

## CHAPTER V.12

# CULTURE AND MANAGEMENT IN ROMANIA: MANAGING FOR VALUE WHILE MANAGING THE AUTOCRATIC VALUES

ADRIAN BORUZ<sup>1</sup>

**Abstract.** This chapter offers an illustration of how management practices could be analyzed by understanding the underlining values on which these practices are built. It does so by analyzing the relationship between culture and management in Romania. Romania is second only to Poland in terms of market size in Eastern Europe and has recently joined the European Union. However, Romania is a country in which the acceptance of and desire for an autocratic system, as well as of values of equal incentives, are still present today more than in any other country in European Union. The analysis presented in this chapter offers a perspective on how these autocratic values influenced management practices and highlights their persistence over time. Furthermore, the chapter discusses how some managers in Romania create value for their companies while managing the autocratic values. The analysis includes most types of commercial organizations operating in Romania between 1990 and 2004, competing with international companies in either domestic or global markets. This chapter proposes a

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1. Adrian Boruz is finishing a Ph.D. in Business and Management at the University of Nottingham Business School. His research interests are: organizational restructuring, management in Eastern Europe, mergers and acquisitions. Adrian was awarded third prize in the competition for young researchers (under 35) organized by the *Journal for East European Management Studies* in 2003. Adrian has managed projects and has been involved in consulting assignments with organizations in Romania and the UK.

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framework for understanding the relationship between Romanian culture and management practices. It argues that through organizational cultures, companies can manage the existing cultural values while creating value for their stakeholders.

## INTRODUCTION

This chapter discusses the relationship between culture and management practices in the context of Romania. It also presents some of the management practices developed in Romania by managers concerned with creating value for their companies, while managing the autocratic values specific to the autocratic systems in Romania. Romania is the second largest market in Eastern Europe after Poland. It has been a member of NATO since 2004 and it became a member of the European Union on 1 January 2007. Thus, the timing of this chapter could not be better since, for those interested in doing business in Romania, it may offer an understanding of how the investment opportunities in Romania could be better exploited, from a managerial point of view. For others, the chapter offers a perspective on how managerial practices can be analyzed in order to understand the impact of culture and management practices upon employee behaviour.

The aim of this chapter is to discuss management practices in Romania and the ways in which these practices were influenced by and rooted in Romanian culture between 1990 and 2004, a period of complex managerial and economic transformation. The chapter takes into account the values that dominate Romanian culture and which were constructed and reconstructed over long periods of political struggle and dictatorship. Consequently, it also offers a glimpse into the history of Romania prior to 1990. Furthermore, when talking about Romanian culture, the chapter discusses why and how the values to which Romanians refer to as Romanian mentality have persisted, before and after 1990.

The aim here is to offer a historic background of transition in Romania and to discuss management practices in most types of commercial organizations operating in Romania between 1990 and 2002. The organizations analyzed vary both in terms of size, ranging between small, medium-sized (SME), and large enterprises, and ownership structure (i.e., state-owned enterprises, formerly state-owned enterprises privatized through management-buy-out state-owned enterprises, private international firms, and private firms owned by Romanian investors).

The chapter is structured in five parts. The first part offers a historical perspective on culture and managerial practices in Romania between 1967

and 1989. This is the period indicated by managers in Romania as having influenced subsequent managerial practices observed between 1990 and 2004. The second part of the chapter discusses management and culture during the first period of transition (1990-1996) when the state had multiple, yet to some extent conflicting, roles in the economy: regulator, major shareholder in large organizations, and promoter of social protectionist measures. Next, this chapter examines management and culture in the second part of the transition period (1997-2004), when more international companies entered the domestic market, the SME sector developed, and more Romanian companies became increasingly dependent on exports. Creating value for shareholders and stakeholders became a more difficult task during this period since the competitive landscape changed for many of the companies in Romania. Yet autocratic values (e.g. bureaucracy, top down decision making) were still present. In this period the companies analyzed were fighting for survival and profits by competing with international companies in internal or external markets. The fourth part proposes a framework for understanding the relationship between Romanian culture and management practices. Finally, this chapter concludes by briefly discussing the practical implications of studying the relationship between management and culture at the national and organizational level.

### **ROMANIA: A HISTORICAL PERSPECTIVE PRIOR TO 1989**

Romania has had a history of struggling for independence and unity under the pressure of numerous migrations and conquests. It was established by the Dacians around 200 BC and conquered by the Romans in 108 AD. Romanians have fought the Ottoman, Austro-Hungarian and Russian empires. Moldavia and Vallachia, the two Romanian principalities, were unified in 1859 under the reign of Ioan Cuza, a local prince. Between 1886, when a German prince was crowned King of Romania and 1940, when the Fascist Iron Guard movement took control, Romania was under the constitution of a monarchy. The end of the Second World War brought Romania under the influence of the then USSR, which, from 1947, pressed for the Communist Party to be the dominating force in post-war Romanian politics.

Nicolae Ceausescu became head of the Communist Party in 1965 and head of state in 1967. Romania entered an era that was to be based on the cult of personality, modelled around Ceausescu's obsession for creating symbols of his power inside the country, which also aimed at promoting an image of independence from the Soviet Union's strong influence in the

region (Dima, 1990). In the 1980s, Romania experienced Ceausescu's "shock therapy". In his ambition to repay as soon as possible the country's foreign debt of ten billion dollars, Ceausescu rejected both any attempt to reschedule external debt and any suggestions of market-inspired reforms, which might have improved the performance of the economy (Daianu, 1997). Ceausescu's era left a strong legacy for the organizations and management practices in Romania. This section of the chapter discusses the consequences of that legacy.

Prior to 1990 the state retained total control over the management of enterprises and used production plans as the main management managerial practices and instruments of control. Hence, managerial responsibilities were limited to the accomplishment of the production plans received from higher authorities. Managers did not have the information or the responsibility to make strategic decisions, nor did they analyze market demand or customer needs; export operations were conducted by external specialized organizations. Managerial responsibilities were very limited with regard to profitability: "before 1989 the company managers did not have much decision responsibilities. They had to supervise what was happening within their organizations. The decisions were made at a higher level" (General Manager of a large formerly state-owned enterprise).

Managers that had been successful during this period could somehow circumvent and deal with the existing constraints, by manipulating information and using personal relationships with higher political and administrative authorities (Mereuta *et al.*, 1995; Boruz, 2002 and 2005). Managers believed that all critical problems could be solved with the support of higher authorities. Hence, political support was vital for securing and strengthening management positions. Furthermore, managers believed that everything that was produced could be sold and thus focused mainly on production (Mereuta *et al.*, 1995; Boruz, 2005).

During the Communist era, the population developed the habit of relying on the state to provide an entire array of social services, including food security, employment, health care, and education. Employees were obedient followers because their jobs were secure. Organizations did not have to live up to real performance criteria, such as work productivity. Unproductive behaviours and attitudes of "superficiality" were very common among employees (e.g. "*Hai sa ne facem ca muncim*" – "let us pretend that we are working"), Boruz (2007). Among Romanians, some would argue that these behaviours were developed as a means of survival during periods of foreign occupation and of Communism (for a comprehensive analysis

of the “Romanian mentality,” see Heintz, 2002). Managers during this transition period would argue that, by and large, these behaviours were developed in the absence of clear performance systems to link benefits and wellbeing to effort and productive use of time both in and out of the workplace. This chapter will discuss this latter position in more detail.

