

The Market Reorientation of Managers in Russian Industry¹

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Abstract: This article examines the changes in the consciousness of top managers in Russian industry during the country's transition to a market economy. The changing attitudes of managers are analysed because of the state policy of reforming industry and the economy as a whole. It shows the depth of the differences between Soviet and market attitudes and identifies the main difficulties that have hindered the reorientation of managers from former Soviet attitudes to modern market-driven approaches.

Keywords: market economy, market attitudes, value reorientation, Russian managers, Soviet industry

JEL Classification Numbers: L16, L26, P31, Z13

1. Introduction

Russian scientists have been set the task of rethinking the changes undertaken as well as the possibilities that could be used in order to develop the country in the post-crisis period. Russia transitioned to a market economy in the early 1990s to improve economic efficiency. In this regard, many market structures were created, and their improvement is ongoing, but few industrial enterprises restructured under a market economy have been able to attain efficiency.

Russia has fallen into an intermediate situation: there is no planned economy, but a modern market economy remains far away. This situation imposes more restrictions on economic development, as the absence of appropriate market mechanisms works to effectively and dramatically narrow the range of alternatives during post-crisis development.

Historically, the development of market relations in Russia has depended on the state. The same historical experience shows that market reforms are possible only if they are supported by the majority of the population (Akhiezer et al., 1994). Therefore, the movement to a market economy depends on the motivation of the social actors who are able to provide the necessary impetus. The development of market relations in the country thus depends on the major social actors in this regard, namely the managers of Russian industry. This article examines the changes undertaken in the minds of managers, specifically the top managers of industrial enterprises, who have passed through these market reforms and altered their socio-economic attitudes because of the societal changes in Russia over the past two decades.

In scientific research, there is a tradition of studying the managers of Russian industry in terms

of when the places of so-called 'red directors' were taken by new managers. According to a 2005 survey, the managers of 822 large and medium-sized stock companies are no longer dominated by red directors (39%). At the same time, another study found that the majority of CEOs (61%) have worked at the same enterprises, but that they have had different posts (Dolgopyatova, 2006).

In the article, the study is conducted in a different region. From the point of view of evaluative changes, who have remained as 'driving' enterprise managements since Soviet times, and who have come to replace them. Whereas there is no doubt that the management category of people (as all Russian society) is the 'product' of the Soviet system.

Different four contrasting approaches are used in the present article. First, it is a historical approach. Because the attitudes of directors nowadays are a reflection of their perceptions of recent societal changes, it is necessary to describe their attitudes in Soviet time to track these changing attitudes. Second, it is a comparative analysis that shows the depth of the differences between Soviet and market attitudes. Third, it examines the state policy of reforming industry and the economy as a whole. Fourth, in a wider sense it describes the possibilities and limitations of social groups reforming in rapidly changing conditions. Although the market reorientation of managers is not a phenomenon unique to Russia, the place of this phenomenon is one of the most important 'building blocks' of social and economic post-communist transformation for investigating changes in norms, values, and behaviours.

2. Reform efforts over recent decades

It became obvious in the 1970s that Soviet industry was falling behind. Approximately 50% of all workers were still engaged in manual labour, and the overall production base did not match with a late industrial stage of development. Repeated attempts were made in the 1970s and 1980s to drive forward enterprises based on scientific and technical progress, but they were unsuccessful. Soviet leaders gradually realised the need to introduce market incentives. It became clear that the command-administrative system of enterprises created contradictions in economic life that could not be resolved within the system (The transition to a market economy, 1993). For example, plans for the introduction of new technology in the absence of the economic freedom of enterprises failed to form an innovative industry based on market competition.

