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**Report:**

Investigation into the cultural issues for 'danonizing' the Russian Bolshevik Cookie Factory.

**Date:**

Fall, 1996 - March, 2004

**To:**

CEO, Danone

**From:**

Danone Culture Research Centre, London

*prepared by:*  
ANDiDAS.COM



**DANONE**



CONTENTS:

CONTENTS APPENDIX: .....	2
EXECUTIVE SUMMARY .....	3
INTRODUCTION & BACKGROUND.....	4
The Situation at Bolshevik.....	4
Objectives .....	5
ANALYSIS.....	6
Russian National Culture & Bolshevik’s Organisational Culture.....	6
Traditional Russian Leadership .....	8
RECOMMENDATIONS.....	9
Change of Organisational Culture.....	9
Leadership Style and Strategy.....	10
Overcoming resistance to change.....	12
Disclaimer: “All models are wrong, but some are useful” .....	13
CONCLUSION.....	14
APPENDIX.....	15
BIBLIOGRAPHY & REFERENCES .....	20

CONTENTS APPENDIX:

Appendix 1: Danone Four priorities/ Core Values	16
Appendix 2: Hofstede’s Cultural dimensions	16
Appendix 4: Leadership types effective in the Russian Context	19

## EXECUTIVE SUMMARY

Danone acquired Bolshevik, a Russian biscuit manufacturer in 1994. After five years of consulting status, Danone will soon be in a position to make changes to the Bolshevik factory, which is currently suffering under various (Russian) economic problems and cultural misunderstandings with its parent company. Bolshevik's organisational culture has prevented it from competing successfully in the new Russian (mixed) market economy and prevented a swift integration of western management practices. This report outlines a strategy to make necessary changes so that Bolshevik becomes competitive and compatible with the Danone Group, while making allowances for the Russian cultural context.

Russia's national and Bolshevik's organisational culture are analysed and the issues that require particular attention are highlighted. In the same way Russian leadership is investigated.

Certain similarities with French culture have been identified that should facilitate the transformation process. Russian culture has been found to be high in power distance, high in uncertainty avoidance and collectivistic. Russians prefer strong leaders, equality and working in groups. Currently the director is involved in micromanagement, but employee empowerment makes Russians feel uncomfortable; this change should be implemented slowly and with guidance. Lay offs have to be made carefully and workers should be supported in the search for new jobs. In middle management the shift from old managers to young new managers who are familiar with capitalism is recommended. Training for the entire workforce is suggested to create familiarity with a market driven economy. Not only goals, but also the rationale behind strategy should be clearly communicated to the workforce to provide them with a greater picture that conveys the importance of their participation in the company and ensure their motivation.

Traditional leadership was highly centralised, autocratic, combined with the use of coercive power, while paternalistic at the same time. To lead Bolshevik this study recommends a bilingual and bicultural (French/Russian) manager, with an authoritative-task oriented leadership style. Work experience in both countries would be ideal. Through trust building, communication and openness a transformational leader should be able make the suggested changes. As Bolshevik's organisational culture changes, so too, should the director be able to shift his leadership style.

Effective integration management is crucial during acquisitions and mergers. Whereas an '*Anglo-Saxon-style revolutionary change approach*' works in Western companies, it is not recommended when dealing with Eastern European organisations; differences in managerial values require the application of western management to be carried out slowly, patiently and systematically.



## INTRODUCTION & BACKGROUND

It is well documented that 50% of all mergers and acquisitions fail.<sup>1</sup> Most often, different management and organisational cultures are blamed, therefore the risk<sup>2</sup> in this case will be even higher and more basic issues will require more attention than usual.

Communism has been in place for a long time and its form and effects have been well documented: 'Enterprises were state-owned hierarchical organizations in which "top-down" management predominated. Furthermore, enterprises were part of the broader "command" structure. Enterprises were responsible to ministries which passed on orders (or targets) derived from the national economic plan agreed by the Communist Party. Orders were passed down from the Party to their ministries and from them to enterprises. The role of enterprises (and their managers) was to achieve the specified plan targets.

Reflecting the hierarchical structure of the economic system, the style of management tended to be largely autocratic, [...]. Superiors gave orders to subordinates; in the event of difficulties subordinates referred problems back to their superiors. It was generally considered wiser to avoid assuming individual responsibility and taking decisions, which might turn out to be politically incorrect. As a consequence the system tended to react slowly to difficulties' (Edwards, 2002, p.124-125).

However, difficulties are exactly what arose when the Perestroika brought fundamental change to the Russian economy. The process of transition towards a market economy resulted in a mixed economy which in the early 1990s reported instability (\$115 billion foreign debt), high crime rates and corruption at various levels. Further, '[d]uring the first six months of 1991 GNP declined by 10 per cent, agricultural output went down by 11 per cent, and industrial output sank by 6 per cent.'<sup>3</sup> The international community is keen to help Russia, and make its transition a success. Russia was relatively quickly admitted into the World Bank and IMF in 1992. However, foreign direct investment is likely to be delayed until stability and security are established.

