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Paper:

The study of institutional and organisational change in CEEs. A discussion of methodology.

By

Anne Lorentzen
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Aalborg University, Fibigerstræde 13 9220 Aalborg East, Denmark, Phone +45 9635 8303, e-mail al@i4.auc.dk

Introduction

Research on the transformation processes in Central and Eastern Europe (CEE) is important in its own right, and because the region may serve as a laboratory for social scientists wanting to learn about processes of change. Many scholars would probably agree that research on Central and Eastern European transformation represents considerable challenges. One type of challenges is related to the question of what kind of theories and concepts may help to understand the processes of change. Another type of challenge meets the researcher, who is looking for empirical evidence of these same processes. My point of departure is the experience that on both levels, the theoretical and the empirical level, many pitfalls exist.

With a focus on innovation at enterprise level in CEE the first part of the paper research into the methodology of recent writings on innovation at enterprise level. The second part of the paper discuss alternative research strategies and various problems facing the researcher wanting to get evidence of the processes going on in and around Central and Eastern European companies.

I Methodology of recent contributions.

It is generally agreed that the ongoing process of transformation in Central and Eastern Europe is historically unique. Central and Eastern Europe is in many ways different from Western Europe, not only in 1990 but also today after 12 years of transformation. The question is if this insight is reflected in the methodologies applied in research?

In this section a selection of eight contributions will be analysed with respect to their methodology. The contributions all deal with innovation in relation to CEE enterprises. The starting point or general hypothesis directing this work is the idea that such research is characterized by basic methodological weaknesses. And that these weaknesses have consequences for the insights thus created and for the conclusions on how to support innovation in CEE enterprises.

The choice of contributions relevant for this paper was not large. The topic of innovation in relation to CEE enterprises is relatively new, and not much has been written about it yet. When analysing the methodology of the contributions, the paper addresses the following issues:

What is the topic of the contributions, and what is the reason or for choosing it?
What is the viewpoint of the contribution, for example theoretical, practical, enterprise, planning.
What is the type and origin of theory and the status of theory?
What is the role of history in the work?
How does the contribution understand the role of context or environment?
What types of empirical data are used in the works?
What type of conclusions do the authors draw?
These questions are discussed with a focus on possible methodological advantages or weaknesses.

The topics and intentions of the contributions

What do the papers focus at and why do they choose the topics they do? Four groups of topics emerge: a) the possible transfer of Westen management methods from West to East. b) capability development in CEE companies. c) comparison between CEE companies with Western companies and d) research methodology. Broadly speaking the intention behind the papers in group a) and b) is to find solutions to problems of innovation in CEE. The papers in group c) and d) aim at suggesting new directions for research. The papers are directly (as in group a) and b)) or indirectly (as in group c) and d)) aiming at contributing to the solution of real existing problems in the countries under transformation.

The first group of papers (a) deal with the establishment of learning networks, the overcoming of innovation barriers, and the transfer of Western managerial methods to CEE.

(Bessant & Francis 1999), deal with the use of networks to help improve manufacturing competitiveness in CEE. The article reports from a project which aimed at transferring the network approach to Romanian firms because it ‘had rendered the average firm in the West relatively efficient and effective’ (Bessant & Francis1999)378).

(Dickenson, Campbell, & Azarov 2000) want to know if Western managerial methods will work in transitional societies. Basically they find it a good idea to transfer for example TQM to CEE enterprises. The point of the paper is that the transfer of management methods to CEE is premature because of the absence of a organisational and educational infrastructure, and a corresponding management culture in the CEEs.

Innovation barriers on the way from planned to the market economy and the management of non-routine processes is the topic in a paper by (Staudt 1994). The author criticises the usual approach of Western European governments and agencies to transfer paradigms that have proven successful in the West, and suggests in stead to focus on the existing innovation potentials in CEE.

The second group of papers (b) discusses the development of capabilities in different types of firms. The role of FDI compared to local ownership is in focus.

(Fahy et al. 2000), look at the development and impact of marketing capabilities in CEE. It examines the nature of marketing capabilities across a range of firm types in Hungary, Poland and Slovenia. The study finds that firms with foreign participation have been able to develop a sophisticated level of marketing capability.

Post privatisation enterprise restructuring is the topic in (Bornstein 2001). The article discusses ways to measure results of the restructuring process, and argues that companies with the participation of foreign strategic investors have many advantages over domestic investors.

The third group of papers (c) compare companies in CEE and the West:

(Susanj 2000), compares innovative climate and culture in manufacturing organisations in 11 European countries. The objective is to test if Western and Eastern European countries differ significantly in relation to innovative climate and culture scales. The author shows that the countries did differ on specific innovative organisational values, such as pioneering, being in forefront of new technology and searching for new markets (Susanj2000):359).

(Grancelli 1995) work on the comparison of enterprise level organisation in the CEE as compared to the West. The focus of the paper is on management in State Owned Enterprises (SOEs). The article offers a critique of earlier approaches which are accused of being a 'way of not seeing'. The theories apply western organisation theories in a CEE context. It is more fruitful to compare CEE enterprises with pre-modern forms of organisation in the western history and with present day developing countries.

d. Methodology is the explicit topic of one paper.
(Motwani, Babbar, & Prasad 2001), analyse literature on operations management in transitional countries. The article quantifies the use of empirical study methods in O&M literature, where the use of survey data is the most frequent, next comes descriptive studies, and finally case studies. The author suggests more focus on changes over time, theory building and comparison with developing countries.

