

## Management crisis in Russia and Business Technologies in Global Change

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### Abstract

*The situation in modern Russian society is qualified as the crisis of the whole system of public administration. On the contrary, business administration is the successful one for survival and sustainable growth in a hostile environment. Business society is the alternative for traditional state in the field of social strategy. Besides, many people got an experience of successful profitable activity as real social action. Proper management means highly variable organizational behavior, strictly pragmatic hierarchy based on target policy, corporate ideology and diversified strategy for effective growth, informational and net-technologies for global communication and exchange. The Internet economics have the best progress as the on-line communities are based on fully synergetic self-government. Virtual activity is much more successful in Russia than the "real" one. Net-management correspond to free involvement, discipline and cooperation. It seems that public administration disorder should be the first step on the way for adaptive governing system. It should take place of the traditional bureaucracy and represent global economy and informational society structures. Self-governing net-society is an example of anarchist tradition popular in Russia. At the same time, there is the menace of lumpen degrading. This is the way to social revolution. Even socially responsible management is useless in the case of global injustice. "The total prosperity state" paradigm is floating*

*to "the total well-being society" one. Applied business administration is the only way to manage new infrastructure and supply the process of self-governing.*

Russia faces the public administration crisis and the new role of the state in changing global community. After the collapse of the soviet state the country was replaced from the center to the periphery of the world-economy. New management and non-etatist relationships between institutions and business community are needed. All social strata are not satisfied with the quality of the state and feel unrepresentative character of administration elite.

The system crisis is very hard for Russia for about 10 years. Former public administration was deconstructed but no new positive ideas for management did not appear. Communist party ideology was associated with inefficient public management and the institutional state. Early market relations in economics ruined old structures, there was no legal room for new activity. During the period of disorganization mafia management was most effective. It helped people to survive, it was build according to diversified strategy on international basement. Some regions of the huge country had been lost for centralized reforming, and were covered with quasi-structures. Sometimes the state still prohibits something but nevertheless leaves important sectors of social life. Its failure is obvious for officials and even for the citizens. Many social spheres have no policy for growth, decision making is corrupted and leads to voluntarism. There is the real danger of social disorder.

For example, the criminal investigation of the May 2002 murder of Major General Vitaly Gamov of the Federal Border Service found out that the contract was put on by Vasily Naumov (Vasya Yakut), an organized crime boss specializing in the lucrative black-market fishing business. "His high-speed cutters sailed from Korean

ports to the Sea of Okhotsk and robbed the unregistered local fishing boats. The conflict between rival criminal organizations developed into an international incident when Naumov tried to rob the Tulun boat, and its captain radioed the South Korean authorities for help." (Latynina, 2003).

Another example concerns the supply for computer technologies: many local administrations started to use them at the end of 1990's when young generation physically replaced the incompetent old one. Or lack of legislative coordination in 2003 stopped in fact medical care in transplantology.

Administrative system and its hierarchical structure with low responsibility needs reforms. However the main problem here is clear targeting, new conception for national development and social trust. Instability in this field is fully connected with ineffective management.

Value uncertainty, especially in education, reproduces the false schemes : for example, the students of public administration department (MSU) do not recognize the difference between duties and existing morality, they take as a matter of course and excuse the real life false steps. From their point of view there is no way to change everyday moral norms.

It seems that all management mistakes and disgusting features of modern morality in Russia are reproduced, and positive ideas are ignored like romantic ideals. In fact, norms mean ordinary trivial things, moral choice means practical profit. This absurd disposition leads to more catastrophes and evil in real life. For example, many technical documents in construction are falsified, great amounts of wrong and hide information give life to commercial parallel system for true information exchange.

An integration of Russia into global community examines its administrative resources. Its effective work and unified control system need high

moral standards and corporate thinking. That is why one can observe a sort of exchange between public and business human resources: former high officials are welcome in business, and corporate top management is successful in public sphere. Information exchange, cosmopolite elite and speedy changes are the features of open society in global economy that faces Russia.

Compare to public sphere business administration has fresh ideas and altruism. One can hardly find regional official fighting for communal interests in Russia. Unfortunately, neo-feudal approach is not rare . For example, bribery in construction is close to the total price of the object. Officials meet their own needs and use communal resources for private seeks.

The problem is that the state is not grounded in real life now. So, no moral ideals and common interest ideas occupy official institutions. Important for every society personal models and moral types have no universal meaning. There is no ideology for future development. This state of affairs indicates national degradation.

