

**PLANNING CHANGE IN RUSSIAN COMPANIES  
WITH FOREIGN PARTICIPATION:  
PROBLEMS AND CHALLENGES  
FACED BY WESTERN EXPATRIATES<sup>1</sup>**

by

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## **Abstract**

This paper aims at gaining insights into the process of intentional and planned change in cross-cultural settings. It relies on data generated in five Russian companies with foreign participation. The study reported here examines the difficulties, problems and clashes between the western expatriates and the local managers and employees in a number of cases regarding planning change. The paper suggests practice-oriented guidelines for western expatriates in terms of what to be aware of when planning and initiating change in Russian companies. It concludes with an integrating section which links the main lessons drawn in the analysis.

**Key words:** Russian companies with foreign participation, planning change, Russian managers and employees, western expatriates

## 1. Introduction

After the breakup of the Soviet Union and the collapse of communism, Russia began to open up and attract the interest of foreign investors. The largest country on earth, Russia occupies one-eighth of the world's land and stretches over 11 time zones. It has a population of approximately 150 million and possesses a wealth of attractive natural resources. These factors combined offer enormous opportunities that might have a significant influence on international business in the future. At the same time, however, with a weak legal system, a hardly predictable economic development and short lives of the governments, Russia has the reputation of a country with paradoxical realities and shocking experiences (Oleynik, 1999: 82) and of a country that is in a systematic collapse and general chaos (Driakhlov, 1996: 75-76). Also Russia is known to be one of the most difficult markets to enter (Coleman & Beaulieu, 1999: 71).

When westerners acquire shares in *existing* Russian companies, they almost always find urgent need to initiate ambitious and fundamental change processes in them. In the case of *green-field* investments, the change issue is also present on the agenda because, although the company is new, it is personified by people influenced by previous experiences. In both cases, a strategy of development is worked out by the westerners prior to making the investment. The westerners constitute the most active sub-population in planning, initiating, carrying out, and managing the change activities.

When dealing with organizational change, one is confronted with a wide variety of nonlinear and conflicting issues and dilemmas. They become even more complex and complicated when the people involved in the change have different cultural backgrounds (Savery & Swain, 1985; McDonald & Pak, 1996; Forstmann, 1998). Managers do not act in isolation from the larger cultural and organizational systems in which they are embedded. However, much of the research on organization change is “ahistorical, aprocessual and acontextual in character” (Pettigrew, 1985: 269). This paper aims at analyzing planning change processes in a detailed and contextual way.

## **2. Methodology**

The paper is based on data collected in the period 1996 - 1999 in five Russian companies with foreign participation. The field data has been generated through studying written material of and about the companies, making observations, having informal conversations, and mainly through conducting interviews. A total of 37 open-ended, face-to-face interviews were conducted with organizational members, 24 of them with Russians and 13 with westerners. Most of the informants were top and middle managers since they constitute the most important and potentially most influential and powerful sub-population in terms of planning and initiating change. Of the interviews with the western expatriates, 8 were conducted in English and 5 predominantly in the language of the western expatriate. 15 of the interviews with the Russian respondents were conducted by the author in Russian, 1 of them in English, and 8 using a translator. In order to study the obstacles presented by the use of translators in the company's everyday life, an interpreter was invited to participate in 5 of the interviews (the interview interpreter was an employee hired to work part-time as interpreter in the respective company).. The author conducted most of the interviews in cooperation with another researcher from the Copenhagen Business School.

The use of the notion "western" requires an additional remark. The term has been introduced and frequently used by the respondents in this study, Russians as well as foreign expatriates. This is an ambiguous notion formulated on a highly aggregate level. It has gained broad acceptance mainly in terms of dichotomies, such as West-East, Western Europe-Eastern Europe or Europe-America in spite of an apparent diversity within each of these aggregations and, even though they are factored down to many smaller entities based on national cultures, national identities and socio-cultural contexts. The result of this desegregation is a significant variety with regards to "soft" components - organizational practices and forms, management attitudes and behavior, leadership styles, human resource policies and practices.

### **3. The studied field: five cases**

All company names used in the paper have been disguised - they have been invented by the author and indicate the industry in which the respective company operates.

OLGA is a Russian project organization operating in the oil and gas industry. It was established in the 1920s. Following the changes in the Russian legislation, it was transformed into a joint stock company in 1992. After 70 years of existence, the company's future development prospects were rather pessimistic - the problems on the Soviet market were grave and the year-long practice of delivering to non-paying clients was depressive. The most probable outcome would have been the maturity's "destructive option" (Schein, 1992) when the company goes bankrupt, it is taken over or it is merged with another company. OLGA has realized that it has no future as an independent unit and has seen the point in trying to internationalize. In 1996, it signed a contract with a western investor, a large multinational enterprise with west European origins. The majority of OLGA's shares belong to the Russian state. The long-term aim of the company is to become an engineering organization, able to deliver to western clients, and not merely to become a western multinational's supplier, although this would add some depth to the foreign investment and it would mean that the company would indirectly export its products. The organization employs 745 people with an average age of 45 years, the average age at the management level is above 55, and 160 organizational members are pensioners, e.g. women older than 55 and men older than 60 years. 6 expatriates from various western countries have been assigned to key management positions in OLGA. The CEO is a Russian who has occupied the position for the last 10 years. 9 out of 750 employees in OLGA were able to speak English and only 1 of the 6 western expatriates spoke fluent Russian when the western investor entered the Russian company.

