

# Are Post-Soviet Countries Able to Absorb the Knowledge-Based Company?

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## Abstract

*In this paper recommendations of recent literature on knowledge management<sup>1</sup> are confronted with the description of power relations in Russian companies, as they appear in German-language practical manuals on “Doing Business in Russia”.*

*Western observers note the strong hierarchies and authoritarian power relations in Russian companies. Due to this feature of Russian company culture, which conflicts with the recommendations of the literature on knowledge management, the innovative capacity of Russian companies is likely to be limited. This interrogation outlines directions for empirical research.*

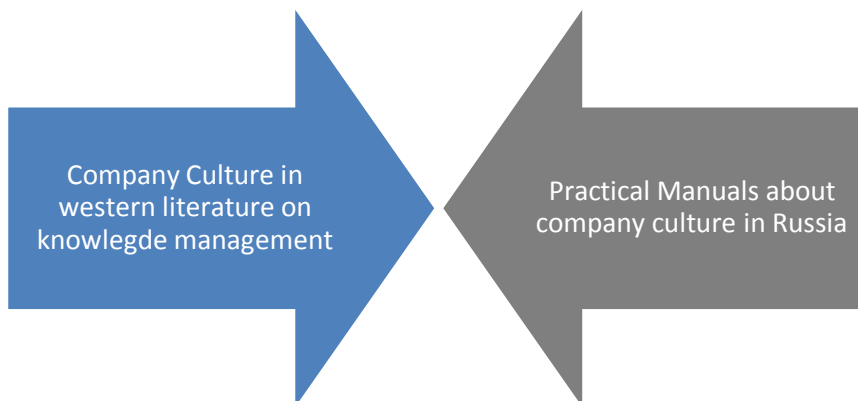


Fig. 1: Confrontation of two discourses

## 1. The Model of the Knowledge-Based Company

Since the end of the 1990s a body of literature on knowledge management has stressed that the company's success depends on the knowledge about

- customers and their preferences
- company employees and their competences
- processes creating intelligent, unmistakable and inimitable products

What is knowledge? Knowledge comprises more than just information. Knowledge is the result of an individual and collective *construction*. It includes experience, skills and attitudes and is created through processes of learning, observing, imitation, experience and communication. Transmission of knowledge from one person to another is difficult to achieve. Neither can knowledge be easily collected, stocked and distributed within an organization.

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<sup>1</sup> For this study German authors have been used. I am aware that many elements of the discourse on knowledge management have its origin in Anglo-Saxon research.

Today knowledge is considered to be the most valuable asset in a company. Yet, as it exists mainly in the heads of the employees, it is located outside the sphere of propriety rights of the company. It is a paradox that the company has limited power of control of its most valuable capital.

The employee, today re-conceived as knowledge worker, therefore becomes the crucial scarce resource of the company. Managing this resource is the key for success.

