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## **Abstract**

L'idea di "management aziendale" nasce in Occidente. In particolare, dalla Harvard Business School sono venuti i pionieri di una teoria della gestione aziendale che negli anni ha preso le forme razionale-normativa e descrittiva-esplicativa.

Il percorso manageriale della Russia è lontano dal mondo occidentale. Mentre gli approcci moderni prendono le mosse da Frederick Taylor e le innovazioni statunitensi, il percorso russo è molto più radicato nella filosofia: dai pensatori del XVIII secolo che circondavano Caterina la Grande fino ad arrivare a Karl Marx.

Non è sorprendente, quindi, che il sistema russo di governo e gestione differisca da quello europeo e statunitense. L'esperienza russa è veramente unica nella sua transizione dalla vita contadina nel regime zarista alla collettivizzazione sotto il comunismo, al libero mercato, tutto in meno di 150 anni. L'esito corrente è che imprenditorialità, risorse umane e lo stesso management evolvono, cambiano, ma mai liberandosi dal processo legislativo statale e dalle sue ambiguità.

## TABLE OF CONTENTS

Abstract .....	2
Introduction .....	4
Rational-Normative Approach to Management .....	4
Descriptive-Explanatory Approach to Management .....	6
Modern Developments.....	7
Management in Russia: The Pre-Soviet Era .....	9
Tsarist Russia.....	9
18th-century Philosophers in Tsarist Russia .....	10
Alexander I and Nicholas I.....	11
The Russian Empire: 19th and 20th century .....	12
The Turn of the 20th Century .....	14
Management: the Russian Take .....	16
Soviet Era Governance & Management.....	22
The Revolution of 1917.....	22
Governance Under Lenin .....	23
Soviet Management .....	24
The International Context .....	25
Governance in Modern-day Russia.....	26
Broadening Horizons.....	26
The Eurasian Union .....	27
Culture .....	27
Energy Conflicts .....	28
Conclusion.....	29
Bibliography .....	31

## **Introduction**

As an independent discipline, the history of strategic management spans decades. Since the 1960s, one particularly popular area of focus within management is corporate strategy. Professors and pioneers of strategy theory from Harvard Business School were the first to develop a corporate strategy model of underlying external and internal diagnosis, which later became known as SWOT analysis (Learned et al., 1965). This set a precedent upon which various models for environmental analysis, organisational internal analysis, distinctiveness, success factors, and strategic alignment are all founded upon.

Perhaps the most influential of early strategy theorists is Ansoff, who detailed in his celebrated work how he distinguished between different levels of corporate strategy. He was the first to recognise that to assess a company, one needs to first consider the company as a whole: from individual business lines (business units) and each department area. Ansoff is also credited with creating a process-based view of strategic planning (not dissimilar from Harvard's conception of strategy) and applied it to the corporate experience.

## **Rational-Normative Approach to Management**

Strategic theory and methodology made its grand entrance into the corporate world in the 1970s. Three well-known US management consulting firms - BCG, McKinsey and ADL - were among the first to develop their portfolio analysis offerings to underpin their strategy by providing a product and market view. Despite their limitations, portfolio analyses have proven to be an effective analytical tool in strategic planning, particularly in large companies, owing to their practical application, order of investments, and ability to provide a more informed designation of resource priorities.

A further step forward in the history of strategic management development was the clarification of the concepts of corporate mission and vision. The explicit formulation of what constitutes a mission was considered strategically important because the mission provides a uniform orientation within the company (Pearce and David, 1987), thereby aligning members behind a common goal. This, in turn, contributes to the development and strengthening of the creative organisational atmosphere and the willingness to cooperate. Meanwhile, corporate vision

is widely defined as the “projected and desired future state of the corporation” and differs from the mission in that it is not “emotional charged” (Thompson and Strickland, 1992).

As Porter (Dess and Davis, 1984) pointed out in 1980, industry and competitor analysis joined the strategy-making process later. Business strategies should reflect a sectoral structure that is appropriate to industry conditions as they compete with each other for profitability. Porter himself developed the Five Power Factor model, which later went on to become a key part of the corporate strategic management (Tari, Molina and Castejón, 2007).

In the early 1990s, there was a remarkable change of attitude in the development of strategic thinking. While Porter’s industry and competition analyses were relegated to the background, researchers brought forward companies’ internal materials and intellectual resources, which were otherwise previously managed peripherally. This resource-based approach view, otherwise known as RBV, took a theoretical turn; Prahalad and Hamel (1990), for example, focused less on the product and market requirements of the competitive environment and more on the organisation’s own resources.

Later, this resource-based approach branched out to become the “knowledge-based view”, particularly in cases where knowledge is seen as the most strategically important corporate resource (Grant, 1996). According to the well-known strategy theorist, a company’s hidden knowledge is a fundamental source of lasting competitive advantage: the business organisation gains a sustainable competitive advantage if able to integrate with the organisation members’ individual tacit knowledge flexibly and effectively.

Porter’s theory was later validated by other theorists for having considered industry and competitive forces. Indeed, many argued in favour of the relational view, which involves assessing inter-organisational relations (as opposed to the “lone pioneer” model), because companies do not operate in isolation. Inkpen, Child and Faulkner (2000) and Dyer and Nobeoka (2000) explained that a company can only effectively utilise its valuable sources and competitive advantage if they have compared it to other companies.

Outlined above is how strategic theory has developed in the last decades of the 20th century according to the rational-normative approach. Strategic management was seen as a system of views, the basic idea of which is to ensure that a company periodically reviews its market position, adjusts its course for the future expectations and subsequently sets out in pursuit of its strategic goals. In other words, strategic management was a largely normative and prescriptive process.

## **Descriptive-Explanatory Approach to Management**

From the 1980s, a fundamentally different approach to the theory of management was emerging, turning away from the more strategic approach and towards seeing flexibility as a key part of the organisational process. As such, cognitive, learning, negotiation-bargaining, and passive adaptation (reactive) processes were born.

Among the theorists who initiated the descriptive-explanatory approach, Quinn and Mintzberg deserve special attention. From large corporate case studies, Quinn (1980) filtered through common strategy development practices and developed his logical incrementalist theory. Senior management of successful companies gradually move towards a corporate vision, while also striving for strategic goals; this is key to improving the quality of information used in decision-making, persuading those who oppose change, and strengthening awareness.