Ceausescu’s rule, based as it was, on his personality and centered on “socialism in one family” that treated the economy as his personal domain, left behind “the weakest civil society” (Stan, 2003, p. 3) in a region where there was no culture of risk-taking and wealth ownership (Healey, 1994). In his comparative study of six former Communist countries (East Germany, Czechoslovakia, Poland, Hungary, Bulgaria, and Romania), Kiezun (1991) explains that in the Romanian case, centuries of foreign domination, the lack of industrial traditions, and the traditional attitude of subordination have resulted in a society in which people act merely as followers of regulations. Furthermore, this legacy suppressed any tendency among the Romanian people to increase their own productivity.

However, the high rate of sovereign debt repayments during the 1980s accentuated the decline in the competitiveness of the economy, increased shortages and generally lowered the standard of living. As a result, one could assume that people would become less reliant on the state and more susceptible to the state institutions after the fall of Communist regime in 1989. But is this the case? If so, would it follow that people would be inclined to take more initiative including, perhaps, in the workplace? The next section will address these questions about the impact of the transition upon managerial practices and in particular decision making in organizations.

## **MANAGEMENT AND CULTURE BETWEEN 1990 AND 1996**

### **The economic and political context**

In December 1989, a violent anti-Communist revolution took place in Romania, eliminating the Communist system. The Romanian people were psychologically ready for abrupt change. Lacking the institutional and social base for facilitating the transition to a market economy (Daianu, 1997; Stan, 1997), the population reacted to the unrealistic expectations of the government regarding its potential to solve social and economic problems. This generated social conflicts at the beginning of the 1990s, although the government continued to create these expectations through populist economic measures. Continuous reliance on the state went hand in hand with a wide distrust of state institutions, fuelled by continuous

examples of corruption and of the advantages of “knowing the right people at the right time”. The emergence of a form of corruption in which personal success is measured on the basis of “who you know” rather than “what you know” made it difficult for Romanians to recognize, develop and exercise their ability as private citizens to mobilize and act on their own behalf.

Before 1996, the newly formed institutions were designed by former Communists with the purpose of maintaining themselves in power (Weiner, 1997). With the objective of winning the 1990 and 1992 elections, the left-wing governments delayed reforms and adopted all sorts of economically disastrous measures. The privatization process was extremely slow. The creation of new, usually small, businesses accounted for most of the growth within the country’s private sector. This phenomenon continued through to 1997, as the governments chose to take populist measures such as avoiding higher unemployment by means of a deliberate policy of increasing the money supply (which resulted in double digit inflation).

According to Stan (1997), Romania’s slow progress prior to 1996 can be interpreted as the result of a combination of the following factors:

- The stubborn resistance of an unresponsive ex-Communist *nomenklatura* keen to retain as much possible power it had gained during the Ceausescu era. Members of the old elite continued to dominate the economy as managers and owners, manipulating the “old comrade” network of party bosses, ministry bureaucrats and customs officials.
- The hesitation of a left-of-centre government afraid of the (possibly adverse) social implications of rapid restructuring and privatization.
- The political opposition’s ideological weakness, continuous internal division and failure to propose a concrete alternative to political or economic change.

Although the second-largest Eastern European country after Poland, Romania was still often overlooked by investors (Wood, 1996). One explanation could be the combination of a corrupt and bureaucratic business environment, an unstable legislative framework, and an unstable social climate marked by frequent strikes (initiated by trade unions that could not accept the inevitability of restructuring). Given that the State Privatization Fund (FPS) decided who constituted appropriate investors for privatization and that the main form of privatization was Management Buy-Out (MEBO), change of ownership did not necessarily result in better management.

Although Romania had paid off its entire international debt by 1989, the country still inherited the old firms, some of which were industrial giants

or holdings which proved extremely difficult to manage with a view to successfully transitioning to a market economy. Romania had a large industrial sector, with 60% of output and 38% cent of employment accounted for by industry by the 1980s (Negulescu, 2000). These companies, however, were highly energy intensive and obsolete. Although after two years of market reforms, by 1991 the old firms were already corporate or had been turned into *regies autonomes*, they were still state owned. Their core characteristics remained the same: limited supplies of certain key raw materials and energy products, input allocation, and limited decentralization of decision making.

During the 1990-1991 economic crisis, some enterprises were transformed into commercial companies and others into *regies autonomes* (RAs). The RAs were modelled on similar French entities and were equivalent to what is defined as “strategic enterprises” in other transition countries. In 1992 there were 800 RAs. (OECD Report, 1997/1998, p. 93). The state companies set up in the strategic branches of the national economy (RAs) utilized state property with a view to profit making and were not intended to be privatized in the near future.

The commercial companies were financially autonomous, with one or more stakeholders having combined their capital with a view to making a profit. When such units had the state as their sole stakeholder they were subject to privatization (Zaman and Bratu, 1997). The State Ownership Fund (SOF) was put in charge of state ownership, subordinate to Parliament. Ownership certificates equivalent to 30% of the capital of the 6 300 state-owned commercial companies listed for privatization were distributed freely to all Romanian citizens over the age of eighteen. Five Private Ownership Funds (POFs) were formed to administer the capital privatized through this scheme; the SOF administered the remaining 70% of the capital in each company. Although the state remained the owner, the management of the companies began to face the challenges of negotiating with the banks for credit, managing with lower subsidies from the state, and struggling for raw materials (Mereuta *et al.*, 1995).

After a period of unsuccessful privatization based on Management-Employee Buy-outs (between 1993 and 1995, only 20% of companies had been privatized) the Parliament passed a new law (the Mass Privatization Programme, Law 55/1995), and a greater number of ownership certificates were issued. The objective was to increase the capital stake to be distributed by each company from 30% to 60%, but this time only 4 000 companies were targeted. Mass privatization had greater benefits in political capital for

the ruling party than it did in economic terms. At the end of 1996 there were 281 RAs and 1247 privatized companies with only 25 of these being large companies. The privatized companies were mostly small (79%) and medium (19%) companies which were easier to privatize. The state retained the control over the majority of Romanian industry.

### **Management practices: the role of people and culture**

After 1989, Romanian exports declined rapidly. Traditional markets had collapsed due to the nullification of the trade agreement between former Communist countries (the Council for Mutual Economical Aid) or the changes in the political situation in Central Asia. As a result those companies that relied on exports (e.g. the machinery industry) had to find new markets in order to survive. However they maintained high production costs generated by old technology, high labour costs and low productivity. Given the protectionist policy of the state, state-owned enterprises maintained high employment rates, exceeding their economic needs. Dealing with state monopolies also increased the costs of business. Given the costs and the impediments generated by the macroeconomic environment, (e.g. unfair competition, difficult access to raw materials and financial resources) state-owned enterprises and privatized companies found it difficult to grow by restructuring, increasing production capacity, and productivity and/or developing new products: “How could I compete with state-owned companies when the state had control of the raw materials (...) we realised we could not have fair competition but we still went ahead and privatized the company” (Managing Director of formerly state-owned brewery); “In 1995 we had a demand which exceeded our capacity by a factor of eight” (Sales Director in a large formerly state-owned brewery).