To sum up the topics of the articles include transfer of western methods, capability development, East-West comparison and methodology problems in relation to CEE enterprise level innovation. The reason for studying these issues is not only academic. The researchers share the intention to suggest solutions to enhance innovation and competitiveness in CEE enterprises. This intention is most likely connected to the type of financing of much of the research (EU) and its link to consultancy.

Viewpoint of the articles:

Connected to the topic and intentions of the contributions two basic viewpoints can be identified. One is the viewpoint of the practitioner, the other is the viewpoint of research. In other words, one part of the articles asks: what should be done? the other: what more do we need to know?

The *practitioner's* viewpoint is represented by (Bessant & Francis1999) by (Staudt1994), by (Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000) (Bornstein2001), and by (Dickenson, Campbell, & Azarov2000). The viewpoint of *research* is taken by (Susanj2000), (Motwani, Babbar, & Prasad2001) and by (Grancelli1995).

The papers represent relatively narrow, practical viewpoints, the viewpoint of Western advicers or of specific CEE authorities. The theoretical papers suggest research strategies. All papers have the 'outsiders' viewpoint as somebody from the West looking at the more or less exotic circumstances in the East, wanting either to understand these circumstances or to change them.

Origin, level and status of theory or approach in the contributions.

Wanting to suggest solutions to problems in CEE, what strategy do the researchers follow? To what extent do the chosen theories originate in a western context, to what extent are the approaches sensitive to CEE issues? Are any of the approaches developed in CEE or on the basis of local knowledge? What is the implication of a possible theoretical bias or 'poverty' for the insights and strategies suggested?

Three contributions apply western theories and approaches, namely (Bessant & Francis1999),(Staudt1994), and (Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000).

(Bessant & Francis1999), take their point of departure in evolutionary economic theories developed in the West. They present a theory of learning networks, which they apply on the CEE reality. The problem formulation for CEE industry is copied from experiences from the West. 'Firms often fail to learn because they are isolated and lack support for key stages in the [learning] process' ((Bessant & Francis1999):375). In the development of their approach the authors rely on a model, based on research in Western industries, contrasting mass production with customised and flexible production. There is no indication in the article of why this model should be relevant in the analysis of CEE enterprises.

A table listing general key blocks and underlying problems hindering learning is the argument for working to establish learning networks in CEE ((Bessant & Francis1999), :tab 2: 377). There is no reference to specific CEE circumstances. (Bessant & Francis1999) is thus an example a purely Western or eurocentric approach with no sensitivity to CEE problems, issues and circumstances. The danger is obviously that the understanding of the problems in Romania may be off the point and that strategically inefficient measures may be the result.

(Staudt1994) may serve as a reply to (Bessant & Francis1999). Staudt starts out to criticise the approach of Western European governments and agencies, just to copy strategies from the West that have lead to growth in the past. Contrary to that he states that there are no routines for structuring the transition from the planned to the market economy, and the experiences from innovation research cannot be directly transferred. The management of innovation is the management of non-routine processes, on a highly individualised basis, based on a new orientation of managerial tasks ((Staudt1994)802). Staudt's approach is to develop a general framework of action, not as one might have guessed, based on CEE research or experiences, but based on experiences in Western Europe.

When considering innovation strategies on regional and company level it is according to (Staudt1994):803) necessary to

1) Extend and secure existing innovation potentials
2) Systematize the learning process in the fields open to development
3) Surmount innovation barriers by means of supporting strategies.

In sum Staudt suggests a framework of analysis and of action developed on the basis of experiences in the West. There is no adaptation of the framework as such to CEE. It is supposed to be general enough to contain whatever might appear relevant to include in its practical application. The openness of the framework is an advantage. Its disadvantage is that the readers have not become much help in the understanding of what innovation issues are at stake in CEE. The sensitivity to CEE issues is related to the strategic focus on local potentials (skills and structures).

When studying the development of market capabilities in transitional economies, (Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000), combine different approaches: A literature review, a clarification of the concept of marketing capabilities, and the development of propositions or hypotheses for empirical comparative analysis. Through the literature review the authors develop the overall hypothesis, that the success of companies in transitional economies in acquiring marketing capabilities is influenced by the nature of their ownership ((Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000):68)

The literature review and the clarification of general concepts of marketing capabilities are rather abstract and based on a Western contributions and research tradition. The whole idea of what makes companies successful is based on a Western context. No consideration is made on the special environment in transoforming economies and the specific challenges this environment poses for management. This is a major weakness in the comparison of marketing capabilities in companies with five types of ownership: state owned enterprises, privatised state owned enterprises, joint ventures with former state owned enterprises, joint ventures with private firms, and finally foreign green field investment. Particularly in relation to SOEs, success criteria during the nineties have been different from those of private, market-based companies in the West, meaning that marketing capabilities may not have been in the focus of management. The challenges of SOEs have among other things consisted in the fulfilment of requirements related to the different phases of privatisation, to compensate for the sudden loss of traditional markets, to maintain employment and so on. That SOEs often have been severely handicapped compared to private companies is not a concern in the article: Just to mention one thing: the best parts of the company may have been sold out.
The lack of sensitivity to the specific situation and challenges of companies in CEE makes the comparative empirical approach little convincing. The focus is on issues, which are well developed in international companies. The whole approach is biased and the conclusions are on this background no surprise: that foreign investment is important to the development of marketing capabilities ((Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000):77). The question remains, however: how should worn down SOEs in the traditional industrial sectors be able to attract FDI?