Mintzberg (1987) used the metaphor of craftsmanship to reflect the essential features of strategy making. Based on his corporate observations, strategists are constantly adapting to the environment, much like craftsmen respond to the material they are using and manipulating. Thus, Mintzberg suggests that strategy requires continuous adaptation and spontaneous managerial decisions that are inextricably intertwined in the course of action.

The descriptive-explanatory approach is also notable. Burgelman (1983) attributed an important role to autonomous strategic initiatives in the formation of corporate strategy: motions and proposals for the lower levels so they could deviate from the formal direction of corporate strategy. Where certain influential groups or individuals supported bottom-up strategic ideas, they could modify the long-term goals already agreed at the top level. The descriptions of Quinn, Mintzberg, and Burgelman suggest that the development of the strategy is in fact a process of learning, experimentation, on-the-fly commitment to the direction. Seven streams and schools of theory of the descriptive-explanatory approach were distinguished by Mintzberg (1998).

Some of these perceptions began to decline towards the end of the last century, as other concepts were strengthened and regained momentum in literature. For our review of development history – which are now outside the stream discussed, called the school of learning – there are three theoretical schools: the entrepreneurial school (Stevenson and Gumpert, 1985), which sees the development of a business strategy as an outline of plastic visions influenced by intuition; the

cognitive school (Schwenk, 1988; (Barr, Stimpert and Huff, 1992), which traces strategy back to cognition in the thought process, when strategists filter and encode data inputs from the world around them; and the environmental school (including the institutional stream) (Oliver, 1991), which dictates that an organisation vulnerable to a set of external forces is passive in their adaptation and relies on purely reactional corporate strategy.

## **Modern Developments**

Balaton, a Hungarian researcher of strategic management theory, was the first to make the distinction between the two pathways of corporate strategy. He explained that, while the rational-normative approach relies on senior management to consciously plan for the future with thorough analysis of internal and external conditions, strategy-making is a much more complex process than can be interpreted as a straightforward series of steps. Followers of the descriptive-explanatory trend get to know this complex process and seek to gain a deeper understand of strategy as a whole. Their theoretical descriptions can be seen as a scientific ambition to expand the rational-normative approach, to supplement the incomplete mosaic picture of strategy-making.

As such, over the last quarter-century, the development of strategic management has followed two main theories. We also referred to Mintzberg (1998), who started from similar (prescriptive-descriptive) basic types when undertaking strategic “guidance” through a systematic review and evaluation of the diverse literature. He received the same classification as Lynch and Smith (2006), who distinguished major “prescriptive” and “emergent” trends in strategic management.

The analyses of theoretical researchers agree that there were a wide range of challenges for strategic management during the 1990s and the turn of the millennium, which environmental changes in the years immediately following. As economic globalisation progressed, the flow of productive and monetary capital became even more fluid, the movement of labour between countries increased, and trade in goods and services expanded rapidly. Thus, the spatial integration of markets has increased in the now unipolar world. The role of traditional factors of production faded, and knowledge emerged as a dominant resource, giving rise to the rise of information technology. The applications of digital technology have radically transformed economic-social structures and operational processes across the globe. It has modified quality of life for society as

a whole; from the individual to the family, economic organisations, public institutions and others, many of us now have unimaginably fast access to knowledge through the World Wide Web. And in the meantime, the costs of producing, storing, processing, and transmitting information via the Internet have been plummeting.

Porter's five-factor industry analysis model was developed to help companies maintain competitive advantage and has been re-interpreted by several experts as the world's economic conditions have changed through turn of the millennium. Grove (1997), for example, released an "updated version with a sixth force factor. In the experience of the former Intel CEO, the sixth force "complementary products" are organisations interested in other types of business, from which complementary products and customers buy services. This, in turn, is strongly influenced by the rise of the internet and allows companies to adjust flexibly with the help of new technologies. In Indeed, many have criticised Porter's five-force model for being too "static" and failing to take into account companies' newfound room to manoeuvre Evans and Wurster (2000).

Indeed, perhaps Porter's conception is now outdated, since it ultimately reflects the corporate management approach of the 1970s and 1980s, namely the focus on short-term profitability. Similarly, various other theoretical practitioners also approached the issues of corporate strategy from the point of view of operational senior management, but this prevailing attitude began to gradually change from the 1990s onwards both in theory and in practice.

Around the turn of the millennium, more and more top executives that were effectively owned or motivated by stock options became aware that their personal wealth growth was closely related to the stock exchange price of the joint stock company they led. For them, the stock price growth has become the main organisational goal. To achieve this, quite a few began to abuse ownership trust: taking advantage of the absence of thorough external audit in order to manufacture favourable business results that pushed up stock market price, resulting in profit for them.

An integral part of strengthening the shareholder value approach was the spread of the concept of Value Based Management (VBM). VBM is a complex process that puts the value of the company in the centre of decision-making. For the purpose of continuous shareholder value addition, VBM designates the basic value drivers, develops a value-maximising strategy, then decomposes it into outcome goals expressed in value drivers (Black et al., 1999).

In addition to owners and managers, other interest groups are also involved in the activities of a partnership, such as stakeholders like employees, creditors, suppliers and buyers, government



agencies and local communities. This understanding gave rise to Freeman's concept: 'Strategic management: the stakeholder approach' (2010). In his work, Freeman formulates as a basic thesis that every person or group with a legitimate interest in a private company needs compensation, but there can be no interest to enforce that would precede any other. In the coming years, the stakeholder approach developed further and became widely accepted.

Meanwhile, this spread of stakeholder theory has strengthened economic ethical views that promote greater social responsibility. Stakeholder theory assumes that not only company owners are responsible, but the wider stakeholders too.

## **Management in Russia: The Pre-Soviet Era**

### **Tsarist Russia**

To understand Russia before the USSR, one must first have an idea of circumstances around the territory and its political implications. Peter the Great led the empire between 1672 and 1725, his main achievement being consolidating an autocracy in Russia. This was a major step towards creating Russia's identity within the European context. During his reign, Russia became the largest nation in the world, being three times the size of Europe, it took over the Eurasian plains extending from the Baltic Sea to the Pacific Ocean.