The large companies’ strategic options were to increase the distribution of their products and to introduce new products to reposition themselves in domestic and external markets (Shama and Ciurel, 1996). Managerial work still predominantly involved finding the material and financial resources to survive. Little time was allocated for strategic issues such as the assimilation of new products, new technologies, or new markets (Kelemen, 1995). The mass privatization program resulted in diluting the ownership of the companies (Stan, 1997), through large numbers of shareholders to approve strategic decisions (e.g. new products, new business partners, layoffs). This of course made the decision process slow at a time when managers had to make quick decisions and take immediate action for the survival

of their companies. The managers' response was to centralize the decisions at the top of the organization (Boruz, 2005).

Based on the test results of 9 817 candidates for managerial jobs in 5 139 enterprises, Mereuta *et al.* (1995) analyse the candidates' managerial abilities with regard to the critical problems associated with transition to a market economy. The sample represented 80% of the commercial companies accounted for by The State Privatization Fund (FPS) as still being under state ownership in July 1995. Mereuta *et al.* (1995) find that only 43.5% were in favour of the re-organization of the companies into profit centres, 38.6% favoured the project management approach, and only 13% accepted the delegation of authority. Nevertheless, 57.4% of the candidates opted for a participatory style of management. While 50.2% of the candidates considered that communication with their close subordinates is very important, only 40% agreed that flexibility was important in this type of relationship. In other words some managers were ready to listen to their colleagues' and, of course, their shareholders' opinions, but they but they were not necessarily prepared to take those opinions into consideration when making their final decisions. In effect, the employees did not have much responsibility in decision making. Therefore, the systems and values that dominated the Communist period were perpetuated within companies. The change in management style following the Communist period was rhetorical and based mainly on importing western theories (Kelemen, 1995).

Considering that the previous Communist regime promoted a top down, autocratic approach to decision making, one could argue that this was part of the existing culture, in which managers were expected to make the decisions and tell the employees what to do (Boruz, 2007). But the economic and social context in Romania also had an impact on how the decisions were taken and implemented within organizations. Moreover, managers sometimes had to enter into political games to become the authoritative figures within their organizations:

I gathered all the technical personnel, fifty of them at that time, and I told them that times have changed, obviously I was not telling them anything new, I was just trying to set the context, and that we probably don't feel it now but things will change rapidly and that is why we had to make a long term strategy, because there were some calls for feasibility studies of business from different ministries. And I put in charge of this project the Technical Director who was imposed on me at that time. After two weeks we got together again and everyone started to complain about what we did not have. And I said, "Hold on. tell me what we are going to do, not what we do not have; we all know what we do not have." And there was no answer. I insisted on that silence - it was

in fact a psychological moment (...) I insisted on the fact that there were no ideas coming from inside the department with regard to the way forward (...) and I said OK from now on I will design the strategy and I take the responsibility for the consequences. From now on, of course we discuss as a team, but I will say what we need to do because I see few steps ahead and I take this responsibility (General Manager of a state-owned brewery, NBB, in 1990).

The above quote also illustrates how the culture of the company and what is known as the Romanian mentality of being good at talking rather than working (Motru, 1998) can affect management practices and influence political games within the organization. This brewery's General Manager wanted to change the complaint culture of the company and to restructure and privatize it. He had a vision of creating a brewery to resemble a brewery in the West. And indeed, under his leadership, NBB became one of the most successful breweries in the country. Its success was based on the fact that the belief systems and the new values of the company changed, at least to some extent, the Romanian mentality within the company. The values of the company were sometimes in conflict with the Romanian mentality. Those who did not change and did not behave in accordance with company values (e.g. responsibility, identifying mistakes and learning from them, productive use of time) lost their jobs. After becoming General Manager, he created his own team of people, comprised of mostly young, fresh graduates who wanted to learn on the job and did not take employment for granted:

The school does not create soldiers or mercenaries. You transform them into soldiers or mercenaries through the environment that you create for them. It takes time to make a soldier and the environment is based on trust, stability and desire (...) I always relied on soldiers. Mercenaries are good professionals and they are good on short term but if it does not go here [shows to the heart] they will leave for the higher salary. They are not necessarily good in the long term (General Manager of a state-owned brewery, NBB, in 1990).

The brewery manager assigned responsibilities to new team members. Yet the new employees had to learn from the experienced ones, who in turn were afraid of losing their job to the new, younger employees.

Job security, characterized by life-long employment, was an important trait of Romanian culture developed under the Communist regime. However, in the context of economic transition, the expectancy of life-long employment stood in conflict with the other characteristics of the Romanian mentality. These characteristics had developed throughout the period under Communism and made their presence felt during the period of economic

transition. These include, (a) low productivity or what other authors have called “managing time carelessly” (Motru, 1998), (b) a collective work mentality, i.e., the tendency of conforming to the actions of others and avoiding standing out from the crowd (Motru, 1998). These traits had a negative effect on businesses, generating behaviours that were unproductive, created barriers to change and increased labour costs.

Managers had no impact upon the economic and political environment. However, they recognized that the survival of their companies critically depended on changing employee behaviour. For example, they could use the expectation of long-term employment to generate innovation and revenue growth. Changing employee behaviour was a lengthy process and would have meant, in business terms, reducing costs as well as potentially increasing revenues for the business. However, the immediate opportunity was to get a commitment from the employees to create new products and increase the distribution of existing ones. This could be done while still battling low productivity and a collective work mentality by engaging in a process in which the employees felt more secure about their jobs. From this standpoint, survival meant saving as many jobs as possible and it was rapidly understood that this could only be possible if companies were to innovate and increase their client base. There is one very important point worth mentioning here: life-long employment was a trait that, at least initially, defined both the managers and the employees, hence the commitment to save jobs first, and then increase profitability, was genuine.

After the revolution [1989] production had to stop for many of our products, there was no need for them anymore. We worked simultaneously on designing and producing new products, and we assimilated 17 major products in one year. The motivation was that we had to find solutions to maintain the level of employment, to keep our employees. In 1989 the firm was gigantic. There were 5 200 people. We regrouped and we had approximately 1 000 left after the revolution (...) The most important thing are the people. They have to know that their jobs are secure (Production Director in a large state-owned enterprise).

Within twelve years following the revolution, the company had lost 250 employees. Most had left voluntarily as a result of generous redundancy packages. Although the company initially had high fiscal debt, it managed to increase its exports substantially, despite its little investment in technology, and to produce new, attractive products for the Romanian markets in which it operated. Ultimately, it attracted a private investor and the company paid back the debt to the state. Without creating new products and increasing the revenues based on the commitment to save jobs, it would have not

increased revenues and market share and it would have not been attractive to private investors.