### **The Situation at Bolshevik**

So far, since 1992, Danone, although holding a majority share (87%) in Bolshevik, has had only consulting status so that changes could not be implemented without the approval of the Russian management. From 1997 onwards Danone will be able to take full managerial control of the company.

The transition of the Russian economy has led to deregulation of markets and prices and the introduction of competition and choice, at least to some degree. It is obvious that the present staff at Bolshevik had 'little idea of how to operate in a market environment and clung to outdated practices: a ponderous organizational structure, inadequate reporting, ineffective decision-making procedures, poor discipline and serious overstaffing' (Case, p.6) These facts proved it impossible for the management, in particular for Mr Shimanov, to adapt to the new situation, especially in light of the economic crisis of the early 1990s. So far efforts of French Expatriates to advise Bolshevik have been met by considerable resistance to change and

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<sup>1</sup> e.g. see Worthington & Briton, 2000, p. 224

<sup>2</sup> The concepts of risk and uncertainty are used interchangeably here

<sup>3</sup> Rugman & Hodgett, 2000, p. 565

dogmatism. To summarise: 'Foreign investment was welcome, foreign control was not'<sup>4</sup> and led to a worsening economic situation at Bolshevik.

### Objectives

Prepared by Danone's Culture Research Department, London, this report aims to

- give an understanding of Russian national and Bolshevik's organisational culture and traditional Russian leadership styles.
- Identify changes needed to make Bolshevik compatible with a market economy and the Danone Group - and the *caveats* of these changes.
- outline the profile of a leader and the leadership style most likely to succeed at making those changes to Bolshevik.



Source: author's own estimate

<sup>4</sup> Mr Ioffe in FT, 12/12/2000



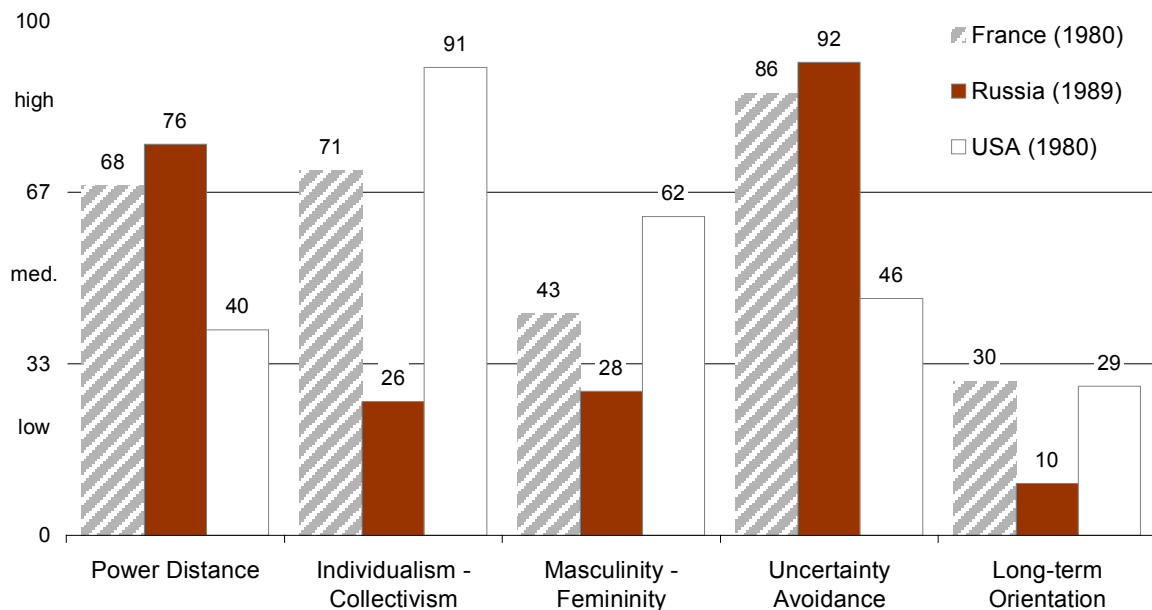
## ANALYSIS

### Russian National Culture & Bolshevik's Organisational Culture

This section will try to analyse Russian and French Culture through a small cross-cultural study. To show how Russia's national culture is likely to affect organisational cultures, Hofstede's cultural framework can be applied, which divides national cultures into dimensions. Hofstede's dimensions, are quickly outlined in [Appendix 2]. The chart illustrates the cultural dimensions of France and Russia, the USA has been included as the icon of westernisation to set differences/similarities into proportions.<sup>5</sup>