However, having a vast territory comes with some difficulties. The population reached only 14 million, causing some production and distribution issues. Therefore, population was forced to live mostly through agriculture; only a small percentage lived in main cities.

On the other hand, Peter the Great was the first Russian tsar to visit the West in 1697. His visit caused quite a stir, further emboldening his ambitions for direct access to the sea. As such, he signed a secret alliance in 1699 against Sweden, leading to the Great Northern War. In 1721, Sweden asked Russia for peace and Peter the Great conquered southern and eastern provinces of the Gulf of Finland, securing his desires for access to the sea. This spot is what we know today as St Petersburg, that served as a window onto the West, with European culture flourishing and a mind to replace Moscow as the country's capital.

Most of Peter the Great's effective reforms had affected many areas of public life, both at the state level and at the level of economic private organisations that were connected to the

development of different sectors: larger industries, small-scale craft production, agriculture options, financial systems, and especially the foreign and domestic trade structure.

Ideas to improve state administration were expressed in the works of Pososhkov, Volynsky, Tatishchev, Lomonosov, Golitsyn, Radishchev, etc. in the 18th century. Their ideas reflected the specifics of Russia's development and emphasised the decisive role of the state in the management of economic processes.

After Peter's decisive reign, Catherine the Great proceeded to make her own significant contributions to the history of Russia during the 18th century, mainly by means of ensuring the country's economic development was strong. To improve Russia's governance, she decided to divide it into 50 provinces, each one of them headed by a governor. Therefore, the Institution for the Government of the Russian Empire was established, and for each province there were several districts.

### **18th-century Philosophers in Tsarist Russia**

From the 18th century onwards, philosophical views became more and more widespread with philosophers themselves being welcomed into royal, imperial, and tsarist courts. Each country felt differently about their significance. England, for example, welcomed various theories and often put them into practice. No wonder, then, that the industry revolution also started from this country and spread so fast. In France, the situation was much less friendly. Denis Diderot, a famous French philosopher and writer, expressed his opinion in the *Selected Philosophical Writings* (2015):

"There are two countries in Europe where philosophy is practiced: France and England. In England, philosophers are surrounded by respect and esteem, they are open to them. They are buried with the highest offices and kings (...) In France, they make a decree against them, they banish them, they persecute them, they make their lives bitter with orders, satires, mockery. And yet they broaden our knowledge, they are the ornaments of the nation." (pp. 35)

However, this aversion did not reach the tsarist court of 18th-century Russia, where thinkers of any (mainly French) nationality were welcomed with open arms. Of course, one of the main

supporters of the dissemination of sciences was Russia's Catherine the Great. As a child, the Empress had even mastered the beauty of the French language thanks to her educator, who was beloved by the Russian court. At first, he was to be found almost exclusively in the library, until he became more ambitious to broaden and share his knowledge. For months he studied Montesquieu on the spirit of the laws his work, and was born his position alongside Catharine II, advising her on enlightened absolutism. Above all, French culture remained closest to Catharine's heart. After her ascension to the throne in 1762, word spread rapidly throughout Europe that she was happily and generously welcoming the thinkers of the old continent. Catharine's initiative was successful; her opened famous thinkers such as Bernardin de Saint Pierre, Charles Léopold and Mercier de La Rivière to her court.

### **Alexander I and Nicholas I**

Another reign worth mentioning is that of Alexander I. Under his commission, ministries were established with the objective of streamlining the whole administrative apparatus, which meant a stronger diversification of power. Later, in 1861 his successor implemented the peasants reform giving back the land to those who inhabited it.

During this period, and as a result of the effective changes, economic management was manifested mainly in the organisation of savings-and-loan institutions who were crediting peasant households, and so formed the foundation of the country's economic system.

In March 1801, when Alexander I ascended to the throne, Russia was in a difficult state of hostility with most European countries. Even in the absence of war, Russia struggled to secure allies and found one only in Turkey. Alexander I quickly signed peace agreements with several states, such as England and France, and thereafter focused on domestic reforms. However, the Napoleonic era once again brought instability to Russia until the Tilsit Treaty was signed bringing peace to both sides until 1812.

In the following years, until approximately the 1850s, Russia was famed in Europe for its land power. Many countries were enemies of Russia in this period; Poland, Turkey and Persia for example. When the Enlightenment and Age of Revolution came to most of Europe, only Russia and England remained relatively untouched. In each other's eyes, both countries were to be feared and revered.

Later, Nicholas I came into power as a forceful defender of the monarchy and its legitimacy. For most of the political parties advocating democracy, he was considered to be the "gendarme of Europe" – an enemy of liberty. However, in the Crimean War that took place from 1853 to 1856, the once powerful empire that had grown under Alexander I failed in battle, as incapable of organising itself, and move enough troops to defeat the English and French armies.

As illustrated up to now, Alexander I showed a great passion for internal reforms. However, when it came to dealing with foreign issues, he abandoned those ideals and went into structuring policies and deals with other states.

### **The Russian Empire: 19th and 20th century**

Governance in Russia has been developing since the 16<sup>th</sup> century, back when it was still an empire. Mainly, it was due to the process of liquidation of feudal fragmentation and the merging of single markets into a whole national market that was rapidly unfolding. Therefore, along with the strengthening of its central power, the development of the Russian government has been primarily shown a typical top-down process.

This fact has distinguished Russia from other European countries and from the United States, where bottom-up systems have been preferred; ideologies were sown, eventually flowering through bloody events towards an ideal of freedom and equality. Ideology is a system of general ideas that attempts to provide a socially critical description of the current age and sets guidelines based on it. Based on this: is it safe to assume that enlightenment and communism not so dissimilar?

The driving force behind the French Revolution, for example, is what we call Enlightenment. This theory was born in the Netherlands as early as the 17th century, thanks to Grotius and Spinoza, but it only spread to France in the middle of the 18th century in search of answers to contemporary problems. The key idea lies in the social contract established between the people and the ruler - a treaty that creates the state itself. While previous theories had been described as God-created and unchangeable, Enlightenment innovation brought about a new school of thought that in fact everything can be changed, and this treaty can also be terminated if the ruler does not have the interests of the people in mind.

