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***Organizational Changes in Russian Industrial  
Enterprises: Mutation of Decision-Making Structures and  
Transformations of Ownership***

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**Comments Welcome**

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**Organizational Changes in Russian Industrial Enterprises:  
Mutation of Decision-Making Structures and Transformations of  
Ownership**

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**Abstract**

The paper summarizes the results of 20 case studies in Russian domestically-oriented industrial companies. Through interviews with corporate executives and surveys of employees we revealed the changes in decision-making authority and transformations in control structures. Five major types of control, currently prevailing in Russian industrial companies are identified, and their strengths and weakness for building consistent corporate strategies are outlined. The possession by top executives of blocking interests (25-30% of the stock) in their companies is considered to be a necessary pre-requisite for building a consistent adaptation strategy.

## INTRODUCTION

The epithet "the coming Russian boom" is used more in the titles and back-cover blurbs of would-be-bestsellers which claim to detail how to exploit emerging markets than it is to describe the reality of the Russian economy. After the slowdown of Russian capital markets in November 1997 and subsequent tightening of the government financial policy, most prognosticators do not envision steady economic growth until 1999. Nevertheless, though the macroeconomic outcomes of Russian economic reform are far from certain, Russian companies' search for sources of adaptability and their efforts to survive in a turbulent business environment excite management scholars. Numerous articles and books have been published in an attempt to explain particular aspects of organizational transformation in Russia: changes in decision-making authority (Lawrence et al., 1990; McCarthy and Puffer, 1992; Luthans, Welsh and Rozenkrantz, 1993), the transformation of governance structures (Filatotchev et al., 1996; Frydman et al., 1996; Blasi et al., 1997); the development of marketing management (Shama, 1994), the emergence of new leadership (Puffer, 1995); and the modification of industrial and work-place relations (Clarke, 1996).

This paper aims to add some additional insights on the factors influencing organizational transformations in Russia in the present phase of privatization through an examination of the changes in control structures, internal organization, and marketing strategies in 20 industrial companies in Russia between 1993-1996. Specifically, the goals of this study are:

1. To retrace the transformation of ownership and control in (formerly) employee-owned companies.

2. To depict the strengths and weaknesses of existing types of control and their influence on the formation of strategy.

## RESEARCH METHOD

This study is based on 20 case studies of Russian industrial companies. We observed 10 "pairs" of extremely similar companies in five domestically-oriented industries: textiles, machine-building, food-processing, chemicals, and construction. In addition to the standard instruments--such as interviews with top managers, observation of companies' activities and studying external and internal financial accounting statements of companies--employed in case studies, we used a survey of managers and workers using a special developed questionnaire. The total number of respondents was 2047, including 229 managers and 280 workers surveyed in 1994, 202 managers and 559 workers surveyed in 1995, and 206 managers and 571 workers surveyed in 1996.

The survey consisted of several blocks used to map responses in order to measure key variables:

- assessing the acuteness of problems and disturbances in business and production activities;
- transformations in decision-making authority;
- managers' and workers' opinions as to who is the "real owner" of their companies.

Assessing the acuteness of problems and disturbances in business and production activities was performed using an original 11-item instrument.

Examples of routine problems are "non-paying debtors", "shortage of qualified managers", etc. The 5-point response scale ranged from "not significant at all" to "extremely significant". The reliability co-efficient for this scale is 0.8066.

Transformations in decision-making authority were assessed in a special section of the questionnaire which contained 24 items pertaining to four types of decisions common in managerial work, namely:

- 1) strategic and capital investment decision - 6 items,
- 2) human resources - 7 items,
- 3) wage and benefits - 5 items,
- 4) production decisions (i.e. product characteristics, value chain, quality issues) - 6 items.

