

# **Russian CEOs' Aspirations towards Foreign Markets: Causes and Consequences for Company Management**

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## 1. Introduction

After the fourfold fall of Ruble in the last quarter of 1998, Russian industries have received an unique impetus for both import substitution and export expansion. In 1999, the registered trade surplus of the Russian Federation reached US\$ 32.2billion<sup>1</sup>. Russian exports of so called “strategic commodities” have already reshaped several important international markets<sup>2</sup>. However, the flow of Russian exports consists not only of commodities, but also of merchandises aiming to fulfil the low-end niches in the world markets. Most of the exports are originated from Russian locally-controlled companies.

The number of studies suggests that the majority of Russian industrial companies are controlled by top management, especially by General Directors (CEOs)<sup>3</sup>. After the financial collapse of 1998, and the subsequent destruction of industrial conglomerates centred around major Moscow-based banks, Russian CEOs further strengthened their positions towards (and against) shareholders and other stakeholders<sup>4</sup>. Therefore, within the international project “Transformation and Globalisation: Actors and Factors of Post-Soviet Change” we decided to centre our attention on one group of

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<sup>1</sup> “Emerging Markets Indicators,” in: *The Economist*, 26.02.2000, 138.

<sup>2</sup> See White, G. L. “Car makers swerve as palladium goes through the roof. Russian moves lift price of exhaust-cleaning metal,” in: *The Wall Street Journal Europe*, 06.03. 2000, 1.

<sup>3</sup> Earle, J. / Estrin, S./ Leshchenko, L. “Ownership structures, patterns of control, and enterprise behaviour in Russia”, in Commander, S./ Fan, Q./ Schaffer, M. (eds.): *Enterprise restructuring and economic policy in Russia*. EDI Development Studies, Washington, DC: The World Bank, 1996, 205-252; Blasi, J./ Krumova, M./ Kruse, D. *Kremlin capitalism: The privatization of the Russian Economy*. Ithaca NY: Cornell University Press, 1997; Gurkov, I. Ownership and control in Russian privatised enterprises: New evidence from a repeated survey, in: *Communist Economies and Economic Transformations*, 7.4. (1998), 259-270.

actors, namely, CEOs of locally-controlled Russian companies, as such a group rarely becomes the object of analysis<sup>5</sup>.

Our study is designed to serve within the project as a link between macroeconomic and microeconomic studies on globalisation and its consequences for the Russian economy and the Russian society.

In order to improve our understanding of the behaviour of Russia CEOs as actors in globalisation and transformation, we should address the following issues:

1. What is the spread of aspirations towards the international markets among CEOs of various Russian industries?
2. What are the initial (pre)conditions for such aspirations, in terms of perceived competitive positions and key competences<sup>6</sup> of their companies?
3. How the expansion in international markets is conjoined with other goals of top management?

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<sup>4</sup> Radygin, 1999, Ownership and control in Russian industries. in: *Corporate governance in Russia*. Proceedings of OECD/World Bank Conference, Moscow, May 31-June 2, 1999. p. 18.

<sup>5</sup> See: Sklair, L. Who are the globalisers? A study of key globalisers in Australia, in: *Journal of Australian Political Economy*, December 1996, 1-30.

<sup>6</sup> We follow the distinction between key and core competences of the firm, common in the resource-based theory of competitive advantage (Wernerfelt, B. A resource-based view of the firm, *Strategic Management Journal*, 5, (1984) 171-180; Hamel, G./Prahalad, C.K. *Competing for the future*. Cambridge, MA: Harvard Business School Press, 1994; Grant, R.M. The resource-based theory of competitive advantage: Implications for strategy formulation, in: *California Management Review*, 33.3 (1991), 114-135.) For example, C. Bowman and D.O.Faulkner argue that: “Key competences are those required by any firm to be a serious and successful player in a particular market. Core competences are what the firm happens to be good at. Hence, Key competences are derived from an understanding of the requirements to compete in a particular market arena, whereas core competences are firm-specific” – Bowman, C./ Faulkner, D.O. *Competitive and corporate strategy*. London: Irwin, 1997, p. 35.

4. How CEOs' aspirations are translated into real actions in terms of business innovations?
5. Do export aspirations of CEOs affect their leadership styles?

We strongly that study will bring more insights on the broader questions about globalisation, namely:

- How does globalisation affects the actors?
- How such actors response to globalisation?

In addition, the inquiry into a “subjective” side of globalisation may also produces valuable insights into the institutional aspects of globalisations. Indeed, transformations of production and management systems constitute the background for implementation of changes in business institutions. Without such transformations any new business institutions will serve as decorative make-up, improving the image but damaging the health of a society.