For the French Revolution, it is important to mention liberalism also, which is based on the fact that everything is free that does no harm to others. Freedom can only be achieved through

equality, and equality is only guaranteed if political rights are also guaranteed. From this idea led a straight path to the separation of branches of power (Montesquieu later also drew from this). The other most important basic idea lies in the understanding that every human being has natural and inalienable rights to life, liberty, and property (similar to the French slogan of freedom, equality, brotherhood). Montesquieu took this even further when he explained why the three branches, the legislature and the judge, are important and the separation of executive powers so that the right to liberty is adequately safeguarded for everyone. To sum up, we can conclude that the ideal of the enlightenment is a historical event that laid the foundations for many modern western countries' democratic system. But what happens when enlightenment is achieved even after a population is forced to live in oppression and dissatisfaction, in poor conditions? A perfect example of this is in the ideological study of the Bolshevik revolution.

Bolshevik ideology was a widespread trend in the 20th century, which was fulfilled mainly in Russia. Why can we compare it to the Enlightenment? First, the key words here are freedom, equality and fraternity. Admittedly, this time it is a somewhat distorted version of enlightenment, where the ideal of freedom can be interpreted differently. According to communism, the freedom of the individual does not take precedence a community, and in order for everyone to enjoy social privileges equally, the institutions representing the bourgeoisie must be dismantled. This led to the break-up of tsarist power in the 1917 revolution. The creator of the theory is Karl Marx, who has relentlessly criticised his early social system, in which he stood by the working class. Its goal is to create a society where classes and exploitation do not exist. According to his theory, this history of class war was always carried forward, but with the culmination of the communist state and private property, everything will be shared, and everyone will be equal and free.

According to Bolshevik ideology, the capitalist market must also be abolished so that it can no longer prevail in terms of means of production and production mechanism creation. While thinkers who developed the theory of enlightenment believed that their ideology can only be firmly established in a peaceful, theoretical way (the practice, of course, was completely different), Marx and the creators of communism did not shy away nor the idea of violence, restrictions on liberty and terror. In fact, they saw them as potentially necessary components to the world they created.

## **The Turn of the 20th Century**

The first sprouts of a scientific attitude towards labour organisation and management emerged in Russia in the late 19<sup>th</sup> and early 20<sup>th</sup> century when Taylorism, Fordism, Fayolism and others became widely popular in the USA and Europe. In Russia, the scientific foundations of management were mainly applied to the organisation of labour.

It was American engineer Taylor, who founded the concept, that coined the term “scientific management”. Later, French scientist De Chatelier, the interpreter of Taylor's principles, translated it into French as “scientific organisation of work”. In Germany, this new science quickly spread under the term “rationalisation”. In Russia, all of these terms were used synonymously; the division between scientific management and organisational science theory itself came much later.

Before the revolution, opinions on Taylor's system were divided into two opposing camps: supporters and opponents. Critics of Taylorism (Vorontsov, Maslov, Poplavsky, Aleksinski) can be described as adherents of populist orientation. They believed that in a country like Russia where quality of life was low, legislation was ineffective, and organisation of production was inefficient, the Taylor system would only be profitable for businessmen (i.e., exploiting workers through forced labour). Therefore, Lenin himself stated that "Taylor's System is the enslavement of man by machine".

However, Lenin's attitude towards Taylor changed when the Bolsheviks came to power. In 1918, he declared that building socialism without a strong work ethic among the youth would not be possible, and so adopted Taylorism. Subsequently, Lenin urged the youth to study, teach and disseminate Taylorism throughout Russia. In 1921, contrary to fierce criticism of the enemies of Gastev, Lenin was nicknamed the “Russian Taylor” for having adopted his philosophy and allocated millions of rubles in gold to establish of the Central Institute of Labour – millions that arguable could have been put to better use elsewhere. Nowhere else in the world had a head of state made the fate of a country so dependent on a government system.

Gastev, Berg, Glushkov, Kantorovich, Stumilin, Nemchinov and others were key figures in the development of management science and practice in the Soviet period. In general, the methods of enterprise management (micro-level) involved the use of basic management principles

developed abroad. However, when applied to the Russian context, it became apparent that a unified system of management was required from the workplace to the national economy of the country.

Two conferences on scientific organisation of work, held in 1921 and 1924, were important milestones in the development of scientific management in Russia. At the first conference, it was decided that scientific organisation of work would be defined as: “an organisation technique based on a thorough study of the production process with all its accompanying conditions and factors”. The basic method is to measure the time, materials and mechanical work involved, to analyse all the results and to synthesise them in order to come up with a production plan.

At the second conference, the focus was on organisational science theory: to link the achievements of Western theorists and practitioners and exchange experiences with them; to connect research work with the needs of production; to forge bridges between institutes and laboratories for their specialisation; to study work in production and management and individual labour processes; to organise schools for the training of trainers; and to provide training in the methods and techniques. The main purpose of the programme was to promote the adoption of best practices and introduce the principles of the science & technology (S&T) system at all levels and in all types of schools.

In Russian literature, the following methods and techniques of studying organisational and managerial processes have been formulated in relation to the science of management:

- 1) The principle of systematically observing phenomena in governance;
- 2) The principle of singling out, isolating, decomposing and describing certain phenomena (method of analysis);
- 3) The principle of combining the individual parts of the process under study into a centripetal whole (method of synthesis);
- 4) The principle of measuring observed phenomena (in time and space);
- 5) The principle of experimenting and testing by practice.

The latter principle has been given the most important role, and it has even been argued that its application is the main driver of management science. In addition, it should be noted that the science of management was conceived by Russian scientists as interdisciplinary, applying equally to all spheres of life. So, the development of scientific management in Russia from its earliest steps was carried out in an organic unity of applied and general theoretical research.

The leading Russian scientific institutes were: CIT, the Central Institute of Labour, directed by Gastev; KINOT, the Kazan Institute of Scientific Organisation of Labour, headed by Burdyansky; VSUIT, the All-Ukrainian Institute of Labour, overseen by Dunayevsky; TINOP, the Taganrog Institute of Scientific Organisation of Production; GITU, the State Institute of Technical Management under the NCR, Rozmirovich; and others. These leading research centres each have their own schools of scientific management.