TELEON is a Russian company in the telecommunication service. It was established five years ago. Part of its shares belong to a western company with long-term activities on the Russian market and another part to a Russian shareholder. TELEON employs 70 people with an average age of approximately 30

years. A westerner has been assigned to work in TELEON as a controller. He was present in the company full-time for the first three years and half time for the following year. At present, the western presence in TELEON's every-day life is almost non-existent. The CEO, who joined the company 1 year after its birth, is Russian as is his management team. The managers in TELEON speak English.

CONS is the result of the takeover of part of a Russian factory in the construction industry by a large western company. CONS employs 560 people. A team of 6 westerners occupy the key management positions - the CEO's and the Vice-CEO's posts and the positions of Production director, Financial director, Marketing director, and Personnel director. One of the westerners speaks Russian fluently and the others take lessons in Russian. None of the Russians in CONS speak English.

TRANS was established when a large western company with international operations started its activities in Russia in 1992. TRANS operates in the transport service and employs 25 people in two Russian cities. The largest office employs 16 people with an average age of around 26. The key management positions are occupied by 4 westerners who do not speak Russian. All Russian employees speak English.

EQUIP was started in 1993 as a green-field investment by an internationally operating western company in the equipment industry. Around 100 people are employed in EQUIP's production unit and sales office. The CEO is a westerner as are the members of the management team. EQUIP presents a mixed picture in terms of the personnel's English language abilities – some speak English and some do not.

Firm	Industry	Firm's age	Western shareholder's years in Russia	Number of employees	CEO	Top management team	Main shareholder
OLGA	Oil and gas	79	4	745	Russian	Westerners & Russians	Russian state
TELEON	Telecommunication	5	5	70	Russian	Russians	Russian organization
CONS	Construction	30	1	560	Westerner	Westerners	Western company
TRANS	Transport	7	7	25	Westerner	Westerners	Western company
EQUIP	Equipment	6	6	100	Westerner	Westerners	Western company

**Table 1: Overview of the companies**

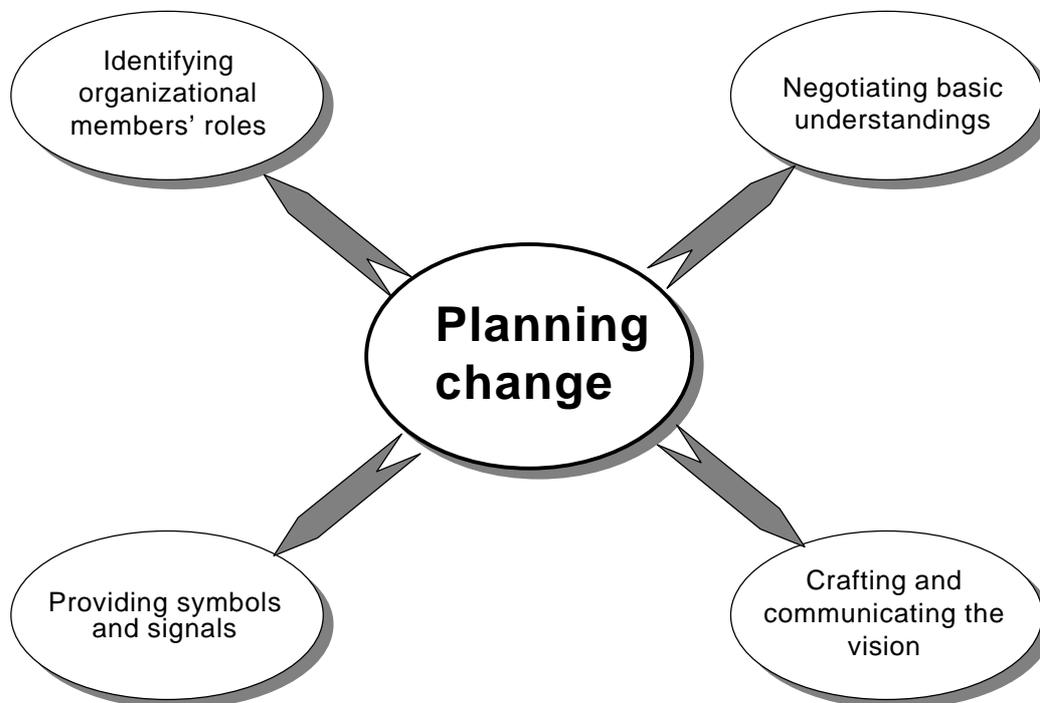
OLGA and CONS have been operating as state-owned organizations in a rigid planned economy. They were stable, formalized, and bureaucratic. Their cultures were monolithic and dominated by the managers. Conformity was an important and dominating factor, contributing to the reproduction of past experiences. Top-down oriented management and one-man authority were combined with strong and lasting relationships among organizational members. At present, OLGA and CONS are in the process of “rebirth” (Schein, 1992) and are refocusing their activities. Their struggle to survive is aided by a strong injection of capital and know-how by the western partner.