We also assume that our study will be exploratory, as the empirical evidence on corporate management in Russian exporters is still rather fragmented thereby limiting broad theoretical constructions.

## **2. Research Design**

### **2.1 The sample**

In the present paper, we address the outlined issues using the results of a large-scale survey of Russian company managers. In October-December 1998, at the midst of the financial collapse, we conducted the survey which embraced 742 CEOs and 1402

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senior and middle-level managers of Russian companies. Each respondent came from a different company. The respondents presented companies of all legal forms in main Russian industries, which are situated in 78 Russian regions.

## **2.2 Research Instruments**

The main research instrument was the questionnaire which consisted of several blocks accordingly to the goals of the study.

To map the overall assessment of the company situation we used two instruments. First, managers were asked to assess the financial situation of their firm on a 5-point scale ranged from (“near to bankruptcy” to “perfect”) and to compare the present situation with the situation a year ago (again on a 5-point scale ranged from “much deteriorated” to “much improved”). Second, managers were asked to indicate the main factors affecting day-to-day operations (like “capacity under-utilisation”, “high debts”, “conflicts within the top management”, “conflicts between managers and workers”).

To map the spread of aspirations towards international markets and to relate this goal to other goals of the top management we asked managers to indicate an unspecified number of the most visible goals of the top management. We listed 9 main possible goals (from production at the world standards to maximising personal benefits) and allowed managers to add to the list of goals.

To reveal the inner logic of internationalisation we asked CEOs to indicate the relative position of their companies in particular aspects of competitiveness (cost

level, quality, price level and some other measures.). We used here 5-point scale, ranged 1 - “much worse” to 5 - “much better”. The reliability of that instrument (Cronbach’s alpha<sup>7</sup>) is 0.8112. To depict the level of “key competences of the firm” CEOs were asked to assess the perceived qualification level of the key staff in the main line and functional departments on a 5-poin scale, ranged from “1”= unacceptable low to “5” = “quite high”. ”. The reliability of that instrument (Cronbach’s alpha) is 0.8188.

To see how CEOs’ aspirations are translated into real actions in terms of process and product innovations we asked managers to report on the measures to improve business performance which had been undertaken in their companies. We offered to managers a list of 16 measures with a possibility to add to the list. We used here the following two-pole scale: -2 = “negative results,” -1 = “no results,” 0 = “no measure,”+1 = “some positive effects,” +2 = “great positive effect. The reliability coefficient of this instrument (Cronbach’s alpha) is 0.9129. We also asked managers to indicate which type of staff their companies need most and which programs of management re-training had been offered to company managers in the past two years, and which type of re-training were planed now.

Finally, CEOs were asked to indicate four groups of management qualities:

- Qualities which reflect their personal leadership styles
- Qualities which are perceived as missing in their personal leadership styles
- Qualities which are believed to be necessary for middle managers
- Qualities their middle managers are missing much.

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<sup>7</sup> For a formal description of this and other statistical techniques used in the study see Technical

This group of questions was inspired by the work of Kouzes and Posner<sup>8</sup>. We also added questions about the main line of business, the size of the company (in terms of sales volume and personnel number), the location, and the ownership status of the company.

### **3. Findings**

#### **3.1 Aspirations towards foreign markets within the sets of company's goals**

First at all, we selected the fractions of Russian companies in various industries whose top managers aspire towards capturing the world markets (see Table 1).

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Appendix.

<sup>8</sup> Kouzes, J.M./ Posner, B.Z. The leadership challenge. San Francisco: Jossey-Bass, 1995.

**Table 1. The fraction of companies with expressed export orientation in various industries**

<b>Line of business (industry)</b>	<b>Percentage</b>	<b>Number of respondents</b>
Mining	44	85
Electrical energy	19	13
Timber	42	66
Chemistry and refinery	35	102
Metallurgy (ferrous and non-ferrous)	31	42
Machine-building	44	276
Electronics	37	129
Food processing	13	141
Textile and clothing	14	110
Construction and construction materials	11	201
Retail trade and catering	9	118
Wholesale trade	16	85
Information services (marketing, advertising etc.)	13	85
Financial, insurance services	24	38
Transportation	18	125
Others	25	302
<b>Total</b>	<b>25</b>	<b>2018</b>

In general, a quarter of Russian companies are oriented towards international markets. The highest interest for exports was expressed by CEOs of companies in

mining, timber industry, chemical industry and in ferrous and non-ferrous metallurgy. These industries indeed make a lion share of the total Russian exports. However, we may also see high popularity of export activities among top managers of Russian machine-building and electronic companies. Thus, the Russian high-tech is still hoping to reveal its export potential.