To manage this situation one should find poor resources and serious social goals. There is no time to imitate activity. It is time to find optimal strategy in risky environment. The key notion is instability. Obviously business administration is more associated with these circumstances. But various business schools and training still adapt particular experience. Despite the President Program for human resources management the level of education is quite empirical.

Business administration is effective and socially oriented because its success depends on evolution of private interest to communal interest. Universal values happen to model the human progress. Based on convention and selfishness they balance social needs. Public administration, on the contrary, has strict borders of necessity and constraint. For example, the dramatic situation with SARS evidently shows the use of vio-

lence and legislative control for survival. At the same time this is the reason to make contacts between official and common level management in Russia. Many regions close to China border face small business mass bankruptcy and general stagnation of business activity. Safety in economics is not less important than physical survival. National security should bother also about low social expenses and moral foundation for its methods.

People get rid of selfish state power by various forms of civil activity. Flood and fire victims, soldiers' mothers, disabled people, etc. organizations manage problems successfully. They pay attention to informational infrastructure and are more reliable to international activity than traditional administration. People solve their problems with the help of other people and not with the help of the state. This anarchy self-representation and self-organization is the sign of new social order which have to conclude new social agreement. So, business administration is helpful for effective coordination and true orientation of the process. Every social force is not separated from the others and have no chance to solve its problems autonomously. This is the way to sustainability and complex cooperation.

Sustainable development was defined by the World Commission on Environment and Development in its 1987 Report, *Our Common Future*, as a form of development "that meets the needs of the present without compromising the ability of future generations to meet their own needs." As defined, sustainable development requires that environment, technology, and economic development be seen as interdependent concepts in which industrial competitiveness and ecological sustainability are addressed together as complementary aspects of a common goal.

Sustainable growth needs new management that use all inside and outside contacts for equal and mutually beneficial cooperation. This kind of

client-focus management is common to business and is unfamiliar for the self-centered state officials, quite bureaucratic by nature.

This is the paradox example of international interplay in Russia. The need for foreign investment in industry is proclaimed by the state higher officials, but in fact there is no strategy and policy to make the process comfortable and effective. (2002 Economic Results). The 2002 year investment was about \$53 bln while the level of growth indicated the need for \$150-200 bln. International expertise found out that the real level of investment is the needed one. In other words, there are no big projects as they do not run. Natural monopolies do not cover all industrial space, but the rest of economy is not active. So, the developed investment amount is the needed one. Often money does not work and are transferred out of economics.

The passive economics refers to the people's needs. Economical habits and market behavior of Russians are like this: 5% of citizens have market income, the rest are variously donated, have no starting position or do not care a rush about the future. In other words, people have no reasons for market interplay: 5% have everything and 95% have no interest. It seems that there is no true legal way for redistribution in financial field. Banks do not really work with internal investment. As the financial activity should have the public state guarantees its low speed depends on high risk and non-safety.

Transaction from social to subsidiary state needs profound targeting and step-by-step development planning. It will help social interplay and consensus. Social dispute will change negative attitudes to business "that guides the whole country" and to economical liberalism "which is dangerous for the country with the lack of liberal traditions".(Gorshkov, 2003). Global community gives an opportunity for liberal financial exchange. Former capital flow was focused on applied science, now it goes from protected

societies (through the taxes, law and public control) to unprotected societies for better profit. Russia is of no excuse the unprotected space for risky business with about 1000% profit in some spheres.

There are no institutions for international control for the transnational corporations activity in fact. Only national states and their positive law defend national industry and local interests. Financial groups are very mobile and have no national interests. Etatism should change its role for new social goals in global perspective.

Russian state was institutionalized in European terms by Peter the Great in the XVIII century. It is often described with the help of the ship metaphor. Ordinary state metaphor is a house with his architect, housekeeper and economy. On the contrary, the ship had to be steadfast under the leadership of wise captain. Peter the Great created the navy in fact. Compare to merchant marine it needs special infrastructure, fully professional team, absolute discipline and advanced engineering for further progress. And it fights. Military management is based on the system of seniority and has no alternatives. Orders are not discussed and commanding officers are not elected. Big business represented like the merchant ship helps to understand the difference. The main goal is rush and safe delivery, all capable non-professionals are welcome. The right way for shipping and captain's responsibility are common for two ships. It depends on regular location analysis, clear targeting and discipline.

