

Kolumne

New boys and Old hands - the problems of Western business research in Russia

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Old hands

Officially Soviet Russia's 250 million people were all one equal and similar class of beings striving for a common aim, communism. In reality, the Soviet Union was a multicultural society consisting of approximately 50 identifiably races as varied as Finnish, Germans, Tibetans, Koreans, Mongols, etc. with diverse cultures and aspirations. In Stalin's time millions of people and entire nations (e.g. Chechens) were imprisoned, sent to Siberia, or shot for telling the truth, failing the plan, not being politically correct, or for no reason at all. Consequently, Soviet enterprise managers and academics worried more about political needs than truth or accuracy, and falsified statistics to produce favorable outcomes. Towards the end of Stalinism economic statistics became state secrets, not to be published. By the Brezhnev era, when economic statistics were published again, they were absurdly inaccurate and, as a result, central planning was chaotic. Thus, to make up for the deficiencies in planning, an illegal shadow economy operated throughout the Soviet Union, which was used by everyone from consumers to factory directors.

During this period Western research of Russian business was severely limited for several reasons:

- Travel was restricted to a few cities.
- Visitors were accompanied everywhere by Intourist guides.
- Russians were afraid to give any information to foreigners
- Interpreters did not translate adverse comments.
- Foreigners were treated suspiciously if they asked too many questions.
- Statistics were inaccurate - either falsified at source or 'doctored' later.
- The government controlled and manipulated information for propaganda reasons.

Thus, however dedicated researchers were, they were restricted to the limited information available and their experience of Moscow, St Petersburg, and a few other major cities. Some researchers, such as Sheila Puffer, who attended Soviet management courses in the nineteen seventies, and Alec Nove, a Soviet economics specialist, steeped themselves in Russian culture, which is distinctly different from that in the rest of Europe. This helped them to produce more rational results from official data, which was often inaccurate, fabricated, or

issued for propaganda purposes. These researchers, and other ‘Old hands’, strived to understand the truth behind the Russian façade. This make-believe world of communist Russia with its topsy-turvy logic is described in ‘The Russians’ by Hedrick Smith (1976).

New boys

In 1991, when capitalism was legalized in Russia, activities previously punishable by death, such as selling state enterprises products for personal gain, became examples of good entrepreneurship. There was no information available describing how capitalist businesses should be managed, or how they differed from Soviet enterprises. Capitalism, under communism, had been depicted as the exploitation of the workers by fat greedy money grabbing criminals. Thus, not surprisingly, with the advent of capitalism, many of those who ran the black market during communism became leaders of the Mafia, or even ran monopoly state enterprises and banks, using their Soviet experience of fraud and intimidation. Even high-ranking government officials operated fraudulently, diverting government funds and foreign aid into their personal accounts in foreign banks. Consequently, open accounting and accurate statistical data were not encouraged.

Furthermore, the collapse of the communism infrastructure and the mass introduction of privatisation resulted in confusion and a dearth of statistical data. In addition, the government’s subsequent introduction of punitive taxes led to widespread tax evasion, fraud and falsified accounting. Thus, once again in Russia’s history, there were disincentives for business managers to be truthful and to provide accurate information. Nevertheless, because of the pressure from outside aid agencies, such as the World Bank, the Russian government produces economic statistics, although they are as misleading as those provided during communism.

Double standards have been part of the Russian way of life for centuries. Years of oppression under the tsars and later during the Soviet regime have resulted in two levels of expression in the Russian psyche: the outward everyday personality that complies with norms and expectations of society, and the inward secretive self, which is only revealed to ‘bosom pals’ in a vodka drinking session. Whilst the younger generation of Russian businessmen differ from their predecessors, cultural influences have deep long lasting roots, and the ‘new Russians’ are a product of their culture, not of Western capitalism.

The advent of capitalism in Russia created a boom of Western researchers studying business management and economics. Many of the ‘New boys’ considered that the collapse of communism created a ‘clean sheet’ uncluttered by what had gone before. These ‘New boys’ blithely accept official statistics and believe that Russians reply frankly in interviews and surveys. Thus, under the guise of objectivity, ‘New boys’ analyse statistics, from official sources,

interviews, or surveys, using the same mathematical confidence tests to prove the validity of their work that was discredited during communist central planning. Typical areas where 'New boys' make errors are explained in the following paragraphs:

Typical 'New boys' research errors

- Relying solely on statistics and mathematical confidence tests to confirm the validity of results, which shows a complete lack of understanding of the historical and current role of statistics in Russia. Russian statistics are a means to an end.
- Ignoring qualitative data and observation, which may contradict statistical analysis.
- Basing 'Russian' research on a few major cities. Thus, ignoring huge areas of Russia and different cultures, which probably would produce entirely different results.
- Studying restrictive, select, groups of Russians or statistics, and claiming that the researcher's conclusions are representative of Russians as a whole (e.g. Russians are....).
- Unwittingly, interpreting results from a Western personal construct bias (view of the world), whilst ignoring Russia's history, culture, and values, which are completely different from the rest of Europe.
- Not bothering to learn the language. Thus, having to use interpreters for interviews, case studies, and discussions, which alienates the subject and obviates frank replies
- Concentrating on objectivity rather than involvement. Thus, failing to gain the confidence of any Russians involved, which engenders formal/official results.

How then can an 'Old hand' be distinguished from a 'New boy' - by age? Not at all, a young foreign student studying in Russia with close Russian friends can be an 'Old hand', whereas a researcher with years of 'objective scientific' study of Russia could be considered a 'New boy'. The start to being an 'Old hand' is the realisation that nothing is as it seems, studying the history, literature, and culture of Russia, and getting to know the people. Take a litre of 12 year old malt whisky - share it with a Russian and swap stories - and then you have entered the real Russia. *Na zdorovye!*

Note: Pat Taylor, a fluent Russian speaker, lived in Moscow in 1973/74 as a military diplomat travelling widely around the Soviet Union. Later, as a Project Director in industry, he was responsible for the design and construction of petrochemical, electronic, railway signalling, and other projects in the Urals, Siberia, Armenia, Belarus, and the Leningrad region. Post-communist

experience has included two UK government Know-How projects on SMEs, and PhD research in Novgorod. As a Leverhulme Trust Emeritus Fellow, he is now researching a book on Russian entrepreneurship.

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