We also found that while in most industries the size is not significant for export aspirations of CEOs, in machine-building and electronics there is a strong positive relationship between the size and the export orientation. Among the largest machine-building companies (more than 3000 employees) export orientation was recorded for 61 percent of companies, for the largest electronic companies – for 65 percent.

It is also important to note that the orientation towards foreign markets does not depend on the assessment of current performance of the company. In 23 percent of companies which situation was assessed by their own managers as “bankrupts”, and in 30 percent of companies which situation was assessed by their own managers as “good” the top management impressed exports among their main goals.

The next step in our analysis was to identify how the learning of international markets corresponds to other goals of the top management. We used here correlation analysis (see Table 2).

**Table 2. Correlation between the main goals of the top management**

<b>Variable</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
World standards of quality	1.000						
Maintaining the level of employment	-0.084	1.000					
Maintaining the wages	0.033	0.103**	1.000				
Increasing the firm's market value	-0.049*	-0.114**	0.083*	1.000			
Support of company's business reputation	0.306**	0.085**	0.097*	0.074**	1.000		
Strengthening the position on domestic markets	0.098**	-0.101**	0.007	0.049*	0.045*	1.000	
Learning of international markets	0.112**	-0.052*	0.019	0.012	-0.010	0.092**	1.000

Note: \* - 2-tailed sign. < 0.05

\*\* - 2-tailed sign. < 0.01

From Table 2 we may clearly see that the “learning of international markets” strongly correlates with two other goals of the top management: “improving the quality level” and “expanding on domestic markets.” At the same time, the learning of international markets does not coincide with such goals as “support of market reputation,” “increase of company’s value” and “wage increase.” Moreover, the learning of international markets strongly opposes the goal of “maintaining the employment level.” All the mentioned correlations are significant at 0.05 level.

What are the most important results of the correlation analysis? The close relationship between international aspirations and quality improvement signifies that Russian top managers do finally recognise the key condition for successful international competition –meeting the world quality standards. This result is trivial. However, the other and more surprising result *is insignificant correlation between “export orientation” and such a goal as “maintaining the company’s business reputation;” and very significant correlation between “business reputation” and “improving the quality level.” We consider this as a sign of relative maturity of the globalisation process in Russia. Not all exports are viewed nowadays as respectable by themselves. Instead, high quality of products and services, displayed either on domestic or international markets, serve as the main symbol of a reputable company.*

In the previous analysis we dealt with a uniform set of respondents. However, we should be aware of possible misinterpretations and biases in answers of middle managers when they report on their perceptions of CEOs’ behaviour. Thus, in the next steps of the analysis we will rely solely on responses of 740 surveyed CEOs.

First, we compared the sets of goals stressed by two groups of CEOs – export-oriented and domestically oriented (see Table 3).

The data presented in Table 3 reflects even more spectacular differences between export-oriented and domestically-oriented CEOs. Almost 4/5 of export-oriented CEOs are preoccupied with constant quality improvement, while only for 1/3 of domestic-oriented Russian CEOs the world quality standards are viewed as the reachable goal.

**Table 3. Main goals of CEOs – Self-assessment (percentages)**

<b>Goals</b>	<b>Export-oriented CEOs</b>	<b>Other CEOs</b>	<b>2-tailed significance of mean differences</b>
<i>World standards of quality</i>	<b>80</b>	<b>37</b>	<b>0.000</b>
Maintaining employment level	57	61	0.418
<i>High wages for employees</i>	<b>34</b>	<b>26</b>	<b>0.082</b>
<i>Maximisation of the company's value</i>	<b>18</b>	<b>12</b>	<b>0.086</b>
Improvement of business reputation	66	65	0.788
<i>Strengthening the position on domestic markets</i>	<b>73</b>	<b>59</b>	<b>0.099</b>

We also see that the concentration of export-oriented CEOs on quality problems enables them to emphasise such an ambitious goal as capturing the domestic markets. Two additional differences concern such goals as “maintaining the employees’ compensation” and “maximisation of the company value.” Surprisingly, export-oriented CEOs are more persistent simultaneously on the both goals than their domestically-oriented colleagues.

### **3.2 Pre-conditions for export orientation**

What are the (pre)conditions of export orientation of the top management? There are two plausible answers:

- perception of company’s superior competitiveness,
- particular problems that force Russian companies to export at “any price.”