Managers were asked to indicate the changes they experienced for each decision item in the past two to three year period on a 6-point scale, ranging from "beyond my position's duties" (a value of 0), "much deteriorated" (a value of 1), to "much improved" (a value of 5). This scale is a further development of McCarthy and Puffer's instrument (McCarthy, Puffer, 1992). The additional point added to the scale--"beyond my responsibilities" -- a value of 0--allowed us to restrict the appraisal of perceived authority to strongly reliable sources. The reliability of the instrument (Cronbach's alpha) is 0.9597.

We were able to map perceptions of ownership, as all of the respondents were asked to give their perception of who comprised the real owners of their firm, as well as who were their desired owners. For both real and desired owners, respondents were asked to choose one answer from 11 items, including "your

fellow-workers", "the managing director", and even "nobody really owns". Although the standard reliability measures were inapplicable for these constructs, we performed the Kolmogorov-Smirnov test, which showed a sufficient difference in the distribution of answers from the normal distribution ( $p < .01$ ). For a detailed presentation of the questionnaire, see Gurkov (1995).

### **MANAGING A COMPANY DURING RECESSION: AN ASSESSMENT OF PROBLEMS**

More than five years after price liberalization and the opening up of domestic markets to foreign competition, the prevailing attitude within Russian firms could still be summarized in the complaint of one re-engineering pioneer: "No more unearned, inherited brand loyalties; no more cordial rivals in the same market; no more confident pass-alongs of rising wages and benefits in the form of higher prices; and no more indulgent protection by the national government" (Champy, 1995: 18). We asked managers to assess the most disturbing factors confronting their company's operations using a 5-point scale, ranging from "not important at all" to "extremely important". This enabled us to compare assessments over the period of time extending from 1994 through 1996 (see Table 1).

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Mutual arrays, the lack of means to purchase raw materials and semi-finished goods, high debts to banks and suppliers, and the irregularity of production operations were listed as the main disturbing factors in every year of observation. From a more formal point of view, from 1992-1995, none of the companies escaped from a situation of absolute insolvency for at least one quarter. The three main reasons for the liquidity crisis are: the tradition of higher-than-necessary investments in inventories and receivables, the difficulty of actually collecting receivables, and high interest rates. Besides the liquidity crisis, a strong and often unfair competition from imports seriously affected almost all Russian industries.

One of the most debilitating effect of the industrial depression is a decrease in the *economic efficiency* of production activities. This implies operating under conditions of sub-optimal capacity utilization, which usually increases the share of fixed costs and overheads. In our previous study (Gurkov, 1997), using a method known as Data Envelopment Analysis, we computed a quarterly efficiency score for each of the surveyed companies and found that the average production efficiency declined by more than 30% between 1992 and 1994.

Using this data, we constructed a composite measure of success-to-trouble, based on the managers' overall judgment of the status of their companies and their assessment of the particular disturbing problems facing their companies.

First, we performed a factor analysis for all particular disturbing problems managers had reported. The factor analysis allowed us to identify four factors which accounted for 76.8% of the total variance. The next step was to determine how the selected factors affect the overall assessment of a company's situation.

We performed a regression analysis taking as a dependent variable the managers' assessment of the company's situation and as independent variables the proper values of the factors selected. The resulted regression equations is as follows:

$$\text{Situation--1996} = 2.43 - 0.17 \times \text{Factor}_1 - 0.19 \times \text{Factor}_2 - 0.07 \times \text{Factor}_3 - 0.40 \times \text{Factor}_4$$

(1)

Adjusted  $R^2 = 0.59$ , significance of  $F = 0.014$

Finally, we computed a composite "measure of the business troubles" for every surveyed company simply by inserting into the equation the values of factors received for each company. The "measure of business troubles" signifies how far is a company from a "normal" situation, i.e. from the situation with minimal disturbances of operations, with stable supply of raw materials, without strikes, major conflicts between the management and the shareholders etc. The ONE-WAY analysis of variance for the initial and composite measures of each company's situation suggested that the composite measure captures the variance within groups of similar companies better than the initial managers' assessment of the situation of their companies (significance of  $F = 0.07$  and  $0.64$  respectively). Therefore, we used the composite measure as a criterion to distinguish within each pair between a "successful" company and a troubled one.