From the mid-1980s, attempts to reform Russian industry were threefold. These three attempts are classified herein as 'Gorbachev's perestroika', 'the transition to a market economy in the early 1990s', and 'the modernisation of Putin and Medvedev'. These fundamentally different options differed on such important criteria as (1) the priority directions of reforms, (2) how restructuring the economy was planned, (3) the role of market mechanisms in solving the

Table 1. Attempts to reform Russian industry

<i>Criterion</i>	<i>Gorbachev's perestroika</i>	<i>The transition to a market economy in the early 1990s</i>	<i>The modernisation of Putin and Medvedev</i>
<i>Priority directions of reforms</i>	<ol style="list-style-type: none"> 1. Accelerating the rates of updating the material and technical bases of enterprises. 2. Increased return on assets, reduced energy and material. 3. Machinery as a priority sector. 	<ol style="list-style-type: none"> 1. Liberalisation of economic relations. 2. Privatisation as the mechanism of the creation of a class of effective owners that would invest in updating production and providing competitiveness. 	<ol style="list-style-type: none"> 1. A reconstruction of the branches destroyed in the 1990s. 2. Technical and technological updating of lagging behind branches. 3. Transition to an innovative way of development, including the creation of new 'breakthrough' production methods.
<i>How restructuring the economy was planned</i>	Change of the structure of the economy at the expense of conversion	The formation of the modern structure of the economy through market mechanisms	The transformation of raw materials to develop industries with high added value
<i>Role of market mechanisms in solving the problems</i>	Expansion of the economic freedom of enterprises at the expense of the gradual introduction of market elements	Rate dependent on the market	Search for a place and role of market relations in the economy
<i>What kind of socioeconomic system change was expected</i>	Within the Soviet system	Transition from the Soviet model to the western model of development	Formation of the Russian model, taking into account the western experience

Source: made by author

problems, and (4) what kind of socioeconomic system change was expected. A comparative analysis is presented in Table 1.

According to program documents, the main purpose of perestroika was the acceleration of

economic development. It was planned that the technical and technological modernisation of the national economy would be carried out based on domestic engineering. It was expected that the conversion would transfer military capacity to high-tech civilian products by replacing administrative-based economic incentives, expanding the economic freedom of enterprises, and undertaking other measures to modify the management of Soviet industry.

In the early 1990s, reformers wanted to copy the western model of economic development. It was expected that privatisation and economic liberalisation would rapidly create a competitive economic system. Specifically, privatisation was considered to serve as the mechanism for the creation of a group of effective owners that would invest in updating production and provide competitiveness in the world market. However, experts believed that Soviet industry was already competitive in the world market in two main areas: the production of defence enterprises (including the aircraft, space, and nuclear power industries) and the production of raw materials.

In the words of president Vladimir Putin, ‘Largely spontaneous transformation is the most fluid sector of exporting raw materials and semi-finished products, which have survived in the market. In fact, we lived through a massive deindustrialisation, losing quality and simplifying the structure of total production’². Putin is now focused on returning Russia to technological leadership. He defines as priorities such sectors as pharmaceuticals, high-tech chemistry, composite and nonmetallic materials, the aviation industry, ICT, and nanotechnologies as well as the nuclear and space industries, two areas where he says that technological advantages have not been lost.

3. Soviet and market attitudes of managers

Attempts to reform Soviet industry depended on the reorientation of directors of all enterprises with management principles under the market economy model. The characteristics of Soviet and market attitudes are compared in Table 2. Market attributes (e.g. market success, competitive advantage) had to replace the former attitudes of planning at all costs, victory in the socialist competition, and soliciting limits on the expansion of capacities. Managers needed to absorb the elements of a market economy such as private property and competition, learn to work towards profit in uncertain conditions, determine which factors should be involved in production, understand the laws of the market, and focus on customer demand.

In the Soviet system, the state–business connection did not exist; by contrast, power and property were connected. State centralism matched with the redistributive economic exchange. This included the establishment of direct economic links and exchange activities through state mechanisms and the intersectoral redistribution of surplus products created in accordance with structural policy (Nikiforov, 2010). The state was not used to economic and administrative-coercive regulation in the form of directives. Rigid dependence on the state,