We examined the both prepositions. First, we compared the perceived competitiveness along its three principal components: price, costs and quality. The comparison was performed between export-oriented and domestically-oriented companies across all the surveyed industries (see Table 4)

**Table 4. The comparison of perceived competitiveness between export-oriented and domestically-oriented companies in various industries (export-oriented/domestically oriented)**

<b>Line of business (industry)</b>	<b>Cost</b>	<b>Price</b>	<b>Quality</b>
Mining	3.25/3.40	3.50/3.10	3.50/3.20
Electrical energy	2.60/3.29	3.00/3.14	3.40/3.43
Timber	3.70/2.86	3.50/3.50	3.91/3.87
Chemistry and refinery	3.50/2.81	3.33/3.29	3.50/3.81
Metallurgy (ferrous and non-ferrous)	3.67/3.10	3.33/3.10	4.00/3.89
Machine-building	2.84/2.85	3.29/3.08	3.82/3.62
Electronics	3.20/2.90	3.50/3.48	3.81/3.33
Food processing	3.14/2.70	3.00/2.95	4.00/3.62
Textile and clothing	3.20/3.00	4.20/3.24	4.40/3.85
Construction and construction materials	3.25/2.96	3.08/3.37	4.08/3.62
<b>Total</b>	<b>3.10/2.96</b>	<b>3.32/3.27</b>	<b>3.75/3.65</b>

Note: the scale used “1”= much worse than competitors, “3”= like competitors, “5”= much better than competitors

In general, Russian CEOs of both export-oriented and domestically-oriented companies affirmatively believe in superior quality of their goods and services. Even CEOs in the Russian textile industry, which total outputs now stays at 10% of its level of 1990, still perceive their goods as superior to imports. This “systemic bias” in quality perception is clearly visible for all the surveyed industries. However, in respect to price and, especially, cost level, answers of Russian CEOs present quite a

different picture. The majority of domestic-oriented companies in timber, machine-building, electronics and food-processing accept that they forced to set competitive prices with an inadequate cost structure. This results in chronic losses and general insolvency of companies in those industries. In this respect, export-oriented companies in all the mentioned industries (excluding electric energy and machine-building) are striving to compete internationally in a more profitable position. We should remind, however, that the sharp Ruble devaluation reduced the “domestic components of costs” - such as equipment depreciation, domestically procured supplies and, especially, the labour costs. For most of Russian industries this was sufficient to regain cost competitiveness on the world market. The difference between export-oriented and domestically-oriented companies over the perceived cost level is crucial (the differences of signs) in food-processing, electronics, timber and metallurgy.

To test the second preposition we compared the perception of CEOs of the main problems which disturb their businesses (like high debts, conflicts between workers and the company management, conflicts within the top management). One result of our analysis is that the widely dispersed opinion about Russians who “export at any costs” is not true for the majority of Russian industries. One particular case is the Russian machine-building industry, which was unable to re-gain cost competitiveness, but continue to strive for exports. As a result, the surveyed export-oriented Russian machine-building companies are not only more heavily burdened with accumulated debts than their domestically-oriented colleagues, but are deeper involved in various conflicts between workers and the management.

*With all caution about the self-reported competitiveness level of Russian export-oriented companies, we may derive the general conclusion -- the aspirations towards foreign markets are routed in the perception of the sufficient competitiveness of goods and services along price, cost and quality. Russian companies nowadays are in persistent search for competitive advantage, but such a search is bounded by clear economic rationality of current export operations.*

Additional dimension of competitiveness, besides price, costs and quality is “key competences” (see Bowman and Faulkner, 1997). They may be estimated by CEOs assessment of the skills and qualification of the key personnel. In this respect, we compared such assessment for export-oriented and domestic-oriented companies (see Table 5).

**Table 5. Assessment by CEOs of the qualification of the key personnel**

<b>Department (level)</b>	<b>Export-oriented</b>	<b>Domestically-oriented</b>	<b>2-tailed significance</b>
Middle level – shop managers	3.41	3.47	0.408
<i>Foremen</i>	<i>3.11</i>	<i>3.27</i>	<i>0.063</i>
Auxiliary services	3.45	3.42	0.792
R&D	3.57	3.49	0.360
<i>Accounting and finance office</i>	<i>3.29</i>	<i>3.52</i>	<i>0.004</i>
Supply	3.10	3.20	0.218
Marketing	2.97	3.01	0.641
Personnel and salary office	3.21	3.27	0.476

**Scale used: 1 – “unacceptably low,” 3 – “satisfactory,” 5 – “quite high”**

For most of the selected groups of personnel there are no significant differences between export-oriented and domestically oriented companies. However, the qualification of two groups are assessed lower in export-oriented companies – the competency of foremen and the expertise of accounting and financial officers.

