and information is provided which can be perfectly used for further studies as well as for educational purposes. Moreover, the authors regularly draw helpful references to the most influential approaches of the internationalization theory placing the topic of the book into a wider spectre.
However, the work shows a few weak points. First, with respect to the contents certain important aspects remain somewhat underweighted, namely the influence of outward investments on the Slovenian home economy, also including several redundancies (ch. 7 and 11). In addition, the comparison of the Slovenian case not only with other transformation countries but with other smaller EU member states is missing (ch. 21). Moreover, most scholars would have welcomed a more extended theoretical discussion at the end of the volume (ch. 22). Secondly, with respect to the databases only 37 companies representing 9% of the companies investing abroad were included in the quantitative analysis. Besides, the case studies sometimes suffer from limited comparability between each other e.g. concerning financial statements. Finally, structural deficits become obvious, such as the placement of the discussion about the role of the government (ch. 20) or the comparisons with international statistics (ch. 21) in the last part of the book.

Nevertheless, the value of this book should not be underestimated by criticism. Jaklič and Svetličič definitively made a valuable contribution that should help to fill an important gap of the current literature of internationalization. Therefore, the work is highly recommended for scholars interested in both in deeper understanding outward processes of internationalization as well as in learning more about an often neglected country among the new EU member states. Moreover, it also provides intriguing information for practitioners and can be considered a fascinating sourcebook for economic and business students.

*Thomas Steger, Chemnitz University of Technology*
News / Information

The Challenges and Rewards of EU Integration
International conference on CEE Economic Development in Celebration of the 425th anniversary of Vilnius University

Vilnius University, founded in 1579, is thought to be one of the oldest universities in the Central and East European region. This year, in commemoration of the 425th anniversary of the university and the 200th anniversary of the establishment of economic studies at the university, the Economics Faculty hosted an international conference, entitled “Catalysts and Impediments of Economic Development in Central and Eastern Europe,” held on October 14-16, 2004.

The anniversary could not have come at a better time. With the accession of ten new member states to the European Union, scholars and practitioners throughout the region had much to consider and debate. What does EU membership mean for the Central and Eastern European (CEE) countries? What are the impacts of policy changes for the economies of these countries? Will EU membership result in a shift in competitiveness in the region? Which countries will benefit most and why? What are the benefits and challenges associated with the new Europe and how will these affect investment, labor, and the public sector, for example? Although reforms in the CEE countries have been ongoing for well over a decade, it is apparent that we have still only scratched the surface and have much yet to learn about and from one another. Just under 100 participants from 25 countries gathered to discuss the impact of EU membership on the economies of the newly admitted countries. Lively discussions centered on six main themes:

- Fiscal and monetary policies: impacts on growth
- Competitiveness: changes, trends and factors of influence
- Social policy and economics of the public sector
- Influence of economic sciences on economic development
- Prospects for business
- Marketing theory and practice

Attendance by scholars from throughout the world illustrated the importance of EU enlargement not only for the CEE countries. Among distinguished guests at the conference were the Lithuanian Prime Minister Algirdas Brazauskas, who provided a thorough overview of Lithuania’s road to EU integration, the
obstacles already hurdled and the challenges that still lie ahead. Key speakers included Professor Erik Berglof, of the Stockholm Institute of Transition Economics, who stressed the importance of the financial sector in fostering transition, with his paper entitled, “Convergence Revisited – Lessons from ‘New European’ Capitalism,” Professor Jorgen Drud Hansen, University of Southern Denmark, who highlighted the institutional aspects of EU integration in his paper “A Political Economy Analysis of the Eastward Enlargement,” Professor Michael Thomas of Strathclyde University, “Measuring Performance in Marketing,” and Professor Povilas Gylys, with a paper entitled, “Two Paradigms of Economic Development in CEE countries.”

A wide range of high-quality presentations and vibrant discussions under each of the conference themes focused on relevant issues of integration. Among the main policy topics were the influence and consequences of uniform taxation policies on the growth of the transition economies and means for attaining stability in the financial sectors of the CEE countries. Sustainable agriculture, labor issues and health sector reforms were the focus of the social policy track. The competitiveness theme welcomed high quality papers on foreign investment trends, entrepreneurship, competitiveness of industries and the internationalization of firms and attractiveness of the CEE countries. Information technologies, high technology SMEs and financial services were the focus of the track “Prospects for Business.” And of course, EU integration brings with it new challenges for reaching and attracting consumers, through adapted advertising strategies and an understanding of the environment of each potential market, which were the highlighted themes of the Marketing track.