While these three contributions draw on western theories, other approaches are developed explicitly to be sensitive to CEE problems and issues. This is the case with (Susanj2000), (Bornstein2001), (Grancelli1995) and (Dickenson, Campbell, & Azarov2000).

(Susanj2000), wants to know more about the possible differences between East and West and the problem identification is made on the basis of previous empirical studies in Central and Eastern Europe. The chosen theories of organisational innovation and factors helping or hindering innovation have been developed in the West. They serve as background for defining the role of climate and culture in innovation (Susanj2000):351). These definitions lead to the establishment of an analytical framework. The framework concentrates on employees' perception of the innovative climate and culture orientation. The purpose is to test the hypothesis, that CEE countries and Western European countries differ significantly on the innovative climate and culture scales ((Susanj2000):353). The conclusion is that there is significant difference on some, but not on all the expected points.

The research of (Susanj2000), results quite sensitive to issues in CEE because of the empirical process of problem identification and because the theoretical tool on which the research is based is a relatively open and quite general analytical framework. In this respect there is similarity with (Staudt1994). However the conclusions only point at which of the well known organisational factors influencing innovation can be found in CEE compared to Western Europe. They do not modify the theory or the framework, for example by adding new factors or new causal relationships. The suspicion remains that the author missed something.

(Bornstein2001), intends to measure the performance of former state owned enterprises in the manufacturing sector in three countries, Hungary, the Czeck Republic and Poland. He develops a conceptual approach and discusses the problem of indicators. The point of departure is taken in the definition of two key concepts; namely 'restructuring' and 'corporate governance', and of two types of measures, namely defensive measures and strategic measures ((Bornstein2001):189-190). Restructuring refers to the transformation of individual firms, including changes in corporate governance, organisational structure, management, inputs and sales ((Bornstein2001):189). Corporate governance involves control over the firm's major policies concerning production, investment and the disposition of profit, as well as the selection, motivation and monitoring of top managers who are to implement those policies ((Bornstein2001):190). Defensive measures aim at survival, while strategic measures relates to changes in the whole business strategy. The development of these concepts is made with reference to literature on CEE privatisation. A summary of selected elements of restructuring in state owned companies in the three countries ((Bornstein2001):190-195) serves as a point of departure for the detailed analysis of performance. In sum the approach reflects specific circumstances and problems in CEE.

Also the selection of performance indicators is a matter of consideration. The author argues that care is required in the selection of indicators. Several factors, as for example inflation and the wish of companies to avoid taxation, may make some indicators unreliable. And different indicators should be used in the different phases of restructuring. In the earlier phases of restructuring with a focus on labour shedding and adjustments of output, employment and sales are relevant indicators. Later on, after strategic restructuring, profitability indicators can be used ((Bornstein2001):196).

The last section of the paper introduces a different and most problematic methodology. Here Bornstein, by referring to the results of different contributions, summarises the qualitative characteristics of the restructuring by FDI, without any systematic comparison with non FDI based restructuring[1]. On this basis the author concludes that FDI is preferable as a means of restructuring in CEE.

Bornstein's approach thus from the outset reflect the specific issues at stake in CEE. This is true for the conceptual basis and for the discussion of indicators. The final discussion of the advantages of FDI is rather sketchy and would deserve a systematic comparative perspective.

(Grancelli1995), offers a theoretical paper on how best to study organisational change in state owned enterprises in CEE. His argument is supplemented by historical examples. The main message of the paper is the importance of choosing relevant approaches. The approaches used hitherto (i.e. a workerist perspective, and a strategic management approach) is nothing but a 'way of not seeing', because of their universalistic and dichotomous features ((Grancelli1995):2). A new approach must be developed, which takes into consideration the 'fake modernity' of Soviet type socialism. For example the organisation of work in socialist enterprises was not Taylorist, because it was largely

1 E.g. MNCs obtained clear control, integrated the company in the MNC's international structure, brought a body of management know-how, paid above average wages, modernised and expanded the capital stock and improved the quality of output. The author qualifies this by mentioning, that the positive performance of FDI was increased by the fact that they got the best state owned companies, and they were bigger than other companies (Bornstein,2001:196-198).

pre-Taylorist. The economic institutions of Soviet type socialism were not post-capitalist, but pre-modern ((Grancelli1995):12). It is important to understand this system in its own right, and then, and only then, to compare ((Grancelli1995):2). The socialist enterprise had to cope with two types of uncertainty, on the input side, and in the institutional environment ((Grancelli1995):10). The survival strategy of enterprise directors was therefore to hoard resources, and to create a network of relations with the political –administrative apparatus ((Grancelli1995):12). Internally the strategy was to create co-operatives, a kind of self-management ((Grancelli1995):13).