## **Management: the Russian Take**

### *Bogdanov*

A.A. Bogdanov (1873-1928), an economist, philosopher, and writer, stands out among the theorists and became one of the founders of Russian science fiction. His research spanned the history of the working-class movement, political economics, sociology, psychology, literature, philosophy, gerontology and haematology. His main works include: *Sketches of Universal Organisational Science* (Samara, 1921); *Organisational Science & Economic Planning* (1921); and *Organisational Principles of Social Technology & Economics* (1923). Bogdanov's main scientific work is considered to be his fundamental three-volume monograph "General Organisational Science (technology)", where he attempted to find universal principles of organisation inherent in both living and non-living nature.

Human life, says Bogdanov, is literally permitted by organising principles. Everyday life and human speech, social communication and work, economic action and thinking are all organised according to a certain system; they have their own logic and consistency. In other words, they could not exist if they were not organised. To paraphrase Descartes' famous aphorism, Bogdanov said: "I am organised, so I exist." (*Tektologiya: The Universal Science of Organization*, 1912-1917). Bogdanov's doctrine of building - takes on a truly universal meaning. He carefully traces the organising principle of tektology to concrete forms of behaviour and way of life of people, behaviour of living beings in inorganic nature, in human history and finally in social structure of society and labour activity.

The task of organisational science, he argued, was the organisation of things, people and ideas. This science, he believed, should systematise the vast organisational experience of mankind and equip managers with knowledge of organisational laws. The author clearly differentiated



between the science and art of organisation, arguing that the art of organisation had always existed, but there had never been any organisational science. For this reason, most of the achievements in the field of leadership died with the personality of the organiser - a talent or genius - and only a tiny fraction passed into tradition.

Bogdanov attempted to formulate the basic concepts and methods of organisational science. He suggested the need for a systemic approach to its study and described the relationship between the system and its elements, showing that an organised whole is greater than the sum of its parts.

In solving problems of economic management, especially the planned organisation of the country's economy, Bogdanov made extensive use of the principles of general organisational science. He pointed out that a planned economy can only be described as one in which all its parts are harmoniously coordinated.

The following principles of tektology should be taken into account in a single, methodologically elaborated management plan:

- Any organised whole is a system of activities unfolding in a particular environment in continuous interaction with it. Hence, society is a system of human activities in the natural environment against its resistances.
- Each part of an organised system is in a certain functional relation to the whole. In a society, for example, each branch of the economy, each enterprise, each employee performs a specific function.

Though Bogdanov's concept contains many interesting and important ideas, his theory was not appreciated by his contemporaries. Even today it has not been sufficiently understood. It should also be noted that Bogdanov is extremely philosophical, and his language is philosophically overloaded and requires the appropriate training and level of thinking.

Russia's labour market, much like the national mentality, is still very characterised by the idea that 'everything is very big': highly hierarchical arrangement with a large power distance. Even today, there are serious sub-superiority relationships within companies, despite the fact that the individual departments are sharply separated from each other. Because of this rigid, bureaucratic HR structure and lack of career planning programmes, Russian workers typically consider their official position to be of paramount importance on their work history. Therefore, this creates bureaucratic boundaries for people wishing to hire new talent or move up the career ladder.

Unemployment is almost non-existent in Moscow, largely because of demand for work but also because of the highly flexible work force in terms of moving for a job. In addition, there is a tendency to advance young: senior management can often be in their thirties. Meanwhile, women are still often subordinate in the Russian workplace, and given more “maternal” or “caring” roles. Acceptance of female leaders is only just growing and does little so far to offset common sexist behaviours (Gimpelson, 2019).

### *Yermanskiy*

O. A. Yermanskiy (1866-1941) was the author of the concept of physiological optimum. He was one of the first Russian scientists who criticised Western theories of scientific organisation of work and tried to highlight their positive and negative sides. He defined the preconditions that made the emergence of work organisation theory possible as an independent field and was the first to make the link to techno-economic development and large-scale machine production (which kickstarted the need for organising and rationalising scientific methods). It was Yermanskiy who first coined the acronym S&T, arguing that the emergence of scientific organisation is only possible when there are corresponding advances in scientific thought. Therefore, Yermanskiy’s theories were largely applied to engineering, economics and the psychophysiology.

According to Yermanskiy, the main issue of the theory of rationalisation of work organisation is determining the criterion of rationality for any kind of work. Time and space are not criteria of rationality of the organization, but only forms of the phenomena of existence, the essence of which is the interaction of the forces of nature. He regarded the energy input of all production factors and the useful result achieved for a given input of energy as the basic elements in any production activity.

Yermanskiy suggested that such criterion is only the ratio between R and E, which is expressed by the coefficient of rationality  $m=R/E$ . The value m indicates the amount of useful work per unit of energy input, which is the real criterion of rationality of the organisation of the given task. Achieving the greatest possible return on investment or the least possible energy usage per unit of labour input should be in the minds of the machine builder, for this is the core principle of the optimum, the central tenet of Lean Management. Any utilisation of power which breaks the

principle of optimum is unscientific work organisation, since it leads either to a waste of energy or to the under-utilisation of all kinds of energy.

In order to achieve the best possible cost-benefit ratio, one must have a good knowledge of the production processes, the features and characteristics of both personal and material factors of production. In addition, knowledge of the basic principles of organisation and, of course, above all the principle of optimum is required in order to achieve maximum efficiency.

The main merit of the concept is that it contains ideas about the need to maintain labour intensity at an optimal, scientifically sound level, since deviations from the rational norm in any direction are damaging to the national economy and the rational use of all forces. Consequently, the system of organisation and management of production must ensure that all units and workers work properly. Indeed, Yermanskiy considered the scientific achievements of Taylor and Ford (and others) unacceptable for socialist labour organisation and management as they called for excessive methods of work. He hypertrophied the role and importance of the principle of optimum. Despite these faults, the professor's concept is still of considerable professional interest.