Table 2. Comparative characteristics of Soviet and market attitudes

<i>Criterion under analysis</i>	<i>Soviet attitudes</i>	<i>Market attitudes</i>
Main economic targets	Performance and over-fulfilment of the plan that comes from above	Profit-making, success in the market, increase in the capitalisation (cost) of the enterprise
Economic mechanism	Socialist competition*	Competition
Ways of achieving economic targets	Soliciting limits, aspiration to have in a stock enough material and a labour force and other resources.	The struggle for markets, competitive products, cost minimisation, optimisation of the necessary labour, the production of new products, improving quality
Main social objectives	Fixing of workers in the enterprise – ensuring the stability of the labour force and fight against the turnover of staff	Development of the personnel in the enterprise – continuous training, search and attraction of the most qualified personnel
Motivation of activity	Fear of reprimand, party membership card deprivation	Fear of bankruptcy

Source: made by author

* Socialist competition was introduced as an alternative to capitalist competition. This is a particular form of economic rivalry between enterprises (as well as within enterprises, such as between departments and individual workers) aimed at the execution and over-fulfilment of production plans by increasing productivity and improving production.

developed in the Soviet period, had its roots in history. Industry in Russia was formed and developed based on pre-market serfdom long before the introduction of ‘directive planning’ (Pipes, 2004).

Soviet industry was a part of the state. Enterprises were at the lower levels of the management chain of the relevant ministries and agencies. Hence, the directors of industrial enterprises were part of the state system of economic management. They were a part of the organisation (e.g. the plant manager as well as university rectors and heads of research institutes) appointed from lists of specific staffing that were formed in local committees, regional committees, and the Party’s central committee. The main purpose of managers was to fulfil the state production plan and provide services. However, the managers of large enterprises were also included in the discussions of plans of the relevant ministries and agencies.

The plant manager was completely dependent on the decisions of his or her superiors. He sought to make his enterprise successful by 'playing by the rules', that is concentrating on those standards that the higher authorities measured as successful. These included the over-fulfilment of the plan, the introduction of extended capacities, and winning the socialist competition. An increase in the number of employees raised the 'weight' of the enterprise and the status of the directors within it.

Enterprises were allocated resource limits within which they must develop. At the same time, directors were unconcerned about the marketing of products: the relevant government agencies, such as the State Planning Commission, ministries and departments, resolved such matters. Directors were not only productivists, but also they solved the social problem about the territories in which their enterprises were located. They built houses, kindergartens, cultural centres, summer camps, dispensaries, and more. Directors were thus needed in the social infrastructure they built (see later). Because wages were regulated by directives, the managers of social facilities secured workers in enterprises and retained the labour necessary for production.

Kornai (1990) writes that 'natural instincts' were at the heart of the directors of socialist enterprises, such as the desire to have in reserve sufficient human and material resources as well as an inner urge to expand the company. Specific social relations, material and moral incentives, ambitions and fears, bonuses and foreclosure added to these natural instincts.

According to the director of the largest sewing association at that time (personal communication), 'They determined the range of products, suppliers of raw materials, and the price list of all products. Prices came down "from the top" in all sizes. Our goal was to mobilise the labour force for the plan. Lagging behind was not allowed ... They invited directors and jointly decided how to cover the deficit. However, the directors sought opportunities. The state did not have time to organise a good supply of raw materials, and we wanted to produce good products. We needed modern equipment. Close to the 1990s, we started to look for people who could help us ... and took out bank loans with a French bank. I had to fight [the central committee] to get permission for the loan.'

A massive swing towards economic consciousness began in the perestroika period. Changes to the law allowed private firms to create cooperatives with state enterprises and remove restrictions on income. The market reorientation of directors was starting. The transition from a planned economy to a market economy demanded the withdrawal of economic consciousness. Directors had to be 'marketers' in order to transform former Soviet plants into effectively working market enterprises. However, in practice not everything appeared as in the theory.

Chubais (1999) argued that the nature of privatisation in Russia was inevitable. He wrote that in Russia, a mechanism would be launched that would force 'the director's capitalism' to be reborn from the inside. The mechanism gradually turned him from a director in civilised capitalism to the effective owner of the base.