**REVEALING THE ORGANIZATIONAL CHANGE I: MAPPING THE MANAGERS' RESPONSIBILITY AREAS AND DECISION-MAKING AUTHORITY**



The first step in revealing the new organizational changes in privatized companies was assessing the configuration of responsibility areas. Managers were asked to indicate the changes in their influence over 24 types of decisions--from "establishing joint ventures" and "new stock issues" to "choice of customers"--on a 6-point scale. The additional point on the scale, "beyond my position's duties", enabled us to trace managers' perceptions of decisions beyond their authority. Thus we derived which types of decisions are reported by managers to be in their responsibility, and those are not. Next, we compared the managers' responsibility areas in successful and troubled companies (see Table 2).

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From the data is clear that, for most types of decisions, there is no great difference in the share of managers reported the particular type of decision to be within their responsibility areas. In addition, some differences might be affected by the unequal distribution of managers of different ranks in the sub-samples of successful and troubled companies. Therefore, we compared the perceived changes in authority for those managers who clearly indicated the types of decisions *within* their responsibility areas. We calculated the averages scores for each management level--top managers, senior staff officers, middle managers, shop-floor managers--separately for troubled and successful companies (see Table 3).

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Comparison of the results across different managerial levels *within* the same sub-samples of companies and *between* the sub-samples presented in Table 3 reveals the main directions of organizational changes.

In **successful companies**, top managers have separated themselves from routine human resource administration by delegating greater authority to lower ranking managers, especially shop-floor managers. Top managers were thus free to concentrate on financial issues, such as crediting and borrowing (mean 1.00); pricing (mean 0.75); and capital investment (mean 0.33). Top managers of successful companies also tolerated the expansion of authority of lower-ranking managers in some important areas. For example, senior staff managers experienced a positive shift in their authority over production mix (+0.62); choice of suppliers (+0.20); and choice of customers (+0.14). (see Table 3) Middle managers in successful companies have increased their authority over quality control (+0.64) and equipment repair (+0.30), as well as in personnel administration; the wage levels of subordinates (+0.23); the administration of rewards (+0.17); and the administration of punishments (+0.17).

Shop floor managers in successful companies were practically separated from strategic decision-making. As we have illustrated, most shop floor managers believe that such questions are "beyond their position's duties" (see Table 2), while those who claimed to participate in strategic decision-making experienced a dramatic decrease in their authority. On the other hand, shop floor managers

reported the greatest increase in the ability to influence subordinates (that is, workers and technical staff). Indeed, shop floor managers in successful companies indicated an increase in their authority over punishment (+1.00); firing (+0.71); recruitment (+0.38); and the wages of their subordinates (+0.08). They also expanded their authority in operative production decisions such as equipment repair (+0.32).

The mapping of organizational changes in **troubled companies** presented a quite different picture. On the one hand, middle managers occupy an extremely favorable position, reporting an increase of their authority over pricing (+0.80), research & development (+0.67), capital investments (+0.67), and quantity (+0.20), but without a significant change in their ability to affect human resource management policies and practices. On the other hand, top managers retained or expanded their authority over routine human resource management, while losing their power in strategic financial matters such as crediting and borrowing, dividend levels, and capital investment.

Senior staff managers, but especially shop floor managers, were the main victims of the redistribution of power to top and middle managers. Shop floor managers in troubled companies experienced the same "separation" from strategic decisions as that reported in successful companies, but without any compensation in the form of better equipment or increased authority to dealing with their immediate subordinates, the workers. The decrease in authority of senior staff officers in almost every decision illustrates an overall weakness that prevents the formulation of consistent strategies, even in companies that have disintegrated into a number of semi-independent units that are heavily involved in underground production activities oriented towards the "grey" market. The

transformation of decision-making authority and responsibility areas revealed in our surveys, clearly indicates the transformation of traditional power structures, as well as the alteration of the relative importance of various managerial functions inherited from the centralized command economy.