These characteristics of the Soviet type socialism implies that the East is also to be compared with a) the West during the pre-industrial or proto-industrial period and b) certain number of features of third World countries. Grancelli suggests as an alternative to the commonly used approaches to apply a Weberian perspective of modernisation and of institutional lag between East and West. On this basis he argues that we need a theory which explains the interplay between institutional and organisational changes in conditions marked by a high degree of structural and cultural continuity with the past regime.

Grancelli argues convincingly that a great effort should be made to develop an approach which should be sensitive to the reality in CEE. His point that irrelevant approaches is a 'way of not seeing' is quite strong. He has identified important characteristics in CEE socialist production, which are also relevant to consider in an analysis of present day post socialist production. He does not get far in developing an alternative approach, but the outline he makes has some important qualities. It is holistic and dynamic, and it integrates the historical perspective.

(Dickenson, Campbell, & Azarov2000), discuss the applicability of five management models in CEE. The models in question are TQM, ISO 9000, Quality Awards, Business Process Re-engineering and a special Soviet Western Hybrid model. Their approach is contextual and empirical, not theoretical. The authors assess the applicability of the models by analysing the requirements they pose for the enterprises and the society in which they are to be applied. When doing this the authors draw on a vast knowledge about CEE enterprises and institutions and a survey of the opinion of local managers ((Dickenson, Campbell, & Azarov2000):50). Based also on other research they identify many factors, which make changes in managerial practices difficult in CEE. They compare with the historical development of Japanese industry. The most important factor they point at is the industrial culture, which is not developed enough to allow the implementation of Western management methods. Their conclusion is that the context, not the managerial methods should be changed, and most important is a development of the educational and professional infrastructure which should imply the dissemination of basic principles of industrial management.

The contextual and empirical approach of (Dickenson, Campbell, & Azarov2000), is sensitive to particular CEE circumstances. Given this highly developed sensitivity, it is astonishing that the whole exercise consist in finding out, how CEE can be change to fit the existing management models, instead of asking, how would a management model look, which would fit the particular circumstances in CEE?

The last paper paper by (Motwani, Babbar, & Prasad2001) is completely different and cannot be compared with the rest of the papers. The paper is interesting because it conveys information, that empirical research is widespread in operation and management research on CEE. The authors study the operations and management literature dealing with transitional countries. They make a literature review with the following questions in mind: main research issues, trend over time in number of articles, country focus, country profile of researchers, research methodology, topic and comparison with operations and management literature in general. By counting this, and without first hand knowledge of CEE issues, they are able to conclude about the needs for future research, and their conclusion is close to Grancelli above: We need more knowledge on change over time, theory building and comparison of CEE with developing countries.

In sum, when choosing approach most researchers choose theories which originate in the West. Some papers apply western theories without modification, while other papers explicitly try to be open to specific CEE issues. This openness is related to either a high level of abstraction, or to the development of specific concepts relevant for CEE issues. But in each case, the point of departure is basically theories developed in a western context. To overcome this limitation a few papers consider context and history more profoundly.

The role of history and of contextual matters

The papers consider the history, heritage and present circumstances in different ways.
Three papers have no reference to context or history at all, namely (Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000) and (Motwani, Babbar, & Prasad2001).

Most papers consider the specific CEE history, heritage or specific circumstance as blocks and barriers to innovation (Bessant & Francis1999), (Susanj2000), (Dickenson, Campbell, & Azarov2000) and (Grancelli1995). Only (Staudt1994), regard local circumstances as representing potentials, as he considers local knowledge as an innovative potential.

Only few papers look at the role of history in some detail, namely (Bornstein2001) and (Grancelli1995) while another few analyse more profoundly the role of context to the performance of companies: (Susanj2000) and (Dickenson, Campbell, & Azarov2000).

In sum it is not common to spend much thought on the role of history, heritage and context to the innovation of companies in CEE. The historical and contextual analyses, to the extent that they are included in the papers, approach historical and contextual issues as blocks and barriers to innovation. The lack of historical and contextual analyses may be considered as a major methodological weakness, because such analyses may reveal institutional and organisational mechanisms of great importance to the understanding of the innovative performance of CEE companies.

Datatypes

Having argued in favour of empirical work, the importance of context and heritage, the question that follow regards the types of empirical data the researchers use.

Some papers do not refer to empirical information at all. This is the case with (Staudt1994), and (Grancelli1995). Some papers refer broadly to experiences done by the researchers themselves in CEE countries ((Bessant & Francis1999) and (Dickenson, Campbell, & Azarov2000), or refer to empirical results produced by others ((Bornstein2001). Finally three papers present empirical analysis based on primary quantitative data, namely (Susanj2000), (Motwani, Babbar, & Prasad2001), and (Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000). Qualitative data played only a minor role in a pilot study in the work of (Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000). These three studies deserve some attention.

(Susanj2000), has collected data by the use of questionnaires in 21 manufacturing organisations in 11 European countries. The respondents were asked to rate, on a six point scale (from 'never' to 'always') the frequency of certain practices in their organisation ((Susanj2000):354). The data is presented and discussed in some detail. The problems are that the number of organisations in each country is relatively small, and that the sampling instructions were not followed in all countries. Another problem shared by many others is that the data refer to one point in time only, so that they cannot reveal anything about change (Susanj2000):358).

(Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000), made two phases of fieldwork in Hungary, Poland and Slovenia. First a series of in-depth studies were conducted by local academics, twelve in Hungary, eleven in both Poland and Slovenia. The cases were used to explore local manager's understanding of marketing terminology concepts and tools. The second phase consisted of a quantitative study. Respondents were asked to judge whether results in the company were better, the same or worse than budget, the previous year and their main competitors. Enterprises employing 20 people or more, a mailing sample was constructed. In Hungary 3000 firms, in Poland 2000 firms and in Slovenia 1.581 firms were on the mailing list. The response rate was 25%, and the samples were broadly representative in terms of industry classification and ownership structure. Eight years of research involving 1.600 enterprises is an impressingly large study, the focus of which is comparatively narrow and precise. The results are statistically significant. They key problem is methodological. The biased perceptions on which the questions were based, and which lead to the foreseeable conclusion that firms with FDI make strong gains over their local rivals.

(Motwani, Babbar, & Prasad2001) is a special case. They look at all articles published in 32 journals during 1986-1997. They search the articles for their issues, trend over time in number of articles, country focus, country profile of researcher, research methodology, topic and comparison with organisation and management literature in general. These data are quantified and analysed statistically. It is a challenging idea to quantify such basically qualitative data and then to draw some qualitative conclusions on basis of that: what needs to be done by future research.

In sum empirical work is not part of many of the papers, and if it is, it is based on quantitative methods. The problem with the quantitative methods used in the mentioned articles is that it is difficult to get enough respondents, and that basic understandings may escape the researcher.

Type of conclusions

Applying basically western theories and including little or mainly quantitative data, what conclusions are the papers able to draw?

There are different types of conclusions in the papers, and often several types in each paper. Most papers draw action oriented conclusions related to policy and management issues. Two papers suggest issues for further research.

(Bessant & Francis1999), draw action oriented conclusions, as well as conclusions about future research. Closely related to their theoretical point of departure the authors conclude that it is necessary to exert a pressure on firms to enter a learning cycle and to facilitate the formation and operation of such networks. (Staudt1994), draws theoretical conclusions with action oriented implications: Only one way remains, the creation of new qualifications based on existing potentials.

(Susanj2000) draws empirically based and action oriented conclusions: it is important to develop a culture that emphasises specific innovative organisational values, such as pioneering, being in the forefront of new technology and searching for new markets.

(Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000) draws empirically based action oriented conclusions. Because privatisation through FSI is a much more effective mechanism for the development of important capabilities that privatisation through domestic investment, this suggests that a re-examination of attitudes towards foreign investment might be in the best long-term interests of the region (Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj2000): 77).

(Bornstein2001), draws descriptive, methodological and action oriented conclusions. He summarises the main elements of restructuring, the relevant indicators measuring the results of restructuring. Finally he suggests that foreign strategic investors have many advantages over domestic investors, and they may have an important role in expanding transition economies' participation in the globalisation of production.

(Dickenson, Campbell, & Azarov2000):55), draws an action oriented conclusion, based on empirical work and an a priori preference for TQM: The creation of an organisational and educational infrastructure would be a significant step in raising the level of industrial culture so that the implementation of Total Quality Management would be possible. But it is too early, according to these authors, to detail a model to improve post-communist industrial management.

(Grancelli1995), draws theoretical conclusions: Institutional theory which merely explains why organisations resist or adopt change is not enough. In order to improve East-West comparative analysis we also need a theory, which explains the interplay between institutional and organisational changes in conditions marked by a high degree of structural and cultural continuity with the past regime.

(Motwani, Babbar, & Prasad2001) concludes in relation to future research needs: It would be of value to know more about changes over time, theory building, and comparison with some development countries. More basically they ask for research which could examine whether current international operations theory is generalisable to transitional economies. They, and (Staudt1994), are the only ones who question the generalisability of Western Theories to CEE.

In sum, in line with the intentions behind the papers, the focus in the conclusions is on action. The papers basically focus on the transfer of western methods, values and resources, while local potentials are not sought. The papers suggest to facilitate learning networks and decision making in enterprises, to create new qualifications and new values in favour of innovation, and to develop the organisational and educational infrastructure as a basis for such new values. Several papers suggest to stimulate FDI as a lever of capability building, growth and globalisation. While on some limited points such transfer strategies may have positive results they are not likely to be socially sustainable. Suggestions for future research reach further into the premises of change as these suggestions regard the understanding of the interplay between institutional and organisational change and the question of whether the theories (in casu operation and management theories) are generalisable to a CEE context.

Conclusion to section I

The reading of selected contributions on enterprise development and innovation in CEE has illustrated the presence of common methodological weaknesses.
The papers deal with transfer of management methods and with capability building in CEE enterprises. They directly or indirectly aim at contributing to the solution of real existing problems in CEE enterprises. Most papers take the viewpoint of the practitioner, and all of them represent the view of the 'outsider' from the West. With action oriented intentions it is very important to be able to make correct diagnosis, and this requires adequate tools. Do the chosen theoretical approaches serve the purpose?

When analysing the approaches of the papers it appears that most papers chose approaches and theories, which originate in the West, reflecting Western experiences. On the other hand most papers apply approaches which are so general that they are also quite open to other experiences as well. Actually only one paper developed an approach specifically reflecting CEE issues. It can be argued that because of their approaches, important insights are generally missed, resulting in rather questionable suggestions for action.

