

# Not Running Out of Steam after 30 Years

## The Enduring Relevance of Central and Eastern Europe for International Management Scholarship

Koveshnikov, Alexei ; Dabija, Dan-Cristian; Inkpen, Andrew; Vătămănescu, Elena-Mădălina

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# **Not Running Out of Steam After 30 Years: The Enduring Relevance of Central and Eastern Europe for International Management Scholarship**

Alexei Koveshnikov, Aalto University School of Business, Finland

[alexei.koveshnikov@aalto.fi](mailto:alexei.koveshnikov@aalto.fi)

Dan-Cristian Dabija, Babeş-Bolyai University, Romania

[dabijadancristian@gmail.com](mailto:dabijadancristian@gmail.com)

Andrew Inkpen, Thunderbird School of Global Management, USA and

Copenhagen Business School, Denmark

[andrew.inkpen@asu.edu](mailto:andrew.inkpen@asu.edu)

Elena-Mădălina Vătămănescu, National University of Political Studies and

Public Administration, Romania

[madalina.vatamanescu@facultateademangement.ro](mailto:madalina.vatamanescu@facultateademangement.ro)

# **Not Running Out of Steam After 30 Years: The Enduring Relevance of Central and Eastern Europe for International Management Scholarship**

## **Abstract**

Central and Eastern Europe (CEE) is a crucial geopolitical area that has played an important role in the advancement of globalization and the nurturing of international management (IM) scholarship. This article serves as an introduction to a special issue on the topic and argues that CEE remains important for IM scholarship as it provides a critical research context for increasing understanding of IM-related phenomena at various levels of analysis. We discuss the topics most relevant for advancing IM scholarship and group them into three broad themes: macro - state, institutions, and populism; inter-firm - entrepreneurship, internationalization, and business networks; and intra-firm - management practices, leadership, and people management.

**Keywords:** Central and Eastern Europe, international management scholarship, institutions, transition, emerging economies.

# **Not Running Out of Steam After 30 Years: The Enduring Relevance of Central and Eastern Europe for International Management Scholarship**

## **Introduction**

Central and Eastern Europe (CEE) is a crucial geopolitical area that has played an important role in the advancement of globalization and the nurturing of international management (IM) scholarship. As Hartwell and Devinney (2021) wrote, “the fall of communism in Central and Eastern Europe and the (soon-to-be) former Soviet Union, coupled with the rise of China and its own rapid institutional changes, unleashed waves of globalization and liberalization in the 1990s and was directly responsible for the third phase of IB scholarship on the political-business nexus.” However, the role of CEE, identified by Meyer and Peng (2005: 600) as “a fascinating research laboratory in which to assess the explanatory and predictive power of different theories”, was questioned a decade later by the same authors. They wrote: “As the field has evolved, the geographic entity “CEE” in 2015 is not as theoretically meaningful as it was in 2005 (or in 1995). This is because of both divergence of countries within the region and convergence of some countries with other countries outside this region (i.e., a number of CEE countries are now full-fledged EU members)” (Meyer & Peng, 2016: 4). The authors proposed that “the broader notion of emerging economies provides a more appropriate framing for such research” (p. 4). In this article, we argue that CEE remains vitally important for IM scholarship. CEE provides a critical research context for increasing understanding of IM-related phenomena at various levels of analysis (we specifically focus on macro, inter-firm and intra-firm levels) and by doing so can advance existing IM theories.

Since the collapse of state socialism in CEE, research on post-socialist transformation has informed and advanced various theoretical debates about management processes and organizational change (Child & Czegledy, 1996; Uhlenbruck, Meyer, & Hitt, 2003; Meyer & Peng, 2005; Soulsby & Clark, 2007; Gelbuda, Meyer, & Delios, 2008; Dixon, Meyer, & Day, 2010; Clark & Geppert, 2011). The context of CEE countries provides an interesting laboratory for developing new theoretical insights and testing existing Western-derived theories (Meyer & Peng, 2005; Schwartz & McCann, 2007). CEE countries have been characterized as a region “where public and private are mixed, the boundaries of firms are blurred, and legitimating principles are not bound to discrete domains” (Stark & Bruszt, 2001: 1136). This stream of research has made valuable contributions in areas such as the role of institutions (Meyer & Peng, 2005) and the state (Suhomlinova, 2007); the role of corruption (Karhunen & Ledyeva, 2012); the development of organizational capabilities (Dixon et al., 2010); work organization (Schwartz & McCann, 2007); organizational knowledge management (Uhlenbruck et al., 2003); and managerial identity construction (Clark & Geppert, 2011).

Yet, the transformation in CEE countries is ongoing and the last decade has been especially eventful. Several influential socio-political and economic changes occurred in the region. First, several CEE countries joined the EU or adopted the euro. Second, the region saw the formation of a new economic union, the Eurasian Economic Union, which included Russia, Belarus and Kazakhstan. Third, the Ukrainian crisis led to the introduction of economic sanctions by several Western countries and Russia against each other. Moreover, in February 2022, the crisis has escalated to a full-fledged war that Russia has inflicted on Ukraine. Fourth, several countries in the region witnessed rising support for nationalist sentiments and populist rhetoric. Finally, the region has seen several economic crises since the end of the 2000s. These events have impacted the ongoing transformation processes in

CEE. The implications of the events for institutions, organizations and individuals are yet to be explored and understood by scholars.