Yet, jobs were lost between 1990 and 1996; employee morale was down in many companies and there were strikes. Gradually, people realized that firms had been overstaffed under the previous regime and that not all jobs could be kept. Managers had to respond to the question that any employee would ask when losing her job: “Why me?” The answer to this question was very important if managers were to convince the employees that they cared about saving jobs in the long-term, which in most cases meant increasing sales and market share in the chosen markets while maintaining a healthy cash flow.

Across the five, large, state-owned organizations where interviews were conducted, two practices identified which employees were the first to leave the company: (a) those who left voluntarily in light of attractive redundancy packages, who perhaps held little hope for a future with the company, and (b) those who were identified by the company as not contributing to their team and not fitting in with the new values and direction of the company. This is not to say that micro politics did not play a role. In some organizations there were indeed political battles at managerial levels and the weaker coalition left the company. The example of the brewery is very relevant in this respect. Once the management of the company was settled and a direction was agreed upon, however, the two practices highlighted above were predominant. The unions also had a role in negotiating the conditions of unemployment and the social criteria applied when laying off employees. For example, in one organization a criterion was that if a husband and wife both worked in a company and both were to be laid off, then only one, the one with the lower income, would be laid off: the higher-income worker would retain their job. Furthermore, those who were laid off received some support from the company to assist them in finding new jobs. These measures were designed with the aim of saving as many jobs as possible, and to secure – insofar as it was feasible – a minimum income that would enable those who kept their jobs to provide for their families.

As previously discussed, these social measures were supported by state bodies and it was clear from the state-promoted reforms that the objective was to save as many jobs as possible. The large, state-owned enterprises studied by the author were operating in traditional industries in Romania (e.g., breweries, machinery). They managed to survive, grow and attract private investors while still committing to ensuring job safety for their employees. This was part of the culture and it created momentum for the

companies in heavy machinery industries to innovate and create new products, amidst low investment in new technologies and generally low levels of productivity.

The question remains, of course, about what happened when the governments changed, reforms were accelerated, competition increased and these companies were acquired by private investors. What role did culture play in management practices in this context?

The next part of this chapter will address these questions. It begins with an introduction of the political and economic transformations that took place between 1997 and 2004 and reviews prevailing management practices during this period. It then discusses the role of the Romanian mentality in shaping business practices, as perceived by managers in small, medium, and large enterprises.

## **MANAGEMENT AND CULTURE BETWEEN 1997 AND 2004**

### **The economic and political context**

In November 1996, the Democratic Convention of Romania, representing the political opposition, won the elections; it was supported primarily by dissidents, young adults, and intellectuals. People voted for change and were full of hope for a new beginning. The newly elected body faced major challenges regarding the design and implementation of privatization. People's expectations were high and had been fuelled by their perception that the Democratic Convention of Romania was a strong team of high-skilled specialists capable of turning around the economy and building the necessary 'good' governance that would attract foreign investors. The leadership quickly adopted a new approach to restructuring, aiming at the rapid privatization of viable companies and liquidating nonviable companies. State companies were to be transformed into commercial enterprises; their less profitable activities would soon come to an end. The method of privatization switched from selling companies to employees and managers, towards company sales targeting foreign or Romanian private investors.

Furthermore, four international investment banks supported the State Ownership Fund (SOF) in its efforts to sell large companies to strategic investors. These efforts were reflected in the increase of the share of privatized equity from 10% at the end of 1996 to 16% at the end of September 1997, accounting for 44.5% of the initial number of companies to be sold (OECD Report, 1997/1998). However, the companies sold were usually smaller companies, easier to privatize, while the large companies remained mainly

in the SOF portfolio. Between 1997 and 1999, 46% more companies were privatized than in the previous four years (Maniu, 2000). Several large foreign direct investment deals also took place in 1999, including, for example, the purchase of the Romanian Development Bank by the Societe Generale of France; and the sale of 51% of the car manufacturer Dacia to Renault, also of France. However, given the uncertainties regarding investment incentives, overall investments fell in 1999. The positive results recorded during the new government's first year in power turned out to be unsustainable because of the lack of consensus among coalition partners, on the one hand, and friction between the government and the Parliament on the other.

At the end of 1997, the Cabinet of Victor Ciorbea (who was Prime Minister at that time) was dissolved. The two subsequent Prime Ministers, Radu Vasile and Mugur Isarescu (the latter was the former Governor of the Romanian Central Bank), issued an unprecedented number of pieces of legislation (almost 600) with the intent to bypass a reluctant legislature.

The numerous ordinances and the lack of transparency in public finances contributed to highly confusing legislation governing the business environment (e.g. Ordinance 51/1997 regarding the leasing operations). Domestic debt (excluding cancelled or rolled over debt) climbed from 33.6% to 40.67% of the GDP between 1997 and 2000 (*Early Warning Report*, 2002). The size of payments due in 1999 and the threat of a financial crisis explain the considerable efforts to conclude privatization deals at the end of 1998 (involving, for example, RomTelecom and the Romanian Development Bank) and the attempt to close down large companies operating at a loss. Also, to encourage the development of the private sector, the government introduced radical tax changes in the 2000 budget, including a cut in corporate profit tax from 38% to 25%, and a cut in value added tax (VAT) from 22% to a uniform rate of 19%. The VAT on goods previously subject to the lower 11% rate rose to 19% (EBRD, 2000).

The red tape, customs bureaucracy, the consequences of the war in the former Yugoslavia, and various international sanctions had a substantial negative impact on trade, risk perceptions, and the development of SMEs.

I have one hundred and six taxes to pay. If I would work in my own company as an employee I would not come to work (...) I think the only solution is for us, the managers, to walk into the street and to ask the government to collect all the taxes from everybody and thus the budget will have more money. There is no good in employees going on strike because we as managers can not pay them more and the government can not pay them either. And only when I as

a manager, knowing that another manager does not pay tax, I go and report it to the financial control and this body takes action and recuperate the money, something will change. (Managing Director of a medium enterprise).

Furthermore all of the tax and the fiscal incentives for major foreign investors were suspended after the International Monetary Fund had expressed concerns about their impact on the country's budget deficit (EBRD, 2000). Nevertheless, the private sector's share in the GDP in 2000 was 60%; still lower than in other CEE countries (Dochia, 2000). Private firms consistently out-performed state enterprises in terms of productivity growth; SMEs showed better performance than large ones (Djankov, 1999; Claessens and Djankov, 2000; Brouthers and Patrick, 1999). Carlin *et al.* (2000) found that in Poland and Romania, manufacturing firms performed much as did firms within a market economy, while state-owned enterprises were the least likely to have the characteristics of a firm operating in a market economy. However, private companies functioned under conditions of severe budgetary constraints, while state-owned companies were still enjoying soft budgetary constraints; this situation could not have led to effective restructuring (Djankov, 1999). The competition between the state-owned firms and private firms in this context led to the creation of conditions conducive to corruption and to the bankruptcy of several banks and of the National Investment Fund. According to Johnson *et al.* (2000) there is a strong relationship between corruption in the form of bribes paid to government officials and hidden economic activity.