Another correct metaphor for the state is the image of corporation running by hired manager and the advisory council to protect the stockholders' interests. Personal interest, effective honest work for best results are the essential components of corporate management. These are basic demands for public administration (president - parliament - government) too. Are

these characteristics actual for cosmopolite elites in global interplay?

The problem of selfish agents has the sense of instability in ethical behavior. Moral theory, especially deontology, argues, that moral agent should not use his partner to reach personal pragmatic goals. This is true for the displayed space-and-time situation of interaction. Strategy partnership often has no strict borders in history. Besides, religion and culture stereotypes lead to misunderstanding, as there are no corresponding notions and values. So, the partners need common basement to evaluate the unique rules relevant to cooperation. Speaking about the notion of time, for example, Europeans understand 5-10 years period as a long-lasting cooperation. For Chinese this is a short period invisible from the historical perspective. There are many moral issues that do not correlate to the field of the partner's culture. This complex problem is evident to those who practice contacts in politics and business. So, the government of Japan pays much attention for culture and language exchange. All over the world Japan ambassies introduce free programs in humanities. Its main feature is feedback, close cooperation with native academies and permanent work for identification of alien information for socio-economical intercourse. It means that Japan is able to keep the high industrial level and also integrate its management values to the world market. These are values of coordinate corporate culture, group and personal management. Adopted to various national cultures these values proclaim similar existential background for the partners.

Sometimes various national management traditions have special key notions which do not correlate to other traditions. For example, the term *whistleblower* (slang : One who brings wrongdoing within an organization to light) (The American Heritage College Dictionary) is translated to Russian as *stuckatch* which is not correct.

*Whistleblowers*, for example, were the middle level managers of several American companies in 2002, who made clear malicious mischief for stakeholders. Ethical dimension of this notion is based on public action and universal morality. Personal courage and moral perspective should contravene the corporate wrong administration. *Whistleblower* has firm conviction on public use of his action and communal moral control. He believes that corporate administration is the part of social organization and it should be protected from false steps. This moral subject autonomy is based on common sense and definite choice. This notion has absolutely positive moral meaning.

The most close notion in Russian is "to sound the alarm" (*bit' v nabat*) which means to ring the bell, to shout the truth from the housetops. Historically this was the way to attract public attention to the fire danger or to enemy intervention. It also called everybody for the *veche* -communal meeting for discussion. As there is no noun in Russian corresponding to this alarm action, often *whistleblower* is translated as *stukatch* (*sneak*). It has irrelevant meaning of secret action with no public arguments. In Russian history secret informers are not simply reporters, they are tools for unjust interplay of security services and authorities. To inform police, for example, is not moral action for Russians. Negative ethical discourse for reporting intervenes the meaning of company checkers trivial action. It has no universal meaning and breaks interpersonal confidence. Many transnational companies have their corporate ethical codes based on reporting. This norm has negative ethical meaning for Russian employees and they try to solve their problems in personal interaction.

This is the rush problem for the international employers in many countries. Corporate morality should not evidently contradict public morality in its historical perspective. To adapt business ethics to common level is the way to prevent the

credibility gap. The way to do this is to find synonymous terms and positive norms close by meaning and spread it all over. In Russian *whistleblower* could be translated as guard, watchman, sentry, - especially in team-building.

Russian public morality is relative by nature. It is evident through the central notion of *good* (*blago*) which has double meaning. Its ambivalent semantics combines *blago* and *blazh*. According to V.Dal', *blago* means perfect level - wise, beautiful, right, nice, etc. At the same time it means evil, stubborn, unquiet. *Blazh* is similar to joke and game. (Dal', 1956).

These additive meanings represent moral behavior and values: for example, strict discipline in real life is regarded as strange. Under the circumstances people should be tolerant to each other. Even saint people, monks, who have no sins - they play the game like small mischievous children, they are not from this world, their sense of good is far from the ordinary rules. They are jerks (*jurodivyi*) and odd fellows as they represent the high moral order and do not adapt it to reality. This non-conformist meaning has the title *Blagusha*, the pre-revolutionary region of Moscow for criminals out of police order. It refers to the idea that *virtue/blago* is out of control, self-dependent, evident and unique. It is simple and does not need translation. It is behind pure comprehension and should be lived out. *Blago* is out of rationality and corresponds to the idioms like "no tsar in the mind" or "towerless" close to psychopathology and stress behavior out of control and system of norms. These features are bad for management but nevertheless have positive moral meaning and discourse excuse. Existential background for this axiological indistinctness is the idea of intolerance of being. To live real life means to be a tool for some purposes. Freedom is not for reality - only for dream. Each person have his own dreams, so they can hardly find common validation scale with the other people. Each moral subject have the right for