Considering the uniqueness of the processes of transformation in CEE it is astonishing, that the papers spend so little effort on the role of history, heritage and context when discussing the innovation of companies in CEE. To the extent that these aspects are included, they, in half of the papers, are regarded merely as blocks and barriers to innovation. Only one paper regards local competencies as a potential, not a barrier.

The research methodology of the papers give high priority to theory and low priority to empirical research. Only few of the papers represent empirical research results, and they apply quantitative empirical methods in which basic understandings escape the researchers. The most interesting suggestions regard the question of whether theories from the West (in casu operation and management theories, and organisation theory) are generalisable to a CEE context, and to develop insights about the interplay between institutional and organisational change.

II Towards a new research strategy

The requirements to alternative approaches

The discussion above has illustrated the existence of methodological weaknesses in research related to innovation in CEE enterprises. Alternative methodologies are needed, and the following section outlines some criteria for alternative approaches, and empirically based research strategies.

No theories seem to explain the different processes of transformation in CEE. The question is what strategy to follow when trying to develop insights about these processes? One strategy is to transfer and apply theories from the West without further discussion or adaptation. It has been argued above that this is no recommendable strategy. Another strategy would be to develop western theories to make them cover better particular processes or conflicts of the CEE but if the basic theories are fundamentally misleading, then corrections do not make them better. Finally research might jump out in the deep and leave western theories altogether.

Basically it can be argued that there is a need to leave the focus on theories and develop a more humble attitude to the societal processes in front of us. In an interpretation of the works of Bordieux and Deyfuss and Dreufyss, Flyvbjerg ((Flyvbjerg 2001):46) writes that 'Human activity cannot be reduced to a set of rules, and without rules there can be no theory'. Concrete, context dependent knowledge is more valuable than the vain search for predictive theories and universals (Flyvbjerg2001):73).

Without subscribing to the viewpoint of the complete uselessness of theory building I would take this a general argument in favour of empirical research. Theories not only open our eyes, they may close our eyes to important phenomena and relations. Theories may represent a 'way of not seeing'. The transfer of western theories to CEE context is an example of this.

It is possible on the basis of he discussion in section I to draw some tentative conclusions concerning the requirements to approaches that should serve the analysis of factors influencing innovation in CEE enterprises. The approach need be open towards the following issues:

- The heritage from socialism
- The industrial culture
- The context of the firms in terms of institutions and infrastructure
- The existing innovation potentials in CEE companies and society
- The ongoing processes of change and learning in CEE societies and within companies
- It is a good idea to develop middle level approaches in a dialogue with empirical input.
- Find more relevant references for comparison.

In sum the approach needed when studying CEE enterprise level innovation should be holistic (encompassing a complexity of mutually dependent factors) and dynamic (include processes of change).

In a recent book on innovation in CEE industry ((Lorentzen, Widmaier, & Laki 1999)) work has been done on the role of the heritage from socialism, and the importance of past institutions and culture was illustrated by many examples. In relation to innovation it was shown how local potentials were used and how companies had learned to cope in the specific and difficult situation of crisis and transformation in Hungarian industry. ((Lorentzen 1999)).

Even if it would seem an advantage to dispose of general insights about the process of transformation, theory building is probably premature. Alternatively it is necessary to be humble towards the societal processes going on in CEE and study them in their own right, and with respect to their complexity and their history.

As a strategy directing such research a development of analytical frameworks in a dialogue with empirical input seems recommendable. Such an analytical framework should include a view of the company as well as on its context in the material and institutional context. It should consider possible interdependencies, whereas the identification of causal relations would belong to the empirical work. In sum empirical research work should play the major part in any research work on CEE enterprises and society.

The status and challenges of empirical research

Even though, as the examples show, empirical research on enterprise level innovation in CEE is not absent, it is not methodologically strong either. A few reasons for this could be suggested: One reason might be the general lower status of empirical research in the social and economic sciences, as compared to theoretical research. This is probably one of the factors which explain that not much systematic effort to develop the field seems to be done. Secondly, talking about empirical research methodologies, quantitative empirical methods have more status than qualitative empirical methods. Quantitative empirical methods work on seemingly hard facts and resemble in that respect the natural sciences. Also the results of quantitative empirical research are easy to generalise and connect to theory building. In comparison qualitative methods are not as easy to connect to the demands of generality and the needs of theory building, and there is less of an agreement on what specific methods to apply. Much depends on the imagination of the individual researcher and the research team (Andersen 1995).
While the motivation for empirical research may not be high, practical problems add to the weak position of empirical research. In the following section some of the problems related to empirical research will be discussed.

Regardless of specific choice of empirical research methodology sources of information is a problem in itself in research dealing with CEE issues. The problems may be summarised as: the access to information, and terminology and language.

The organisation of statistics, historically and territorially

Studying enterprise development there are a number of aggregate developments, which are useful to follow. Statistics on production, investment, sales, employment, number of enterprises, branch structure and regional development of industry, is useful background information for any research on enterprise development. It was certainly of great interest for the project on Hungary that I started to work on in 1992 **2**. The trouble was that information about these issues was very difficult too get.