TELEON, TRANS, and EQUIP were established after the collapse of the centrally planned economic system and do not, therefore, bear the load of the socialist past as organizations. However, many of the managers and employees working for these companies do carry the experiences of a socialist past, and some rely heavily on these experiences.

In the cases of OLGA and CONS, the investors considered the rich experience of the respective Russian partner in the particular industry, its reputation and position on the Soviet market and the importance of existing networks and relations. In the cases of TRANS and EQUIP, the western investors preferred that the Russian employees did not have considerable previous experience, were young, well educated and able to speak English. TELEON was born in the very creation of the business in which the company operates. In this case, the western investor exploited and relied mainly upon personal contacts.

#### 4. Critical issues in the process of planning change

In Figure 1 I propose a model of planning change in Russian companies with foreign participation. The model locates issues that appear to be problematic in a western / Russian organizational setting and it has no ambition as to providing a definitive list of themes or activities associated with planning change.



**Figure 1: Planning change model**

The four issues are not iterative stages in the planning change process. The emphasis on the issues varies in different cases and during time. Additionally, since change is of a complex, non-linear and unfolding nature, organizations move back and forth between these issues, some of which are likely to occur simultaneously or stop and start again. Moreover, the processes of planning change cannot be separated from those of its implementation. Following Donnelly et al. (1987), planning consists of objectives, actions, resources, and implementation. The managers' task is also to ensure that the planned changes actually occur. The model in Figure 1 provides the structure of the rest of the paper.

#### ***4.1. Identifying the roles in the change process***

Planned change is associated with transformational change rather than with incremental change. Whereas the first one refers to major shifts in the organization's strategy, the latter one relates to change within the routines and paradigm of those in the organization (Johnson & Scholes, 1993). A significant issue in the process of planning and managing change is related to organizational politics and the various roles played by organizational actors (Kanter, 1979 and 1992; Hardy, 1994; Borum, 1995; Hardy & Clegg, 1999). The following subsections analyze the role of western expatriates, of Russian managers and of Russian employees in the process of planning change in the studied companies.

##### **a) The western expatriates as change strategists**

In the five case-companies the western expatriates create and establish strong coalitions among themselves soon after they are assigned to work in Russia. They form a kind of "clan culture" (Ouchi, 1980) although, lasting relationships among them are rare. The clan consists of enthusiasts united around the potential of an idea/vision and the clan culture respects diversity, complexity and fluidity. The western staff identifies the need for change, crafts the vision, defines the nature of the change, and decides upon its feasibility. It develops specific work plans, schedules, and budgets.

In CONS, TRANS, and EQUIP the top manager is a westerner as are the members of the top management team. In the case of OLGA where the CEO is Russian, the change vision and strategy is still developed by the westerners. TELEON has a Russian management team, however, the main initiative and the key concepts in terms of further change and development are designed by the foreign investor. When the Russian team in TELEON comes up with more strategically oriented suggestions, these must be approved by the westerners in a dialogue with the Russian shareholder. The transformation activities in the studied Russian organizations are heavily financed by the western partners.

One of the main obstacles to identifying the roles in the change process is the way western expatriates are perceived by Russian employees and managers. They are viewed as “*capital deliverers*”, “*consultants*” or “*outsiders*” even in the cases when the companies were started by westerners. Another concern is that even if the “change strategists” (Kanter et al., 1992), who plan the change activities, take the opportunity to demonstrate and implement their transformation vision at the organizational level, the external environment does not change, at least not with the same speed as the organizations.

A related problem is handling the organization-environment relationship. One of the change strategist's main tasks is to deal with the environment. However, this is exactly what western expatriates find difficult in Russia – they define the broader environment as “*very different*”, “*alien*”, “*sometimes impossible*”, “*absolutely unpredictable*”. They need to have the insiders’ view and knowledge on a number of issues when dealing with other Russian organizations, with authorities or/and with the public. At the same time, the Russian top managers’ perspective on developing the change vision and strategy is not as refined as that of the westerners. Only one company in our study, TELEON, is successful in integrating the advantages of the locals and the foreigners, the others are struggling with difficulties and conflicts in that respect.

Identifying key persons in the change process and clarifying the distribution of tasks and responsibilities is critical in the process of planning change. In OLGA’s case, the western expatriates applied an approach which functioned very well in the

Russian context - they appointed a person from the expatriates' group as transformation director although, he and the Russians define his functions and responsibilities in completely different ways. The Russians claim that they would *"know whom to blame if the transformation doesn't work"*, which is in line with the centralization approach and the one-man authority style, whereas the transformation director sees his own role and responsibility as *"an enthusiastic, positive thinker who deals mainly with relationships and who, of course, cannot be responsible alone for OLGA's transformation"*.

