

**DEVELOPING BUSINESS-RELATED INSTITUTIONS:
ABSTRACTS PREPARED BY 1994-1995 VISITING PROFESSORS**

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PREFACE

The Research Program in Social and Organizational Learning at The George Washington University hosts visiting professors for periods of several months or an academic year. In the 1994-1995 academic year the Research Program hosted four visiting professors. They were from Russia and were part of the Junior Faculty Development Program. This program is funded by the U.S. Department of State's Bureau of Educational and Cultural Affairs. Each visiting professor is assigned a GW faculty member as a mentor.

Several of the visiting professors made presentations at the annual Faculty Research Forum of the Washington Consortium of Business Schools. The Forum was held at Howard University, April 25, 1995. Abstracts 1, 5, and 8 were presented at the Faculty Research Forum. Abstracts 2, 3, 4, 6, 7, and 9 were presented at the annual meeting of the Society for the Advancement of Socio-Economics, that was held April 7-9, 1995 in Washington, DC. A theme of the abstracts seemed to be "developing business-related institutions."

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Russia's Business Education Development

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The tendency toward globalization of contemporary business is closely connected with the tendency toward globalization of business education. Russia's universities are becoming more and more involved in international academic relations: the curricula are becoming internationally oriented, the number of international business departments awarding BBA degrees is growing, faculty publications in foreign journals is increasing, and the number of foreign doctoral students is rising. Integration into the world academic system has become a strategic goal for Russia's business and managerial education.

In comparison with American universities the basic weaknesses of Russian business education are: an obsolete technological base, functional computer illiteracy of about fifty percent of professors, deficiencies in financing, an underdeveloped motivation system, an extremely hierarchical and bureaucratized organizational structure, and underdeveloped internal and external communications.

In order to overcome these obstacles for integration into the world academic system, Russian business education needs to be reoriented toward the contemporary and prospective global market for employment. A new vision of the contemporary university needs to be created, using as models the best universities in the world.

Each university needs to identify a set of prioritized steps to implement its integration strategy: 1) creation of internal and external communications, 2) attracting financial resources, 3) development of the technological base, 4) extending BBA programs and 5) developing MBA programs, including international student exchanges. The integration strategy should be realized through a set of projects – with identified resources, teams, schedules, and deadlines.

Quality of education is the leading factor in competitiveness in the world education market. High quality service attracts consumers from all over the world. Improving the quality of education through business education reengineering toward the world level of quality would create the possibility of achieving world level prices for education, and hence the possibility of obtaining new financial sources for further development.

Russian Business Culture in an Age of Globalization

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The globalization of capital, product, and labor markets is bringing about the convergence of regional and national business cultures and creating a global business culture and ethics. In the still wide spectrum of national and regional business cultures Russian business culture can be positioned between two poles: Western business culture and Eastern business culture.

Business culture can be described with a matrix model, combining cultural-psychological values, judgments, and behavioral norms on the one hand and environmental-objective micro-, meso-, macro-environmental dimensions on the other hand. The cells of the matrix maintain the prioritized lists of settlements. Russian business culture particularities, significant in strategy and tactics of international business interactions, can be revealed in comparison with American business culture, which plays an influential role in the global economy.

The paper identifies the differences in values, judgments and behavioral norms of Russians toward organizations, colleagues, bosses, subordinates, employees, family, health, partners, competitors, local community, policy, law, technologies, education, and science. The author identifies the basic factors leading to the transformation of the Russian business culture in the direction of the global business culture.

The Emergence of Knowledge-Based Organizations: Optimum Strategies for Human Resource Management

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One of the great challenges of the future is the shifting dynamics of optimum strategies for managing organizations. The author recognizes this as one of the most crucial factors to socio-economic growth.

The author examines the elements of the emerging world economy in the Information Age. The urgency is apparent, since there appears to be a broad mandate for change. This requires creative knowledge-based organizations that are flexible and adaptive to globalization and intense competition.

A new idea is presented which pertains to the formulation of optimum adaptive behavior by selecting certain elements from current popular management styles. The discussion includes the use of teams as partners.

