Management case assignment

[Business](), [Management]()

Russia in January 2007 with the difficult task of turning around a top-priority subsidiary – while not holding the top position. Days before flying to Moscow, the Deputy Managing Director of Central and Eastern Europe, who had convinced him to accept the assignment and to whom he would have reported, Informed Franken In Zurich that he had taken another position. Meanwhile, in Moscow, Sergei Leveled – the Managing Director (MD) of Russia to whom Franken would also report – considered Franken a threat, as did the subsidiary other 450 employees.

On Franker's first day, Leveled assigned him a work space on a separate floor from his office. Franken, recognizing the symbolic and practical importance of this first encounter, refused. It later took him several weeks to convince Nadia Abramson, the head of human resources who was rumored to have had a close relationship with Leveled, to help vet and hire someone for his team. Upon accepting the assignment, Franken made it clear that he wanted his next role to be as a regional executive, preferably in France, where his wife, also a rising manager, worked.

Yet this would depend on Franker's performance, and nearly three months into his assignment he had yet to show tangible results. The first quarter was disappointing and second quarter figures were due soon. Sitting at his desk, with the Managing Director In the neighboring office and the still frozen Moscow River below, Franken weighed his next steps. The Assignment Pierre Franken had lofty professional aspirations – and H-IT recognized his potential by offering him high-growth positions. He studied economics and business management at a respected European university.

Shortly after graduation, Franken, having traveled as a child with his parents Professor Rosetta Moss Canter and Research Associate Matthew Bird repaired this case, with the assistance of Juan Braggers (AMP 2009, Section 176) who provided significant contributions to concepts used In the case. Many thanks to him for his thought leadership. The company, Individuals, and data In this case have been not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Copyright 0 2011, 2012 President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-5457685, write Harvard Business School Publishing, Boston, MA 02163, or go to www. Hobs. Harvard. Due/educators. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of Harvard Business School. This document is authorized for use only in CECIL BARRATER-EMBALMED by Cecil Barrater at Cozening University from September 2014 to March 2015. 12-070 Pierre Franken in Moscow (A): Unfreezing Change and developed an interest in cultures and languages, embraced the opportunity to work in Switzerland for a major consulting company. He began in finance and then moved into IT. One of his clients was H-IT, who eventually hired him with the promise of rapid managerial promotion. H-IT was a worldwide provider of technology and services with a strong global reputation. Its subsidiaries were largely involved in sales and customer service.

Facing rising competition from Indian business process outsourcing (BOP) firms, the company had considered alliances with U. S. And Indian companies. From 2003 to 2006, Franken served as an executive assistant to the President of Global Field Operations, and in late 2006 he was promoted to Vice President of Business Operations, reporting to the President of Europe, Middle East, and Africa (MEME). At the time, MEME operations were split into three regions – Southwest Europe, Northern Europe, and Central/Eastern Europe (CUE). CUE was based in Zurich, Switzerland.

Shortly after taking the new role, the Managing Director of CUE asked Franken to lead a strategic project to develop operations in Russia, an underperforming subsidiary which, despite vast market potential and technology talent, failed to meet revenue and profitability objectives. (See Exhibit 1 .) The H-IT Russia organization handled sales, marketing, distribution, and service for the country. Most of its employees had technical backgrounds and there was some support staff. Franken visited Moscow overall times in the fall of 2006 to craft the subsidiary business plan before presenting it to MEME and global executives.

It was well received – so well, in fact, that it led to a new assignment. In December 2006, a new MEME President arrived. Russia remained a top priority, prompting the Deputy MD of CUE to sell Franken on the idea of leading an on-site growth project in Moscow. Originally, Franken was supposed to report to the Deputy MD of CUE, but upon returning to Zurich from vacation at the end of December 2006 – days before moving to Moscow – the Deputy MD announced that he had accepted a promotion to become the Deputy MD of MEME. One of the people who really brought me into the project and sold me the story left me alone," Franken said. " At that point I could have said, ' Here is my badge, I Operations in Zurich and the years before, he felt compelled to build on that base and accept the challenge. The business plan project had given Franken some familiarity with the organizational dynamics in the Russia subsidiary. The company had fired the last two Meds due to opaque business practices. Sergei Leveled, the current MD, had come from a direct competitor and, prior to that, had worked for over 10 years with the Russian secret service.

He had studied at a respected university, possessed good communication skills, and was fluent in English, which eased interactions with corporate management in Zurich. Yet Leveled had never held a top management position before. Although the subsidiary continued to underperformed with his leadership, corporate executives were reluctant to replace him given the difficulty of finding another candidate with the requisite skills – an experienced leader in the industry with a good network of relationships with top Russian managers and officials. Furthermore, H-IT had a general preference when making changes to do so via evolution, not revolution.