Since planning change is related to the question of power and coalitions, a meaningful question in that respect would be: With whom should the western expatriates create coalitions? In the cases where the CEO is a Russian, it is important to *"convince him to work for the change"* initiated by the western expatriates. Westerners in OLGA adopted this approach from the very beginning as did westerners in CONS before they took over part of the existing Russian factory. The western controller in TELEON started at the bottom of the organization and made his way up to the CEO gradually:

*"The Russians prepared a nice office for me at the end of the corridor but I asked them to move me to one that had a much worse design but a more central location. This is how I got to know the people quite well. Then gradually I worked my way up to the management level. But already before I reached the top people, they were quite impressed by my relationship and contacts with the shop floor employees."*

Once the potential partners in the coalition have been identified, the question arises: how to establish the coalition? To assume that the personification of the formal organizational chart reflects the real power distribution, would be wrong. The problem for the westerners, in the majority of the companies where we generated data, is that they are hardly involved in the organization's informal life. Participating in company parties or other social events would give the westerners much more information about which individuals and groups set agendas at critical junctures and really take the decisions: who among the Russians is more influential, who is more respected, who communicates with whom, who is avoiding whom,

what are the rumors, etc. In terms of establishing coalitions, this would be highly relevant information, but information difficult to obtain at the formal meeting table.

A number of authors highlight the importance of personal relationships and trust in the Russian context (Dabars & Vokhmina, 1995; Holden et al., 1998; Kets de Vries, 1998; Ledeneva, 1998), and these issues cause another difficulty for the western expatriates in Russia: they do not interact with Russian managers in other Russian companies. In the light of the coalition discussion, they establish very good relationships among themselves in the companies as well as across them. They share problems and exchange experiences, however, only among themselves. Friendships between westerners and Russians would be of great benefit and value in the Russian organizational context. Although establishing friendship is a long, energy consuming and difficult process, it is worth investing in.

#### **b) The Russian managers: change implementors in ambiguous position**

The Russian top and middle managers act mainly as “change implementors” (Kanter et al., 1992) in terms of dealing with the day-to-day change process. Since the Russian managers are not actually involved in the change strategy development, their motivation for implementing it may be one of the following – either because they believe in it or because they are told to. We find both variances in the studied companies however, the data strongly suggest that the second option prevails.

In OLGA and CONS, the appearance of the western management staff forced the Russian managers to change the roles in which they had been trapped for years and which shaped their identities as managers. The western staff demands radical changes in their leadership style, ways of communicating, motivating, etc. The Russian employees, however, prefer that the managers preserve, at least part of, the long-term alliance they have built together as a result of the specific relationships between workers and managers in the socialist past. This creates a great deal of ambiguity for the Russian managers. The older Russian managers and employees in EQUIP and TELEON are dealing with the same dilemma, incorporating past experiences from previous work places into the organization. The mentality and

spirit of paternalism remain still very strong and Russian managers continue to enjoy the support and trust of the workers on many different occasions (Puffer, 1993). As a result, the Russian managers in these companies are not completely sure of their role, and how they should meet the various expectations from different groups within the organization.

Moreover, the very idea of change is alien to many of the interviewed Russian managers. They explicitly claim that the manager's task is to establish procedures that ensure stability and continuity. They define the change projects initiated by the westerners as *"loosing the ground, because there are so many changes at the same time"* or *"not understandable since the managers' task is to secure the stability of the organization"*.

***Russians and westerners view change ...***

*"I often say that each general director should be sent to the Canary Islands for 3-4 months and be left there without connection to his company. If the company changes in a negative direction, the director must be fired. If the company develops positively, he must also be fired. If everything goes on without any changes, he must receive a bonus because this would mean that he has established standards and procedures that work effectively."* (Russian CEO, TELEON)

*"They [western expatriates] only talk about changes. How about not changing and maintaining what we already have?"* (Russian middle manager, CONS)

*"There is so much that needs to be changed, actually everything - from the reconstruction of the building, introduction of new qualifications and skills, to changing attitudes and values."* (expatriate, CONS)

***... and the roles in the change process***

*"I don't like the western/Russian separation, but it is there. [...] It goes in various aspects. We work together in terms of space, but that's it. We are very, very different. They [westerners] have the power because they have money. They invest in our company according to contract and that's fine."* (Russian middle manager, OLGA)

*“My role as transformation director is internal. I am a change agent, but I am somehow treated as a consultant. My clients are people from the organization, mainly from the top.” (expatriate, OLGA)*

### **c) The Russian employees: forced to change and preferring to resist**

Which features of the Russian employees, in the studied companies, must be considered when planning change? The majority of them regard openness as inappropriate behavior. They are afraid of how their superiors will understand and interpret what they say; consequently, they prefer to keep their opinion to themselves. Their initiative and ambition have been denigrated for decades by a system which tolerated gray, drab and conventional people and excluded those oriented towards personal achievement. Disobedient and independently thinking employees were regarded as conflict-prone, or as anti-social personalities, and were often called “enemies of the people”.

