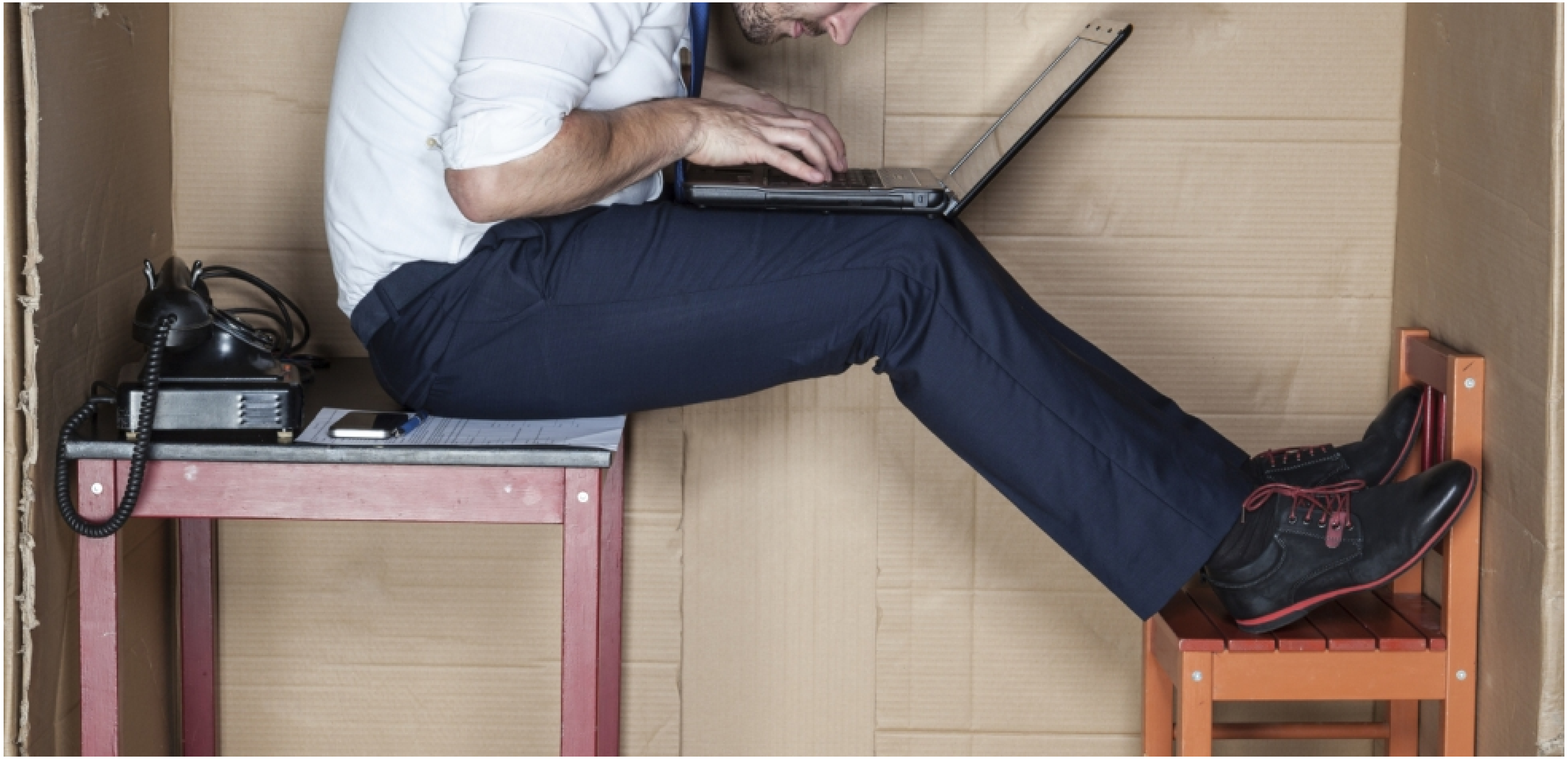
FEEL THE PAIN

- 

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New research shows that a difference in management style of post-Soviet economies means companies in those countries experience growing pains differently than comparable companies in the United States.