Corporate leaders encouraged Leveled to hire a number two to help oversee operations and lead change, but he did not act on the request. After weak results in 2006, the company reached out in secret to headhunters, but Leveled soon learned of the move from contacted candidates already within his network. Corporate executives thus decided to hire a number two themselves. The President of MEME, Franker's supervisor at the time, reached out to Franken to convince him to take the assignment. Once Leveled learned that Franken was the designated candidate, he presented his own candidate, who was rejected by the CUE management.

Franker's new position was Deputy Managing Director, the equivalent of Chief Operating Officer. He had a double-reporting line – to the MD of Russia and to the MD of CUE, since the Deputy MD of 2 CUE had left. The mission was to transform the organization in one year into a profitable and fascinating subsidiary. Responsibilities included organizational development, the execution of corporate initiatives, and acting as the corporate point of contact. Franken was a regular member of the MEME/CUE Management Team, which Leveled fought unsuccessfully to block.

The assignment was originally planned to last a year. Doing Business in the New Russia Business culture in the New Russia emerged after the fall of the Soviet Union (USSR), a union of socialist republics which lasted from 1922 to 1991. By the mid-asses, the strain created by the standardized, command economy led to the announcement of But the political and economic challenges were too great, culminating with the disintegration of the USSR in 1991. Russia, as a separate state, plunged headlong into market reforms, beginning in 1992 with price liberalizing and prevarication.

The rapid nature of the transition in a society ill-equipped with market-supporting legal, Judicial, and financial institutions rated a long-lasting impact on the country business operating environment. The voucher prevarication process resulted in the amassing of enormous amounts of wealth into the hands of a select few, known as " oligarchs. " I Corruption, already a problem in the Soviet era, worsened. Ultimately, the institutional vacuum was filled with new informal practices built on the ruins of Soviet era personal networks and organizational culture. Ii The country embarked on sustained economic growth after the 1998 financial crisis.

Under the presidency of Vladimir Putting, who curbed oligarchic power and forged lattice stability, the country nominal GAP expanded on average by 7% per year beginning in 2000. (See Exhibit 2 for key economic and demographic figures.) Russia had invested heavily in science and technology during the Soviet era, which created innumerable economic opportunities. The workforce was filled with highly trained scientists, engineers, and mathematicians. More than 95 percent of the adult population had completed a secondary education and over half had a tertiary degree – the latter fugue was double the average for COED countries. Ii The market was already big – with even bigger potential. The population, though declining, exceeded 140 million, while disposable household income was one-third higher than Brazil, four times that of China, and 10 times that of India. Iv Major industries in Russia included energy, large-scale manufacturing, finance, retail, and telecommunications, while the government remained a powerful influence. As a service industry, IT had expanded rapidly to meet both domestic and, increasingly, global demand.

The IT market had grown over 30 percent annually since 2000 and Russia was behind only India and China as a software exporter. The Russian government actively promoted IT expansion via the creation of several Technocrats which enjoyed tax and customs benefits. Energetic local entrepreneurs entered aggressively to seize the new opportunities. Thus, the subsidiary competed against not only multinationals eager to supply the expanding Russian market but against local start-ups. Soon, global companies came to recognize the importance of finding Russian partners since the government often favored local businesses.

Many foreign enterprises, such as H-IT, found it challenging to take advantage of these commercial opportunities. The Soviet system left a deep legacy on organizations. Decades of central planning indeed the development of the strategic planning skills of managers, many of whom were trained first as scientists. Later, in leadership positions, they followed central government output and pricing dictates. V Given this, while people in managerial positions had technical competence, they often 3 lacked managerial skills. I However, they did become adept at managing through scarcity and securing needed resources through blat or informal, personal networks among firms or between firms and the government. Many of the new business organizations formed in the asses emerged via preexisting blat networks of favors. Vii The presence of these networks made it difficult for foreign firms to operate an efficient manner, unless they employed managers with existing relationships, prompting some scholars to refer to the operating environment as " network capitalism. Viii In the early asses, formal institutions remained so weak that a plethora of additional informal practices, including the use of compromising information (compatriot), double accountancy and financial scheming (divination bighearted), and alternative enforcement and use of the law (talkback) became commonplace. Ix Within organizations, the Soviet system left a legacy of top-down research. The cultural leadership myth of a strong and decisive autocratic leader reached as far back as the country oppressive czarist past, such as Peter the Great, and was perpetuated by the experience with Joseph Stalin in the mid-20th century.