#### Hofstede's Cultural Dimensions, France (1980) & Russia (1989)

source: Hofstede, 1980 & Bollinger, 1994



*Power Distance* seems to be fairly high for both countries, possibly because both countries have a long history of monarchy and in Russia, Communism continued a one person leadership (i.e. Lenin). High power distance is also associated with autocratic, centralised leadership and inequality (Elenkov, 1998 and further references): 'Because people in lower-level positions felt helpless, they projected power onto those above them. Russians tend to be more willing than many other cultures to accept unequal distribution of power in institutions and organizations.<sup>6</sup> Paradoxically, despite Russia's Communist heritage, elitist behaviour is quite common. Even in organizations that profess egalitarianism – and many do – Russian executives place great importance on hierarchy and formal status. They distance themselves physically from the rank and file; they receive (and feel entitled to) privileges; they enjoy

<sup>5</sup> At this instance it should be pointed out that obviously due to the nature of the Soviet regime, such data has not been available for Russia before 1989. Therefore data for Russia are taken from Bollinger (1994), who used a very similar approach to Hofstede to find workable data once the iron curtain fell. Before that only estimates had been available (confer Hofstede, 1980).

<sup>6</sup> The precise ranking of the nobility instigated by Peter the Great can be seen as a forerunner of this outlook.

ceremony, pompous titles, and symbols of rank and accomplishment; and they see compromise in decision-making as a weakness' (Kets de Vries, 2000, p.76).

In comparison management research has indicated that American culture is characterised by low to moderate power distance (ibid).

*Individualism:* In Russia, self-accomplishment has been closely associated with achieving the objectives of social collectivism. In the traditional Russian society, people who strived to be better than the rest were seen as taking away the rightful share of others. Russian feel envy and resentment rather than admiration for people who earn more, even if success is obtained through hard work<sup>7</sup>. In a collectivist society, employees expect their firm to take care of them like a family does (Elenkov, 1998). This also means that employees are often absent to look after sick relatives and strongly suggests that Russian prefer to work in groups rather than individually. In western societies individualism is seen as a blessing and source of well-being and entrepreneurial spirit.

*Masculinity-Femininity:* Russia has a poor masculinity score<sup>8</sup>, fairly similar to France. This indicates that materialism isn't a top priority and reinforces the Russian desire for group belonging and security.

*Uncertainty Avoidance:* Russia shows a strong tendency towards uncertainty avoidance, similar to France. This can be attributed to Russia's history of centralised power that strictly ruled almost every aspect of organisational life. Compliance with rules was rewarded, while taking risks was discouraged and often punished (Elenkov, 1998, p.137). The fear of punishment has also fostered the practice of micromanagement<sup>9</sup> by director Shimanov. Technocrats in high positions and 'bureaucratic pathology' (Case, p.3) are likely to have developed from high uncertainty avoidance, something that is also rumoured to be the case in France! Russia's reaction in order to conform to rules and goals is *blat*<sup>10</sup> – a kind of Eastern European 'guanxi', used often in hazy areas of the law (i.e. to get around laws).

'Under Communism, state paternalism was the rule; life was planned by the state from cradle to grave. This paternalism contributed to 'learned helplessness' - the inclination to wait for instructions to come from above. It failed to teach people how to think for themselves, instead encouraging an orientation of passivity among "ordinary folks"' (Kets de Vries, 2000, p.76).

'Russian citizens were virtually guaranteed a job and a modest standard of living if they did not challenge the status quo' (Naumov and Puffer, 2000, p.712). Hence, with unemployment being an unknown condition, '[f]rom a Russian perspective, the declaration of large-scale redundancy [would breach] humanitarian principles' (Camiah and Hollinshead, 2003, p.249).

Also note the inclusion of the relatively new fifth dimension – *long term orientation* – it has been included to support what has been observed at Bolshevik; 'Russians are living in the present, they tend to focus more on what is going on, [...] than on the larger picture or the long-term ramifications of their actions. Hence they are very good at monitoring current conditions, but not as good at developing and working steadily toward long-term goals' (Kliuchevskii, 1987 quoted in Fey et al, 1999).

<sup>7</sup> This is illustrated by a Russian folk story: God once offered a Russian peasant a single wish under one condition: whatever the peasant wished for, God would grant twice as much of it to his neighbour. After mulling over the offer, the peasant finally said, "Take one of my eyes." Another Russian slogan is: "Don't live worse than your neighbour" (Naumov and Puffer, 2000, p. 715) At the same time a Russian proverb says: "It is more important to have 100 friends than 100 roubles" (Bollinger, 1994, p. 52)

<sup>8</sup> "Women know how to do everything, men do the rest" (Bollinger, 1994, p. 52)

<sup>9</sup> 'permission to open the factory gates' Case p.5

<sup>10</sup> defined as the informal exchange of favours by which resources of the Soviet centralised distribution system have been channelled into informal networks (Ledenev 2001, quoted in Camiah and Hollinshead, 2003, 248)



Russian culture, according to Hofstede's cultural dimensions, can be summarised as high in power distance and collectivism; a combination that speaks well for authoritarian leadership (Hansen, 1999, quoted in Fey et al, 2001, p 616). High uncertainty avoidance, femininity and short term focus are further characteristics of Russian culture. The implicated behaviouralistics have briefly been outlined above. French culture appears surprisingly similar, which should facilitate the "danonizing" process.