Russian employees in the studied cases are not involved in the process of planning change. They feel uncomfortable and claim that they are being “*forced to change*”. It is likely that, if the western expatriates were removed from the respective management groups, organizational change in all studied companies would stop or slow down considerably. Some employees agree ostensibly with the change, but they do not commit to it, e.g. they are passively in favor of the change. Many of them are partly dissatisfied with the former management system, however, they do not consider the new alternative proposed by the western investors as much more promising. Therefore, it is difficult to draw a clear distinction between the passive resistance against the change and the passive support for the change. The employees’ passive and covert resistance causes serious problems for the western expatriates – they are the most difficult group to cope with. As Ward (1995) describes them, they may agree to change, but their agreement is, in truth, rejection, and they cannot be counted upon.

### What to do?

- Create a coalition with the Russian top managers, based on trust and oriented towards a long-term friendship.
- Get actively involved in the social part of the company's life. Attend the parties organized by the Russians. Aim at establishing good informal relationships with the people who may be strong supporters of the change activities and do not form coalitions merely by following the formal organizational chart.
- Expand the circle of your interaction beyond the relationships with western colleagues, and try to establish contacts with Russian managers in Russian companies without foreign participation. This will help you gain a deeper understanding of the Russians' behavior in your own organization.
- Remember that your Russian colleagues at the management level are in a highly ambiguous situation – what you want from them is often the opposite of what their Russian subordinates expect them to do. Be sensitive to the fact that Russian managers greatly value stability and continuity.
- Russian employees have been subject to ideological changes with no substantive basis in the past and tend to extrapolate these experiences into the present. Therefore, be prepared for passive resistance to change from the shop floor level.

### ***4.2. Negotiating basic understandings***

The diversity of meanings generated by the same words is a highly significant issue in organizational life. People's understandings are not uniform and notions and terms are not used in a vacuum. They involve different associations in different cultural environments. In that sense, notions themselves might be viewed as cultural artifacts and language as a means of communication in a particular culture rather than a universal means of communication. In a context where different cultures interact, the meaning of the notions is used as a matter of continuous negotiation and change and language is a guide for classifying reality into perceptual units that make a difference for people in the culture (Whorf, 1956; Terpstra & David, 1991). Russians and westerners imply that there are major differences in the meanings of a number of words and phrases in the communication process. The variety of meanings as such is not problematic, the

problem is the failure to clarify and negotiate the meanings. This causes a great deal of uncertainty in the interaction process with a heavy impact on organizational everyday life in the studied companies. The next lines support this argument by giving examples from the field which are important in the context of planning change. We focus on how time, planning, and control are understood and interpreted by Russians and westerners in the studied companies.

### **a) Understanding of time**

The notion of time is perceived differently by the Russian and western respondents in two significant aspects: a) past and present orientation versus future orientation and b) short term versus long term orientation.

The Russian respondents continuously refer to their *previous experiences* and traditional features of the Russian way of handling issues and situations. Whereas efficiency, predictability, professionalism and modernity are seen as the key forces for rationality in the west (Adams and Ingersoll, 1990), belief in fate and destiny dictate an underlying belief system in the Russian environment. While a professionally oriented and modern western society provides little space for traditions and regards them as slowing down the pace of progress, Russians value them very highly. They perceive the future orientation and focus on action and achievement in the western context as not very appropriate in a context and admire, instead, history and traditions.

Russian respondents describe themselves as *short-term oriented* whereas the westerners adopt a much longer-term perspective. OLGA is an extreme case in that sense – following the Russian CEO, his perspective of thinking and acting is 24 hours while the western expatriates' in the same company plans go 10 years ahead. The Russian managers concentrate their thoughts and actions on the survival of their companies and their own positions. Because of that and due to unpredictable changes in the broader environment, there is not much room for strategic thinking and long-term oriented actions.

### ***Russians and westerners on past and future***

*“The past is there and we cannot simply eliminate it even though some try to do so. The past is a fact and we have to deal with it.” (Russian CEO, OLGA)*

*“One shouldn’t forget that this company has been existing for years. It may be fine to change, restructure, etc., but we should look back more often and remember how it was.” (Russian middle manager, CONS)*

*“In order to develop, one should look forward. We are oriented towards the future and this helps us survive.” (expatriate, TRANS)*

### **b) Understanding of planning**

Another notion that exemplifies the variety of meanings conveyed by Russians and westerners is planning (Michailova & Anisimova, 1999). Westerners interpret the plan as a document that articulates *alternative* courses of action. For them planning is a *long-term* activity of continuous reassessment and readjustment. It is a management tool which they use actively in the evaluation of work progress and in the process of implementing a major new course of action. To formulate a plan means to them to commit initially with the goal, however, this is *only a starting point* - working continuously on its reformulation is a significant part of their managerial job.