In the beginning of the 1990s aggregate socio-economic statistics of any kind of the CEE countries were not readily accessible **3**. Public data collection practices were based on the needs of the planned economy. The sectorised organisation of the planned economy was reflected in the data collection and data publication practices. Each ministry or each department of ministry took care of its own data collection. Procedures were relatively slow, and published data were already some years old at the date of their publication. Data was not meant for the general public but for the specialists in the ministries, and was difficult to get hold of, as each authority collected and published its own data. Age, accessibility and the way data collection and publication was organised represented a problem for research.

Further, for the Western researcher it was a problem that the organisation of data did not match the organisation of data used internationally. Data on manufacturing was not collected and compared by one organisation, but collected by different ministries. For example the ministry of agriculture in Budapest collected information about the food processing industry integrated in the figures on agricultural production, while the ministry of economy collected most other data on manufacturing, and no joint publications on industry were made. Also no regional separation of data on industry was made, but only the national aggregates. The unit of measure was not immediately comparable with international statistics, for example in production, when the measure of weight or volume was used. Measures in local exchange were not of much help, due to inflation rate and artificial prices. In the case of Hungary, statistics were published only in Hungarian. This has changed during the last four years or so, when the Central statistical office in Budapest has made a large publication program in English. In Poland in comparison, many statistics are still only available in Polish.

Apart from difficulties related to accessibility, structure of data, terminology and, language the interpretation of statistics from Central and Eastern Europe was, and partly still is very difficult because of uncertainty regarding: What is industry? How are industrial branches defined? What is an enterprise?4 How are sales registered? How large is the hidden employment? What is the practice of

2 The project on technological development in Hungarian industry after 1989 was made from 1992 to 1997.

3 The information on the data collection in the planned economy is based on my impression during many visits in Poland and Hungary since 1992.

4 The question what is an enterprise, relates to the uncertainty and the change of the legal status of different State owned and formerly state owned production units. One big company might have turned into four independent companies. This of course represents a growth in the number of enterprises, but not a growth in entrepreneurial activity. During the process of privatisation large state owned enterprises have been split up into smaller profit generating units. Earlier departments of SOEs continue to trade with the old partners in the SOE, which also have been turned into independent units. Formally this represent a growth in sales, without anything

regional (county-level) level registration?

More recently some of the most aggregate data have been made accessible through international organisations. The European Bank of Reconstruction and Development have published annual Transition Reports on CEE and the SIS countries since 1995 (European Bank for Reconstruction and Development 1998). The WIIW in Vienna publishes aggregate macroeconomic statistics on the whole CEE (The Vienna Institute for International Economic Studies 2000).
Specific data on the development of industry is still not easy to get. One achievement is the work done on SMEs in both Hungary and Poland, supported by the European Union (Czako & Vajda 1993; Laky 1994; Polish Agency for Enterprise Development 2001).

The different troubles in getting aggregate statistical information on the development in the CEE makes the use of primary empirical information more important. Often a researcher is left with no other possibility than to create his or her own database, even on issues where this is considered redundant in a Western context. In CEE research it can be a big achievement to map out and to describe bits of the empirical field.

The access to organisations and companies

The access to companies and organisations is a precondition for generating primary data, for the stydy of innovation in CEE enterprises. Here again the target is moving.
The radical reorganisation of the state, and the many reforms being introduced implies the disappearence of many state departments and offices and the creation of new ones. Also international organisations and foreign governments are involved in the establishment of new bodies and agencies in different fields in CEE. This is very much the case in relation to organisations dealing with business development and innovation.
In Poland a lot has happended since 1990 concerning public involvement in business development and innovation, and changes seem to continue 5. As a consequence hardly anyone has got a perfect overview of organisations dealing with these topics. For example it was necessary to invite a foreign consultancy firm to try to map out the field of science and technology organisations in order to be able to suggest changes 6. There is no reason to believe that the transparency is any larger in other CEE countries.

The continuous change and lack of institutional transparency represent a challenge and a task for research. In the case of my project I chose to map out the history and the structure of the institutions dealing with business development and innovation. Written sources were scarce and fragmented, so when trying to map out the development it appears that there is no alternative to being on location, meeting people, letting locally involved experts and officials tell their story of the changes going on. When contact has been established it is my experience that the doors are open to more visits and further investigation.

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being changed than the way the exchange is registered.
5 See(Lorentzen 2000) (Lorentzen 2001) for an overview of the changes in business development and technology organisations and initiatives in Poland since 1989.
6 Danish Technological Insitute was involved in the Sci-Tech programme in Poland. This programme aimed at mapping out the field and suggesting reorganisation

Information from enterprises is of course of crucial interest when studying enterprise development and innovation. It is therefor necessary to construct some kind of sample of enterprises for a closer study. Apart from the legal uncertainties regarding the enterprise, whether it is actually an independent company or not, there are other questions to solve. Before choosing the individual enterprises of the population or the sample, criteria must be defined. Whether we want the sample to be representative or special in some sense (for example success stories of innovation) it is necessary to have some background knowledge of the field. Aggregate as well as individual knowledge on enterprises is needed. What for example is the total number of enterprises, what is their size distribution and what do they produce? During most of the nineties it was not possible to find official publications on these issues. Recently national and regional statistics in Hungary provide some of this information.

