
Introduction

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1 Introduction

In this second volume and first edition for 2008 of the *European Journal of International Management*, we will visit what some would call the outskirts of our geographical domain – the old Soviet Union, Russia and Georgia. It is also a movement through time, in-as-much as some of our contributors are investigating general and significant phenomena in recent European history. This travel through time and space is an excellent illustration of the fact that European management is still evolving, as Gerhard Fink and Nigel Holden stated in the introduction of the inaugural issue of this journal. In order to understand European management, we need to go back and investigate the development of institutional and cultural diversities, which are so characteristic of European society. Second, there are several lessons in European management available to us in the many changes that the transition economies are going through. Influence extends well beyond the 'home area', as Holden and Fink (2007, p.6) put it.

In the present issue we will also continue to address a more phenomena-driven (as opposed to theory-driven) research (Cheng, 2007, p.31). In other words, the aim is to deepen our understanding of real-life phenomena: the many changes characterising management in Europe. In this issue the contributors have been exploring problems in new contexts and situations, in parts of the world we have rarely investigated and in situations we have not very frequently seen before. This is – together with the diversity of theoretical perspectives, as well as in methodological approaches – what makes European management interesting in its own right. The diversity in institutional and/or cultural patterns should, hopefully, provide us with a context for discovering new ideas, and this

is certainly the case in this present edition. The uniqueness of contexts is mainly institutionally focused in this issue and cultural approaches will be somewhat more indirect in many of the papers. There are similarities across papers as well as major differences between them.

The first paper: 'I am my mother's daughter: early developmental influences in leadership', by Nancy J. Adler is an emotional, historical account of the difficulties her mother lived through in Nazi-dominated Austria during the Second World War, and it is a good example of people having the courage to see possibilities, especially in a situation where opportunities are few (and when it is hard to imagine a positive future). Adler emphasises the eternal obligation we have not to ignore inconvenient truth and this is, indeed, very much about leadership. On the basis of her very intense description, Nancy Adler argues for companies to move into a 'new conversation', where courage, basic human values and inspiration are among the most important elements. These three changes are exemplified in the changes which we can see in Corporate Social Responsibility (CSR); where governments, and then NGOs in the last decade, used to be solely responsible for CSR, now, large companies are the frontrunners and, in particular, the people who run those companies.

Corporate CEOs have an increasingly important role to play in the progressively more relevant issues surrounding business ethics and the promotion of decency and integrity in the corporate world. In a Danish context, Lars Kolind, former CEO of Oticon, has made these concerns his primary focus, supporting his beliefs heavily through the use of his own funds. Throughout the history of modern business, many leaders have shown examples of courage. Strid and Andréasson (2007) provide excellent examples of how some Scandinavian companies, like IKEA and Absolut, from their first days, have developed in opposition to accepted organisational and industry truths and practices. IKEA grew out of a vastly homogeneous Swedish furniture industry, where pressure to comply with industry standards (which were not very advantageous for the customers) was pervasive. However IKEA's leadership managed to mobilise enough courage (and stubbornness) to succeed in the face of these pervasive attitudes. This, of course, requires a deep and honest search for courage and inspiration in the context of today's European business world. As Nancy Adler puts it, the more clearly we understand the roots of our identity and humanity (who we are and where we come from), the more able we are to use our strengths and core values to achieve the visions we have for ourselves and the world around us. In this light, we can see that there is a demand for a deeper understanding of the values developed and maintained over time in European management if we wish to achieve a competitive advantage in the global marketplace.

The following three papers – Andrei Kuznetsov and Olga Kuznetsova's: 'Gaining competitiveness through trust: the experience of Russia', Stanislav Shekshnia's: 'Founder-CEO succession: the Russian paradox', and Gerald Mars and Yochanan Altman's: 'Managing Soviet Georgia: an extreme example in comparative management' – address the changes and challenges in values in the states of the former Soviet Union, which have emerged after the fall of the Soviet empire. Kuznetsov and Kuznetsova's contribution is an investigation of an extremely important concept in the new Russia: trust. Here, trust is presented as an institutional phenomenon capable of providing Russia's economy with the competitive advantage which it presently lacks. In addition, the authors argue, one way forward for Russian companies is to implement 'generalised' trust by setting targets for socio-economic behaviour. Russia, being one of the most important transition economies today, is still waiting for a real breakthrough and

seems to be having a rather profound need for institutional support (Lau et al., 2007), and here trust will be a key element.