Recent (post 2000) studies suggest that Russian culture is more and more approximating Western culture; globalisation is also reaching Russia. Therefore in the long term some extreme values are expected to approximate western values as Russians understand capitalism and how to use it for their own benefit. This also means that in the long run some degree of westernisation is possible.

### **Traditional Russian Leadership**

Traditionally, Russians prefer 'a paternalistic, authoritarian management style' (Case, p.8). Russians expect an autocratic leadership (high power distance), which is offset by the paternalistic support given to subordinate's families (low individualism). This stands in stark contrast with a typical Western/American leadership of participation in decision making (small power distance) and employee's confidence and independence (high individualism) (Elenkov, 1998, p.140).

'Similar to the French System (from which it was partially derived before the Revolution), the typical Russian management structure was tightly hierarchical, with closely controlled flow of information' (Case, p.8). "Red directors" relied on belligerence and coercive power to get their message across; shouting and slamming fists on the table was common (Case, p.5). A Russian paradox of *dependence on*, but *dislike for* strong leaders has been noted in the literature (Kets de Vries, 2000).

A new breed of leaders/managers is currently emerging from the younger generation. These are people who have grown up during the Perestroika and are much more open and familiar with western culture and capitalistic values offering an unprecedented opportunity for cultural bridge building (Camiah and Hollinshead, 2003). It is expected that there will essentially be a divided workforce between the younger and older generations. It is argued that the older generation is unlikely to be able to change in a way the younger generation will be.



## RECOMMENDATIONS

### Change of Organisational Culture

The following section will outline organisational actions to create compatibility between Danone's and Bolshevik's organisational culture and *modus operandi* (see [Appendix 1] for Danone's core values). *Nota bene*: none of these changes are to be implemented rapidly (unless stated otherwise), but rather slowly and systematically.

Bolshevik has to adapt to a market economy, especially the management has to be familiar with sales, marketing and efficient production. The current director, Mr Shimanov, seems utterly unsuitable for the job; he is not familiar with the concepts of capitalism, does not seem willing to cooperate or change and his management style is not compatible with core Danone values. He should be replaced as soon as possible.

The French expatriates working at Bolshevik should be moved to the main building in order to be fully integrated and possibly more accepted in the long run. Once Danone is free to do so it should no longer stand at the 'sideline'. Strict rules to prevent theft, drunkenness, and delinquency have to be introduced immediately. Dismissal seems appropriate in those cases, a hard punishment in Russian terms.<sup>11</sup>

The continued employment of the original middle management has to be reviewed on a case-to-case basis; where managers are not willing to change (older managers are associated with greater dogmatism), new young managers should be brought in. These can be inexperienced and therefore command lower wages. Their inexperience can be addressed by in-house training, enabled by the lower wages. 'Paying a monetary bonus only benefits a firm one time in increased motivation. Training an employee has positive long-term benefits in addition to the initial motivation it creates. Thus, the extent to which Russian middle managers seem to be motivated by training programs is an important point for foreign firms to keep in mind when determining how to spend their money most effectively' (Fey et al, 1999, p.51). Training should not be limited to management, but the entire workforce should be given the opportunity to train at free evening classes where the basic concepts of a free market are explained.

Compensation is not normally related to performance,<sup>12</sup> '[e]mployees are more concerned about friendship, social contacts, and equality at work. A peer's opinion of their performance matters more than that of management. In a team environment, Russian employees – even lazy ones – will work hard if their peers do' (collectivism) (Fey et al, 1999, p.52). Thus it is recommended to use teamwork to achieve maximum effectiveness<sup>13</sup>.

It seems that staff layoffs are inevitable at Bolshevik (Case, p.6). As noted before these are extremely delicate actions in Russia (Uncertainty Avoidance). It would therefore be preferable to help dismissed employees with the search for new jobs. Due to the

<sup>11</sup> 'Theft upward reporting and fact-fudging were common at all levels, with the scale directly proportional to the loftiness of a manager's position' (Case, p. 4)

<sup>12</sup> Investment Guide for the Russian Federation (1996) published by the OECD (quoted in Fey et al, 1999, p. 52)

<sup>13</sup> Companies have reported great success with dividing the sales force into *teams*, performance was monitored by graphs posted on company walls. A positive competitive environment was created without any bonus system in place.



acknowledged too high degree of vertical integration (Case, p.4) it would be sensible to outsource certain functions. This would allow negotiating with the company taking over the outsourced function to also take over the redundant employees from Bolshevik.<sup>14</sup>

Although the Soviet era was well known for widely proclaiming goals, the rationale behind these goals was never explained to workers. It was also noted that at Bolshevik only the director had an impression of the greater picture. For change to make sense to workers, for empowerment to be effective and for staff motivation: communication of company strategy and its reason are vital.<sup>15</sup>

In the long run employee empowerment should be introduced, so that decisions are made at the level at which best information is available. However empowerment is difficult to implement (Uncertainty avoidance): employees desire to participate but not to assume responsibility (Case, p.7). Other companies report success with the introduction of a 'negative decision list' (Fey et al, 1999, p.50), a guideline of certain types of decision that should be made at specific levels of authority. If a decision is not on the list, an employee knows that the decision is his or hers to make (ibid).