4. Market reorientation of directors

In principle, many researchers of Russia's transition processes have been looking to answer the question of how the social and economic attitudes of top managers influenced the reform of industrial enterprises. This question was (and remains) the solution to the problems of the Russian transition to a market economy. Although different points of view have been formed in this regard, one of the most common is that the state conducted market reforms, thereby providing the directors of enterprises economic freedom, but that they were not able to adapt to these new conditions and they continued to work in the Soviet way. This was the reason for the collapse of a number of enterprises in the 1990s.

There is another point of view, however. Red directors reoriented themselves to the market by beginning privatisation. They became aware of the possible benefits of market reforms and in collusion with government officials, seized control of the country's best enterprises (e.g. Bunich, 2005; Muravyev, 2003).

By extension, the state was a barrier to the market orientation of directors. In the absence of a clear national strategy for transition to a market economy, directors were in a situation of uncertainty. They were caught between the state and the market. By focusing on daily survival, they were unable to make the necessary changes in their enterprises. This multi-year strategy for survival led to the exhaustion of firm resources: equipment became outdated and personnel problems accumulated (e.g. Kosals and Ryvkina, 1998).

We can draw two main conclusions from the foregoing. First, this is an attempt to explain the failure of market-oriented reforms in Russia. The second conclusion is that the director–state relation is crucial to understanding the changes that occurred in the economic consciousness of directors. Our studies show that these changes were more diverse and sophisticated. Theoretically, the managerial reorientation of values was a complicated socio-cultural process. In the broadest sense, it can be represented by a three-tier system of interrelated changes (Figure 1).

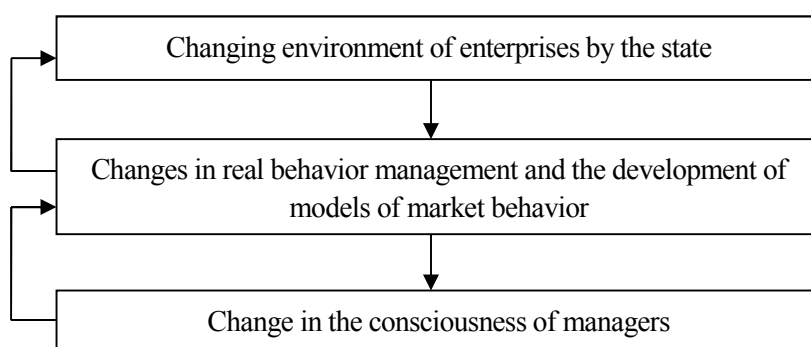
First, the top layer represents changes according to state laws, such as the establishment of standard rules and procedures that regulate the formation and development of market relations in Russia. Appropriate measures include providing businesses with economic freedom, lifting the ban on private ownership and entrepreneurship, enacting laws protecting property rights and fair competition, and implementing procedures for resolving conflicts.

The second layer represents the change in the real behaviour of managers and the development of models of market behaviour, such as the ability to operate under competitive conditions, to make commercial transactions, and to look for new sales markets and commercial partners.

The third, and the deepest, layer of changes is a change of consciousness. Market reorientation in the narrow sense means a change in the mindsets of directors. Major issues are

solved not by companies receiving orders from above (one or other party or government agency) but by managers taking full responsibility for their implementation. Thus, the process of the implementation and further expansion of the market orientation of directors concurred with the theoretical scheme. Practice has shown that great difficulties occurred in each of these three layers.

Figure 1. The market reorientation of managers.



Source: made by author

5. Stages of the market reorientation of managers

The stages of the market reorientation of directors are reflections on the unsuccessful attempts of the state to reform Russian industry. Each government attempt to transform the economic mechanisms in the country forced directors to reconsider their attitudes. However, this re-evaluation of changing conditions largely led to the formation of conflicting value orientations. Table 3 shows how defects in the state policy of reforming industry influenced the social and economic attitudes of directors.

The business environment began to change during the period of perestroika. The transition of enterprises to rent and collective contracts began in 1988–1989. These steps were an unsuccessful attempt to embed market-based management principles and a system of industrial management was planned. Fluctuations in reforms and the constant changes in laws and regulatory acts, on one hand, caused concern among directors, as did the fear of breaking away from the ministries and losing stability. On the other hand, hopes for independent economic activity arose.