Very good results with these strategies are explained using as examples the Japanese economic miracle and the successes of the New Industrial Nations of Asia. These experiences pave the way for a new outlook: a new organizational framework and new methods of management. Together, these form the basis for greater adaptability and even greater effectiveness to shape a more promising future.

Factors Tending to Produce Stability or Instability in Socio-Economic Systems

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The attitudes and values formed by the unique histories of countries are increasingly being recognized as key elements influencing the evolution of political and economic systems. These issues are at least as important as the considerations that make up Western style neo-classical economics. This paper describes differences between the old Soviet system and the current situation in Russia, between Russia and the U.S., between Russia and the European Union, and between the post World War II experience of Germany and Japan and the current experience of Russia. It points to the factors that tend to keep Western political and economic systems near equilibrium and to the factors that are tending to draw the Russian political and economic systems away from equilibrium. These factors are partly the result of the rejection of the previous regime, but they also have roots in earlier Russian history.

International Cooperation in Teaching Management Courses: Two US-Russia Student Group Projects Via E-Mail

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In 1992 and 1994 the authors conducted two experiments in international education by having groups of management students in two countries work on semester projects together. The two sides communicated with each other via e-mail. The task assigned to the students was to develop a business plan for a joint venture between American and Russian companies or to make as much progress toward the goal as possible in one semester. The first project involved two groups of students on each side. The second project involved a group of American students communicating with a Russian management professor. All communication was conducted in English.

Evaluating these projects, we can say that they were successful from an educational point of view.

1. The students were able to get first hand information about some aspects of business operations in the other country.
2. They practiced writing business proposals, including obtaining background information and defining the concerns and interests of both sides.
3. They obtained some practical skills in starting business negotiations and established contacts between new partners on both sides.

The greatest difficulty that arose was access by the Russian students to information technology. The equipment they used was shared by many people. Cultural differences arose in that the Russian students wanted to get to know the American students personally before or during the discussions of specific business ideas. The American students were more comfortable focusing entirely on issues of business planning. In suggesting ideas for possible business ventures, the Russian students tended to propose ideas of a more industrial nature whereas the American students tended to propose ideas involving informational activities or services.

As the experiment showed, electronic communication can be used not only to facilitate collaboration between faculty members but also between groups of students in international business courses.

Regional Particularities of the Market Transition in Russia: The Case of the Urals Region

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The breakup of the Soviet Union has led to a focus on regional development. In comparison with other regions in Russia, the Urals faces more obstacles in the transition to a market economy than some other regions. The obstacles to transition include: the inertia of the industry structure, including a predominance of heavy industry; a small consumer sector to aid the development of a market economy; very large enterprises that are difficult to adapt to a market; and social structures that were designed to fulfill a plan for the benefit of the country. Factors that are favorable for the development of a market economy are: significant natural and mineral resources in the region; a stable political situation; high tolerance in attitudes toward economic reform; and highly trained specialists to guide technical modernization.

Russian Women: Abilities to Meet the Challenges of Transition

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As Russia moves from a centrally-planned command economy to a more market-based economy, the reform program for privatizing enterprises and creating markets has produced new opportunities for entrepreneurs while creating severe economic hardship for much of the population (i.e. unemployment, runaway inflation).

This paper argues that Russian women possess the abilities to cope and succeed in this turbulent environment of economic transition. Under the Soviet system of (professed) gender equality, women were a major factor in the work force, producing three generations of women wage earners. Soviet nondiscrimination provided equal pay opportunities, and women practiced the values of maternal self-sacrifice for children, close family ties, and determination to address adversity both outside the house and in running households. Today, women appear more motivated by the material incentives of reform—nice housing, consumer products, travel, etc. The absence of private property rights under the Soviet system gave men and women equal financial footing for establishing credit or obtaining loans.

The Process of Creating Effective Owners

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The Russian Privatization Law and the State Program of Privatization is being applied to state and municipal entities. The Russian Privatization Program is based on two principles: the grants basis of privatization and the payment basis of privatization. The main reason for this situation lies in the fact that the earnings of most of the people in our country are not very high. So, in the first variant of the State Program of Privatization vouchers appeared and there were some possibilities to have bonus stocks. Now we have three variants of the State Program of Privatization in Russia. All of them have very similar goals. One of the main goals in the last Program of Privatization is the goal of creating effective or strategic owners. But effective owners will not appear in our national markets very soon. This will happen when privatizing ownership leads to concentration of ownership in a limited number of stockholders.