Vladimir Putting, in the early 21st century fit into the same frame. X At the same time, these leaders were seen as paternalistic. Organizational leadership styles reflected this transactional approach. Managers kept a distance from workers and communicated “ down” to employees, although they also sought to protect them with perks and defend them from outsiders. Few questioned one’s supervisor in public and resistance was passive. In this context, knowledge and information equaled power and influence, thus hindering open sharing within an organization and fostering a lack of transparency. I The transactional nature of relationships also fostered a zero-sum mindset. Franken learned that some Russians he interacted with operated with the assumption that “ if it’s good for you, it cannot be good for them. ” This implicit threat created an environment of fear which hindered innovation and teamwork. Russians, like citizens of many countries, had a deep sense of national identity – yet hey could also exhibit a strong mistrust of outsiders. Xii Post-Soviet Russia was gripped by the loss of its satellite republics, which damaged national pride.

The growth of NATO and the European Union eastward was perceived as an encroachment on the country historical sphere of influence. It was common for political leaders to reinterpret Russia as the spiritual heir to Byzantium, the Eastern Orthodox Empire whose downfall, some Russian scholars claimed, was attributed to its opening up to the West. The implication was that the New Russia would not make the same mistake. Xiii This sense of national identity, combined with Russian's physical assistance from the rest of Europe, created barriers for H-IT executives. See Exhibit 3 for a map of Russia.) Traditionally, H-IT executives flew from the heart of Europe to Moscow once a month to review operations and request corrective actions. Yet four weeks later, they observed little progress. In Russia, the term collective referred to the sense of togetherness. Loyalty to one another and to one's supervisor mattered, especially in the context of the New Russia where one was protected not by the law – slogan trust, but verify was commonly used in Russia – and was later appropriated by Ronald Reagan in Cold War diplomacy with Mikhail Agoraphobic.

A Frosty Reception Although Franken did not have time to learn further about Russian culture before arrival, his strategy was to observe, listen, and, whenever possible, read. " It was very important for me to understand the ' soul' of the Russian," Franken said, referring to a Russian word " dusk" for soul, commonly invoked in Russian literature for explaining behavior. " Depending on the country, you need to understand the reality, you cannot do everything by the book," Franken said. Mimi need to have very, very large ears. " 4

Franken landed in Moscow on a cold day in January 2007 and recalled the meaning of a " Russian winter" which he had read so much about in history and literature books: " Go to Moscow and it was -25 degrees Celsius and you are sitting there, you are exhausted because of the flight, two hours to get to central Moscow, you have no assistant, no staff, you have no budget, and the MD wants to give you an office somewhere on the first floor. ” In other words, Franken would have been located on a different floor from the Managing Director.

Initially, Franken was told to speak to a facility person on another floor to request a new office. L said to myself wait. If I lose this battle, I will not win anything else,” Franken said. He insisted on having an office next to the managing director. The subsidiary 450 employees – most of whom focused on the sales and distribution of corporate software solutions – saw Franken as the man from corporate, an outsider, the only foreigner among them. In corporate communications to the subsidiary while working as the UP of Operations, he often signed his name.

The employees knew who he was – but he did not know them. Gathering Information and Laying the Groundwork The first few weeks on the Job, Franken met with all relevant members of the organization, including the line-of-business leaders (LOBS), to learn more about the organization’s operations and lay the groundwork for change. He also sought the support of informal leaders, such as Nadia Abramson, the head of human resources; it was rumored that she had a close relationship with Leveled. “ l tried to identify the people that were keen to learn from good practices to go and improve themselves,” Franken said.

Franken met with people in every setting he could, often individually. He asked one employee, who he recognized as open-minded, to have dinner to hear his meal. Later, Franken learned that the employee was confused about the invitation. He waited the entire evening for Franken to ask for a favor. But Franken persisted in his outreach. “ If I can convince one person, with this person we can convince two people, with these two people we can convince four then eight, then 16, then 100,” he reasoned. Initially resistance was passive. Usually they would not fight proactively, they would Just disappear, they would not support, they would not show up for a meeting, they would not speak up, they would not write the minutes, they would not execute the minutes,” Franken said. He put himself in learning mode. He came to interpret the prevalence of passive resistance as the result of the society’s experience operating within the Soviet system. Local employees also offered Franken an unexpected but telling explanation of the recurrent cycle of no action taken on corporate requests following visits from executives. Anatoly, why was this not delivered on time? It was agreed and it was included in the minutes. I don’t understand,” Franken asked. After a pause, Anatoly answered: “ Pierre, it was agreed, but not promised. ” Franken continued to learn of the extent of the Mad’s organizational influence. He intimidated employees and “ managed by fear,” while line-of-business (LOB) managers operated in silos. For those activities and tasks that crossed the LOBS, managers typically had to go first to the MD before crossing into another LOB.