In these conditions, exporting firms (mostly private), some of which were restructured formerly state-owned companies, strived against high taxes, difficulties in dealing with government officials and state-owned monopolies, and were less than optimistic regarding their economic growth (Eremia, 2001). Romania suffered a severe deficit in export competitiveness.

After the 2000 elections, the Social Democrat Party was reinstated to power and Ion Iliescu again became President, overtaking his competitor, the leader of the right-wing party. The government was working to change the taxation system and to reduce uncertainty within the labyrinth of the legislation governing the business environment. However, domestic debt increased, reaching a level of 45% of the GDP in 2001 and reflecting the government's incapacity to deal with this issue.

The newly elected government managed to privatize a few enterprises, namely those that incurred the greatest losses. The government was willing to maintain the pace of reform, but the Prime Minister favoured a policy of cautious reform allowing for the state giants to be privatized only to the

extent that did not threaten employment levels. The state-owned enterprises continued to account for a significant share of economic activity and to play an important role in many sectors of the economy including utilities, finance, and manufacturing.

In March 2003, the US granted Romania the status of “market economy” and in 2004 Romania was invited to join NATO. However, Anand Seth, the new World Bank Regional Director for Romania, Bulgaria and Croatia, criticised the bureaucracy characterizing the Romanian business environment which, in his opinion was more complex and unhelpful in comparison to that of other transition countries:

If I would be a businessman and I would compare Romania with Poland or Slovakia, I would notice that the time to get an authorisation or a license is two times longer in Romania. The same situation is as regards to the safety of a commercial contract or in the labour market where the employer is not totally free to employ or to lay off people (Anand Seth, cited in Serban Georgescu's article for *Nine O'clock Newspaper*, 3 October, 2003).

Romania had failed to improve in terms of competitiveness. In business competitiveness rankings, Romania placed seventy-third, one place higher than Bulgaria which, however, was better ranked in the terms of growth competitiveness, where Romania was ranked seventy-fifth. In both rankings, Romania had been sixty-seventh in the previous year and lagged behind other countries in the region (other than Bulgaria and Serbia; see. *World Economic Forum*, 2004). Furthermore, the inflation rate remained one of the highest in the region.

These rankings had a definite effect on business:

We are absolutely tired of the legislation chaos and inflation. It puts stress on us. We are tired and we start sometimes arguing in meetings because everybody is suffocated by taxes, prices increasing from month to month without being announced and there is no real social protection. If there were a certain stability in the inflation rate or if inflation were lower it would be a different feeling in our company. For twelve years I never had the guarantee when I agreed on a price that at the end of the year we won't have losses (General Manager of a large formerly state-owned enterprise in the footwear industry).

Strategic decisions are extremely difficult to make in an extremely unstable/uncertain economic, legal and social context. All these contexts affect the manager's decisions. It is almost impossible to design a business plan with a long-term perspective when you do not have this necessary minimum stability, when you cannot rely on the fact that the law which is valid today will be also operative tomorrow, when you do not know the inflation rate for the next few

years and the exchange rates for tomorrow. (Managing director in a small enterprise in the emerging advertising industry).

The biggest problem in restructuring and keeping relations with the external suppliers is that most of the raw materials are still the property of and are delivered by state monopolies. Sometimes you have to explain the political environment, which is the impact of the fact that some of these monopolies deliver services at very high prices and that this affects your competitiveness in international markets as well as your capacity to export products. The interesting thing is that the political environment is sensitive to this type of explanation and has a proactive attitude. The biggest barrier to change is the state-owned enterprises because their price policy is very rigid and has to cover their costs in the context in which they are not restructured and they transfer their inefficiency toward their clients. (Owner and Vice President of a holding including thirty formerly state-owned enterprises).

How did the companies deal with this economic and political environment? How did their managers react to this environment and what practices did they develop to improve the competitiveness of their businesses? The next section of this chapter reviews some of the studies addressing these questions.

### **Management practices: the role of people and culture**

Kelemen (2000) addresses the small and medium enterprise sector in Romania, aiming to provide a rich understanding of how individuals respond to the uncertainties and obstacles they face within this sector. She conducted interviews with six new business owners active in six different industries. Kelemen (2000) found a clear difference between the manager of a formerly state-owned company, on the one hand, and the owner-manager, who is more open to change and refuses to tolerate bureaucracy, on the other. The author's findings also support those of previous studies showing that personal authority, alongside the informal and individual nature of personal contacts, lies at the core of businesses. Kelemen (2000) argues that while informal personal relationships are by no means a unique characteristic in the Romanian context, the very significance of these aspects for the success of the business creates the specificity of the Romanian context; here "the primary function of the business is frequently not about 'making things' or 'delivering services' but doing the deals with customers and suppliers" (Kelemen, 2000, p. 101). In this context, managerial learning is based mainly on interaction with the external stakeholders (Cseh, 2000).

While economic rationality is an important factor triggering managerial transformation, managers' motivation, their perception of this phenomenon and the learning process in which they are engaged, are equally relevant. The following studies refer to these aspects.

The results of a study involving more than seventy senior managers of twenty-three different organizations from the public sector in Romania (Analoui, 1997) shows evidence supporting the importance of human resources for organizations (Mereuta *et al.*, 1995; Kelemen, 1995). Analoui (1997) finds that managers in the public sector are aware of their need to be efficient; however they lack the opportunity to become involved in training or to develop their abilities in order to achieve this aim. They place great emphasis on their own working experience as the main factor towards improving their effectiveness, while showing an awareness of the contributions of others to their effectiveness. According to Analoui (1997), judgement of the effectiveness of a manager could be based on her ability to deal with people and to gain proficiency in the task involved (i.e., technical knowledge). The profile of the effective manager developed in Analoui's (1997) study included the following essential skills: people skills, technical knowledge, communication skills, being organized/disciplined, flexible/open to new development, interpersonal/social skills, professional, leadership, team development, and decision making. The study supports the argument put forward by Kelemen (1995) that the effective manager has to be primarily concerned with functional aspects of management (i.e., being a good organizer, possessing authority and control, and being able to identify and allocate resources).

Analoui (1999) suggests that the older the senior managers, the more likely they were to describe their roles in terms of administration and management; they also blamed the organization and others for their own lack of motivation and their inability to improve their performance at work. In contrast, the younger managers and executives described their roles as managers, experts, and advisers, and perceived their performance as being largely determined by their increased knowledge, skills and expertise. The study shows that the main motivating factors for senior managers were recognition and appreciation; however, financial incentives were quoted as the most closely related to an increase in effectiveness. Other significant motivating factors are also revealed: increased knowledge and skills, involvement in teamwork, job satisfaction, self-development, and improved competence. Although Analoui's (1999) study is not directed at addressing the specific conditions and motivation factors of the managers in private companies, it nevertheless offers an indication of at least the initial situation facing formerly state-owned enterprises.