Traditionally, in the Soviet-style enterprise management, there existed a strict delineation of the relative importance of a company's different functions: production-engineering and R&D, planning, supply, salary administration, accounting, sales, and personnel. In such a system there was no place for finance and marketing as important functions, and legal officers were mainly preoccupied with individual labor disputes. As a result, the second most powerful person in a Russian enterprise was the Chief Engineer, who supervised production and engineering. His (never her) importance was reflected physically: in any Russian industrial company, the Chief Engineer's office stands door-to-door with the office of the General Director, and they share the same secretary and other facilities.

After the collapse of central planning, the relative importance of managerial functions has changed dramatically. These changes, in general, are applicable to every Russian industrial company, irrespectably to its relative economic situation.

First, sales, not supply, has become the paramount problem confronting management. And, while sales were no more guaranteed by state orders than they are by consumer demand, the problem of supply has been transformed from a general shortage of material resources to a "lack of the means to purchase raw materials and semi-finished goods". Consequently, the importance of the sales

department has increased. One additional factor has enhanced the importance of sales even more. In the current economic climate in Russian, which is characterized by wide-dispersed mutual arrays, most deliveries are facilitated by barter trade. As a result, the average industrial company is involved in trading of a wide range of goods--from cement and oil to sugar, for example, to car and electric home appliances. To manage such a wholesale--and, often, retail--business, Russian industrial companies have established what are commonly known as "commercial" departments. Most companies have introduced a managerial position known as the Commercial Director, whose purview includes the supervision of the sales department, supply depots, and the company's nascent marketing departments.

Planning departments, salary administration departments, and engineering departments have also experienced a deterioration in their position's power. Without obligatory state plans, and in conditions of high uncertainty, Russian enterprises have ceased making annual, and sometimes even quarterly, plans. As detailed government labor regulations have given way to payroll taxation, the importance of the salary administration department has decreased. As for the engineering department, the overall fall of investment activities in Russia and the shortage of resources has resulted in the end of the "frontal" R&D, which, traditionally served to satisfy the curiosity of the engineering staff at the expense of the firm. Today, the authority to implement minor technical innovations aimed at improving the quality of production is vested in shop-floor managers, while major technical innovations, since they incur capital investment, are finally decided from the top.

## REVEALING THE ORGANIZATIONAL CHANGE II: MAPPING THE EMERGING CONTROL ARRANGEMENTS

The drift in managers' decision-making rights and responsibility areas represents the first level of organizational change. However, the true root of organizational change is lies in the post-privatization transformation of ownership and control.

With the launching of the State Program of privatization in June 1992, medium and large-scale industrial enterprises in Russia were offered by three variants of privatization. In the so-called "second variant", for example, which was chosen by 74 percent of Russian enterprises, workers and managers were allowed to purchase up to 51 percent of a company's stock by closed subscription at a nominal price: 1.7 times the book value for July 1992. In our survey of 20 companies, all privatized by employee buy-outs of at least 51 percent of the company's stock, we were able to compare the employees' perception of "real and desired ownership" at three points in time: 1994, 1995, and 1996 (see Table 4).

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In 1996, the vast majority of managers and workers identified managing directors as the "real owners" of their companies, far outstripping all other options. On the other side, in 1996, only 7,5% of workers considered "the working collective" to be the real owners of privatized companies while in 1994, a quarter of workers viewed themselves as the real owners of their companies.

The strengthening of the managing directors' position vis à vis other shareholders was a result of a well-defined and executed organizational agenda to transform themselves into the legal owners of privatized property. In a series of papers (Gurkov and Asselbergs, 1995; Gurkov, 1996) we scrutinized and explained the principal methods--including direct buy-outs, the assignment of voting rights, the unification of workers shares in "pocket" holding companies, etc.--employed by managing directors to transfer their employees' shares to themselves.

