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Teaching the Dinosaurs to Dance

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Comments Welcome

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Teaching the Dinosaurs to Dance

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By dinosaurs are meant communist countries' and COMECON's (Council for Mutual Economic Cooperation) monopolies or dominant players. They come from the past and have to learn how to behave in a new environment for which they were not created, and which they are no longer fit. There are several reasons why it is so difficult for them to survive the way they were used to:

- Dinosaurs are known for being too large and may soon end up using up all available resources.
- They are not capable of moving nimbly and lightly.
- They are not very smart – they get their job by brute force rather than brainpower.
- Since they are predators, they are not very friendly.

Companies that are too huge, inflexible, arrogant and dull are not likely to make it in a fast-paced market economy. They need to go through a process that is similar to what various authors (Kanter, Bellasco) likened to learning to dance. There are several ways how one can acquire a skill or learn something new: one either can do it alone, by trial and error, or go to school or team-up with someone who knows how to do it. In this paper I will focus on the last option where this "someone" would be a foreign partner. Since we deal with originally large companies here who were either soloists or major players in their fields, partners usually turned out to be multinational corporations.

My knowledge base and personal experience comes from industries as different tele-communications, automotive, management consulting, manufacturing, computing, publishing, airlines, education and others. The foreign partner or partners to the local company were in most cases, but not exclusively, multinationals based in North America – sometimes operating directly from their headquarters but more often through their European offices – or institutions with international experience and a track record of managing across cultures. Their declared motives for moving in the Central and Eastern European area were varied and not always immediately clear. There were altruists who were willing to help but also tried to get access to Uncle Sam's grant monies, businesses who sought to gain competitive advantage through cheap labor, low-cost resources or unsaturated markets, those who wished to solidify their positions in the region or did so as a pre-emptive move in an effort to make it more difficult for their competitors or establish their presence in a "hot" place.

The declared reasons of why they entered the central and Eastern European emerging market territory may both not always be entirely sincere and true, and could have changed over time. Varied as these strategies were, they seem to have less impact on the methods these companies and organizations used in their "dancing lessons" than did their overall managerial philosophy and corporate culture back home. It appears that more important than the variety of different reasons was whether this move was proactive, seeking to gain the "attacker's advantage," or reactive, simply following the suit. The strategy they chose had to do with the level of effort and the degree of seriousness with which was the whole thing carried out.

Managerial strategies

Just like in dancing, there are several ways how to transfer the master's skill and knowledge to the student, and make joint effort successful. These reflect various forms of involvement of the foreign partner in the day-to-day activities of local business. Rather than tied to any specific legal form or particular structure of ownership they seem to reflect the depth of the commitment the international partner is willing to invest. Similarly, if the foreign partner was busy coping with an adversarial situation at home or at other markets, like the recession in early 1900s, the involvement was more shallow and less systematic than where this was not the case.

Among most frequently strategies employed were:

- Random assignment
- "Zipper"
- Expat in charge with a local deputy
- Local manager in charge with an expat deputy
- Expat manager in charge with a local successor
- Mixed system with some positions held by expats specified period of time

Let's explore these strategies in more detail:

Random assignment The foreign partner sends over those people who are currently available. Usually it is a choice of convenience, depending on whether there are people who, for instance, happen to speak the local language or are otherwise familiar with the local conditions. Besides that, the home office randomly dispatches their people for usually short periods of time (days, weeks, rather than months or years). They come from various parts of the organization, and different locations to fix emerging problems. There is no easily discernible pattern or consistent long-term approach.

"Zipper" This system means that foreigners and local occupy the managerial positions in a complementary manner, usually with some parity. For instance, while the chairman of the board is an expat, the CEO is local, VP finance is a foreigner whereas his production counterpart comes

from within, etc. Usually, the effort is made to have equity and balance in these positions. Either the department heads may have a deputy coming from the other party or they may run "the show" all by themselves.

Expat manager in charge with a local deputy For a specified period of time (in most cases) a group of expats is put in charge of major departments and occupy key positions in company to help to bring it into the family, to incorporate it into the body of mother organization. Until this is accomplished several "generations" of expats, possibly varying in size, might take turns. This model does not involve any specific succession plan for the locals to take over — they are allowed to do so when they are "ready." This happens to be anywhere between one and five years.

Local manager in charge with an expat deputy This less frequent arrangement leaves the locals in charge — even though not necessarily the same people who held those positions before the arrival of the foreign partner. In some cases the expats really do serve as coaches or resource people, in others the play the role of "shadow managers," yet in others is this arrangement merely formal. In such case, the foreigner has most of the decision making power, while the person "in charge" has little usually little choice but to endorse his or her verdicts. However, there are instances when the expat deputy worked to develop the local manager, and the whole relationship was a success.

Local manager in charge with a local successor Some companies have established succession plans, sometimes tied to the expat's benefit package. Thus, the expat was motivated to develop as good successor as possible. However, this otherwise sound arrangement also raises some questions of fairness, since for some positions it was harder to find a suitable candidate than for others. For instance, for HRM positions which as function in the form known in the west never really existed in the communist economy, it was more difficult to locate a suitable person with relevant experience than, say, for production management.

Mixed system with some positions held by expats specified period of time Some companies, mostly joint ventures, made sure that certain positions would be held by people delegated by a specific owner. Westerners usually held the positions of CEO or VP finance while operations were more commonly held by locals. This arrangement lasts either for a specified time or until a certain event occurs.

Discussion

These managerial strategies of managing across cultures are certainly not limited to former "dinosaurs," the largest companies around. However, the larger the company, the higher the investment, the more sophisticated methods are being used. In small businesses it is usually the personality of the owner and his or her preferences that account for most of the differences. There is usually a lot of personal involvement and more manual control than system, policies, and procedures.

The panel will discuss whether there are other approaches than those listed above, and which tend to be more successful.