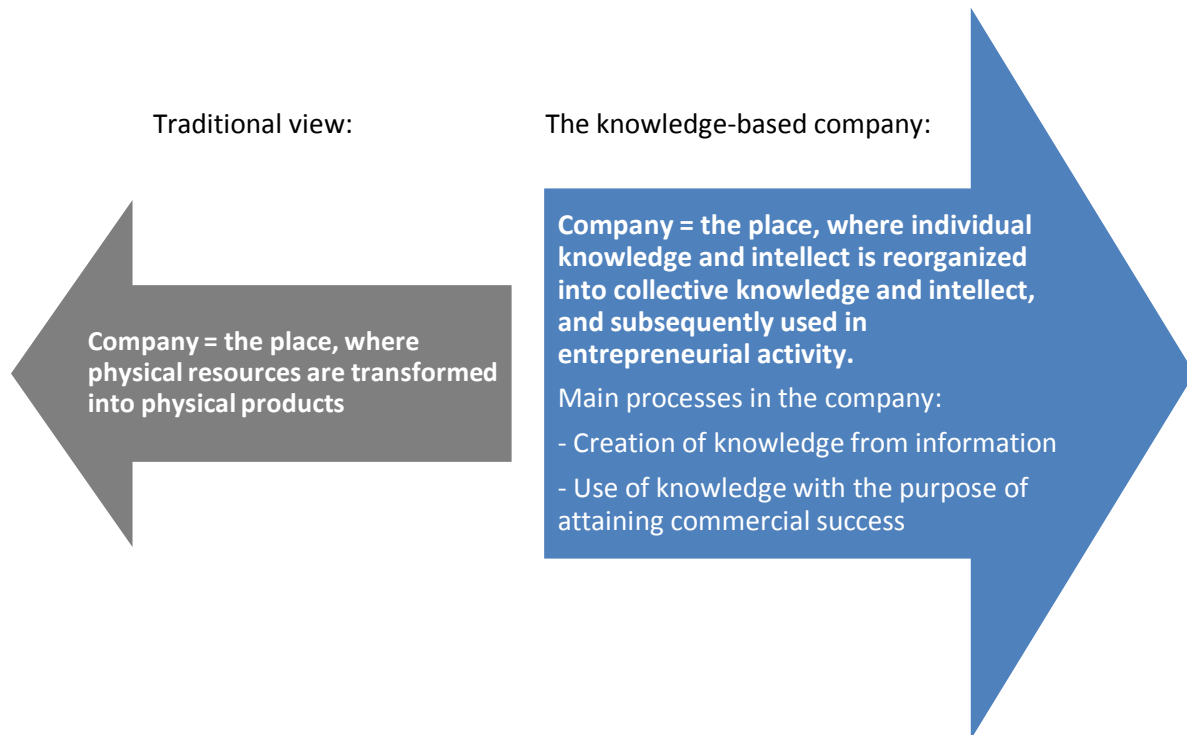


Fig. 2: A radically different view on the function of a company (definitions from North)

This conception of the company as the place, where knowledge is produced, stocked and made accessible, has wide-reaching consequences for the organizational structure of the company, as well as for personnel management.

Value-creating knowledge being located at the bottom, i.e. not at management level, it is recommended that decisions be made, whenever possible, by employees: „Whereas in hierarchy information is taken to the point of decision making, in the knowledge-oriented company decision making comes to the place, where knowledge is located.“ (North)

Ideal knowledge workers are driven by intrinsic motivation. Hierarchical structures or a too directive management style can destroy this intrinsic motivation. Mistrust or the fear of disgrace kills ideas. In order to create a stimulating work environment, employees should set challenging goals and be allowed to autonomously manage their tasks.

Consequently the superior becomes less of a control agent; his function is no longer based on power. He or she will instead offer a service: accompanying the learning process of the

knowledge workers. Management intends to *create meaning* for the knowledge workers and to bring their motivation into accordance with the goals of the company, in order to foster the identification of the employees with the organization.

A participative management style, openness and transparency go along with this conception. One crucial aspect is the creation of a culture that allows learning from one's errors. Less prescriptions and more experimental freedom contribute to what could be called a culture of innovation.

The above outlined elements are regarded as key factors for success by the analyzed literature on knowledge management.

This model of the knowledge-based company can be seen as a weberian ideal-type.

## **2. Management and Company Culture in Russia**

How do foreign observers perceive company culture in Russia? Having combed through nine manuals on „Doing Business in Russia“ written for internationalizing western companies by business consultants from Germany and Switzerland, I found that these manuals do not contradict each other. In other words the enunciations of the different authors are complementary. I therefore summarize the findings and recommendations as *one discourse*. In order not to make the text a cumbersome list of quotations, I chose to reproduce the essence of the manuals' contents.

The elements contained in the manuals can be grouped into three bundles of enunciations.<sup>2</sup>

### **a. Hierarchical conception of power**

Russian company culture is perceived by western European observers as being highly hierarchical.

According to western authors power in Russia is derived from status and political influence, in contrast to the western conception of power as a result of competence and responsibility.

Information is an important attribute of power in Russia and therefore only selectively transmitted.

It is further noted that Russian managers hardly let their subordinates participate in important decisions. Western companies are advised to dispatch negotiators on the same hierarchical level as their Russian counterparts, because persons on a lower level would not be taken in serious.

Management occurs through orders, and less by providing advice.

On the subordinates' side western authors find an absence of interiorized self-control, of self-responsibility and initiative and also a lack of confidence. Russian Staff asks for clear instructions and wants to be controlled. A Russian executive should therefore not expect the willingness of subordinates to take over responsibility. He or she is well advised to supervise every intermediary step of a process in detail (micromanagement) and should not delegate too much.

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<sup>2</sup> Often the term of „cultural standards“ is employed in this context, which I have not used, as I grouped the enunciations solely according to the purpose of my own research. Also I did not want to enter a predefined pattern of cultural standards, such as the one proposed by G. Hofstede, etc.