Soon after westerners enter the stage of a Russian company or/and start working with Russian colleagues, they realize that their perception of planning is alien to the Russian understanding of setting and executing goals. Ironically, Russians are not interested in long-term planning and consider it useless. They perceive *short term oriented plans* as *ultimate end-tasks* that must be achieved by all means and relate them strongly to the notion of success. They are committed to the goal and *resist changing* it at a later point in time. Planning is understood as an ultimate value which may be seen as a heritage of the socialist system where plan economy, on a

societal level, reinforced the *plan execution by all means*, including manipulations and massive collective extra-hours work. It might also take its roots centuries back in history, in the times of the village communes. The members of the communes “openly and uninhibitedly exercised their right to articulate their interests and opinions before decisions were made. However, once a decision had been reached, they were obliged to abide by it.” (Vlachoutsicos, 1998: 13). Two specific features must be considered here. First, the decision was taken by one single person who did not necessarily respect the opinions and voices of the others. Second, even if new and unpredicted circumstances appear, the plan has to be executed and the decision has to be followed as formulated initially.

### ***Russians and westerners on planning***

*“A plan is a plan. Once you get it you have to execute it. This is very serious.”*  
(Russian middle manager, TELEON)

*“There is no discipline without an exactly defined plan. And if there is no discipline, there is no success.”* (Russian middle manager, EQUIP)

*“There are jumps back and forth. [...] We continue diagnosing since we find new surprises every day. The diagnosis phase is never ending. [...] We don’t know how it is going to be - it might be worse, it might be better. We won’t know until we go through; everything else is a pure speculation.”* (expatriate, OLGA)

### **c) Understanding of control**

In a number of interviews, when I asked questions concerning *feedback* mechanisms in the respective organization, many of the Russian respondents reacted in a similar way: “You mean how *control* is exercised in the company?”. When they elaborated on the control issue, it was clear that they perceive control as a top-down and discrete activity. The Russian notion assumes that top managers periodically check the lower levels’ activities. The underlying understanding is that formal reward and punishments systems are most effective in getting employees to perform their tasks. This differs tremendously from the understanding of the

western respondents, who prefer the feedback notion instead of the control term and when using control, they mean a continuous activity which is intrinsic to all organizational members' actions. To them, control focuses on involvement-orientation, not on formalized bureaucracy.

<b>Opposite views on the control issue</b>	
<b>Russians</b>	<b>Westerners</b>
Prefer the notion of control instead of feedback	Prefer the notion of feedback instead of control
Control is top-down	Control is intrinsic to all organizational members' actions
Control is focused on formalized bureaucracy	Control is oriented towards involvement
Control is exercised by using reward and punishment	Control is related to monitoring processes
Control is a discrete activity	Control is continuous

**Table 2: Russians' and westerners' view on control in organizations**

The three examples related to the notions of time, planning, and control demonstrate the variety of meanings and understandings a single word can generate. The implications in organizational life are clear and often bear heavy and expensive consequences. In OLGA, for example, companies, the western expatriates and the Russian managers had several meetings discussing *how* to organize the control activities after the introduction of the new IT system. Every time both parts were leaving the meeting room frustrated and confused. They never asked each other how the other part understands the term "control", instead, both parts assumed that their interpretations were identical and therefore, they only discussed instrumental and operational issues.

One of the ways to overcome this type of problems is to employ a "cultural catalyst" (Lee, 1995) who has a bicultural background and is aware of different representations of the same phenomenon in the cultures concerned. Two of the

studied companies, CONS and OLGA, have applied this approach. CONS has hired a westerner who has been living in Russia for the past ten years, who speaks the language fluently and who acts as, according to himself, “*a bridge between the understandings of the Russians and the westerners*”. One of the expatriates in OLGA was born in Russia and, although he left the country in his childhood, he was very helpful in the role as a cultural catalyst.

In a similar light, McNeill (1991) points out that one encounters frequent reports of confusion and misunderstanding, unless two interpreters are used – one to carry out the translation and the other to monitor and feedback the extent to which the intended meaning has been conveyed. We have experienced several situations of misinterpretations during our field work in one of the companies – although one of the researchers present at the interviews spoke Russian, we acted through the company’s interpreter. On a few occasions the meaning of the questions, or that of the respondent’s answers, was completely modified. We would not have been aware of the modification (or the complete change) unless one of us mastered the language. Nothing can prevent us from assuming that, if this happens several times within a few hours, then it also happens on a continuous basis in the company’s everyday life.

#### What to do?

- Assume as few things as possible. Listen carefully and ask clarifying questions. Before discussing how to do things, make sure that you and the Russians are talking about the same things. Time, planning, and control are only a few examples of how different people’s understandings might be.
- Do not ignore the importance of traditions, history, and past experiences – Russians value them highly.
- When introducing strategic plans, formulate short-term oriented tasks with achievable and observable results and assign Russians to work on them.
- Invest in a “cultural catalyst” who has a bicultural background and is aware of different representations of the same phenomenon in the cultures concerned or hire an interpreter with these qualifications.

### ***4.3. Crafting and communicating the vision***

What direction an organization should follow in the future, why it should go there and how it can go there are issues combined in the notion of vision. The vision is an articulation of the possible and the desirable under given circumstances. It is the larger picture that needs to be kept in mind, in order to avoid the preoccupation with daily operational activities at the cost of the overall organizational goals.

