
Editorial

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Rapid political change at the end of the 1980s and the beginning of the 1990s led to the development of new market economies in east and central Europe and in Russia which resulted in increasing opportunities for inward investment. In the two decades which have elapsed since the beginning of the transition period in central and eastern European countries, there has been a rapid expansion of entrepreneurial and small business activities. This expansion has been influenced, inter alia, by economic change, increasing competition due to the accession of many of the countries to the European Union (EU), and policy interventions by a range of institutions.

At the same time, significant opportunities arose for new businesses. Both inward investment and the development of a vibrant small business sector were influenced by policy interventions by a variety of governmental and non-government institutions. It was recognised early in the development of new market economies that an increased level of entrepreneurship and the need for a vibrant small and medium enterprise (SME) sector were important to generate new industries and to assist with industrial reconstruction. Economic change has also posed significant challenges to the attitudes of people who manage and work in SMEs and the general public perception of the role of SMEs in the economy.

Although the transition towards a market economy in China commenced in the late 1970s with the implementation of the open door policy, much of the significant developments in MNCs located in China and the growth of the SME sector has, in general terms, paralleled developments in Europe. It is for this reason that the papers in this special edition are devoted to the analysis of the impact of change in these developing economies as it affects various businesses. The increase in entrepreneurial activities in transition economies has also given rise to an emerging literature, containing debates on such issues as SME start-up, entrepreneurial knowledge deficiencies and institutional development. The purpose of this special edition is to provide insights into entrepreneurial development and SME management and growth over the past 20 years and opportunities for future expansion in the small business sector

In the first paper, Galkina and Kock explore the influence of entrepreneurial infrastructure on the process of establishing new business relations and to compare the networking activities of founding team members from Russia and Finland. They suggest the entrepreneurial infrastructures of the two countries, specifically referring to the stability of the economic climate, availability and access to the services of entrepreneurship supporting organisations, and the overall level of trust, all influence the ratio between formal and informal relations in the entrepreneurial networks of the

founding teams studied. They suggest several practical implications for entrepreneurs and business managers in both countries.

A common entry mode for foreign companies into transition economies has been the international joint venture (IJV). The relevant literature has expanded rapidly during the past two decades but factors associated with control and the use and application of management information systems (MIS) in such collaborative ventures has attracted much less research attention. In Pollard's exploratory study carried out in the Czech Republic, applications of MIS in the control of three IJVs were examined. The author concludes that, where significant communications are an important feature of IJV management, early consideration should be given to the nature of control appropriate to the venture and its impact on existing and required MIS capabilities.

Bruno Dallago's study of SMEs in Hungary shows that the expansion of the small business sector has been relatively modest, given the amount of Hungarian and foreign, mostly EU resources poured into the sector. Less than a sixth of SMEs are fast-growing and only a tiny minority of SMEs make use of bank credit. According to various indicators and in spite of bright spots, the SMEs context is problematic and SMEs features are often unfavourable and hardly competitive. Dallago's paper begins with an analysis of the Hungarian SMEs situation and subsequently reviews the main features of the recently implemented policy strategies, assessing whether these strategies are appropriate to address the situation, including the effects of the domestic and international crises. He considers whether the targets pursued are realistic and important, and the instruments considered in line with the targets.

Tatjana Koke and her co-authors investigate the key economic and educational challenges on the way of understanding and formation of entrepreneurship in Latvia in the past 20 years. Along with the state support programmes for small business development, entrepreneurship as a new concept in Latvia is discussed. The authors argue that entrepreneurship can be developed holistically as a system when students identify, generate and realise opportunities into new personal, social or economic values, not only in the context of specialised entrepreneurial disciplines, but within a wide range of disciplines in the unity of theory and practice.

The move to a more market-based economy in east and central Europe brought with it various privatisation programmes, within which several firms had to review their structures and systems of working. Branine and his co-authors explore ways of assisting managers of former state-owned companies to acquire skills that may help them to downsize and to create small businesses. Following a review of literature on the needs of transitional economies, on experiences of downsizing in western countries, on downsizing approaches and strategies, on the creation and development of small business, and on the development of management skills for organisational change, the authors propose some guidelines to enable managers in countries such as those of Eastern and Central Europe deal with the problems of large, overstaffed and loss-making state-owned companies, to downsize them and turn them into smaller and more effective enterprises. The authors argue that the implementation of a downsizing strategy should be based on relevant and practicable planning, on the participation of all employees, and on management support and commitment as well as having a good communication process, support mechanism, and mutual trust and equity. It is therefore concluded that management training and development is essential for the successful implementation of downsizing of large organisations and the creation of small and effective businesses.

Economic development trajectories in Turkey, whilst different to the changes experienced in central and Eastern Europe during the past 20 years, has had a significant impact on the country's small businesses. Many have found new markets in the former USSR states, as well as within the EU. Koseoglu and his co-authors investigate competitive intelligence (CI) applications of SMEs in Turkey including the measurement of efficiency, areas where CI-related activities are conducted and perceptions of how CI-related activities are carried out by rivals. The authors suggest that satisfaction with CI applications does not vary according to sector and employee size. Moreover, whether the CI activities are performed from strategic or tactical viewpoints does not appear to be a function of sector.

The final two papers address key factors associated with the transition of the Chinese economy as it impacts business. One of the key successes of the Chinese Government's internal investment policy has been in the generation of innovation and the development of an indigenous high-tech industry. In his paper, Dan Chen assesses what he sees as the significant factors which determine a firm's ability to engage in technological cooperation. His framework builds on the resourced-based view and its extension theories, including strategic leadership, knowledge-based view and dynamic capability view of the firm. His results show that firm size has significant impact on the propensity of a firm to cooperate; R&D intensity and top leader's competence do not play significant role in adapting cooperation strategy. He also argues that entrepreneurial small firms in their early stage have to grow by accumulating resources internally.

In contrast, Analoui and his co-authors assess senior manager effectiveness in foreign-owned Chinese subsidiaries, through an examination of factors such as leadership styles and management philosophy. Although set in a MNC context, the authors identify key factors issues which may be relevant to foreign-Chinese joint ventures. The conceptual framework used in the study has primarily been examined in the public sector; however, it has not been investigated in China and/or the private sector, thus, presenting a valuable application in the context of China-related HRM research.

The literature concerning small business development in transition continues to grow apace but there are still several opportunities for new research, particularly in the small business sector. It is hoped that the papers in this special edition will make a contribution to this expansion of research activity.