In the second stage, the state provided directors with almost complete economic freedom. Controllability industry ‘from above’ was lost. The connections that enterprises and

organisations had associated with the state in the Soviet system were broken in the process of privatisation. Managers of enterprises turned from ‘conductors’ of the Soviet government (represented by the State Planning Commission, ministries, and agencies) to independent managers. Having been accustomed to the custody of the state, many enterprises could not stand without organisational support, without government order, or without subsidies.

Table 3. Stages of the market reorientation of firm managers

<i>Period</i>	<i>Defects of a state policy of reforming industry</i>	<i>Orientations of directors</i>
From the mid-1980s to the early 1990s	Unsuccessful attempt to ‘build in’ market forms (full cost accounting, self-financing) of managing. Control system of the industry was planned	Aspiration to economic freedom, but fears of the market
1990s	Market rate in the absence of an industrial policy	Disappointment in the market and orientation to survival
From 2003–2004 to the present	Attempts of the reconstruction of the Soviet way of management by industry	Increased pro-market orientation, while maintaining hope for state support

Source: made by author

Self-regulation, including in production, did not provide the desired effect. It was thought that giving managers complete economic freedom would be sufficient for them to start to transform firms into successful capitalist enterprises. The director of a major aviation firm recalled this period in an interview as follows: ‘In the 1990s, we were told that the market would do everything itself. Everything would be organised. But the essence is this: if you have the money, then organise as you like. But no one had any money’. Indeed, in 1992 prices increased by 26 times, followed by another 10-fold increase in 1993. The working capital of enterprises was impaired and restructuring was required while the market tried to receive investment funds.

Many enterprises continued to produce the same products and ended up entangled in non-payment. They could not pay salaries to employees. The defence sector (the basis of Soviet industry) found itself in a difficult situation: it had started the conversion, but the state has ceased to provide funding for it. Moreover, orders had been determined by the state, but payment for them had not been received. Enterprises continued to fulfil state orders, but they became more and more immersed in debt (Kolennikova, 2009).

Undoubtedly, there were objective reasons for the difficulty of reforming Russian industry. In particular, the transition from a planned distribution system to a market system was associated

with a huge decrease in the production output of previous products and the reorganisation of production paid for by the consumer. It was only as freer resources began to receive new investments that firms started to produce what the market demanded. In addition to these objective factors, serious mistakes in the conduct of economic policy were made. All post-socialist countries collapsed in the period of transition; all experienced a rupture of their established economic ties, but such a deep drop in production in 1993–1994 was specific to Russia (Aganbegyan, 2005).

There is a belief that the state was working in the early 1990s. It seemed that just about everything was stabilised before economic freedom was granted. However, with the deterioration of the situation came the understanding that a return to the Soviet system would not occur and that many of the promises of the state were empty words. In addition, the active process of the adaptation of managers to the new economic conditions began. Enterprises were looking for a place in the market and they underwent spontaneous restructuring. Directors of enterprises sought to reduce costs and grow production. According to our data, in 1995 over 60% of defence enterprises went bankrupt and only 3–4% of companies were operating as competitive market structures (Ryvkina, etc., 2003).

One way to survive was to create subsidiaries of commercial firms. According to our data, in early 1997 each defence business had an average of five commercial firms. This allowed projects to be carried out, as debts were listed for the parent (Vitebsky et al., 2002). Nevertheless, these were attempts to keep enterprises afloat. Successful firms were able to enter the export market and gain a foothold there or find a foreign partner. The rest were mainly held back by old stock and unwanted raw materials, components, and equipment. In the domestic market, the main categories were traditional industrial products and consumer goods, while the market for high-tech products was dominated by foreign companies.

With the arrival of Putin, the government promised to support industry. The state made itself the leader, the initiator of modernisation, in order to transfer the Russian economy to develop, implement, and release new products. However, today's managers have 'taken a sip of freedom' and have evaluated the possibilities and limitations of the free market as well as the pros and cons of government.

It is no secret that the reformers of the 1990s were afraid of the directors of Soviet enterprises as a force that opposed the transition to capitalism. Chubais (1999) wrote that 'since the beginning of 1992 was in fact the main political question: will "corps of directors" move Gaidar's reforms?' His fears were well founded.