The lower grades given to foremen in export-oriented companies rises the doubts about the validity of CEOs beliefs in superiority of quality. At least, it marks the “internal price” in Russian companies of keeping quality within the world standards. The lower assessment of accounting and financial officers in export-oriented companies reveals the higher requirements imposed by export operations on cost accounting and management of cash flows.

It was also proposed, that export-orientation change the staffing preference of CEOs regarding the priority of staffing for various functional departments. This proposition was tested too using T-tests (see Table 6).

**Table 6. "List of ultimate vacancies" (percentages of CEOs stressed)**

<b>Area</b>	<b>Export-oriented</b>	<b>Domestically-oriented</b>	<b>2-tailed significance</b>
<i>Financial management</i>	<i>48</i>	<i>38</i>	<i>0.011</i>
<i>Marketing</i>	<i>66</i>	<i>48</i>	<i>0.000</i>
Human resource management	24	19	0.152
<i>Business planning</i>	<i>46</i>	<i>37</i>	<i>0.057</i>
Law	43	44	0.801

Besides financial officers, who are needed in almost a half of the surveyed export-oriented companies, we see the “desperate search” for marketers and business planners. The higher demand for business planners in export-oriented companies seems natural, as export operations prolong time horizon of the firm. However, the very high demand for marketers (2/3 of export-oriented companies have job posters for such a positions) may indicate that export-oriented companies are indeed involved in “deeper and broader” marketing adventures. This proposition is tested in the next section of the paper.

### **3.3 Maintaining competitiveness – market strategies and business innovations**

Maintaining and strengthening competitiveness on the world markets level usually require constant market and organisational innovations<sup>9</sup>. Thus, we compared the surveyed companies on the frequencies of reported measures to improve business performance (see Table 7).

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<sup>9</sup> See: Denton D. Keith. Gaining competitiveness through innovation. *European Journal of Innovation Management*; 2.2 (1999), 82-85.

**Table 7. Measures to improve business performance (percentages of the companies implemented such measures in the past two years)**

<b>Measures</b>	<b>Export-oriented</b>	<b>Domestically oriented</b>	<b>2-tailed sign. of mean differences</b>
Quality improvement	87	82	0.276
Cost reduction	83	80	0.423
Price reduction	60	57	0.536
<i>Modified production</i>	<i>77</i>	<i>55</i>	<i>0.008</i>
<i>New production</i>	<i>75</i>	<i>69</i>	<i>0.000</i>
<i>Marketing improved</i>	<i>86</i>	<i>76</i>	<i>0.009</i>
<i>New markets</i>	<i>84</i>	<i>63</i>	<i>0.000</i>
<i>New sale channels on existing markets</i>	<i>77</i>	<i>67</i>	<i>0.031</i>
<i>New forms of co-operation with suppliers</i>	<i>79</i>	<i>69</i>	<i>0.027</i>
<i>Co-operation with competitors</i>	<i>49</i>	<i>38</i>	<i>0.029</i>
Increased advertising budgets	59	51	0.110
<i>Advertising forms changed</i>	<i>55</i>	<i>44</i>	<i>0.029</i>
<i>Managers are re-trained</i>	<i>62</i>	<i>53</i>	<i>0.061</i>
<i>Management consultants invited</i>	<i>40</i>	<i>28</i>	<i>0.010</i>

In all Russian companies, there are simultaneous attempts to improve quality and to reduce costs. In this respect export-oriented companies do not differ from domestically-oriented companies. The principal difference is how they realise such

attempts. Export-oriented companies are ahead of their domestically-oriented colleagues in particular marketing measures:

- launching modified or completely new production;
- testing new sale channels;
- searching for new forms of partnerships with suppliers;
- transforming methods of advertising.

In addition, export-oriented companies are more eager to co-operate with their colleagues with the similar lines of business.

We should also stress that in their pursuit of management excellence Russian export-oriented companies also heavily rely on management re-training and business consulting. In this respect, it is interesting to see the preference of export- and domestically-oriented companies towards different forms of management re-training (see Table 8).