One thing is the overview of enterprises, which is difficult enough to establish. The other is to choose and find enterprises for at closer study. Usually the entrance to enterprise level information would be a company register, but such registers did not seem to exist. In relation to Hungary I managed to find a register published in German as a point of departure for selection and location of enterprises (compalmanach Kiadói Kft 1996). In Poland where I found no such register until now, I have had to ask the help from local business development organisations.

Once the company is chosen and the location identified, the researcher faces the challenge of getting into contact with the enterprise and of being accepted in the company.

In the beginning of the 1990s the contact with enterprises, was not easy to get, for reasons of technology and infrastructure. For example in where I started research in 1993 telephone lines were very few. Fax and phone numbers blocked each other. Phone and fax numbers were continuously changed. Mail was slow. Letters disappeared. Cell phones and e-mail was only in the very beginning and the number of computers with internet connection were negligible. It thus took a lot of work just to establish contact with somebody in a company. In those days, when contact was established, it was no major problem to be admitted to the company for a visit or an interview, once the company was convinced that the visitor was not practising industrial espionage or some kind of tax control. Admittance was easy, probably because the Western researcher was still considered exotic, and the number of us still not overwhelming.

My more recent research in Poland has proven to have almost the opposite problem. Means of communication have developed considerably during the nineties, so once the different addresses have been found, it is no problem to establish contact, apart of course from language problems. E-mail works wonderfully, mail tolerably, and the fax and phone system operates satisfactorily. However the motivation of the enterprises to receive researchers seem to have decreased. The motivation of company managers to spend time with researchers has decreased because of the penetration of the market economy in the daily operations of the enterprises. The time factor has gained importance compared with earlier, and managers have become considerably more busy. Also suspiciousness has not decreased, because foreigner visitors often represent foreign firms wanting to get a foothold on the market or buy out local companies. But once the admittance is given, it is my experience that information flow freely in a friendly atmosphere.

The value of qualitative data

When considering empirical research strategies, it can be argued that qualitative methods are particularly useful in connection with research in CEE issues. Qualitative methods are useful in explorative studies, and when there is no other access to information, than ‘to go and ask’. Both criteria are relevant in research on innovation in CEE enterprises. In my projects in Hungary and Poland the qualitative interview has been a major empirical input. I had to make explorative research, to map out the field, and I had to dig into issues where no other type of information was available. These issues concerned both the ‘how’ and the ‘why’ of the behaviour of companies These issues were for example the motivation of managers to innovate products, processes, and organisation, their motivation to cooperate with other companies and organisations, and their visions for the future. I wanted to detect shortcomings in the strategies of managers as well as of authorities7.

The interviews were made in a semi-structured way with open-ended questions. This form allowed the interview situation to develop into a ‘learning laboratory’ for both interviewee and interviewer.
The interviewer listens carefully to the answers and follows a new the track, if some questions are of particular importance to the interviewee. This technique is open to surprises in terms of new angels, interpretations or facts.

To the interviewee the questions follow the logic of the researcher. The questions are new and unusual to the interviewee, and this may represent problems of common interpretation between interviewer and interviewee. Part of the work of doing an interview consists in explaining the meaning of the questions. Through this process the interviewee not only give information. He or she also receives information, which maybe turn into new insights. The questions and the discussion make him/her think in new ways about the company

In this way the open-ended qualitative interviews allow both participants to learn something new. Not only cognitive learning is on the agenda, so is change, because the interview changes the possibilities of the interviewee to make decisions in the company. The presentation and discussion of research results with authorities and representatives from companies potentially lead to more informed decisions about policies.8

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7 (Yin 1994) has made a classic book on ‘case study research’ in which is useful to consider when planning empirical research.
8 The empirical research strategy described here has some of the characteristics of action research as defined by Argyris, Putnam and Smith 1987 as quoted in (Andersen 1999).

Conclusion to section II

In section II it has been argued that new approaches should be developed to the study of innovation in CEE enterprises. It is necessary to maintain a dialogue between theory and empirical reality when trying to develop insights about CEE issues. One strategy is to develop comprehensive analytical frameworks, which include the complex relations between different spheres. Such frameworks should serve as guideline but in no case substitute empirical work. Empirical research should in any case play a major part.
Due to the lack of transparency and due to the continuous changes in the CEE societies empirical research requires many resources. It can be argued that traditional quantitative methods have serious shortcomings in the CEE context. They cannot stand alone. Qualitative research methods are necessary if knowledge of determinants of innovation in CEE is to be produced. It can be argued that very open qualitative methods are suitable to enterprise studies in CEE.

Postscript

Having spent years, collecting interviews in CEE, months analyzing them and more months writing about the results, the reaction of colleagues may sometimes be somewhat disappointing. 'So what?' is a question heard more than once by me and other colleagues at the presentation of our papers. I interpret the 'so what' as the expression of an unfulfilled expectation. The usual expectation which researchers have to hear about the theoretical implications of empirical findings. Did the findings confirm what we already new or add new variations to our usual theories?
In my paper I have argued why new empirical information on innovation in CEE enterprises is valuable in its own right, and not because it matches or not some known theories from the West. The search for causal relationships is not in the first hand a theoretical matter but a matter for empirical research.

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