Since the number of respondents in each surveyed company varied significantly, we decided to map the control arrangements in each surveyed company based on managers' opinions about the "real owner". In contrast to workers, managers proved to be quite qualified informants. Indeed, when asked to identify the main attributes or real owners, almost 62% of managers selected such attributes as "holding the controlling interest in a company", while additional 25% of managers chose "control over strategic decisions" as the main attribute of the "real owner".

Four predominant patterns of control in Russian privatized companies emerged from the survey conducted in 1994:

- \_ collective control, defined as a situation where more than 40% of the company's managers regard themselves as the company's "real owners";
- \_ concentrated managerial control, where more than 40% of a company's managers consider the top management to be the "real owners" of the company;

- \_ director's control, where at least 40% of the company's managers view the general director as the company's "real owner";
- \_ un-clear control, where more than 40% of managers believe that "nobody really owns the company".

Of the twenty companies surveyed in 1994, dispersed managerial control prevailed in six, concentrated managerial control governed a further six, the general director was viewed as the real owner of three, while un-clear control was reported in five companies.

The 1995 survey revealed new evidence of post-privatization development. First, a slight rise in director's control, from three to four companies, was observed. Second, while the share of companies under concentrated managerial control remained unchanged, the number of companies under dispersed managerial control decreased from six to four.

Another significant result of the comparison of control arrangements between the 1994 and 1995 surveys was the appearance of a new type of control: "outsiders' control". In 1994, there were no companies under the control of outsiders, and none of the managers then surveyed reported that foreign shareholders had a significant influence on their company's business. In 1995, three companies previously reported as under un-clear control had become controlled by outsiders, while, in another three companies, at least 10% of the managers believed that outside shareholders--in particular foreign investment funds and banks--had become the "real owners" of their company. The survey



shows that, by 1995, the intervention of outside investors in the management of Russian industrial companies--or at least the perception of such intervention--had become apparent to an ever-increasing number of managers.

The results of the 1996 survey clearly reveals the "destiny" of employee ownership in Russia. Director's control has become predominant--it was observed in seven companies. By contrast, dispersed control was reported in only two companies. The shares of concentrated managerial control and outsiders' control remained unchanged--six and three companies, respectively. A situation of "un-clear" control prevailed in two companies, but shortly after the 1996 survey was completed, we learned that one of these companies was acquired by an outsider. (see Figure 1)

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Besides the general trends in control, the surveys clearly demonstrated the brevity of control arrangements in particular companies. Among the 20 companies surveyed, the control arrangements have remained stable from 1994-1996 in only in two companies.

## **CONTROL STRUCTURES AND STRATEGY DEVELOPMENT PROCESS**

What do such control structures mean for the strategy development process? At first glance, it is obvious that frequent changes in ownership and resulting

transformations of control arrangements prevent the establishment of any long-term strategy. Nevertheless, we were able to identify the major limitations in strategic options for each identified type of control.

Despite the architects of Russia's privatization's ardent belief in the superiority of outsiders' control (see Boycko et al., 1995), in the present Russian situation the acquisition of control over an industrial company by a **domestic** financial institution does not ultimately lead to the establishment of a clear strategic agenda for the company.

First and foremost, **outsiders' control** proved to be most unstable. In 1997, we learned that, in the two years since 1995, all three of the "outside-controlled" companies had already changed owners. Second, there are strong incentives against the injection of capital into an already-acquired company. Indeed, the face value of shares in Russian companies still corresponds to the book value of fixed assets in 1992 prices. In order to counterbalance the deleterious effect of high inflation, fixed assets were re-evaluated annually, in accordance with new replacement prices. The resultant increase in equity, however, was simply accounted as "additional capital", without new stock being issued or an alteration of the face value of existing stock. As a result, the formal stockholders' equity (registered capital) amounts to less than 1% of the total equity in the majority of the surveyed companies. Hence, even a return on assets that hardly covers the present rate of inflation (15% per year) translates into a 1500% return on the initial investment in absolute terms. Naturally, such a return would satisfy any investor and discourage it from injecting any serious levels of capital into a company. Furthermore, if the initial acquirer (such as a bank or financial institution) encounters liquidity troubles of its own, it will zealously sell its

industrial assets at 15 to 50 times the face value of the stock to another, more solid, "fisherman of tidbits".