**Table 8. Participation of company’s managers and key specialists in various re-training activities in the past two years (percentages)**

Type of program	Export-oriented	Domestically-oriented	2-tailed difference
One-day seminars	65	63	0.530
Short programs (up to one month)	66	61	0.240
In-site training in Russian companies	10	14	0.153
<i>In-site training in foreign companies</i>	<i>30</i>	<i>19</i>	<i>0.014</i>
<i>Long-term re-training programs (one-two years)</i>	<i>16</i>	<i>11</i>	<i>0.095</i>
Russian MBA programs	15	14	0.668
<i>Foreign MBA programs</i>	<i>16</i>	<i>7</i>	<i>0.005</i>
<i>Presidential Management Initiative</i>	<i>28</i>	<i>15</i>	<i>0.002</i>
Never participated in re-training programs	10	11	0.728

First at all, the proportion of CEOs who indicated the participation of managers in various forms of re-training is much higher than the share of CEOs who have stressed “re-training” as a mean to improve business performance. This signifies that not all forms of re-training are perceived as factors contributing to business excellence. Some of re-training forms are viewed merely as a fashion or just as a form of collective leisure. However, CEOs of export-oriented companies clearly ahead of their domestically-oriented colleagues in organising foreign-oriented re-training. Almost a third of export-oriented companies has used in the past two year the opportunity to

send their managers for in-site training abroad. Export-oriented companies also demonstrate higher interest towards the Federal Re-training Program, which includes such a component as foreign in-site training for industry managers. We also should stress that in-site training in foreign companies is perceived by all Russian CEOs as the most effective method of management re-training. Among those companies which have tested such a method in the past two years, more than 40% are willing to sponsor projects of that kind.

### **3.4 Export Aspirations and the Leadership Style**

The final point in our analysis was to test the pre-position that export aspirations of Russian managers are rooted somehow in their leadership styles and preferences. We compared again export-oriented and domestically oriented companies along the four sets of questions:

- perceived characteristics of personal leadership style;
- opinion about the CEOs' attributes which are necessary in the present Russian business conditions
- opinion about the attributes of middle managers which are necessary in the present Russian business conditions
- perceived missed qualities of middle managers of the firm.

Here we received mixed results. First, CEOs of export-oriented and domestically-oriented companies significantly differ in their portrayal of “an ideal CEOs” (see Table 9). Besides the greater praise of export-oriented CEOs in quick decision-making and team-building, export-oriented CEOs are strongly exposed towards the modern Western model of a CEO as a coach and facilitator (see Kouzes and Posner, 1995). Export-oriented CEOs put greater emphasis on conflict prevention and the

transfer of knowledge from a CEO to middle managers. In this respect, we may see the significant “drift” of export oriented CEOs from the traditional Russian model of the General Director.

**Table 9. Qualities of an Ideal CEO according to Russian CEOs (percentages)**

Quality	Export-oriented	Domestically-oriented	2-tailed significance
In-depth knowledge of company operations	52	46	0.233
Quick assessment of the situation	65	63	0.567
<b><i>Quick decision-making</i></b>	<b>75</b>	<b>65</b>	<b>0.022</b>
Knowledge of finances	73	70	0.499
Knowledge of business legislation	41	41	0.962
<b><i>Ability to establish contacts outside the company</i></b>	<b>66</b>	<b>58</b>	<b>0.065</b>
<b><i>Ability to bear responsibility</i></b>	<b>62</b>	<b>52</b>	<b>0.029</b>
<b><i>Ability to predict conflicts</i></b>	<b>35</b>	<b>25</b>	<b>0.018</b>
Ability to resolve conflicts	19	17	0.463
<b><i>Willingness to transfer his/her knowledge</i></b>	<b>17</b>	<b>9</b>	<b>0.027</b>
<b><i>Team-building skills</i></b>	<b>75</b>	<b>66</b>	<b>0.032</b>
Ability to assess the performance of subordinates accurately	28	23	0.184
Tact	16	17	0.729

\* Note: Multiple answers were allowed

However, despite the differences in “model leadership,” export-oriented and domestically-oriented CEOs do not differ in their self-description. The both groups stress such personal strengths as “quick decision-making”, “the ability to claim responsibility for own actions” and “team-building skills” (see Gurkov and Maital, 1999). At the same time, all the surveyed CEOs stressed their weaknesses as insufficient knowledge of legislation and finances, poor conflict prevention and conflict resolution skills. The only statistically significant difference here concerns the communication skills. Around 57 percent of export-oriented CEOs firmly believe that “making relations outside the company” is their strong point, but only 49 percent of domestically-oriented CEOs are confident in their inter-personal skills.

As export-oriented and domestically-oriented CEOs disagreed on the portrait of “an ideal CEOs” but divulged their own strengths and weaknesses in a like manner, we may expect that the two groups of CEOs will differ in their description of “an ideal middle manager” but will experience the same problems in dealing with them in the real life. The data suggests such a proposition, but with important corrections (see Table 10).