In line with empowerment, lateral communication has to be improved, possibly enhanced by a flatter hierarchical structure, which eventually, will free management resources. Up-to-date computer technology has to be brought in and western accounting standards are also necessary. Benchmarking has been noted useful but difficult to realise (lack of comparisons) as a method to examine progress and room for improvement.

### **Leadership Style and Strategy<sup>16</sup>**

Choosing a leader is without doubt critical to a firm's success. It is also clear from the preceding sections that a new leader is required. There is a great number of leadership models around. This study will use a model developed by Fey et al, 2001. The reason for this, is that their model has been specifically developed to determine the most effective leadership style for the Russian context. Their model is based on a matrix created by two continuous management dimensions that have been rated as the most effective by a sample of Russian workers [Appendix 4].

*Authoritarian versus Democratic* is the most common way to classify leaders (Bass, 1990). In the authoritarian treatment the leader determines policy and work techniques, but was personal in praise or criticism to group members (for Russia this should be group based). In the democratic condition policy matters were decided on a group basis with only general procedures suggested by the leader. Organisation of work was freely decided on, and the leader was objective in praise and criticism.

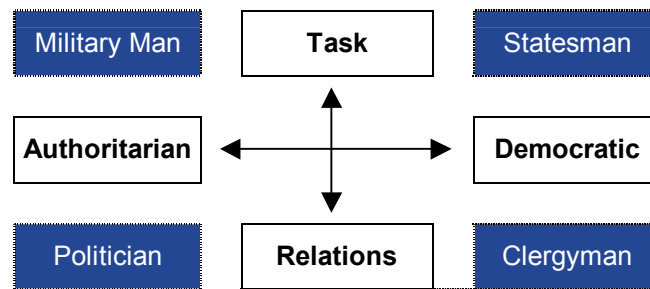
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<sup>14</sup> Suggestion inspired by Kets de Vries et al, 2000a, p.7

<sup>15</sup> a local Russian worker: 'We need to understand what the priorities are. This is very clear to westerners because they are working in their own system. It's not clear to us because capitalism is very new to us. It is very important to know what the consequences are for certain actions or non-achievement of tasks. We are playing a new game and the rules need to be explained clearly.' quoted from Camiah and Hollinshead, 2003, p.254

<sup>16</sup> Theory in this section is based on Fey, Adaeva and Vitkovskaia, 2001, *International Business Review*, 10, p. 615-643. It has been noted that this study has been conducted in 2001, and that cultural changes might have occurred since 1996. This has been taken into account and a more autocratic style than might be preferred in 2001 has been recommended for the Bolshevik of 1996.

The second important continuum, which describes leader behaviour, is the *task-orientation versus relations-orientation* continuum. At one extreme the leader organises, defines relationships, sets goals, and emphasises deadlines to ensure tasks get completed. Also referred to as ‘concern for production’. At the other extreme is the relations-oriented leader whose first priority is establishing rapport, trust, and good communication with subordinates. This dimension is also present in many other leadership models, often called ‘consideration’, ‘concern for people’, and ‘employee orientation’. Charting these orientations against each other resulted in four different leadership styles.<sup>17</sup>



(source: Fey et al, 2001)

Based on this model, in the short term of the management takeover, it is recommended that a “Military Man” leadership style is undertaken. The task side should focus on getting to grips with Bolshevik’s financial and production problems. A rather authoritative approach is recommended to conform with a style that Russians are used to. Not only is this style expected to be in the best interest of Bolshevik’s economic performance, but it is also thought that the workforce will feel more comfortable with this style.<sup>18</sup>

‘Russian executives must learn to distinguish between an authoritarian and an authoritative leadership style. Authoritative leaders provide clear vision, facilitate empowerment, fully involve their people by providing meaning, encourage their people to “own” the organization, foster openness and teamwork, exercise discipline and control by providing clear boundaries, give support, and create a sense of security. Contrary to what many Russians fear, authoritative leadership does not mean a lack of direction. When authoritarianism is replaced with authoritative leadership, all people in the organization are given an internal compass telling them where to go, explaining what life in the organization is all about, and clarifying their particular role. Under effective authoritative leadership, everyone in the organization possesses a sense of self-determination, a sense of competence, a sense of meaning, and a sense of impact’ (Kets de Vries, 2000, p.76).

‘Many scholars argue that one should distinguish between two fundamentally different forms of leadership: transactional and transformational. Transactional leaders operate within the framework of an existing organizational culture. [...] Transformational leaders, in contrast, seek to make more substantial changes based on a clear vision that they have which they try to instil in others. Transformational leaders seek to alter the organization’s culture and change the group’s need and wants.’<sup>19</sup> Indeed for Bolshevik a transformational leader is sought because a future state of compatibility between Danone and Bolshevik is sought. In the long

<sup>17</sup> See [Appendix 4] for more detailed explanations of the theory.