### *Gastev*

The undoubted leader of the national science of management and information technologies in the 20s is Gastev (1882-1941), who headed the Central Institute of Labour (CIT). Gastev wrote over 200 monographs, brochures and articles. Under his leadership, the institute became Russia's leading research, educational, practical and rationalisation centre in the field of scientific organisation of work and management. The institute combined research, pedagogical and advisory institutions, which had not yet existed even in Europe. Furthermore, Gastev and his associates managed to make one of the most valuable discoveries in the history of world organisational and managerial thought (nt-csm.ru, n.d.).

The main merit of Gastev's school of thinking is the development of theoretical and experimental ideas of social engineering – a new science that combines methods of natural sciences, sociology, psychology and pedagogy. Under his leadership, dozens of enterprises implemented innovative methods of work and production organisation. Over 500,000 qualified workers, thousands of management consultants and IT consultants were trained according to CIT

methods, making his contribution to the development of cybernetics and general systems theory more than significant.

Moreover, Gastev believed that the interests of the country required a complete organic reconstruction of the entire production structure and above all of the main productive force - the worker. In order to create his own theory, he critically reconsidered the theoretical achievements and practical experience accumulated in industrialised countries. In this regard, one must note that while the ideas of the CIT were original, they were very often based on Western management thought (especially by Taylor).

For example, the main points of the CIT concept are the same as those of Taylor and Ford:

- Rejecting the empirical approach to production organisation and management;
- Using research as the main method, which includes a preliminary analysis of the object and its decomposition into components;
- Selecting the best elements, which are then arranged into a functionally interrelated series;
- Arranging the selected options by the principle of their economic position in the labour process;
- Attempting to maximise the productivity of each individual element of the production complex, increasing the output of each machine, machine and worker;
- Conducting laboratory research into the material and personal factors of production, culminating in experimentally testing the findings;
- Pre-calculating and preparing all factors of production in time and space, ensuring maximum acceleration and tightening production processes;
- Changing staff qualification groupings based on an in-depth division of labour and a simultaneous strengthening of the organisational role of lower and middle administrative and technical staff, the introduction of training and various organisational tools.

However, Taylorism and Fordism were totally unfamiliar to the idea at the heart of the Gastev concept, i.e., making the labour process suit socialist ideals. The CIT so shifted its focus and emphasis of all its work to the human factor in production.

The CIT methodology was considered by its authors as an inoculation of a certain organisational and labour bacillus to each worker, to each participant of production. Gastev noted that although Taylor initiated the movement, neither he nor Hilbert created a methodology that

would apply to the masses and inspire them to show continuous initiative. The purpose of Gastev's methodology was to energise the working class by instilling in them a constant thirst to work hard, constantly adjust to working conditions, and remain alert. In doing so, the concept had to develop not only production, but also the general culture of the people.

Gastev paid a great deal of attention to consultancy work. This led to interesting conclusions about the qualities that an effective management system should possess. Among the qualities are:

- 1) Discipline, without which no governance is possible;
- 2) Each employee knowing exactly what his or her rights and duties are;
- 3) The understanding of the “last resort” measure to solve any issue;
- 4) Granting ultimate authority to inferior employees in as many cases as possible;
- 5) Automatism and establishing an order in which the rights and duties of each employee are so clearly defined that most issues are resolved by agreement of lower-ranking employees without the approval of a higher-ranking administrator;
- 6) Precisely defining matters that need to be resolved by higher administration;
- 7) Holding each employee accountable for the accuracy and timeliness of the performance of his or her duties and the orders of the administration.

Gastev paid great attention to the culture of work and the culture of the workplace. The culture of movement organically passes into the culture of behaviour, personal culture into collective culture. According to Gastev's concept, the relationship between people at work requires a certain cultural rule, which softens our communal life. It is everyone's duty and right to be considerate in their dealings with others, to be friendly, even if conditional, rather than insinuating rudeness.

At the top of Gastev's pyramid of work culture is the culture of the working class. The individual skills acquired by each worker are reinforced by the precise organisation of collaborative work, which awakens a thirst for creativity and a desire to improve one's tools. In turn, the question of working culture was linked to the question of attitudes to work.

The approach formulated by the Quotians enabled them to substantiate the idea of social engineering, unparalleled in the world literature on management, in which a man is no longer just an individual, a subject of activity, but a unit of a complex, an integral part of the whole. This was a key turning point in the understanding of management and social engineering.

The contemporary system of views on management was formed in the 1950s as a quantitative school of management science, based on the understanding of complex management problems, due to the development and application of models using quantitative methods (Ackoff, Beer, Goldberg, etc.). The school of management science distinguishes two main ideas: production is seen as a "social system", and also uses system and situational analysis with the use of mathematical methods and computers.

New approaches include decision trees, brainstorming, management by objectives, diversification, budgeting, quality circles and portfolio management. Another trend is to derive general principles from complex systems with the help of synergetic methodology (principles of non-linearity, self-organisation, and non-equilibrium of economic processes). This movement in general management is called "evolutionary management".

## **Soviet Era Governance & Management**

### **The Revolution of 1917**

Among the most momentous events of the 20th century was undoubtedly the Russian Revolution of 1917, above all because it inaugurated the era of modern revolutions by demonstrating that the Marxists could seize power and establish their own socialist dictatorship of the proletariat. As such, the Bolsheviks served as an inspiration to revolutionaries all over the world.

After 1917, "the world would never be the same again" (Times Books Ltd., 1996: 234). Hence, in order to get a full world view, one must invest in this first Marxist experiment. Pre-revolutionary Russia was a country in the process of industrialisation, which did not have - and did not pretend to have - a parallel in political modernisation. This gap between economic modernisation and political immobilism, together with other characteristics of tsarist Russia, made this great empire a breeding ground for revolutionary movements, and not all Marxist.

It is not surprising then that, in March 1917, there were widespread mass riots, instability and revolt. Following a military coup, tsar Nicholas II was forced abdicate the throne. In his place, a provisional government of rather moderate - bourgeois, in Marxist parlance - was installed, which

sought to establish a liberal democratic regime. But, in October, the radical Marxist Bolsheviks prevailed over the other political movements.

At the head of the Bolsheviks was Lenin, who became leader and president of the new government. Lenin was focused on spreading this revolution to industrial countries.