Asked to consider the world's best-managed companies, chances are that most people will nominate American giants such as Boeing, Apple, and Wal-Mart as top of mind. Recent research from the National Bureau of Economic Research (NBER) bears this out. Its 2014 study concluded that the U.S. leads the way in best management practice, followed by Japan, Germany, Sweden and Canada rounding out the top five. Brazil, China, and India ranked last in the 20-country study. But what about countries in the old Soviet economies? How do they perform against the world's best?

Russia and the former Soviet states were not included in the NBER study. And with just two decades of free market business experience, one would expect firms in these countries to feature near the bottom of similar studies. However my research has led me to question this assumption. As to whether or not companies in Kazakhstan, Russia and the Ukraine (the "KRU" countries) are better managed than their counterparts in the U.S. or other Western countries, I believe it's more a matter of a difference in focus when it comes to future organisational effectiveness.

GROWING PAINS IN KAZAKHSTANI, RUSSIAN, AND UKRAINIAN COMPANIES

Over the past two years, I have been conducting a research project on Growing Pains, organisational effectiveness and strategic planning in 24 companies located in three post-Soviet era countries, Kazakhstan, Russia, and Ukraine. Companies came from completely different industries ranging from petrochemicals to mining and banking. Organisations varied significantly in terms of staff size from a few people to a few thousand as did their respective revenues (called "turnover" in these post-Soviet era countries).

While the project sought to assist the companies with their organisational development needs, it also presented an opportunity to research the development of these relatively young companies in KRU countries. To explore this further I used the American Consultancy Management Systems' Growing Pains Survey, a very effective diagnostic tool when it comes to checking whether or not an organisation is healthy and positioned for success, or whether or not problems exist. The survey report also enables a comparison between a KRU company and 5,000 company results from the Management Systems' database. **Figure 1** shows how the scores are interpreted:

Figure 1: Interpretation of growing pains

Score range	Colour	Interpretation
10-14	Green	Everything "ok"
15-19	Yellow	Some things to watch
20-29	Orange	Some areas need attention
30-39	Red	Some very significant problems

Figure 1: Interpretation of growing pains

Score range	Colour	Interpretation
40-50	Purple	A potential crisis or turnaround situation

Meanwhile **Figure 2** shows the results of the Growing Pains Survey together with statistics for U.S. companies sourced from Management Systems' database.

Figure 2: Growing Pains for Kazakhstan, Russia, Ukraine (2014).

Score range	Percentage of KRU companies	Percentage of U.S. companies
10-14	14.0	3.0
15-19	26.7	7.0
20-29	40.1	50.0
30-39	13.8	38.0
40-50	5.4	2.0

The results are interesting. The percentage of "successful companies" (defined as companies with "green" and "yellow scores") in KRUs is four times higher at 40.7 percent than in the U.S. (only 10 percent). Perhaps of even greater interest is that of the surveyed U.S. companies, the percentage of those with serious problems (red) is three times higher than that of their post-Soviet peers. How can that be? Does it mean that U.S. companies are faring worse than those in Kazakhstan, Russia, and Ukraine? Especially as the U.S. companies are similar in diversity of size, industry and age.

The same pattern is also evident when looking at the degree to which each Growing Pain manifests itself individually in a company. **Figure 3** provides the results of Management Systems' Growing Pains Survey, and details the KRU score for 2014 versus the MSCC average, which refers to the scores for U.S. companies from Management Systems' database:

Figure 3: Growing Pains Scores for Kazakhstan, Russia, and Ukraine vs. MSCC Average[1] (2014).

No.	**Growing pains**	**Rank**		**Score**	
		2014	**MSCC**	**2014**	**MSCC**
1	People feel that there are not enough hours in the day.	2	1	25.6	34.6
2	People are spending too much time "putting out fires."	1	2	26.7	32.5
3	Many people are not aware of what others are doing.	4	3	23.3	30.6
4	People have a lack of understanding of where the company is headed.	5	4	22.1	28.1
5	There are too few "good" managers.	9	5	21.0	27.8
6	Everyone feels "I have to do it myself if I want to get it done correctly."	3	6	24.7	27.5
7	Most people feel our meetings are a waste of time.	6	9	21.4	25.4
8	When plans are made, there is very little follow-up and things just don't get done.	8	7	21.2	26.6
9	Some people have begun to feel insecure about their place in the company.	7	8	21.3	26.3
10	The company has continued to grow in sales but not in profits.	10	10	20.9	25.1
	Overall Growing pains scores			**22.8**	**28.5**

Out of a maximum score of 50 for pain severity, KRU companies averaged 22.8 – nearly six points less than the MSCC average. In my opinion, the "boiling frog syndrome"[2] in which staff perceive the situation in their own companies as the norm and do not see any problems, contributed to the biased assessment. In addition, staff, including management, are unable to assess the situation and compare it to the best U.S. (or other Western) models simply because of limited experience.