intrinsic value. This value depends on means and ends retrospective. It is based sometimes on temporal circumstances far from traditional norms. This value is not the result of successful situation or lucky behavior but its motivation presupposition. So, to attract public attention for the problem to get personal benefit is not good. Traditional values fixed in language and irrational presumptions still motivate public behavior. These aspects of culture and history have serious communicative sense. Modern sociality is based on communication and its claims are close to management practice.

Dialog is an instrument and the main goal of communication as it is the process of value rapprochement. Multiple identity come to temporal singularity to find common attitudes. The humanities have developed the dialog purposes and techniques, but nevertheless the idea of positive understanding is far from the real practice in Russia and all over the world. The political power needs enforcement to represent itself in social field. Sooner or later it leads to violence and destruction. That is why sociality is associated with violence. To build common civilization and mutual value system have to use dialog for global interaction. Equal rights for the partners, their need and ability to communicate and close understanding of the perspectives - these are the dialog's imperatives which are the philosophy method at the same time. Now these rules are common to various negotiation techniques and are used in team building.

To practice dialog both the state and business community in Russia should focus on partnership strategy and education. Education now has poor finances and has no clear policy. Teachers are underpaid and have no social respect. Even in the cities schools have no specialists for years. Functional illiteracy is the real problem for modern Russia. (Report for the Ministry of Education. Moscow, 2000.)

There is an interesting thing concerning the teacher's public status. Traditionally the scientist and the teacher have respect but have no social category. From the point of view of the working classes they play the game like actors, writers and artists, who do not produce material good. Partly this kind of distrust indicates their social independency and their talent given by God. At the same time professional science and educational models came to Russia from Germany, and first professors were Germans. They spoke obscure language and taught incomprehensible things. Most of all, knowledge represents new reality and means personal initiation for the student. Mythological common conscience treats initiation like death - for the former activity and contacts. It leads to the new marginal social status. Scientific language and the educated person speech differs from the ordinary language and have some secret aspects. No universal meaning of knowledge and invisible research goals represent the teacher/scientist like shaman singing his strange songs. The terms "guide", "pastor" and "herder" are the synonyms in Russian for the "teacher". The most enigma metaphor of "shepherd" concerns the real life paradox when herdsmen are usually fools or kids. Nevertheless peasants commit their cattle to these marginals.

The main feature for the professional shepherd is his ability to communicate. He leads the cattle and managers its way with the help of whistling, lashing or finally with the help of his dog. In fact, this looks like the job in the field of public or business management - the stick and the carrot policy.

School reforming needs new goals, social validation, moral foundation and flexible administration. The civilized community faces the need for permanent education and social rent for business structures. Many European countries walked through the education reforms during last years.

Overseas education is at the moment a neglected field in Europe. This situation cannot be

changed by private companies. It is a task for the universities and national governments, and has to be promoted and coordinated at a European level. "It is a realistic challenge to attract more students at MA and PhD levels, ...there is an urgent need to draw up a strategic plan for how the universities can and should be used to optimise the social, cultural and intellectual framework for political and economic interaction between Asia and Europe." (Asia..., 1997).

The goal has to be to create a network of young people with experience from and affinity with each others' regions, who will make careers on the two continents – eventually taking up high positions in government, business and academia. New channels have to be developed to reach the educated public.

As globalisation continues in the 21<sup>st</sup> century, the Eurasian continent will grow more and more together. "This means that neither Asian nor European topics of a broader kind can any more be fully understood without paying attention to the structures and relations knitting the whole continent together. ...Universities, high schools and business schools must take the lead here" (Asia..., 1997, p. 17). Mixed groups of international researchers should study socioeconomical issues from comparative perspectives. More comparative studies on a cross-regional basis should be initiated. The academic community should build a dialogue and intensify cooperation in humanities, as the modern approach has its base in social sciences and focuses on issues of more direct societal relevance. The scientific norms prove knowledge based on generalizations, comparative perspectives and are more related to end-users outside the academies. The mix of practical and scholarly learning has a major long-term advantage. More room is also given to culture and to explanation.