In all studied companies, the western staff has elaborated a vision for further development. The problem is that in a number of cases the vision is not articulated and consequently, neither understood nor shared by the employees. The western expatriates in OLGA, for instance, have developed a detailed transformation plan, however, only a limited number of Russian managers in the company are familiar with its content. Employees at the lower levels do not even know of its existence and are convinced that the management does not have a clear idea of what to do and where to lead the organization.

The articulation of the vision is especially important in the Russian context, bearing in mind that the Russian staff is accustomed to a high level of certainty concerning the direction, the concrete organizational goals and the means of achieving these. The lack of clear transmission of the vision creates a vacuum in terms of responsibility. Since managing is, in a very general sense, directing others' work, vision must be conceptualized, experienced and communicated to those working at the lower levels where the everyday work is performed. A related issue in that sense is the way the vision is verbalized. Using formulations that can easily be associated with the ones used during socialism could have the exact opposite effect to that intended by the westerners. There is the risk that the Russian employees evaluate the vision as *“just words”*, *“again all these words”* or *“just another change project – we have seen many of those in the past. They never worked. Who says that this one would?”*

### What to do?

- Tell the employees that you have a vision. Communicate it explicitly and clearly – Russian employees have difficulties in dealing with ambiguity regarding the direction of development and the main goals.
- Be aware that stability and certainty are highly valued by the Russian staff. When planning change, make sure that Russian organizational members understand what will be maintained and reproduced in the changing process.
- Be very careful when phrasing your ideas. Do not use words and sentences that can be easily associated with those used in the past and which are heavily laden with ideology.

#### ***4.4. Providing symbols and signals***

Much of organizational change is symbolic and based on signals. The need to understand them is crucial since “mundane tools that involve the creation and manipulation of symbols over time have impact to the extent that they re-shape beliefs and expectations” (Peters, 1987). Symbols and signals are embedded in the structure, the relationships and the language and are, therefore, a significant part of the organization’s every day life. It is significant that the verbal signals sent by the management are consistent with their actions. This is even more important in cross-cultural settings where people are more sensitive and more careful in observing each other’s behavior. As Kanter et al. (1992: 513) point out, “organization members often wait for the signals that say ‘we mean it’ (or ‘we don’t really mean it’)”.

##### **a) They don’t really mean it**

Two stories from OLGA illustrate the “we don’t really mean it”-option. The source of inconsistency in the first story is the Russian CEO and in the second one - the western expatriates. Both cases had serious consequences for the process of planning change.

### **The Russian CEO in OLGA blocks the western expatriates at the last second**

After long negotiations with the Russian CEO the western expatriates in OLGA reached the agreement that the company needed to appoint a young, very well educated and highly professional person to be responsible for the new IT system in the organization. It was also agreed that this person would receive a salary corresponding to her/his qualifications and not to his/her age and that this would be funded by the budget of the western investor. The recruitment and selection procedure started and turned out to be a time consuming process. The Russian CEO was continuously informed about the progress and took part in the process himself.

After several weeks of announcements, meetings, and interviews, “a brilliant candidate” was selected. A contract was prepared, the only thing remaining was to sign it. Just before this final step, there was a meeting where the Russian CEO, the Russian middle managers and the western expatriates participated. The Russian CEO announced to everybody: “After several months of procedures, we finally have selected a person who will be in charge of the IT department. He has been studying at [...] and has [...] qualifications. He is 26 years old and will start by the beginning of next month with a salary of [...] rubles”, mentioning the amount. The CEO knew perfectly well that his middle managers, who have been working in the company for decades, would never accept and allow a situation where a newcomer, half their age, received a salary twice as high as their own. A few hours later the candidate called and informed the company that he would not be taking the position.

**Westerners in OLGA claim they want to build up a team with the Russian managers, but undertake actions that contradict that statement**

The western expatriates in OLGA simultaneously did two things that contradicted each other. Soon after they entered the company's stage, they started working hard on introducing the teamwork idea at the management level. Some of the steps in this direction were conducting meetings and initiating discussions devoted to the topic. Another was a psychological training in group work and team leadership for the whole management group aimed at solving some of the problems between Russians and westerners. At the same time, immediately after starting their assignments in OLGA, the westerners redesigned and ordered new furniture for their own offices, but not for the offices of the Russian CEO or their Russian colleagues at the same hierarchical level.

The Russian CEO claimed verbally all the time that he agreed with the terms suggested by the western expatriates. He even participated actively in the process of taking the decision regarding the selection and appointment of the new candidate. However, it did not actually mean that he supported the decision. To mention the salary amount was an act which blocked the decision and put an end to the whole process without an achievement of the expected result. In the second story, redesigning the offices of the Russian managers too would have been a very small investment in terms of money but it would have proven that when westerners say "We are a team", they mean it. The Russian respondents in the company repeatedly gave that as an example of the discrepancy between statements and actual behavior. The long term and heavy consequences of the inconsistency between claims and actions, could be postponing (or never actually reaching) the process of establishing stable exchange relations and mutual trust - a feature that is vitally important in the process of planning and carrying out organizational change. In the case of OLGA, both stories led to deep frustration and tensions.