In the State Program of Privatization, there are five methods of privatization. The *first* method is creating joint-stock companies (of an open type). The State Program suggests choosing among three variants, which are connected with advantages for the personnel of privatizing enterprises.

- The first variant is the creation of an open, joint-stock company. The employees are to be given 25 percent of the preferred stock, which is non-voting. The law further provides that employees can purchase up to 10 percent of voting stock at a discount. Five percent of the initial cost of the joint-stock company is sold to the managers of enterprises at the nominal cost of the shares. The rest of the stock is sold in the securities market.
- In the second variant, the employees can purchase up to 51 percent of the voting shares. This part of the starting capital is sold to the workers of the privatizing enterprise and workers in other enterprises that are components of a united technological complex. These rights are given on the condition of closed subscription.
- In the third variant an initiating group at the privatizing enterprise takes responsibility for fulfilling certain conditions: securing the enterprise from bankruptcy and completing the privatization process at the enterprise within one year. In this case there will be a contract between this initiating group and the collective of this enterprise. If this initiating group achieves success, it will have 30 percent of the voting stock, and by using closed subscriptions the employees of this enterprise can purchase up to 20 percent of voting stock at a discount.

So we see, that all variants creating open joint-stock companies are based on different franchises to the members of the collectives of the privatizing enterprises. But in spite of this, the rights of individual members in property distributed by closed subscription remain obscure.

The experiences of working enterprises in the post-privatizing period show that in many cases there is no atmosphere of mutual trust between shareholder-employees and management. It is not a civil partnership, so the expectations to increase productivity and profitability are not realized for these enterprises. All the participants of the enterprise must be equally interested in the fruits of their labor and in growth of profit.

Another problem in the post-privatizing period occurs when some employees remain only employees. They do not want to buy the stock of their enterprises. So their interests are different from the interests of shareholder-employees. Conflicts between owners and employees will be less critical, if we know how to manage their relations in order to coordinate the interests of enterprise participants.

The *second* method of privatization is sale by auction.

The *third* method is commercial competition. The customer will pay the maximum price, but he must fulfill certain terms of the collective of the privatizing enterprise and the Fund of Property, which sells the enterprise.

The *fourth* method is investment competition. The buyer will be chosen among those who offer the most interesting investment program or the maximum price for investment purposes.

The *fifth* method is the privatization of rented enterprises. Such enterprises buy only that part of their property that was rented from the State. Other parts of its property are the shares of the collective of this privatizing enterprise. This method allows the creation of a "close" joint-stock company. In this case the enterprise participants may collectively share the property.

What are the characteristics of an effective owner? First, he must have an interest in effective work and development of the privatizing enterprise. So he must provide constant investment in this enterprise. The effective owner must have an interest in increasing the profitability of the enterprise.

Most privatizing enterprises chose the second variant of creating open, joint-stock companies (75 percent of enterprises in Russia, 72 percent of enterprises in the region of Sverdlovsk). In this variant employees will be owners of most shares. Shareholders in this case have only one interest -- to maximize the dividends earned on their shares. So, these shareholders cannot be effective owners.

The peculiarity of the previous period of privatization in Russia is based on voucher privatization. The new period will be connected with the possibilities of potential investors, including foreign investors. But we must remember that the market for securities is not well developed. So, the opportunity of investing in privatizing enterprises will have some problems in its realization.

Meeting the Transition Head On: New Ways of Thinking

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Russia is currently going through a difficult period of transition. This paper reviews the beneficial inherited traits of the Russian people that will aid them in this difficult time: education, knowledge of history, foreign languages, native intelligence, team spirit, family values, generosity and mutual assistance, politeness, politeness, hospitality and courtesy, and modesty. It reviews the literature on entrepreneurship and identifies the characteristics of successful entrepreneurs, including: proactivity, achievement orientation, commitment to others, self-confidence, persistence, and expertise. It ends with a credo about how to achieve a successful business or personal relationship.