To provide the necessary context for the survey, I held a seminar that included material on the methodology of Eric Flamholtz's Pyramid of Organizational Development, and research on Growing Pains and organisational effectiveness. A more detailed explanation of the research objectives was provided, together with many examples of domestic practices and leading U.S or Western experience. We followed this up in Phase 2 where we asked respondents to repeat the questionnaire. The results are given in **Figure 4** and the difference was noticeable. The average score of Growing Pains from KRU companies increased from 22.8 to 29.2. This is 0.7 points greater than the scores of the U.S. companies:

Figure 4: Growing Pains scores for four KRU firms (2014).

No.	Growing pains	Firm 1	Firm 2	Firm 3	Firm 4	Overall	Rank
1	People feel that there are not enough hours in the day.	24.5	18.7	27.7	23.8	23.7	10
2	People are spending too much time "putting out fires."	32.7	25.3	26.5	31.5	29.0	6
3	Many people are not aware of what others are doing.	33.6	37.3	33.5	30.0	33.6	1
4	People have a lack of understanding of where the company is headed.	32.7	31.3	33.8	34.6	33.1	2
5	There are too few "good" managers.	37.3	32.0	28.1	27.7	31.3	3
6	Everyone feels "I have to do it myself if I want to get it done correctly."	26.4	37.3	27.3	32.3	30.8	4
7	Most people feel our meetings are a waste of time.	29.1	25.3	32.7	21.5	27.2	8
8	When plans are made, there is very little follow-up and things just don't get done.	33.6	29.3	25.8	29.2	29.5	5
9	Some people have begun to feel insecure about their place in the company.	30.9	28.0	28.8	14.6	25.6	9
10	The company has continued to grow in sales but not in profits.	23.6	38.0	23.1	27.7	28.1	7
	Overall	**30.3**	**30.3**	**28.7**	**27.3**	**29.2**	

CARRYING THE STONES BUT NOT BUILDING THE TEMPLE

When it comes to Growing Pains, there are some interesting differences between KRU and the U.S. companies. Firstly, U.S. or Western companies highlight the shortage of work time, while this is the least significant problem for KRU companies. A no less profound, but still fairly substantial difference, is that the second ranked Growing Pain for U.S. companies is "Spending too much time dealing with crises and putting out fires", whereas this is ranked sixth in terms of concern for KRU companies. In contrast, the second most severe Growing Pain for KRU companies is weak strategic planning and disengagement of staff ("Staff do not know enough about the main directions of the development of the company"). KRU companies also face the problem of decentralisation of divisions and lack of teamwork ("Many employees are not aware of what others are doing"), which stems from the fact that KRU companies have "Very few competent managers" (third place). Therefore, in fourth place, people feel that "I have to do it myself if I want it done right."

In other words, KRU companies lack adequate strategic planning. This is symptomatic of a lack of clear, manageable goals or ways to achieve them. The lack of strategy means staff are figuratively “carrying the stones but not building the temple”. No one really makes any effort or shows any initiative because no one knows what they are working towards and everyone is waiting for advice from management. The main burden of the company’s development falls on the head of the company and his or her top managers, who cannot assign the work to staff. If a deadline must be met, it is better to do everything yourself because competent managers can have difficulties if they ask someone else for help and they may well end up regretting it later.

THE BOTTOM LINE

If we consider “better managed” as having higher scores on the Organization Effectiveness Survey, then in terms of Growing Pains, the answer is an unequivocal no. Managers in companies in Kazakhstan, Russia, and Ukraine are not better managed than their counterparts in the U.S. and they will need to pay more attention to Growing Pains, the first thing to do before developing strategic plans for the future.

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1 The MSCC average refers to the scores for U.S. companies in Management Systems’ proprietary database.

2 The "boiling frog syndrome” refers to a gradual adaptation to the existing order of things.