In our earlier paper, we were rather optimistic about the possibilities of proficient strategy development in **director-controlled** companies (see Gurkov, 1996). However, the 1996 survey revealed some serious weaknesses in the strategic agenda of director-owners. First, the option of financing investment projects, such as stock issues, is virtually sealed. Second, there are strict technical, as well as psychological, barriers to long-term borrowing. Indeed, on the one hand, in Russia nowadays long-term credits are often secured by a company's stock--a position that is unacceptable to director-owners. On the other hand, in the former Soviet Union, there was no developed system of consumer credits, and consequently, there was no tradition of managing and servicing personal liabilities such as mortgages, etc. Therefore, director-owners are extremely reluctant to enter into any bidding obligations that may endanger their "family estate".

Regarding the third dominant control arrangement, **concentrated managerial control**, we should stress another important weakness, which is rooted in a tension between ownership rights and managerial power. The initial distribution of a company's stock in 1992, and the following post-privatization managerial buy-outs in 1993-1994, were conducted in accordance with the traditional relative ranks of managerial functions. Thus, chief engineers and other senior technology managers have accumulated significant portions of company stock. In 1994-1996, however, the relative importance of managerial functions had changed in favor of marketing and finance, while manufacturing and engineering functions deteriorated, often to the point of neglect. On the one hand, as owners, chief

engineers are interested in the company's prosperity, and, therefore, should welcome the introduction and strengthening of marketing functions. On the other hand, chief engineers are engaged in a power struggle, not as directors in formal management bodies such as Boards of Directors, but as top executives within Managing Boards and within informal management systems. Such a tension has resulted in hybrid forms of organizational structures. For example, in several companies we observed that chief engineers had expanded their authority in the areas of marketing operation and finance (see below).

**Un-clear control**, by definition, prevents the forging of any consistent strategic marketing agenda, since corporate raiders are preoccupied with securing control over the company, while its top executives' energies are absorbed in attempting to marshal defense mechanisms.

Finally, events of 1994-1996 proved the inadequacy of **collective control**, as it has almost completely disappeared as a form of industrial management in Russia. The main weakness of collective control is the strong impetus, especially amongst managers, to maintain their positions. The maintenance of excessive managerial personnel leads to non-focused innovative activities--such as the preservation of excessive production facilities and departments (which justify the managers' continued employment)--which not only result in a rapid increase in overhead, but which worsen a company's competitive position.

So, what are the possible configurations of control which (may) lead to the development of a consistent strategy? In our observation of Russian industrial companies we found the few firms that have strategy are *those where there is a very specific distribution of the corporate stock between outside shareholders and general*

*directors. As a rule, in such companies the general directors (together with other top executives) have secured at least 30% of the company, while outside shareholders hold 35-50% of the company stock.*

The combination of quasi-equal holdings by the general directors and outside shareholders causes a very specific distribution of power. On the one hand, the general directors have limited influence over:

- new stock issues;
- appointment of directors;
- level of dividend;
- major borrowing.

On the other hand, the general directors enjoy the complete authority over

- appointment of executives and senior staff officers;
- launching of new products;
- penetration into new markets

This distribution of rights between top executives and shareholders seems to be standard for the Anglo-Saxon model of corporate governance (see Kojima, 1995). However, in Russia such a distribution is achieved through intensive multi-stage mutual bargaining of equal partners -- major inside and outside shareholders. There are several advantages of the mentioned distribution of rights for establishing of a consistent corporate strategy. First, in condition of underdeveloped capital markets the control of outside shareholders over crediting and borrowing strengthens the "market discipline" and sets minimal standards for company's solvency. Second, as accordingly to the new Russian Civil Code the blocking interest in an open joint stock company is 25% of the total stock plus one share, the general directors who had acquired 30% of the

stock secured their positions and, therefore, may develop the long-term strategic vision in terms of product development, market expansion and operation efficiency. Moreover, the general directors with the veto power of key strategic issues usually oppose to over-diversification of activities and to penetration into unrelated fields and business areas, thereby preventing key personnel and technologies (core competencies) of the company.