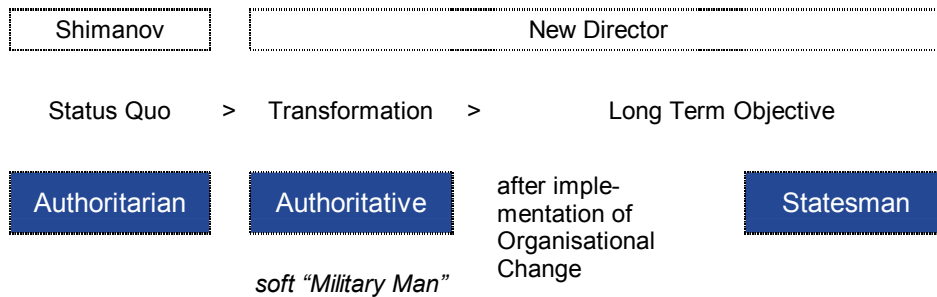
<sup>18</sup> A local Russian worker: ‘Russians speak plainly and to the point. Sometimes foreigners, and especially the British, are considered false. They seem so nice and friendly and then they are dissatisfied. Russians do not understand this. If they don’t like something they should say it clearly.’ Quoted from Camiah and Hollinshead, 2003, p.255

<sup>19</sup> Bass, 1990 quoted in Fey et al, 2001, p.619



run, if organisational culture changes are taking effect (as described above, e.g. empowerment) a shift in management style towards “statesman” is recommended.

Suggested Strategy:



source: Author’s own development

Authoritarian (Status Quo)	Authoritative (Target)
Autocratic, dictatorial, despotic, tyrannical, oppressive, illiberal  - Not compatible with Danone Core Values	Dependable, trustworthy, authentic, strict  Facilitate empowerment, involve workforce by providing meaning, encourage people to „own“, foster openness & teamwork, exercise discipline and control by providing clear boundaries, give support, create a sense of security.  - Compatible with Danone Core Values

Source: Oxford Dictionary Thesaurus, 2002 & Kets de Vries, 2000

*Profile of a suitable Leader:* A solution to the described massive culture gap<sup>20</sup> would be to find a French/Russian bicultural/bilingual leader. Ideally this person has working experience in both countries. This will be hard to find given the past Soviet emigration laws; it will be more likely to find this kind of person outside. The new director should manage the change from an authoritarian (tyrannical, oppressive) to an authoritative (direct, strict) rule (post Shimanov). Flexibility is necessary to deal with different people in the organisation who are at different levels of understanding of a market economy (i.e. new young managers and old workforce in factory).

The new director will be the main figure to implement the changes that are necessary to make Bolshevik competitive. His success in doing so will depend on his ability to build trust with his workforce. A guide on how to build trust in Russia can be found in [Appendix 3].

### Overcoming resistance to change

A range of changes have been suggested, however it is important to underline again that these should be implemented slowly and in good understanding with the workforce.

Generally, to overcome resistance to change, transformation should be implemented in small steps or incremental over a period of time that has to be looked at. Clear communication and

<sup>20</sup> ‘We don’t understand what’s going on at the Bolshevik. Maybe it’s because of the interpreters but we don’t understand what the people over there mean when they talk’ (Danone Management quoted in FT 12/12/2000)

trust building on behalf of the management should reduce resistance to change. It has been found to be useful to draw on local employees as ‘agents of change’ (Shekshnia, 1998, p.461), which reinforces a new director from a bicultural background.

**Disclaimer: “All models are wrong, but some are useful”<sup>21</sup>**

It is an illusion to think that the application of models can give an answer to real life questions, however this report has tried to outline issues that have been observed, and documented in the literature and given advice based on that. The fact that a certain leadership style has been suggested does not mean that this style has to be adhered to all the time, flexibility and common sense in every situation is an overriding principle. It is also impossible to express an omni-valid account of national culture; culture is constantly changing and differs from individual to individual. Nor is it possible to precisely extract the “national” or “organisational” part of culture from a group of individuals. This report does not deal with an exact science and therefore all recommendations are just guidelines.

The fact that certain models have been used here does not mean that the use of other models is mutually exclusive; moreover in an ideal situation a range of methods should be used to form recommendations.

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<sup>21</sup> Quote by George Box



## CONCLUSION

‘A simple replication of Western management systems is not the answer’<sup>22</sup> to an effective integration of Bolshevik into the Danone group. ‘Attempts at transferring management concepts to Russia that do not take the values of Russian managers into account have little chance of success.’<sup>23</sup>

‘Traditionally, leadership behaviour has been considered efficient in Russia only if it was based on direction and authority.’<sup>24</sup> ‘This view may be in part because Russia’s history is rich with examples of powerful leaders who helped to create a strong and stable country.’<sup>25</sup> However, different ‘to what many Russians fear, authoritative leadership does not mean a lack of direction.’<sup>26</sup> On the contrary, an authoritative leadership style will provide all employees with an ‘internal compass’ (ibid) telling them where to go, and giving their working life a meaning of what it is, that is being striven for and why!