Prodan and Gaspar (2001) studied the organizational climate and offered an examination of Romanian Human Resource Management. They conducted a survey of 143 respondents from one state-owned and three formerly state-owned enterprises. The perceived characteristics of the work environment were divided into strengths and weaknesses. Autonomy was included among the strengths, yet this caused a high level of costs generated by reduced control and supervision. Team spirit and engagement in work responsibilities were the other strong points, based mainly on good work relationships among co-workers and the feeling of success shared by employees, a strong motivating factor. The weaknesses identified in this study are related to managerial aspects of the company, specifically to the decision-making process. Hence, 70% of the respondents indicated that rumours formed the basis of decision-making; their perception was that managers prefer not to maintain a high level of information because they have something to hide. However, managers, to whom bureaucracy seemed to be a crucial factor, considered that communication was good. The discrepancy between manager and employee perceptions is also connected to financial remuneration. Sixty per cent of the workers thus perceived salaries to be linked to relationships rather than to performance and results. Interestingly, only 38% of managers subscribed to this point of view. With regard to decision-making, 34% of managers reported that they preferred to make decisions without giving any specific explanation, while the other 66% formally consulted their workers while retaining the authority to make decisions. However, Prodan and Mihail (2000) argue that due to the lack of responsibility placed on the workers, the employee groups are able neither to cooperate, nor to act without instructions; further, they are not prepared to participate in the decision-making process. Hence, managers make the decisions and design the practices within the companies.

The organizations in Romania had managers who either (a) were educated and had managerial experience under the former Communist regime or (b) did not have experience during the Communist regime, and by and large had been exposed to Western management practices. The obvious question then is: what was the impact of the old management techniques and the new Western management approach upon the decision-making process and upon management practices within organizations?

Catana and Catana (2002, p. 288) differentiate between the “inherited” and “new” managers, arguing that the inherited managers have some education in management because prior to 1989 general managers typically attended training programmes in a management development centre sponsored by the United Nations. In contrast, the new managers, even though

they held university degrees, lacked the knowledge, competencies, abilities, and skills specific to the market economy. Catana and Catana (2002) conducted a survey of sixty-six randomly selected companies in the region of Transylvania. The survey enabled measurement of each company's market orientation, and provided the opportunity to identify and evaluate these managers' learning needs. The study proposes a framework for market-oriented management development (MOMD), which implies undertaking the following steps: (a) identifying the needed managerial knowledge, competencies and abilities to give the company and its employees a market orientation; (b) assessing the existing knowledge of competencies and abilities in managers' minds and behaviour; (c) determining the gap between (a) and (b); (d) assessing alternative learning solutions (gap diminishing); and (e) selecting the most appropriate MOMD programme. Market-oriented management development could be applied to all general and functional managers and would support the integration within the company of those departments which had not been traditionally part of state-owned enterprises, such as Marketing and Human Resources.

Heintz (2002a) conducted research aimed at discovering why certain managerial actions inspired by Western management theories seemed to threaten business performance. She carried out research in three private service enterprises, using the participant observation approach and informal interviews with the managers of the enterprises. The sample included a medium-sized language school, a medium-sized non-governmental organization (NGO) and a medium-to-large-sized software company. The software company served as an example of how the manager applying Western theory was indeed able to manage the software department and had absolute control over the human resource department in that particular company. In two other cases, the NGO and the language school, the impact of Western management techniques was that they were literally copied by Romanian managers who then tried to implement them in their respective organizations, yet keeping their personal authority at the core of the system. Analysing the managers' discourse Heintz reveals that:

the main characteristic of managers' beliefs as embodied in their discourses is the absolute and uncritical recognition of the truthfulness and efficiency of the theories developed by Western industrialised countries for their own economic and cultural contexts - be it Fordism, neo-human relations movement or political correctness. (2002a, p. 288)

In implementing Western management systems in the Romanian context, managers failed to address the cultural dimension and, as a result, disorganization and dissatisfaction with work were responsible for high

turnover and inefficiency. Nonetheless, adopting Western management techniques does not solely have a negative impact; it could be argued that succeeding in adjusting Western managerial practices to suit Romanian conditions could facilitate the processes of restructuring, privatization and creating alliances with foreign partners (Hitt *et al.*, 2000).

To conclude, the lessons learned from the empirical studies conducted in the Romanian setting, can be summarised as follows:

- Managerial work predominately involved finding the material and financial resources to survive. Little time was allocated for strategic issues such as the assimilation of new products, new technologies, and new markets. Yet these strategies were crucial for the long term survival of the company.
- One of the qualities associated with a successful manager was the ability to think systematically. Skills such as informal negotiation, usage of politics, and making friends in the right place were still the skills needed to be a successful manager. Personal authority, and the informal and individual nature of personal contacts, was at the core of business.
- Given the lack of responsibilities placed on the workers, the employee groups were unable to cooperate or to act without instruction from their boss, nor were they prepared to participate in the decision-making process.
- The management style changed very little since the Communist period. The decision-making process within organizations remained by and large top-down.
- The factors motivating senior managers were primarily recognition, appreciation, and financial incentives.
- Success in adopting Western managerial practices and adjusting them to Romanian people and culture facilitated the process of restructuring, privatization and the creation of alliances with foreign partners.

What is however, for the most part, neglected by the studies presented above, but is important for understanding the importance of culture in shaping management practices is how foreign managers adapted their management style and techniques to be successful in the Romanian business environment. To shed light on this question, I conducted interviews with four foreign executives involved in strategic decisions in one of the large international companies active in the beer market in Romania. The beer market is one of the most competitive and most dynamic markets in Romania. Operating in Romania since the eighteenth century, it is also a traditional market, enjoying high brand recognition and, traditionally, brand loyalty.

The foreign managers interviewed mentioned two factors that they believed were representative of business-making in Romania and thus differentiated their experience in Romania from that in other countries: (i) a short-term, short-sighted attitude when conducting business, and (ii) a prevailing bureaucracy and an autocratic system.

The Vice-President of Marketing explained:

[S]ome risks, some decisions, may have far higher risks; it's a question of risk management, at the end of the day. Decisions made here may have higher risks than in other parts of the world, in Western Europe. For example, if you make a decision to run an event, the chances of that event's being unsuccessful here are far higher than in Western Europe, from the purely organizational side. I think there is a lack of attention to detail and a lack of ensuring customer satisfaction. So the attitude is very short-term rather than long-term. In Western Europe I think there is a longer-term attitude in companies offering a service. (Vice-President, Marketing)

The Vice-President of Sales offered a different perspective:

Having been in China most recently, I think the biggest difference for me between Romanians and the Chinese is the fact that the Chinese expect a lot less and in a longer space of time. In other words, they are digging their way out of their past similarly to what Romania is doing, but they don't expect to solve their problems tomorrow. They have a long term-view about a lot of things, whereas I think in Romania they want to fix things now. Everybody wants a bit of lifestyle now. And I think that creates a lot of, a bit of wheel-spinning, frustration: people leave the country and you have an attitude of 'I can't beat the system now so I might as well benefit from the system as much as I can now and when it falls apart at least I've got something'. (Vice-President, Sales)

In terms of the attitude towards business, the President of the company draws a clear distinction between people with work experience prior to 1989, on the one hand, and younger people, on the other.