To manage this process new institutions should overpass fragmentation as structural weakness.

They should also make effective humanitarian expertise in policy and decision-making.

Many academics prefer to concentrate on scholarly values and pure research, and have not sufficiently paid attention to the communication of their learning to people outside the university community. Another way to cooperate is the consultant work for non-academic actors. Applied research and think-tanks will help to organize the new structure to adapt knowledge and make more use of education. During the think-tank sessions people demonstrate various types of mentality. This helps to understand the way of thinking and behavior.

There is no tradition in Russia to teach management by former managers. Teachers are usually from the field of humanities and have no experience in business and decision making. Practical case-studies are based on the foreign experience as Russian data resources are boarded or incomplete. There are rules for the case-study expertise like the situation of Shattle explosion which is used to compare engineering ethics and general project management. There are no case analogs with information on 'Tchernobyl' or "Kursk". These tragedies are not regarded from the management point of view helpful both in the situation of bankruptcy or rescue. Humanitarian price for the technological risk is out of discussion to.

Informational interaction is impossible without Internet in nowadays. Administrative and business cooperation here deals with resource access for users. Informational technologies (IT) have changed the whole management structure in some sectors of economic. For example, intelligent product is the property of its author and of the employer. One can not take away the employees' skills and knowledge he got at the time of production. Full reproduction and easy duplication of the product with the help of new technologies produce new value scale for the human resource management.

Developed countries practice the educational programs for the TNC seek. Companies pay for their future human capital. Human resource expenses in New Economy (IT-Economy) are comparable with basic funds. At the same time future Next Economy will combine IT and traditional methods. Its complex integration is also the field for global perspective. ( Truch, 2001). The effective way to consolidate methods is the so-called knowledge management. Its strategy is to estimate an information on different levels with the help of IT. Every step of this strategy - environment analysis, planning, alternatives, realization and control - is based on smart technologies. For best results the system should be oriented on non-financial, internal and external, realistic information to forecast the future but do not extrapolate the past.

Intellectual capital (IC) is the intangible asset with market value. IC dynamics depends on stock market. Intangible asset is classified as (1) employees competence; (2) internal structure - patents, conceptions, IT, management; (3) external structure.

Those firms that pay attention to the knowledge management and have applied strategy and policy are most successful now. The main determinative factor for effective growth is the IC governing through its validation, dissemination, investment and development inside the company. Finnish firm "Skandia" elaborated widely known model for IC calculation. Its formula is  $IC = human\ capital + structural\ capital$ , where *human capital* means knowledge, skills, innovations, corporate thinking, and also values, culture and philosophy; and *structural capital* includes hard and software, databases, organizational structure, patents, brands, - an industrial and administrative potential necessary for production. *Structural capital* is an object of property and commerce.

These changes in structure and management follow rapid changes in on-line communities in the net-economy. (Zuev, Miasnikova, 2002). It

means that people use non-inherit and any valuable information in everyday life, they have no social patterns. Self-organization indicates the change of "welfare state" paradigm to "well-being state" paradigm, which is the synonym for the informational society. Net management has no hierarchy and meets even small needs of environment. It is sensitive for implicit signals for further growth. Global on-line contacts and interaction give the best result compare to the old market infrastructures.

An advanced IT-development is like bowling where the best position has the team with the best result and not the winner that overplayed the competitor . This policy is also optimal for public administration in the informational society. Planning should be like the chess strategy. Manager should try to build convenient infrastructure for public interaction and self- organization for the net components. Traditional market technologies correspond to this process and include less successful partners into a market process instead of absorbtion. For example, Cisco company makes the competitors the part of the net structure, or Open Source freelancers' programming association creates new products. The postmodern business demonstrates new on-line perspectives and management values: relict human rights come together with the rights of independent groups and associations. Targeting advertising and skyrocketing program progress make possible new types of interaction. For example, Ward Howell company organized the on-line forum in the field of business administration for about 630 thousands Russian users.

Self-organized on-line economics is based on "trust-goods". The consumer have no opportunity to be sure in the commodity 's quality right after he have bought it. For the IT-products quality is the process of consumer interaction. From the traditional market point of view this is disbalanced sustainability.

To use IT-technologies, knowledge management and on-line resources is the way for Russia to

overcome administrative crisis and integrate into global community.

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