‘Effective integration management is crucial during acquisitions and mergers. Whereas the Anglo-Saxon-style revolutionary change approach works in Western companies, it is not always the best way forward when dealing with Eastern European organizations. [...] [B]usiness practices, including rapid change, employee empowerment and a flatter hierarchy, are not necessarily appropriate in Russian organisations. Investing in Russia should be undertaken as a venture in understanding another culture, from its history to its management systems. [...] Communication is elemental, for even cornerstone concepts of business like trust, strategy and leadership can have different definitions’<sup>27</sup> in Russia.

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<sup>22</sup> Kets de Vries, 2000, p.80

<sup>23</sup> Elenkov, 1998, p.151

<sup>24</sup> Elenkov, 1998, quoted in Fey et al, 2001, p.616

<sup>25</sup> Fey et al, 2001, p.616

<sup>26</sup> Kets de Vries, 2000, p.77

<sup>27</sup> insead.ac.fr, 2000

APPENDIX

**Appendix 1: Danone Four priorities/ Core Values**

- 1) develop management resources
- 2) encourage employee involvement
- 3) enforce commitment to Danone’s professional standards
- 4) promote good citizenship

**Appendix 2: Hofstede’s Cultural dimensions:**

*1. Power Distance:*

the extent to which a society accepts the fact that power in institutions and organisations is distributed unequally. (0/small; 100/large)

*2. Uncertainty Avoidance:*

The extent to which a society feels threatened by uncertainty and ambiguous situations. (0/weak; 100/strong)

*3. Individualism – Collectivism:*

The degree to which people live in a loosely knit social structure and are motivated by selfinterests of their immediate family members, versus a tight social structure in which people distinguish between in-groups and out-groups. (0/individual; 100/collectivistic)

*4. Masculinity – Femininity:*

The extent to which the dominant values in society are masculine (assertiveness, material acquisition) rather than feminine (caring for others, quality of life, a people orientation). (0/feminine; 100/masculine)

	Power Distance	Individualism - Collectivism	Masculinity - Femininity	Uncertainty Avoidance	Long-term Orientation	Source
France (1980)	68	71	43	86	30	Hofstede, 1980
Russia (1989)	76	26	28	92	10	Bollinger, 1994
Russia (1980)	95	50	40	90	-	Hofstede, 1980 (Estimates)
Russia (2000)	40	41	55	68	-	Naumov & Puffer, 2000
USA (1980)	40	91	62	46	-	Hofstede, 1980



Country	Country	Power Distance	Uncertainty Avoidance	Individualism	Masculinity	Long term orientation
Arab countries	ARA	80	68	38	53	
Argentina	ARG	49	86	46	56	
Australia	AUL	36	51	90	61	31
Austria	AUT	11	70	55	79	
Belgium	BEL	65	94	75	54	
Brazil	BRA	69	76	38	49	65
Canada	CAN	39	48	80	52	23
Chile	CHL	63	86	23	28	
Costa Rica	COS	35	86	15	21	
Denmark	DEN	18	23	74	16	
East Africa	EAF	64	52	27	41	
Equador	ECU	78	67	8	63	
Finland	FIN	33	59	63	26	
France	FRA	68	86	71	43	
Germany FR	GER	35	65	67	66	31
Great Britain	GBR	35	35	89	66	25
Greece	GRE	60	112	35	57	
Hong Kong	HOK	68	29	25	57	96
India	HUN	77	40	48	56	61
Indonesia	IDO	78	48	14	46	
Iran	IRA	58	59	41	43	
Ireland	IRE	28	35	70	68	
Italy	ITA	50	75	76	70	
Japan	JPN	54	92	46	95	80
Mexico	MEX	81	82	30	69	
Netherlands	NET	38	53	80	14	44
Norway	NOR	31	50	69	8	
Pakistan	PAK	55	70	14	50	
Panama	PAN	95	86	11	44	
Philippines	PHI	94	44	32	64	19
Portugal	POR	63	104	27	31	
Russia	RUS	95	90	50	40	
Singapore	SIN	74	8	20	48	48
South Africa	SAF	49	49	65	63	
South Korea	SOK	60	85	18	39	75
Spain	SPA	57	86	51	42	
Sweden	SWE	31	29	71	5	33
Switzerland	SWI	34	58	68	70	
Taiwan	TAI	58	69	17	45	87
Thailand	THA	64	64	20	34	56
Turkey	TUR	66	85	37	45	
Uruguay	URU	61	100	36	38	
USA	USA	40	46	91	62	29
Venezuela	VEN	81	76	12	73	
West Africa	WAF	77	54	20	46	16
Yugoslavia	YUG	76	88	27	21	

(source: Hofstede, 1980 & 2001)



### **Appendix 3: How leaders can build trust in Russia**

(according to Kets de Vries, 2000, p.77)

- *Open communication with and between the various constituencies.*

Both leaders and their people must believe that communication is an interactive, two-way process that involves talking and listening.