Since the fall of the Soviet empire, Russia has actually experienced both economic setbacks and setbacks in social terms of quality of life, while several other former East block countries have experienced the opposite. There is, therefore, a demand for a comprehensive social system of institutions, which comprise the state, businesses, and society. The present level of mistrust, mainly between state and business organisations, hinders modernisation and causes this rather profound demand. Build-up of generalised trust is one of the few ways forward, in a low trust society (even categorised by some commentators as an 'economy of distrust'). Distrust between these organisations leads to poor disclosure of information and price fixing, and compromising the fundamentals of the mechanisms of market distribution. This lack of trust is also illustrated by the general level of criminalisation of the Russian economy, i.e., nepotism and bribery (which is also touched upon by Mars and Altman in their paper about Georgia under Soviet rule). But how can generalised trust be restored?

According to Kuznetsov and Kuznetsova, it can be done through CSR as a more or less implicit social contract. CSR has been moving from the corporate margins and into the mainstream, and it does provide (here the Russian companies) more accountability and transparency, which is so important if market mechanisms are to take over. Russian businesses are moving from a compliance-based mindset to assessing CSR as one of the new major value systems with universal and explicit rules, which allocate responsibility and set up behaviour boundaries. It is in some respects a more continental – stakeholder-based – system as is seen in several Western countries (even though there are some major problems of ethical misconduct, see Rottig and Heischmidt, 2007). According to Rottig and Heischmidt, behavioural guidelines about what is acceptable and what is not are best implemented through continuous training of the organisational members in ethical decision making, and this could be a starting point in the Russian situation.

In the second paper, Stanislav Shekshnia addresses another major challenge for the Russian economy: finding successors to the first generation of business founders and CEOs, who are soon to retire from privately-owned companies. This it is not a straightforward and traditional succession planning exercise, as very specific institutional traditions characterise the situation. In many cases, business founders often stay on and retain power without assuming any executive responsibility. Therefore, many new Soviet CEOs are only nominally influential and this creates two parallel systems, which together with other existing environmental conditions – lack of dispersion of share ownership and lack of management (talent) training – create a dangerously unhealthy situation for many companies. In the new Russia, many often suffer under these different destabilising factors, and Shekshnia also notes a pronounced demand for institutional back-up. He illustrates this in six small case studies.

The parallel and opaque system of top management representation is very much inline with Gerald Mars and Yochanan Altman's analysis. Here the focus is on Georgia's hidden economy, one of the states with the highest living standards in the former Soviet Union. The Soviet system created a very ambiguous and uncertain situation for many companies in Georgia as well, also developing an informal economy (estimated by the authors to be between 1/4 and 1/2 of the national GDP). Mars and Yochanan's paper is an excellent illustration of interrelations between such formal and informal structures affecting the same manufacturing company in the Georgian economy. The interviews

behind the paper were carried out before the fall of the Soviet empire, where the command economy operated a complex, multi-layered bureaucracy issuing decrees, regulations and out-and-out demands. This was without meeting 'normal' customer's demands, which created a hidden economy that subverted, mainly through networks that had developed locally, the formal economy. Networks characterised by honour, tradition, and family ties emphasised mutuality and security, and to some extent exacerbated the lack of trust in the formal economy. This is also based on a well developed paternalism, not only inherited from the Soviet days, but mainly from earlier stages in Georgian history.

The lack of institutional flexibility is made even more obvious by the rigidity of the formal Soviet system in this paper, and the Georgians have since been dealing with inefficient remnants of the former Soviet system (corruption, old-minded bureaucrats, lack of skilled labour to manage new markets, etc.). An implementation of a competitive economy, therefore, requires a number of policy achievement phases: de-monopolisation of the national economy, privatisation of economic activities, and liberalisation of economic activities such as foreign trade, prices etc. However, very few post-Soviet countries can be said to have passed easily through these phases, and Georgia is not an exception (see Özsoy, 2006). Changing Soviet 'business' culture and values takes time, and this is probably one of the reasons why we have recently seen a frustration over the apparent lack of results from legislative reforms.

Caroline J. Gatrell and Cary L. Cooper, in their paper 'Work-life balance: working for whom?', present us with somewhat different types of problem: those that mainly describe Western companies in terms of work-life balance. Their paper deftly illustrates some of the consequences of a highly market-driven economy – an economy which many transition economies are now trying to create. The authors investigate gender differences and various interpretations of flexibility. In particular, they investigate couples who have children and are in managerial and professional roles, and by doing so the authors address some of the heavy societal costs of work-life imbalances, which lead to myriad stress-related health problems. One of the most important is work-life balances that are far from being gender-neutral. In 'familialistic regimes', as the authors label it, such as the UK and the USA, social and gender ideas about the roles of fathers and mothers are well established and indeed influence the opportunities for establishing a work-life balance. Especially in middle class households, fathers have the ability to earn high incomes, and flexibility is translated into 'presenteeism', which means that mothers work part-time in professional roles, where they are often highly productive but grossly underpaid. As can be said to be the case in the transition economies above, work-life problems can be seen to be equally in need of governmental-policy interventions. In that respect, real life institutional challenges are present all over Europe.

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