People who have work experience from before 1989 have an expectation that the company will do things for them and will look after them, and are bitter and disappointed if it does not happen. And those people will also understand management, senior management, from a different perspective. In other words, they will try to please, irrespective of the outcome. They look for what is going to make you happy as line manager. 'Ok, I can see that if I say something that will make you happy, if I do something that will make you happy; it's preservation, I'm going to do it;' whereas younger people who haven't had that experience are more willing to argue, to put their own perspectives forward. They don't have a full expectation that the company will look after them. They still have some kind of expectation that their work will be rewarded through

tenure. But they also know that they can go elsewhere. And not only elsewhere (...) internationally. So there is a very different employment contract, psychological contract. (President)

Despite these factors and the fact that Romania has a very autocratic system, the foreign managers believe that, at an organizational level, the situation can change significantly and Romania does not require that managers have a specific skill set. The President of the company says:

To be honest, I don't think that Romania requires any specific skill set. I think that the Romanian work-force needs to be set free, in a psychological sense, from much of the bureaucracy in this country. And that is the work of two generations; we've gone through one generation and there are still a couple of generations. But in an organizational sense you can do things much more quickly. (President)

The Vice-President of Production expresses the same belief that at organizational level factors can change quickly:

It's a very, very autocratic nation. The Romanians are an autocratic people. They've got this urge to control. Really, they have. I even noticed it at the airport. Any person who's got a little bit of authority uses it to the fullest (...) And every time I've pointed it out to a Romanian they understand (...) It's just a nice challenge to change. You know I can change my guys, I have (...) to make people feel that they belong, to make them belong to an organization, they can feel as if they are adding value to an organization. It's nice to have, it's good, it's rewarding.' (Vice-President, Production)

The Vice-President of Sales also believes that there are important specificities in the Romanian business environment to recognize, but argues that beyond generalities, the managers' focus should be at the organizational level:

I think they are pretty (...) in my team that they are very aggressive, go-getter type of managers. There is, however, an element of shifting the blame, as there is in any culture. It just seems to be quite prolific here, in that you know when things go wrong, then there's always - there are many reasons why it went wrong. But that's not necessarily only in Romania, it happens around the world (...) I don't think you can pin it down to Romanians, you know I think that would be very (...) it's too simple to say Romanian are like this and like that, it's too general, it's people. And it's the culture of the business that drives behaviour, and it's the way that you evaluate people and the way you measure people, and the way you allow them to make decisions. (Vice-President, Sales)

According to the President of the company, what makes a difference to his performance in Romania is the state of the business in terms of maturity,

business development, competencies, and entrenchment of the values, vision and goals:

Once those things get entrenched, once your vision is really clearly understood throughout your business, people become much more aligned and therefore able to operate much more effectively and competently within broad parameters. Similarly, your values and your strategic goals, your strategic goals are understood and your plans and your action plans for the year are well understood; you really start delegating a considerable amount more. (President)

There is a common belief among the four foreign executives interviewed that in Romania there is a need for a behavioural change and that at the organizational level this change can be achieved faster than would otherwise happen at the national (cultural) level. The executives believe that this can be achieved through a change in the organizational culture. The two factors illustrated above, namely (a) a short-term attitude towards business, and (b) bureaucracy and the autocratic system, have also been identified as the Romanian mentality in other studies (Boruz, 2005, Inglenhart *et al.*, 2004).

#### **A POSSIBLE FRAMEWORK FOR UNDERSTANDING THE RELATINSHIP BETWEEN MANAGEMENT PRACTICES AND NATIONAL CULTURE IN ROMANIA**

Two themes are at the core of management practices and are strongly influenced by Romanian culture, as discussed in the previous sections of this chapter: a) a short-term attitude towards business (e.g., social protectionism, “let’s pretend to work” mentality) and (b) bureaucracy and the autocratic system (i.e., centralization of decision making, disempowerment of employees). These practices stand in stark contrast with those developed by the companies that took a more sound approach to developing business practices and focused on the long-term, sustainable development of their business. The companies that developed such practices created an organizational culture that sometimes challenged the values representative of the national culture. The following sections of this chapter illustrate how the two themes discussed above can be used as a framework for understanding: a) the relationship between management practices and national culture and b) how the organizational culture can be used to challenge and change the values prevalent in the Romanian national culture.

### **Short-term attitude towards business**

The short-term attitude towards business has been identified at all levels in the Romanian business environment, including: (a) in relationships between businesses (e.g. with suppliers, distributors), (b) in relationships among employees and their organizations, and (c) in relationships between businesses and their customers.

Regardless of the size of organizations, or their ownership structure, the attitude towards business influences managerial practices and is an important factor in decision-making.

I was very disappointed by the fact that in my industry there are many people who do not know how to do business, and therefore is very hard to adapt to the way things happen. I felt that the fact that I make efforts and sacrifices for my clients is not appreciated, and when they receive a better offer in price from another supplier they do not appreciate the relationship we have. Their mentality does not allow them to think: 'I am not going to take this offer; instead I am staying with my supplier because he helped me when I had hard times even though he did not make a profit at that time, and we will stay together and develop together'. So if today my competitor offers them a product at a better price than me, they buy from him. And if tomorrow I sell at a better price they come back to me. The customers are not willing to pay more for the better services they need and instead they look for the cheapest price (...) Managers do not focus on developing a process, which allows them to produce more efficiently. Instead they try to get the accessories needed at the cheapest price. Thus, currently, manufacturers that have invested in expensive technology face competition from very small businesses that produce the same items in their home garage and offer them at cheaper prices because of lower costs. Because the manufacturers who were established in the market did not add value to the product using their technology, they are in crises now. The newcomers take part of their market and that is because the old players did not think of their businesses from a long-term perspective and just took advantage of their opportunities. The most important problem is that the big firms do not perceive that they did something wrong and is only the small producers to be blamed. (Young entrepreneur and Managing Director of a small enterprise)

People who work for us have to understand the idea of partnership. There is this perception that we are a big company and we can spend lots of money. We want someone to share the risk with us and with whom to have a relationship of trust. For example in Serbia I met this guy, 21 years old, well-trained, good for business, but his father was in control and he was bad. He would not trust anyone; all he wanted was a contract whose applicability depends on trust anyway, but he did not understand that and consequently we do not work

together. The person who we work with in Romania understands the principle of partnership; (...) he has a western approach. (Regional Sales Manager for Eastern Europe for a large international organization)

I think the hardest part of my managerial activity is working in a country where people were very affected by Communism - their professional development is lower than average - and where, after the revolution, populism, meaning 'no obligation just rights' was the keyword for leadership (...) We can count on the older people, who have a culture of working, but we cannot rely on the younger ones anymore. They always think they are not paid at the level of their effort in working and the level of consciousness in regard with production is almost zero. (General Manager of a large formerly state-owned enterprise)

Analyzing and understanding the culture in terms of attitude towards business (e.g. long versus short term orientation) has important implications for organizations in terms of their performance as well as the management practices they develop. As previously discussed, the state-owned brewery and the two companies working in the machinery sector managed to survive and grow through innovation and increased distribution based on a long-term approach to employment and the psychological contract with their employees. Furthermore, they became leaders in their industries and increase exports based on partnerships with suppliers, employees, distributors, and customers. And among all these factors, the long-term perspective, fundamental to the relationship between the organization and employees, was the basis for behavioural change. Companies that adopted this perspective created teams in which employees with various backgrounds and experiences (e.g. with or without experience during Communism, technical or economics background) could work together productively.