An executive in Russia should be authoritarian; it allows saving time and nerves. Authoritarian means assertive, goal-oriented and self-confident - anything else will fail.

As an executive you will get away with most anything. Many executives strive to squeeze their staff dry. Investment into human resources is only slowly starting.

The boss always knows everything better and never admits, if he does not know anything on a given topic. In particular there is no admission of lack of knowledge or incapability in the presence of subordinates.

This enunciation is nuanced: There is a mixture of an authoritarian and patriarchic management style - the harsh tone is sometimes compensated with praise for the subordinate; this praise can sound gushing for western ears.

In Russian companies critique always goes top-down, and never the other way around. Russian executives can be sure that staff will hardly ever contradict them openly. Subordinates yes their superiors and keep their own opinions to themselves. In case of dissent Russians prefer an „inner emigration“.

The business manuals further note the absence of a culture of constructive critique: when criticized, a subordinate is unable to separate the object of the critique, e.g. the error made, from his personality and often takes critique very personally.

### **b. Orientation towards persons (as opposed to institutions)**

The foreign business consultants state in their manuals that loyalty towards a company is uncommon in Russia. The present workplace is rather seen as a step on the career ladder or as a possibility to earn money. One should not expect of a Russian employee that he or she will be faithful to the company for a long period of time. If employees commit themselves to a company, the reason is material stability.

Instead there exist strong loyalty ties to individuals. An employee generally feels loyal to a team, and lone fighters are rare.

Loyalty appears to be the main criterion for selecting personnel. Jobs, especially key positions, are often filled on grounds of kin- or friendship, in order to ensure loyalty. For this reason companies are often coined by informal working parties.

The business manuals state: In Russia it is important, whom you know, whereas in Central Europe performance, skills and knowledge are the main sources of status and reputation. The importance of relations in Russia is valid beyond the company: if you want something to be done quickly, you just have to know the right man or woman at the right place. Then almost anything is possible.

### **c. Relativizing rules and time**

A third enunciation bundle concerns the attitude of Russians towards rules and towards time. (I believe one can consider time as a rule and combine these two aspects in one enunciation bundle.)

In Germany or Switzerland tasks are planned, structured and organized – often long in advance. In Russia rules are dealt with in a much freer way. The working style is described as being very flexible: work is done much less according to guidelines, but at one's own discretion.

In Russia general short-term thinking leads to little anticipation of potential problems. On the other hand this also leaves room for spontaneity.

Russians' improvisation talent is proverbial. Also Russian employees can display an enormous potential of motivation and energy, when all hands on deck are needed; on the other hand they are rather little motivated and unreliable for routine work.

### **3. Confrontation of the two ideal-types**

Using the ideal-type of the knowledge-based company in order to gauge the description of Russian companies, as it emerges from the business manuals, I observe the following:

Personalized trust could be seen as an opportunity, at least under certain viewpoints<sup>3</sup>. It allows informal agreements, where a Western European would require written contracts.

In the perspective of knowledge management network structures could also be seen as an opportunity, even if it is true that “in Russia anti-modern network capital predominates while organizational capital is very weak”, as critical sociologist Van Zon puts it.

Finally the talent for improvisation can be seen as an opportunity, as well. One reason for the construction of a knowledge-based company ideal-type was the search for more flexible and customized solutions. The ability to improvise appears to point into that direction.

On the contrary the strong hierarchical orientation seems to be highly problematic, due to the following closely related aspects:

- the lack of ability to be criticized
- an insufficient bottom-up feedback culture hampers collective learning by trial and error
- conflicts cannot be used productively
- the opaque use of information hardly leads to an optimal use of available data

The strong accent on hierarchy therefore appears to be a major obstacle for innovation, organizational change and development.

### **4. Directions for Empirical Research**

The ideal-type of the knowledge-oriented company has come into existence in a specific cultural context – that of western developed countries. Is it universally valid knowledge? Or would the transfer to another cultural environment, such as Russia, mean to be ethnocentric?

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<sup>3</sup> The need for personalized trust relations can also be seen as an outflow of malfunctioning societal institutions.

I formulated five hypotheses about the relationship between the perspectives of the knowledge-based company model in the post-soviet environment:



Fig. 3: Five hypotheses about the introduction of the knowledge innovation model to the post-Soviet cultural environment

The verification, which of these hypotheses best describes developments in the post-soviet environment requires empirical research. A socio-economic approach will allow studying attitudes, norms of behavior and authority patterns, and their evolution in time.

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