**Table 10. Ideal and missing qualities of middle managers accordingly to CEOs  
(percentages)**

Qualities (skills)	Ideal Qualities		Missing Qualities	
	Export-oriented	Domestically-oriented	Export-oriented	Domestically-oriented
Professional knowledge	90	86	40	38
Willingness to show initiative	66	62	63	57
<i>Ability for team working</i>	<b>67</b>	<b>57</b>	28	23
<i>Obeying orders</i>	56	53	<b>39</b>	<b>31</b>
<i>Quick assessment of the situation</i>	<b>41</b>	<b>52</b>	37	34
Ability to acquire new skills	51	45	30	29
Ability to bear responsibility	42	40	46	39
<i>Ability to establish contacts outside the company</i>	<b>30</b>	<b>40</b>	27	26
<i>Team-building skills</i>	29	26	<b>17</b>	<b>11</b>
Willingness to mentor subordinates	10	12	10	6
Ability to predict conflicts	9	11	10	14
<i>Ability to resolve conflicts</i>	<b>3</b>	<b>6</b>	8	9
Willingness to teach colleagues	7	6	10	6
Tact	4	6	6	7

Note: ***Bold Italic*** marks the difference at 0.10 significance between the two groups of companies

Indeed, in the real life both export-oriented and domestically-oriented CEOs complain of the same weaknesses of middle managers:

- their unwillingness to show initiative;
- their inability to accept responsibility;
- poor work discipline
- insufficient professional knowledge.

Export-oriented CEOs in general are even more critical on their ultimate subordinates. Undoubtedly, export-oriented CEOs have more contacts with foreign companies and as export-oriented CEOs thus have a higher “reference point” for assessment of middle managers. At the same time, export-oriented CEOs, depicting the portrait of “an ideal middle manager,” revealed their own highly authoritarian leadership preferences. Indeed, export-oriented CEOs gave the highest priority for professional knowledge, team-working and discipline of their subordinates, but do not value independent decision-making or “active environment spanning” of middle managers. They also put low importance on actions of middle managers as leaders. Less than a third of export-oriented CEOs value team-building skills of middle managers, while such functions of middle managers as coaching, mentoring and conflict resolution are neglected completely.

We may reach a conclusion that export orientation make a whimsical imprint of leadership style of Russian CEOs. From one side, they share very advanced ideas about leader as a team-builder, trainer and facilitator. They are also deeply dissatisfied with professional qualities of middle managers. From the other side, in the real life export-oriented CEOs exhibit all peculiarities of a traditional Russian authoritarian management style, neglecting independent decision-making of middle managers. It

seems that the aspirations towards foreign markets and the subsequent perceived necessity to improve management efficiency leads nowadays in Russia to higher centralisation of decision-making.

#### **4. Conclusions**

Let first shortly repeat our main findings.

- A quarter of Russian companies is now looking towards foreign markets for their goods and services. That proportion is much higher in the energy and raw material production, but also in the Russian “middle-tech” (machine-building and electronics).
- Export aspirations start with a “window of opportunity” of the perceived price competitiveness of Russian goods in foreign markets. Profitability considerations play a subordinate role, and there is a high probability that many Russian machine-building exporters practice dumping.
- Nevertheless, export-oriented companies are higher exposed to foreign management practices. In-site training in foreign companies is believed to be the best way to enhance management techniques, and Russian export-oriented companies put strong emphasis on the transfer of technological and management know-how, either from abroad or from local management consultants.
- Export aspirations are also rooted in previous experience in re-building the marketing function. The greater attention is given to closer co-operation along the value chain, and to exploring the potential of advertising. Export-oriented companies are also tended to be far-looking, intensively recruiting business planners.

- Russian export-oriented CEOs are familiar with modern management fashions about executive leadership. However, such ideas are not transformed (yet?) into changes of real leadership patterns and preferences. Management in Russian export-oriented companies remains highly centralised and authoritarian.

Regarding the overall response to globalisation, we may derive that Russian CEOs see globalisation as a two-way road. In 1992-1993, Russian CEOs were shocked by the massive influx of imported goods and services on most domestic markets. Only a few sectors like electrical energy and basic construction materials have had “the natural protection” against foreign competition. However, nowadays Russian CEOs see imports as inevitable challenges and even as benchmarks for own goods and services. On the other side, the Ruble depreciation improved the price competitiveness of Russian production. We cannot talk about “the revenge,” but Russian oil, timber, ferrous and non-ferrous metallurgy play an important role in determining the world commodity markets. As a result, Russian CEOs support globalisation in a great extent.