I am striving to change the mentality of the people of lower levels than mine. This is the biggest problem in Romania. It is not so much a case that the raw materials do not come in time, that the roads are as they are, or that there is unfair competition. I believe that, in Romania, if the mentality of people were to change, we would take a big step forward (...) You cannot lay off everyone - I refer to the management staff - and start from the beginning. And then you employ others and maybe they don't even do as much. (Managing Director, of a large formerly state-owned company)

The large companies I studied put measures in place to ensure that they created a long-term relationship with their employees: (a) cutting salaries was never considered an option, (b) they made efforts to save jobs, (c) when jobs were lost, careful consideration was given to the selection process of

which jobs to eliminate; the decision was made by the departments together with the human resource manager or general manager, (d) managers developed good relationships with the unions.

After privatization, the long-term perspective of the relationship between the organizations and the stakeholders became more dominant and was based more on economic criteria and long-term economic interests than on the interests of powerful individuals in the company. By emphasizing clear performance indicators that took into account the long-term competitiveness of the business (e.g. productivity, profitability, quality of products), managers reduced uncertainty for everyone involved in the performance of the company. As long as the performance indicators were met, jobs and salaries were safe. However if the behaviour of the stakeholders was not directed towards achieving these performance indicators (e.g., productivity, deadlines for projects and deliveries), this long-term perspective did not work, and in effect increases uncertainty for employees, distributors, and suppliers alike.

The large organizations studied here became productive and successful in their chosen industries between 1990 and 2002. In these companies, senior and middle managers spent a large proportion of their time working with their employees and external stakeholders to build long-term relationships.

I tell my people 'you are the owner of your work place, so you do your work as if you were the manager of your own department.' Trying to impose certain behaviour does not work; it all comes down to your diplomacy and ability to make them understand. It is because if you try to impose and be dictatorial, they cannot wait for you to turn away and then they ignore what you have said. But if you make them understand that s/he has to do the job, not because I say so, but because this is his/her role in the organization then you have a better chance of getting results than pushing him/her or firing him/her (General Manager of a large formerly state-owned enterprise).

The reason managers spent so much of their time changing mentalities and behaviour is because they understood that, in order to become productive and profitable, they needed the participation of all employees. They gradually moved from an autocratic management style to a participative management style and ultimately to empowering employees to make decisions and implement solutions.

## The autocratic values

An autocratic system is the opposite of what managers set out to achieve in their organization. Yet an autocratic system creates certainty for all involved in relationships; everybody knows who is in charge and the actions of those involved in relationships are predictable. Consequently, it is perhaps not surprising that in the context of an uncertain environment as described above the autocratic values still prevail in Romania after more than a decade of transformation (Inglehart *et al.*, 2004).

The autocratic system was maintained both by managerial practices and employee attitude of avoiding responsibility. On the one hand, managers wanted to involve the employees more in decision-making processes. However, this involvement was only limited to receiving information and opinions from lower levels of the organisations. The employees were not actually responsible for making decisions. Managers cite a variety of reasons for maintaining these practices, including the fact that their employees did not have enough experience to make decisions, especially in a context where most decisions were made based on intuition and gut feeling (Boruz, 2005).

On the other hand, most employees accepted and desired the autocratic values.

We inherited from the Communist era this attitude of pretending to work (...) In our company an engineer who has a position of responsibility can earn up to three times as much as an engineer who doesn't have such responsibilities. Yet they do not want the job. They prefer to be in a more comfortable position, without a team to manage, as if they are afraid of responsibility, or they do not have the courage. (General Manager of a large formerly state-owned enterprise)

As previously discussed, other authors have noted that Romanians are "good at talking but not at working", even prior to the Communist period. The question then becomes why these attitudes persisted for so long. This chapter posits that the autocratic values inherent in the system can offer an explanation for this persistence. When people believe that the higher authorities (e.g. managers in companies) have all the answers and they control the reward and punishment mechanisms, the fear of committing mistakes with consequences such as losing one's own job and/or losing company money, can be an important factor driving employee behaviour of responsibility avoidance.

In organizations in which employees were not afraid of the consequences of their actions they took more responsibility and were more involved in decision-making processes as well as in changing managerial practices within their organizations. The organizations put practices in place that created the certainty that one's actions would be not punished if the intentions were good and the employees did not abuse their rights. In these organizations, the decision-making process was decentralized and employees were empowered to make decisions (Boruz, 2007, Pfeffer and Sutton, 1999).

## CONCLUSIONS

This chapter discussed managerial practices and the impact of culture upon managerial practices in Romania between 1990 and 2004, following the collapse of Communism. The chapter aimed to provide a context and a framework in which the dual relationships between management practices and values – broadly referred to as the Romanian mentality – can be understood and perhaps challenged.

There are numerous factors affecting the change or persistence of management practices and, indeed, the performance of an organization. However, from the managers' perspective the human and, implicitly, the cultural factors (both national and organizational) are, perhaps, the most important. Often a set of values broadly referred to as the Romanian mentality is negative; people perceive these cultural characteristics as drivers of unproductive behaviours (Boruz, 2005; Boruz, 2007; Heintz, 2002). Thus, managers focused on changing this mentality through management practices and organizational values that are characteristic of organizational culture. Organizational culture is that upon which managers could and should have most impact. By shaping organizational values, managers can change behaviours and challenge employee beliefs informed by national culture. This chapter illustrates how managers use employee expectations for long-term employment, a feature of the Romanian national culture, in order to change their organizations and overcome economic and cultural obstacles (including, for example, a lack of access to capital, and the 'let's pretend to work' mentality).

Through the nature of their jobs, which implies that they make decisions and are responsible for the results of their decisions, managers have most impact upon the organizational culture. This in turn is the foundation for the practices directed towards achieving a set performance indicators and value for shareholders and stakeholders. Sometimes these performance targets are set taking into account what can be achieved by the organizations,

and implicitly taking into account the values of the employees. However these performance targets and organizational values can also challenge the assumptions that are fundamental to employee beliefs determined by the national culture.

These findings have practical implications in that they direct our attention toward the importance of understanding organizations by understanding not only management practices within those organizations, but also the fundamental principles and values that characterize the broader cultural environment of the country in which those businesses operate. Furthermore, the chapter illustrates how management practices influence and are influenced by employee values, which exist beyond the boundaries of organizations. Management practices are, or can become part of the organizational culture. The analysis of the relationship between the Romanian culture and management practices in Romania demonstrates that the organizational values are an important mediator of this relationship. With good management, organizations can change employee mentality and can manage existing cultural values while creating value for their shareholders and stakeholders.

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