### **Governance Under Lenin**

Following the civil war of 1918-1921, the country was destroyed, and its economy was in ruins. Money lost all meaning and was replaced by a barter system, which, combined with an attempt to systemise and bring the economy under state supervision, was state management of the economy and dignified the title 'war communism'" (Times Books Ltd., 1996). In the new economy, money had lost all value and was officially known as "the systematic suspension of the money economy" (Times Books Ltd., 1996).

The system of 'war communism' brought with it the nationalisation of all enterprises. Agricultural production was requisitioned, and workers were strictly controlled. However, all these measures did not consolidate the regime, in fact they strongly destabilised it. A series of strikes and riots reached their climax in the mutiny at the Kronstadt naval base (February 1921), which until then had been loyal to the new regime. The rebellion was severely crushed, but in order to put an end to the peasant opposition and revitalise the economy, Lenin was forced to back down on his measures. It was born the so-called New Economic Policy Economic Policy (NEP) and a policy of seizures that was replaced with 'tax in kind' (allowing peasants to sell their surplus production on the free market).

Private enterprises were freed from government control and once again allowed to engage in trade. These measures were an immediate success, as industrial and agricultural output reached the levels of and agricultural production reached 1913 levels (before the implementation of the NEP, industry barely reached the levels of 1913).

Another important element, which allowed Lenin to remain in government, was the Cheka – unofficial secret police - which he himself founded in 1917 to protect and consolidate the communist revolution. The Cheka weeded out and murdered those who were found to be against communist ideology. As such, Lenin weaponised terror and consolidated the Communist Party's

dominance throughout Russia, paving the way to the Union of Soviet Socialist Republics (USSR) on 30<sup>th</sup> December 1922.

## **Soviet Management**

During the period of "war communism" (1919-1921) to repel the international aggression against Russia, top-down command methods and extra-economic forms of forced labour were historically justified. After the civil war, the new policy relaxed the state's influence on the economy and an expansion of market relations.

During the transition to large-scale machine production (industrialisation) and collectivisation in the second half of the 1920s, state administration again became predominant in the countryside. Cooperatives in every branch of activity had proved to be a positive organisational and economic formation in the USSR, but the methodology behind the transition severely damaged agriculture. In fact, the policy of collectivisation was pursued by organisational-administrative means to the detriment of economic and socio-psychological management.

If, during the Great Patriotic War (1941-1945), the direct management of enterprises by the state was caused by the excessive use of the state's resources, then the state's ownership of the means of production and land perpetuated this after the war. Governance continued to be top-down until the early 1990s, before the recognition of multiple forms of ownership.

In the 1970s and 1980s, the development of the economy was obstructed by cost-reflective methods of economic management, when goals were to be achieved at any cost. The economic growth rate in the 1980s was, on average, half what it was in the 1960s and a third of what it was in the pre-war years.

In 1986, Gorbachev launched a new social reform called "perestroika". However, during the first years of perestroika, the costly system of economic management continued, leading to disproportions between industry, agriculture and other spheres of social production, growth of the state budget deficit, increased money circulation, imbalance of the consumer market. All this discredited the planned system of economy and facilitated its collapse. A negative role was played by the "500-day" programme, the purpose of which was to abolish the planned system and create conditions for market economy regulation through spontaneous prices formed under the influence of supply and demand.



In October 1991, Boris Yeltsin addressed the RSFSR Congress of People's Deputies, proposing measures to denationalise property, form a market environment and introduce new governance at all levels. From January 1992, the government switched from its mapped-out plan to market regulation based on price liberalisation.

On 12<sup>th</sup> December 1993, the Constitution of the Russian Federation was adopted, which provided a new legal basis for freedom of economic activity, entrepreneurship, and local self-governance. The freedom of economic activity opened up new opportunities for improving organisation management within Russia. However, whether or not it was effective is debateable, since many organisations still rely heavily on external factors and, above all, state management.

### **The International Context**

Meanwhile, governance overseas has different levels, directions and forms. States, municipalities and organisations all work together to streamline efforts and public interest. In turn, these interests arise in all spheres of life. They generate co-operation both at the global, regional, sub-regional (bilateral) level, and on a point-by-point basis. These forms of international management include international organisations, conferences, meetings, consultations, etc. The largest international organisation is the United Nations, which was established in 1945.

In addition to universal international bodies, there are regional ones, such as: The Organisation of African Unity (OAU); the Organisation of American States (OAS); the Association of Southeast Asian Nations (ASEAN); and the Commonwealth of Independent States (CIS). Another form of international governance is the G7 - annual meetings of the seven most economically advanced countries: US, Japan, Germany, UK, France, Italy and Canada, which first met in France in 1975. The Council of Europe was set up in 1949 and brings together over 30 countries with an aim to cooperate on human rights, culture, education, environment, health and other issues. The European Union, often called the Common Market, combines features of both an international organisation and a federation of states, aiming to deepen the integration of its member states to form an economic, customs and political union. EU countries are actively pursuing integration policies in various areas, especially in the economy. The most important step towards creating a federation of EU states was the introduction of a new single currency, the euro, on 1<sup>st</sup> January 1999, with the simultaneous abolition of national currencies.

The 1995 European Charter of Local Self-Government provides a framework for international municipal governance in Europe. It provides for the possibility to belong to international associations of local authorities, which must be recognised by law in each state.

International management is also developing at the level of enterprises and organisations in the form of transnational corporations, joint ventures, etc. In this light, training is becoming increasingly important on the ground. In recent years, there have been many publications on new developments in management - production management in Japan, USA, Sweden, Finland, France, etc. Many books on the topic have become bestsellers, including Lee Iacocca's "The Career of the Manager", Tatensi's "Eternal Spirit of Business", Ford's "My Life, My Achievements", and Sulitzer's "The Green King". Analysis of these works and attempts to apply them in practice have since allowed many managers avoid errors and find quicker and more accurate ways to solve management problems.

Works like these provide the foundation to the western understanding of management and its applications on the ground. Meanwhile, however, this knowledge in Russia is few and far between.