- *Honesty and openness.*

Leaders must speak their mind openly, act with consistency and credibility, and build relationships characterized by fairness, mutual support, and respect. They need to "walk the talk."

- *Equanimity in the face of bad news.*

All the people in an organisation, from top management to rank-and-file employees, must be unafraid to address reality. If they are confident that the messenger of bad news will live to work another day, they will resist the temptation to fudge facts.

- *A "safe" work environment.*

In fostering a safe atmosphere, effective leaders play a containment role--that is, they create an appropriate "holding environment" to deal with the anxiety that any workplace engenders. When subordinates feel safe, they are more likely to commit themselves to a central vision, work to capacity, and speak with candor.

- *An openness to conflict.*

The conflictavoidance mode of old Russia must be replaced with a dialogue mode. Leaders must be willing to listen to the views of their subordinates, even when those views stand in opposition to their own. That openness will encourage people to act proactively and give them a greater sense of authenticity.

- *A respect for boundaries.*

Leaders must realize that power and authority are effective when they are earned, but not when they are legislated. Leaders must remember that they are there to serve their people. In that servant capacity, they must recognize their own limitations, know their strengths and weaknesses, and acknowledge their boundaries, remembering that they are not above the rules.'



## **Appendix 4: Leadership types effective in the Russian Context**

as defined by Fey et al, 2001

### *Military-man*

The following is a description of a manager in a firm in Russia. He is a man of command. People should do what he tells them to do. Initiative is not understood nor supported. Independent actions are a crime against the boss, because it is only he who decides who, what, when and how things should be done. He has his opinion about most things and rarely asks his subordinates about their views. He is primarily concentrated on results and doesn't care if people have to stay after work to finish tasks. However, he is very efficient at getting things done and works very hard himself. Most of his subordinates fear and respect him.

### *Politician*

A friend of mine described his boss, who is a manager of a Russian firm as follows: "He spends much time interacting with people who share his views. I can never know what his mood will be and how I should react to him. I should always agree with him and it is hard to predict if he will approve of my actions. He normally controls my actions questioning every detail. He always tries to greatly impress people by portraying himself as a powerful but open person. He likes to demonstrate his power when someone is watching us, but when we are alone, he is warm and friendly. He writes me detailed instructions but at the same time likes to give orders to my subordinates directly just to show, who is the boss".

### *Statesman*

The following is a description of a manager in a firm in Russia. He is very friendly with everyone in the company. He is attentive to what other people say and takes time to take their views into consideration when making decisions. If he thinks that someone else's idea is better, then he will use that idea and give its creator credit. He is supportive of people he finds interesting and competent in their field, and also to those who are open to learn new things. If he gives you an instruction he never checks whether it is done because he trusts his employees. This manager's democratic style results in a decision-making process that is viewed by most as fair, but slower, than the processes followed by some other managers. His subordinates think that he is strict but fair.

### *Clergyman*

Here is a description of a manager in a firm in Russia. He is extremely supportive and friendly in his manner. He provides teamwork and cooperation. In his decision making he strives for consensus. When he sees someone is not feeling well, he tries to find out what is the reason and provide what support he can. He likes to take care of all people around him. Employees find him reliable and often ask him for help when they need it. The main problem is that it is difficult for him to say "no". He would also like all of his subordinates to have good relations with each other.

The four leadership dimensions as identified by Fey et al, 2001 (also see [Appendix 4])

<b>Authoritarian</b>	<b>Democratic</b>
leader determines policy and work techniques, personal in praise or criticism	policy matters decided on a group basis with only general procedures suggested by the leader, organisation of work is freely decided on, leader is objective in praise and criticism
<b>Task Orientation</b>	<b>Relation Orientation</b>
organises, defines relationships, sets goals, emphasises deadlines to ensure tasks get completed, concern for production	establishing rapport, trust, and good communication with subordinates, consideration, concern for people, employee orientation

Distribution of the choices evaluating “an effective leader”

<b>characteristic</b>	<b>Number of respondents choosing characteristic</b>
<b>Democratic</b>	<b>56</b>
<b>Task oriented</b>	<b>54</b>
<b>Relation oriented</b>	<b>45</b>
<b>Authoritarian</b>	<b>33</b>
Charisma	26
Intellect and education	23
Competence	20
Honesty	18
Creativity	16
Flexibility	15
Communication	13
Organisational skills	11
Consistency	11
Assertiveness	9
Reliability	9
Hard-working	7
Decisiveness	7
Experience	6
Various other responses	16

Note: respondents were asked to list which five characteristics they felt best described an effective leader. However, some respondents only listed four characteristics.

(source: Fey et al, 2001)



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