## **b) The reward question: another potential ground for misfit between statements and actions**

An important and sensitive topic regards the way in which the rewards-issue is handled in Russian companies with foreign participation and how it relates to the notion of “contributing equally” and “working as a team” at the management level. There is a huge difference between the salaries of the Russian managers and of their western colleagues in the companies where they work together. This is not a unique or strange situation; it is common that expatriates receive the traditional base salary, benefits, plus allowances and tax equalization. While the variation is natural and understandable for the westerners, it is rather de-motivating for the Russian managers. This additionally complicates the relationship between the two groups. “When local employees begin to learn about those benefits people working next to or sometimes under them enjoy, and compare them to their own compensation, they may feel underpaid, betrayed, or discriminated against. [...] When local people don’t see super performance by extremely well-paid expatriates (which often is the case due to various reasons), they begin to question the relation between expatriates’ costs and the value they add to the company as well as the fairness of the compensation system itself. So far this problem has not caused any major revolts on the Russian side, only silent disapproval, but it could be a time-bomb” (Shekshnia, 1996: 246).

### What to do?

- Be consistent in terms of statements and actual behavior. The signals you send should clearly indicate the “we mean it” attitude. In a state of transformational change, organizational members are extremely sensitive towards discrepancies between the two; they need as much coherence as possible. The significance increases in a cross-cultural setting.
- Do not assume that your Russian colleagues and subordinates will act according to what they state. If your actions contradict their basic attitudes, they will find ways to surprise you.
- Take up the salary issue. Present the picture honestly and explain that it is only natural and normal that expatriates receive a higher salary compared with the

locals in the company. This helps avoiding rumors and establishes a good basis for trust.

## **5. Conclusions**

Organizational change is related to a variety of different needs - financial, psychological, and social. It evokes strong feelings which are often deeply ambivalent: change is both needed and not needed, expected and unexpected, constructive and de-constructive. Unless these meanings are taken into serious consideration, planning and deciding on organizational change may bring about unintended consequences.

The paper was aimed at furthering the understanding of the complex process of planning change in Russian companies with foreign participation. The analysis has set out to provide a number of inconsistencies and challenges occurring in the change planning process. The key issues were classified into four themes that highlight the major obstacles which arise in that process. Since it was argued that western expatriates are the ones who plan, generate, and implement change, the article drew a number of practical lessons from the case material oriented particularly towards them.

An important lesson in the process of diagnosing the respective company and identifying how the organization is personified is related to the use of formal power. It is appropriate to explicitly (and still carefully) use power – it is highly valued and respected in Russian organizations. Under conditions of reconfiguration of power, that usually appear in the process of planning change there may be serious blocks to apparently rational behavior. It is relevant to identify the existing coalitions and at the same time to decide with whom to create new ones. It is advisable to aim at Russian top managers and, if one does not master the Russian language, to start with them.

A related observation is the significance of good and trusting relationships with the individuals and groups needed in the process of planning and initiating change. As

pointed out by Kets de Vries, 1998: 27), Russians can come across as cold and harsh in their dealings with outsiders, but when a person has been accepted into their private sphere, they are capable of great warmth. [...] they will go to extraordinary lengths to help their friends, making great sacrifices for those in their trusted circle”. In the Russian context, the business dealings are difficult to separate from the importance of friendship.

Western expatriates must remember that their Russian colleagues at managing positions are in a highly ambiguous situation – the pressure coming from the westerners’ side and the one exercised by the Russian employees are in opposite directions. This duality makes the Russian managers uncertain about their own role and, consequently, blocks many of their actions.

Second, there is a strong need to discuss and negotiate underlying assumptions and mutual expectations instead of taking them for granted. This is crucial in the process of planning change when different agendas are put on the table. It is to be considered that Russian managers and employees contribute great value to stability, standards, and traditions and the very notion of change is often alien to them. One has to make explicit which of the existing elements will be preserved and reproduced in the change process when planning change.

Moreover, it is worth investing the time to ask many questions and clarify various issues before leaping into the instrumental question of how to do a particular thing. Additionally, it is of critical importance to have “cultural catalysts” with a bicultural background and able to bridge the different representations of the same issues or interpreters with these qualifications.

A third consideration relates to crafting and especially communicating the vision to the lower levels in the organization. This would be in line with the fact that Russian employees value a high level of clarity and certainty regarding the direction of further development and the means of achieving the defined goals. They associate that directly with the notion of responsibility and any vacuum or ambiguity in that sense is highly confusing for them. One must be very careful in choosing the

appropriate way of communicating and articulating the vision – any closer associations with socialist phraseology from the near past could lead to either an increased level of confusion or to a complete blocking of the employees' actions.

The fourth factor raised by the collected data is the importance of signals and symbols used by management teams. When people are not in control, in this case Russian employees, they are particularly attuned to signals and symbols. The lack of consistency between statements and actual behavior might distract the whole idea behind planning and carrying it change. In turn, when western expatriates send “we mean it” signals and act accordingly, this helps avoiding rumors and distrust and establishing a basis for mutual cooperation.

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