## **Governance in Modern-day Russia**

### **Broadening Horizons**

Foreign policy in modern Russia was largely determined by key eras: the Cold War; the aftereffects of the Soviet Union; and Putin's ascension to power. In the 90s, Russia's economy was on its knees, and the country was more than willing to work more closely with the United States and Europe. However, the West did not see it this way. Meanwhile, the West was getting stronger, and launched a policy of integrating with former Soviet socialist countries out of fear that Russia could take advantage of the power vacuum.

Since then, an increasing number of Central and Eastern European states have joined NATO (1999: Czech Republic, Hungary, Poland) and PHARE, underdoing economic restructuring with Europe's help. In addition, the military intervention in the Yugoslav War exacerbated the situation, being the final straw for Moscow, which now saw it as impossible to try and establish closer cooperation with Europe.

In order to maintain and strengthen its influence within the region, Russia has used a wealth of different tools and methods, both overt and covert: from trade manipulation through certain agreements, to continuing to fix currencies to the ruble, and deploying ethnic propaganda and intervention troops.

The development and expansion of Europe directly impacts Russia's security and economic wellbeing – a fact that the Kremlin is very well aware of. Since Putin came to power, a primary goal has been to make Russia the dominant power in the Eurasian region and restore its global position.

### **The Eurasian Union**

The Eurasian Union was established by Russia, Belarus and Kazakhstan in 2015, relying heavily on Russia economically. Other members joined voluntarily, sometimes for the sake of the union and sometimes to pursue their own interests. This is observed in the EaEU decision-making mechanism, where member states have a veto. This on the one hand, many argue that allowing vetoes is Moscow's way of avoiding allegations that it has supreme power, making it more attractive to other nations.

After 2013, the prospect of including Ukraine in the union was taken off the table. In response to Western sanctions, Russia was forced to introduce restrictions within the EaEU, such as reintroducing customs inspections to stem the flow of incoming Belarussian goods. The annexation of Crimea has also exacerbated contradictions within the union, since neither Astana nor Minsk have clear positions on the matter, and thus the countries could not integrate as closely as they had initially set out to do.

### **Culture**

Another idea central to the post-Soviet strategy is rhetoric around an ethnically and culturally bound community. Having language, culture and historical roots in common with other nations, particularly in the post-Soviet bloc, allows Russia to expand in a soft way – and in such a way that can even rival the United States. President Putin, for example, very often refers to the

growing numbers of Russians in other countries, disseminating Russian language and culture. What's more, Russia allows ethnic Russians residing in former Soviet member states and the EU to obtain Russian citizenship, slowly but surely building a community of compatriots that occupy many countries. In Ukraine, in Poroshenko's turn towards the West, Putin envisioned a Western conspiracy aimed at reducing Russian influence within Ukraine and across the world in general. The pro-Russian demonstrations and the resulting armed conflicts, and the annexation of Crimea to the Kremlin is more of a one. It can be seen as a weakening strategic tool for Ukraine, rather than a principle-based, powerful one general support based on ethnic and cultural grounds.

### **Energy Conflicts**

Another example of changes in economic relations is the role that Russian gas plays in conflicts. Overall, it can be said that the Russian market has had many advantages for Ukraine, since Moscow has cheap (below the market price) oil, natural gas, and various energy products. As a result, the Ukrainian energy sector is largely dependent on affordable Russian imports, which did a lot for Russia's economy and world influence. The first gas dispute took place in 2006, starting from the fact that Russia could not agree with Ukraine on prices for natural gas supplies. Kyiv wanted to keep hydrocarbon prices at current levels, Moscow however wanted to raise them drastically. Over the years, Ukraine became more and more clear about its intentions to secede from Russian influence. Meanwhile, Russia shared its ambitions to remain the world's largest energy exporter. Failing to negotiate, Gazprom reduced its gas output to Ukraine, which not only limited Ukraine's access but also that of Europe through Ukrainian pipelines. This dispute settled in a relatively short time, but between the two countries gas conflict is not over. This is confirmed by the 2009 gas crisis in Russia.

While Ukraine says roughly \$1.5 billion exploded due to Ukrainian debt the 2009 gas crisis, Gazprom, claims it was over \$2 billion. As a result, Russia gradually reduced the amount of gas supplied, and then finally, for a time, brought all gas supplies to a halt. Although this debate was settled by a 10-year treaty, unfavourable conditions have been imposed on Ukraine (high prices and minimum take-over volume). Since 2009, the stakes have arguably only got higher in terms of energy conflicts.

## Conclusion

This thesis has examined management theory through a historic lens, first starting with the chronology of management doctrine and applying it to the Russian context through the tsarist, Soviet, and modern eras.

Management theory as we know it in the West is relatively far removed from how it developed in Russia. In the pre-Soviet period, the tsars embraced the philosophical approach to running the country and putting the Russian stamp on the world, despite judgement from fellow European nations. While this top-down approach remains common within corporate settings today, it was Tsarist Russia's ultimate downfall: placing too much emphasis on the head of state and making their mistakes fatal. The demise of the Romanovs illustrated this in Nicholas I's lack of organisation, mission, and vision to defeat British and French troops in Crimea.

Paradoxically, in the USSR, management was built on the communist mission and vision, with almost all economic planning deeply rooted in socialism. While some Soviet leaders (namely Lenin) initially resisted western doctrine, it was later stringently applied to communist Russia and made the nation more heavily dependent on the state than ever. This, ultimately, caused irreconcilable problems as the centralised state could not socially engineer the entirety of the vast and very diverse USSR.

Initially, modern-day Russia took a new approach following the collapse of the USSR by setting out to integrate with Europe and take its place as a European nation. However, geopolitical tensions because of the Cold War meant that Russia was forced to look eastward for its economic allies in the form of the Eurasian Union.

It is not surprising, then, that the Russian system of governance and management differs from the European or American systems. Russia is truly unique in its transition from peasant life in the tsarist regime, to collectivisation under communism, to the free market all in under 150 years. Entrepreneurship, human resources, and international trade are developing, though still heavily reliant upon the state legislative process and its ambiguities and the country develops. As such, it is arguable that the Russian Federation as we know it today is several decades behind Europe, lending it new perspectives and bringing it new challenges that modern management discourse has largely failed to examine. That's not to say, however, that the Russian approach is wrong – only

time will tell. Indeed, what one country may consider outdated, may be optimal for another in different circumstances.

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