For more information about upcoming events and conferences in Lithuania, please contact:

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The Third International Conference on International Business in Transforming and Emerging Economies of Central and Eastern Europe

The Third International Conference on International Business in Transition Economies, originally founded in Lithuania, took place on September 9-11, 2004, in Riga, Latvia. This time, the Conference was organized by the Stockholm School of Economics in Riga, the Center for International Business and Economics Research (CIBER) in Vilnius, Lithuania, and the International Business Economics (IBE) Group at Aalborg University, Denmark in a collaboration with its international partners. It marked the 10th anniversary of the SSE in Riga and the 20th anniversary of IBE group in Aalborg. This year’s theme was: International Entrepreneurship, Innovation and Competitiveness in the Transforming and Enlarging Europe.

Mr. Ainars Slesers, Deputy Prime Minister of the Republic of Latvia opened the Conference. In his opening speech, Mr. Slesers addressed the issue of building vibrant democratic market society in Latvia and stressed the importance for Latvia and the whole region being increasingly open to and integrated into the European and global economic sphere.

The Conference attracted over 100 participants from 28 different countries including the United States, Canada and Japan, i.e. the number of participants nearly double since last time, just like to years ago. As many participants noted, it was a high quality event with an impressive diversity of scholars, which offered a great opportunity for learning and future research collaborations. Another important feature of the Conference is that each time selected conference papers are published in a special issue of an international journal.

In addition to the academic proceedings, there is a tradition to start the Conference with a Roundtable discussion for invited guests and the Doctoral Seminar for selected PhD students. The purpose of the Baltic Roundtable Discussion was to encourage a dialogue between the international academic community and policy makers from Estonia, Latvia and Lithuania, while the Doctoral Seminar was intended to offer an opportunity for the selected group of the PhD students from the transition and developed market economies to receive high quality feedback on the dissertation from the experienced international faculty.

The Conference would have not been possible without a generous financial support from TeliaSonera, the SEB group, and KPMG, which are the leading companies in the Baltic Region.
For further information please contact the Rector of the Stockholm School of Economics in Riga, Anders Paalzow, tel +371 701 5800, andersp@sseriga.edu.lv, or Arunas Starkus at arunas.starkus@ciber.lt. Conference website: www.ciber.lt/ibconference2004

Call for papers
29. Workshop der Kommission Organisation
24./25. Februar 2005
an der Technischen Universität Chemnitz

Ich lade Sie ganz herzlich zum nächsten Workshop der Kommission Organisation an der Technischen Universität Chemnitz ein. "Organisationen und Organisieren im Wandel als Herausforderung für die Organisationsforschung".

Die thematische Orientierung der Tagung richtet sich vor allem an theoretisch-konzeptionelle, methodische und empirische Beiträge zu Themen wie:

- Entwicklung und Evolution von Organisationen und Organisationsformen im Kontext von Globalisierung und Regionalisierung
- Historische Einflüsse auf die Entwicklung von Organisationen und Organisationsprozessen
- Herausbildung und Verfestigung neuer Formen und Muster von Organisation und Arbeit
- Organisationale Transformationsprozesse
- Sprache und Wandel in Organisationen
- Wandel in den Formen und Methoden des Organisierens
- Veränderungen in der Methodik und den Methoden der Organisationsforschung.

Natürlich sind in bewährter Weise auch Beiträge zu anderen Themen willkommen. Im Interesse einer weiteren Internationalisierung der Verbands- und Kommissionsarbeit würde ich mich auch besonders über englischsprachige Beiträge freuen.
Call for Papers

VII Chemnitz East Forum
Research on Transition – Research in Transition.
Current topics and future trends in research on transforming societies.
15 - 17 September 2005

After about 15 years of transformation, a huge amount of research has been done. Currently some topics have become less relevant, especially those dealing with the situation shortly after socialism. However others, like actual or potential EU accession or East European firms entering West markets, emerge. Additionally, research on transition is influenced by current topics of organizational and societal research, like globalisation or corporate governance. In consequence research on transition itself is changing.

The VII Chemnitz East Forum will address those current as well as future trends of research on transforming societies. The various aspects of this heterogeneous research field, focused on social science based research, will be highlighted. Especially empirical studies with sound theoretical background are welcome. Furthermore, contributions addressing theoretical aspects of transformational processes should be submitted. As a tradition of the forum, a broad area of possible topics such as the following will be covered:

- Human Resource Management,
- Leadership,
- Privatisation and Restructuring,
- Expatriates and Intercultural Cooperation,
- Management Transfer and Learning,
- Corporate Governance,
• Cultural Change,
• New Organizational Forms.

