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Corporate entrepreneurs and privatized firms in russia, ukraine, and belarus

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Abstract

This paper provides a preliminary examination of the development of corporate entrepreneurship in privatized firms in Russia, Belarus, and Ukraine, three countries with a common background as part of the Soviet Union, but with different incentives and constraints on entrepreneurship since the beginning of transition. Using large-scale surveys of newly privatized companies, the paper shows that there are differences in the nature and extent of entrepreneurship in established businesses in the three countries. The paper utilizes representative samples of general directors in 105 privatized Russian enterprises, 100 privatized Ukrainian enterprises, and 68 privatized enterprises in Belarus.

Evidence is presented that suggests that Russian privatized firms have lower insider stakes, greater outside ownership, less employee voice, and greater managerial power within the firm than is the case in Belarus and Ukraine. The active monitoring of managers by outsiders may be an important aspect of the transformation of Russian

managers by outsiders may be an important aspect of the transformation of Russian firms to efficient, commercially viable entities. In Ukraine and Belarus a lack of outside involvement in corporate governance may lead to managerial opportunism and low incentives to attract outside strategic investors, including foreign partners. Russia appears to be building a stronger platform for the future development and effectiveness of entrepreneurship than is the case in Ukraine and Belarus. The findings provide evidence of the importance of direct involvement and the development of relationships to counteract the shortcomings of the legal infrastructure and financial reporting mechanisms.

In general, the findings of the study for Russia show that in the current hostile and rapidly changing environment, entrepreneurial priorities and actions so far have primarily focused on controlling cash flow, seeking new markets, and redefining businesses through retrenchment and restructuring. Although it is, as yet, too early to examine the longer term effects of the changes in entrepreneurial conditions, the paper presents the first large-scale comparative evidence of the indications of a divergence in entrepreneurial development between the three countries. There was a greater incidence of turnover among the senior management team in Russia. Managers in Ukraine and Belarus had more diverse strategic objectives in contrast to those in Russia where managers have behaved in a more realistic fashion by focusing on retrenchment.

For academics, the study's findings suggest further research is needed to examine the longer term nature and effects of corporate entrepreneurship, compare entrepreneurship in new start-ups in the three countries, and compare with corporate entrepreneurship elsewhere in emerging markets and the barriers to the development of corporate entrepreneurship. For practitioners and policy makers, the study highlights the need to develop and enforce an appropriate regulatory framework which strengthens the rules of the game under which corporate entrepreneurship operates.



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