This created bottlenecks and centralized the Mad’s authority, making it difficult to replace him, even in the context of weak performance. Franken gradually began to understand why, in 2006, the Russia subsidiary had one of the worst employee survey results among MEME markets. “ No paper, absolutely nothing was moved within the organization without the knowledge and approval of the managing director," Franken aid. During one team building exercise, senior managers were asked to go around the table and ask where they would like to be in their role.

The MD answered that he wanted to be fly on the wall so he could see and hear everything. In a 5 meeting about whether to accept a Russian software solution from an outside vendor (and friend of the MD) or use the corporate software platform, Franken openly disagreed with the MD, arguing instead for the maintenance of corporate standards. Later, in private conversation, the MD, angered by the public challenge, invoked nationalist arguments for why the Russian solution was better. It was also common for him to lapse into Russian during meetings.

Yet in general, the MD rarely confronted Franken, complaining instead to corporate executives in Zurich. An example of Levees influence and the challenge of overcoming resistance was Franker's attempt to hire a native Russian to help him lead projects and interact with the rest of the organization. " I decided from the very beginning to hire someone, it bring in his own candidate from the inside, connected to him. Franken was already aware that existing employees passed word about many of his actions back to Leveled.

Franken focused on developing a good relationship with Nadia Abramson, the head of human resources. " I identified her very quickly as one of the key persons that I need to have on my side to be successful because she had an important influencer role within the organization – and since she was close to the managing director I could show her the benefits of having corporate on her side," Franken said. He eventually informed her that he wanted to hire someone and, after numerous discussions over a two-month period, convinced her to initiate a search through a headhunter.

After putting soft but continuous pressure on her and, at one point, requesting to meet the headhunters himself, she acquiesced and brought Franken several rsums. Franken came to recognize the importance of symbols, especially after speaking to a sales director who had Just come back from a trip to corporate headquarters. The director commented that he felt something was wrong. Franken asked why. He said that a fountain in front of the headquarters was broken. Franken knew that it was shut off periodically for cleaning but was struck by the employee's Jump in reasoning.

He concluded that it may be easier to communicate new concepts through symbols and metaphors. Through these numerous interactions and experiences, Franken gained a better understanding of the subsidiary underperforming. The Issues As Franken entered his third month in Moscow, he identified several key areas of business concern. The organization failed to adhere to many company processes and guidelines, especially in the sales area: Sales forecasting, pipeline building, sales bonuses, bad debts.

A further source of tension included the requirement that, since the company was listed on the New York Stock Exchange, the absurdity had to adhere to Serbians-Solely requirements in Russia, which was difficult given the larger context of corruption in post-Soviet society. The U. S. Law was passed in 2002 to raise reporting standards for company boards, accounting firms, and managers. Yet as with many standards and initiatives, listing them on paper or posting them online did not mean that the people at the H-IT subsidiary adhered to them.

In sum, although H-IT had global standards and tools proven to enhance performance, the Russia H-IT employees failed to follow them – beginning with Leveled. Corporate leaders had difficulty holding Leveled accountable and Leveled used his own form of accountability with employees, which discouraged information sharing, Joint effort, and working toward shared goals, all of which manifested in fearful and dissatisfied employees lacking in initiative.

Getting Movement Franken looked up from the rsums he had Just received from Abramson, the head of human resources, and turned his gaze toward the frozen river below. He had met almost everyone in the 6 organization and had identified several priority areas – increase business reducibility, improve the organization's sales efficiency, and focus on strategic internal processes. He had also convinced the Abramson to work with him to hire a native Russian.

Even though he had been in Moscow less than a quarter, pressure had increased from corporate as they questioned what Franken was – or was not – doing. The subsidiary had missed its objectives the previous year and the first quarter of 2007 was disappointing. Corporate executives wanted to see progress toward company goals – the revenue growth target was fixed at 40 percent and the profitability target was high. Franker's response was that " we are working on stuff, we are making progress. I know that this is not visible to you but we are working. Rumors had also grown within the subsidiary. Employees told Franken that he communicated well internally but questioned the lack of results. “ People said, You have been here oh months and we have seen nothing. What are you bringing to the organization? It’s a tough pill to take,” Franken said. “ There was high risk of internal collapse due to lack of employee commitment, reluctance to follow company guidelines, or negative interaction in cross-line processes. The organization needed to start a more collaborative approach, avoiding silos,” Franken said.