However, we cannot derive a definitive conclusion about our additional question: do Russian CEOs support institutional changes which accompany globalisation? At the “micro-micro” level institutional changes manifest themselves in new leadership patterns and preferences. Such new leadership patterns are absent in export-oriented Russian companies. By contrast, CEOs believe the efficiency of management systems may be maintained by bigger concentration of power and by centralisation of decision-making authority. Such doctrine is wrong as CEOs expressed themselves their incompetence in financial and legal aspects of modern business. Moreover,

export orientation does not automatically lead to superior financial performance or eliminates usual business problems. As far as successes of export-oriented companies will be attributed mostly to the unique business circumstances and/or to the dexterity of their CEOs, the superiority of new management forms and systems occasionally borrowed or imitated from the foreign partners cannot be proved. As a result, future successes of Russian exporters will not make Russian CEOs “en masse” more receptive and supportive to institutional changes brought by globalisation.

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## 6. Technical Appendix

### 6.1 Correlation

It is used to estimate the **strength** of a **linear** relationship between two variables x and y. Correlation procedure calculates Pearson’s pair correlation coefficient on the

formula: 
$$r = \frac{\sum_{i=1}^N (x_i - \bar{x})(y_i - \bar{y})}{(N - 1)S_x S_y}$$
, where N is the number of cases,  $\bar{x}$ ,  $\bar{y}$ ,  $S_x$ ,  $S_y$  – means

and standard deviations of x and y.

Coefficient  $r$  raises from  $-1$  to  $1$ . If it is close to  $0$  there is no relationship between x and y. When the coefficient  $r$  is close to  $1$ , we may speculate about the strong positive

relationship between two variables. When the coefficient  $r$  is close to -1, we may speculate about the strong negative relationship between two variables.

## 6.2 Significance level

A great number of statistical techniques, including correlations and T-tests, also includes calculation of a so called “significance level”, denoted by  $p$ , which means the probability to obtain coefficients if there is no indeed linear relation between variables. If  $p < 0.05$ , there are chances 20 to 1 that our statistical techniques really discovered notable relationship between variables.

## 6.3 T-Test

T-test is used for testing the hypothesis that averages of some variable U in two different groups are the same. Groups are defined by choosing two different values of another variable V..

For t-testing it can be used two statistics:

- **Separate** variance estimate statistic - when we expect the variances in two groups

$$t - value = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{S_1^2}{N_1} + \frac{S_2^2}{N_2}}}, \text{ where } \bar{x}_i - \text{mean, } S_i^2 - \text{variation,}$$

$N_i$  – number of cases in group  $i$

are different;

- **Pooled** variance estimate statistic – when we expect the variances in two groups are the same;

$$t - value = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{S_p^2}{N_1} + \frac{S_p^2}{N_2}}}, \text{ where } S_p^2 = \frac{(N_1 - 1)S_1^2 + (N_2 - 1)S_2^2}{N_1 + N_2 - 2}$$

Which statistics must be chosen depends on the results of Levene's test for equality of variances, that calculates  $F = \max\left(\frac{S_1^2}{S_2^2}, \frac{S_2^2}{S_1^2}\right)$  and it's observed significant level  $p$ . If  $p$  is less than 0.05, the hypothesis about variances equality must be rejected, and we should use separate variance estimate statistic. Otherwise it's better to use Pooled variance estimate statistic.

For both statistics t-test calculates means differences and significance levels  $p$ . If  $p$  is less than 0.05 we must reject hypothesis that the means in two groups are the same, and therefore may suppose that they are really different.

#### **6.4 Reliability**

Reliability test is used to estimate the reliability of a scale (the set of questions), that was chosen for measuring some characteristic. For example, we may have 10 questions on which we calculate the score of the test drive ability. If for any other 10 questions (other scale) that can characterise this ability we obtain the same (or close) results as for our scale then our scale has a high reliability. Otherwise we cannot believe that our scale measure this ability properly.

Alpha Cronbach's model is the most popular model to test reliability of a scale. In this model reliability is measured by Cronbach's alpha coefficient, that is calculated by formula

$$\alpha = \frac{kC/V}{1 + (k-1)C/V}, \text{ where } k \text{ is the number of questions, } C \text{ – the average covariation and } V \text{ – the average variance between questions. Alpha value is between 0 and 1. The level of Alpha above 0.70 signifies the sufficient reliability.}$$