We would like to give outstanding PhD-students the opportunity to present the results of their scientific work at the conference. If you would like to give a paper presentation, please sent a full paper (about 8000 words) to the organisation committee via e-mail as file (doc, rtf).

Papers should contain the author(s) name(s), title/position, institution, address, telephone, fax number and e-mail address as well as the topic the paper is referring to. Additionally please provide a PhD-confirmation from your institution. Submissions should be received on or before 31 January 2005. All authors will be notified of the acceptance/rejection of their abstracts by 30 April 2005. In case of acceptance of paper presentation you should be prepared to submit a full paper before the conference.

We are currently investigating possible funding for travel grants and accommodation for applicants. Detailed information on these will be sent together with the invitation.

Please send your abstract to:

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Vol 9, 2004

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Cristina Reis:  
Men Working as Managers in a European Multinational Company  
ISBN 3-87988-862-0, Rainer Hampp-Verlag, München und Mering 2004, 211 S., € 24.80  
Professsor Cristina Reis is currently a visiting research fellow at the Universidade Nova of Lisbon in Portugal. In addition she has been a visiting professor at University of Innsbruck in Austria since 2001. Before returning to Portugal, her home country, she worked and lived in Canada, the U.S.A., Germany and Finland. 
This book is a pioneering and innovative study of men working as managers who have rarely been analysed using a range of feminist theoretical perspectives. Employing a thoughtful mix of conceptual arguments and empirical analysis, this book offers a provocative view of the lives of people working for a multinational company.  
Keywords: Multinationals, Business Work, Managerial Career, Men as Managers, Private Sphere

Thomas R. Hummel (Ed.): International Management – Text and Cases  
Schriften zum Internationalen Management, hrsg. von Thomas R. Hummel, Band 7  
ISBN 3-87988-867-1, Rainer Hampp Verlag, München und Mering 2004, 283 S., € 27.80  
The global economy has spawned a new business organization. This new organization is often referred to as a multinational, transnational or global business organization. Based on globalization and value orientation of personnel management in international enterprises and in the context of the shareholder value approach, three arguments can be formulated which will better characterize the tasks of the personnel management in the future.

(1) Personnel management will be characterized more and more by a social-cultural dimension of the enterprise and its environment. i.e. motivation of the employees, teamwork, intercultural competence and other aspects come to the fore as soft factors in the international company culture.

(2) International strategies of enterprises and their quantitative implementations are in a focus of value-oriented economical decisions. This led to the measurability of personnel decisions and the implementation of the Balanced Scorecard, comes up with the Shareholder Value approach, into the centre of interest.

(3) Personnel management is on the way to getting quantified. This can be testified on the examples of flexible management salaries in stock option incentives, company pension schemes and outsourcing activities with internal transfer prices. Nowadays the survival in multinational organizations entails the successful management of a multi-cultural workforce in a global context. It also means being able to vary services across cultures: not simple marketing ploys imposed from outside, but an understanding of how culture drives differences from within.

Finally, most modern organizations must battle for economic survival in a dynamic and ever-changing environment. Gone are the days that when an organization, or individual, can ignore the forces of change that are attacking the complacency of the “status quo”. With the advent of a capitalistic oriented world, nations, as well as organizations, are thrust into an environment that essentially subordinates organizations, to a customer-oriented competitive arena.  
Keywords: International Management, Balanced Scorecard, Case Studies, Human Resource Management, Organizational Development
**Christoph Müller:** *Der Transfer von Managementpraktiken und -techniken aus Deutschland in die USA und nach Japan*

ISBN 3-87988-847-7, Rainer Hampp Verlag, München und Mering 2004, 427 S., € 37,80

Im Zuge der Internationalisierung ihrer Geschäftsaktivitäten sichern mehr und mehr Unternehmen die Bearbeitung ausländischer Märkte auch durch Direktinvestitionen ab. Derartige Entwicklungen werfen die Frage auf, wie Tochtergesellschaften, übernommene ausländische Unternehmen oder Joint Ventures zu führen sind. Es gilt zu beantworten, welches Wissen, welche organisatorischen Praktiken und Techniken es wert sind, innerhalb einer Unternehmung grenzüberschreitend transferiert zu werden.


Schlüsselwörter: Internationales Personalmanagement, grenzüberschreitender Transfer von Managementpraktiken, Institutionalistische Theorien, USA, Japan

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**Karen Jaehrling:** *Die gescheiterte Liberalisierung. Eine politisch-ökonomische Studie zum Wandel von Staatlichkeit im europäischen Hafensektor*


Schlüsselwörter: Europäische Integration, Hafensektor, Infrastruktursektor, Liberalisierung, Regulierung von Arbeit, Historischer Institutionalismus