During the monitoring of defence enterprises that our research team carried out from the mid-1990s, we asked directors whether they would prefer to work under rigid state regulation, but in the absence of economic freedom or under full economic freedom, but in the absence of state support. In 1997, more than three quarters of the heads of defence enterprises did not agree with

the formation of a capitalist economy in Russia.

However, a survey in 2007 showed that the situation was fundamentally different: two thirds of managers were willing to work hard under state regulation and full economic freedom. The survey showed a reorientation of directors: their economic attitudes had changed. Confirming this, 78% of them wanted to continue the market reforms started, while only 22% desired a return to a centralised economy. From 1996, we also asked them about the effects of privatisation (see Table 4).

Table 4. Estimates of the influence of privatisation, %

Privatisation ...	1996	1997	1998	1999	2000	2001	2002	2003	2005	2007
... is useful	16	17	19	33	22	32	33	45	56	52
... is harmful	47	46	57	44	47	45	45	41	27	33
... irrelevant	37	37	24	23	31	23	22	14	17	15
Total	100	100	100	100	100	100	100	100	100	100

Source: Monitoring of defense companies 1996-2007.

The transition to a market economy in Russia has shown an interesting social phenomenon. In the 1990s, the state provided directors with full economic freedom, and they were the sole masters of their enterprises, but their hopes were tied to the state. They were anti-marketers. In the 2000s, the management of enterprises (public and with the participation of the state) was recentralised, further strengthening their role in the economy³, and managers were more oriented to work under the conditions of economic freedom by focusing on market structures. Today, the government often uses quasi-Soviet management practices that are ineffective in the current conditions. For example, for state corporations the main problem is the threat of the development of private business and the competitiveness of the Russian economy (Silvestrov et al., 2009).

This contrasts with the Soviet style of management, where the decisions are clear and strictly enforced. This leads to a desire to get away from dependence on the state and work in a free market. This is how one of the directors explained the situation in his company: ‘In 2011, we had a peak of defence orders but this year we have nothing. The plans for the Defence Ministry are arranged so that one year there are very many and the next year nothing. Great problems are created. We have been through this, and tried to get away from dependence on government orders. We had 80% of market output. Then, we made a mistake; it was necessary to keep the ratio of 20% state orders and 80% market. Now we are working hard to get back to this ratio. We try to work in those niches that are far from defence. It’s unreliable and unstable. It’s just talk. We had a three-year contract with the Defence Ministry. For two years, we supplied

equipment, and in 2009 they broke it. Many defence plants have the same sad practices.’ Throughout these decades, the dialogue between industrial enterprises and the government has been far from effective. Each side has tried to implement its own interests and to look for an acceptable relationship given the prevailing conditions and experiences.

6. Difficulties of the market reorientation of managers

It seems that the current process of the market reorientation of directors is inhibited by a number of factors. The first difficulty is the first steps towards a market economy in the period of perestroika and spontaneous market reforms in the early 1990s. According to Simchera (2009), the efficiency of the Russian economy after the transition to the market economy was twofold lower than under the former Soviet regime. That is, the benefits of a market economy compared with a fully state-controlled economy have not yet sufficiently emerged. Therefore, a heated debate is going on in society (including managers). Was it necessary to move to a market or not? Is it necessary to continue market reforms? What should be the role of the market and of the state?

Second, the state’s position is inconsistent. For all these years, the government has taken steps in the direction of the market and then in the opposite direction. In particular, according to the surveyed business leaders in 2011, the role of the state in creating market conditions for enterprises was negative (see Table 5).

Table 5. Answers to the question: ‘Estimate the nature of the state influence on the current operating conditions of enterprises’ (% in the lines):

Condition	State role			Total
	Positive	Negative	Absent	
<i>Creation of a normal market environment (banking system, labour market, etc.)</i>	12	31	57	100
<i>Creation of conditions for honest competition</i>	9	43	48	100
<i>Ensuring protection against criminal groups, such as economic crime</i>	14	28	58	100

Source: Questionnaire survey of business leaders in the International Club of Directors, May 2011.