## CONCLUSIONS

In this paper, we briefly presented the results of a longitudinal survey of 20 Russian industrial companies. We observed the serious difficulties in every-day functioning, resulting from shifts in domestic consumer demand, the shortage of both internal and external capital resources, and the underdevelopment of the marketing function of Russian companies. The mentioned difficulties have provoked an active search for more adequate decision-making structures. Shifts in decision-making structures move in opposite directions in more and less successful companies:

- in successful companies, the top managers enjoy a greater increase in strategic decision-making power, while delegating the authority in human resource issues to shop floor managers;
- in unsuccessful companies, middle managers improved their relative power vis à vis both top managers and shop-floor managers, thereby worsening the possibility of reaching consensus upon corporate strategies.

Besides the re-shaping of authority areas and the mutation of managers' decision-making rights, there are active transformation of ownership and control over companies. Most of the surveyed companies changed their initial control arrangements between 1994 and 1996. However, the effectiveness of the dominant forms which emerged (namely, directors' control and concentrated managerial control) is compromised by serious weaknesses in strategy formation, which stem from the tension between ownership rights and managerial power. With respect to the expansion of domestic financial institutions' control over industrial assets, the underdevelopment of the capital markets, the high interest rates and the competition of the profitable market of government-issued securities prevents the new owners from injecting the working capital into the newly acquire industrial companies and, sometimes, from constructing a clear strategic agenda. Under such circumstances, the few companies which have a consistent strategy are those where the general directors (together with other top executives) have secured at least 30% of the company, while outside shareholders hold 35-50% of the company stock. The balance of interests between insiders and outsiders facilitates the establishing of a clear strategic vision, while preventing from diversification into unrelated fields and devastation of core competencies of the industrial companies.

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**Table 1. Assessment of the Importance of Business Problems by Managers**

	1994	1995	1996
Non-paying debtors	4.22	4.07	4.30
Disturbances in supply of raw materials	4.15	4.02	4.27
High bank debts and trade liabilities	4.02	3.72	4.02
Irregularity of production operations	3.96	3.88	4.17
Absence of orders, contracts	3.92	3.84	4.48
Irregularity in energy and fuel supply	3.84	3.42	3.82
Poor work discipline	3.76	3.54	3.75
Staffing by managers	3.69	3.78	4.03
Staffing by qualified workers	3.61	3.53	3.73
Delays in wage payment	3.37	3.42	3.71
Languor of the company's top management	3.31	3.49	3.44

Scale: 1 - not important at all, 2- small importance, 3 - significant, 4 - important, 5 - extremely important

**Table 2. The perceived circle of authority for managers in successful and troubled companies in 1996.**

Type of decisions	Percentage of managers who stressed a decision as <b>within</b> his/her responsibility	
	Troubled companies	Successful companies
Participation in joint ventures	22	<b>32</b>
Crediting and borrowing	20	28
Share issues	22	24
Capital investments	26	<b>34</b>
Research & development	30	28
New technology installation	46	<b>56</b>
Equipment repair	58	59
Recruitment to your division	75	77
Firing people	77	78
Administering rewards	75	78
Administering punishments	83	86
Promoting your subordinates	71	77
Authority over your own job	76	83
Wages of your subordinates	69	<b>80</b>
Bonus level of your subordinates	63	<b>72</b>
Your proper wage and bonus level	51	60
Level of dividend	35	<b>43</b>
Quantity	45	55
Pricing	33	<b>44</b>
Product mix	36	<b>46</b>
Quality	54	63
Choosing suppliers	24	<b>36</b>
Choosing customers	24	33

Note: data in bold indicates the two-tailed difference at 0.05 significance levels