Third, a clear strategy for the development of Russian industry has been missing over time and today it is still lacking. In particular, in 2010 the managers of various industries answered no to the question: ‘The government has declared a policy of modernising the Russian economy. Do you understand the practical steps to implement the planned course?’ More than a third said that

they did not understand the practical measures. Half of directors said that there is incomplete clarity, while 8% said that they understand only what is relevant to their enterprises. Only a 10th of respondents said that they understood the practical measures. A similar picture emerged from the interviews conducted with directors.

Fourth, an important factor is the rootlessness of market relations in Russian culture. Entrepreneurship is not rife. The task is complicated by the fact that, historically, Russia has never had a sufficiently broad stratum of entrepreneurs independent of the state. In the modern market economy, its main social subject is the entrepreneur, an innovator of strategic thinking (Drucker, 2007). Unfortunately, in Russia the role of entrepreneurship remains discounted.

Fifth, social memory plays a dual role. On one hand, Soviet-rooted attitudes and stereotypes of behaviour will be felt for a long time: overcoming the focus on the state is not easy. It is difficult to rely only on themselves and not rely on state aid. On the other hand, a destruction developed in Soviet times has contributed to the development of the Russian economy. For example, there are attitudes such as the state approach to firm development, competitiveness with other countries ('we are no worse than foreigners'), and responsibility for the labour force. This is largely due to the spread of orientations rather than the development of enterprises.

7. Conclusions

If we estimate the state's attempts to reform Russian industry, it is difficult to find a suitable way for our country's market economy model to succeed. This is a long way from the introduction of the first elements of the market through 'shock therapy'. On the question of how far Russia has progressed on the path to a market economy, Aganbegyan said at a meeting of the International Club of Directors in June 2012 that if the market comprised 100 conventional steps, Russia is roughly 50–60 steps up, but it still has to pass the most difficult steps. Today, the main shortcomings are the absence of a full-scale market for basic production factors. Conflict is also growing between the further development of market relations and the desire for authorities to over-regulate the market (Kurnysheva and Gorodetsky, 2011). The implementation of market relations in the social fabric of the former Soviet society reflects the difficulties and contradictions in the attitudes of managers. Nevertheless, it is the entrepreneurs and managers of enterprises today that are the most advanced in the market.

Notes

¹ All findings are based on empirical studies. First was the study of defence enterprises carried out from 1995 to 2007 within ISEPP RAS under the auspices of the League of Defence Enterprises research team, consisting of Rosalina Ryvkina, Vitaly Vitebsky, Yulia Denisova,

Leonid Kosals, Mikhail Kuznetsov, Yuri Simagin, and the author (poll of 120 to 350 managers). Second were expert surveys, by the author of the article (40 to 60 managers), from various industries during the regular meetings of the International Club of Directors in 2009–2012. Third were interviews (approximately 30 interviews during the past five years) with the managers of enterprises in various industries. Respondents were former directors of Soviet factories that had passed through privatisation. The article is based on reports from the 58th meeting of the International Club of Directors, on May 25–26, 2011 in Smolensk, and the 12th European Association for Comparative Economic Studies (EACES) conference, on September 6–8, 2012 at the University of the West of Scotland. I thank Rosalina Ryvkina (ISEPP RAS and Higher School of Economics) for research support and scientific comments. I am also grateful to Satoshi Mizobata (Kyoto University) and Hiroaki Hayashi (The University of Shimane) for helpful comments and financial support. I accept the responsibility for any errors and shortcomings in the article.

² Vladimir Putin ‘Our Economic Tasks’, *Vedomosti*, 30.01.2012.

³ By the end of the 1990s, approximately 10–20% of the shares in Russian companies were in the hands of the state, but by the end of 2008, the state held at least 40–45%. Implementation of the plan of anti-crisis measures, possibly leading to an increase of the share of 9–10% (Vorobyev, 2010). The state’s share also will increase in support of defense enterprises. Allocated funds for the re-equipment of enterprises and development of new products were converted to stock ownership by the state.

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