Following previous papers on this topic (e.g., Soulsby & Clark, 2007; Jaklič, Rasković, & Schuh, 2018; Rašković, Dikova, & McDougall-Covin, 2020), we identify several reasons for the continuous relevance of CEE for IM scholarship. First, the noted variance in economic development across CEE still exists. There are several groups of culturally and historically close countries (former USSR and Yugoslavia) that started their post-socialist development from similar positions but ended up with very different outcomes. This provides a setting for studying how institutions develop and institutional processes unfold in different contexts due to geopolitical and socioeconomic factors. In this way, CEE offers a research setting with features and conditions non-existent or rare in other parts of the world.

Second, new developments are occurring in CEE (e.g., sanctions and populism) that provide an illuminating research context for phenomena and issues of global significance. There are new developments that impact the changing international landscape and some worrying trends, like growing anti-globalization sentiment, nationalism/populism and extremism, increasing inequality, and erosion of the existing rules-based multilateral world order, not to mention the currently unfolding war in the region that is shaking and reshaping the region now and possibly for future generations. In this context, CEE appears relevant as a learning laboratory that can shed light on the role of political economy in business and the challenges and opportunities of transition processes and institutional developments.

Finally, the region has relevance for advancing other theoretical perspectives in addition to the ones discussed in previous academic statements concerning the importance of CEE for IM scholarship (Jaklič et al., 2018; Rašković et al., 2020). Among these are HR, leadership, and nationalism / populism.

In the following sections, we discuss the topics that IM scholars might examine in the context of CEE to advance IM scholarship. We group the topics into three broad themes reflecting the level of analysis at which they operate and are examined. Relative to previous discussions in this area, we expand the definition of CEE and include Russia, Belarus, Kazakhstan, Moldova, and Ukraine. Moreover, most previous articles discussing CEE's relevance focus on its idiosyncrasies and institutional and economic aspects as relevant and suitable for the testing and verification of existing institutional, economics, and resource-based theories (Soulsby & Clark, 2007; Meyer and Peng, 2005, 2016; Jaklič et al., 2018). We argue that the relevance of the CEE context for theory testing goes beyond institutional and economic idiosyncrasies and extends to cultural, social, and political aspects. CEE relevance applies to other theories and can stimulate theory development and testing.

### **A Research Agenda: Three Potential Themes**

In this article, we present a research agenda that builds on three themes that can guide IM scholarship on CEE: macro - state, institutions, and populism; inter-firm - entrepreneurship, internationalization, and business networks; and intra-firm - management practices, leadership, and people management.

#### **Theme 1: Macro: State, Institutions, and Populism**

##### **1. The Complex Role of the State**

Though widely researched, many open questions remain in our understanding of the nature and the consequences of the state involvement in firms' operations (Cuervo-Cazurra & Li, 2021). The main reason for this inconclusiveness is that the phenomenon is highly context contingent (Hennart et al., 2017) and, thus, its nature needs to be verified across different contexts. At the same time, most of the research on firms with state involvement and state-owned enterprises (SOE) focuses on China and we clearly need to complement this research

with studies from other relevant and different contexts (Grøgaard et al., 2019). Given the communist legacy of the CEE region and despite the privatization processes of the 1990s, the state continues to play an important role in CEE firms' activities. The share of state ownership in local businesses, especially in strategic industries, e.g., defense and oil & gas, remains high and political ties and connections to government officials remains an important resource for local firms (Grosman, Okhmatovskiy, & Wright, 2016). Therefore, CEE offers significant potential for studying the positive and negative aspects of state involvement.

We believe research could benefit by focusing on the following aspects. First, CEE has a pool of firms that have been first privatized and later re-nationalized by the state. Golebiowska (2020) provides several bank examples. In 2015, after 20 years of privatization, the Hungarian Budapest Bank became a state bank again and in Poland the state regained control of the previously privatized bank Pekao SA. How such recurring transformations affect these firms' operations in terms of reputation, internationalization, and strategies is an interesting research avenue (see Table 1 for a summary of research questions).

Second, although some CEE countries have embraced state capitalism (Bremmer, 2009), the share of SOEs in the region is large relative to Western Europe and especially in strategic industries like energy and banking. Given that the involvement of the state varies across the region (Richmond et al., 2019), CEE provides an interesting setting to determine if there is a threshold beyond which the negative implications of state involvement outweigh the (presumably) positive implications. Moreover, it would be interesting to study how the effects of state involvement differ between strategic and non-strategic industries.

Third, CEE privatization of the 1990s produced a type of private owner that is tightly connected to the state, with the Russian oligarchs the most notable examples. In Russia, oligarchs control a large share of private enterprises (Guriev & Rachinsky, 2005) and many of these enterprises pursue international operations. An under-researched issue (Sawant,



Nachum, & Panibratov, 2021) is how firm connections to government officials and government-affiliated individuals (such as oligarchs) affect their reputation and success when going international. As an extension, research in CEE could also increase our limited understanding of the linkages between firms' social networks (i.e., its connections to government officials, politicians, oligarchs) and bribes to government officials. This research could also look into the effectiveness of different social networks against bribes (Chavis, 2013).

Finally, the current geopolitical situation in the region provides an empirical setting to explore a potential stigmatization of firms on the international scene due to their connections with the state. Research can, for instance, explore how the current geopolitical situation around Russia and Ukraine as well as the sanctions that have been imposed on Russia by the EU and United States affect the reputation and status of Russian firms' operating internationally. Researchers could also examine whether and how firms attempt to repair reputational damage to gain legitimacy when operating internationally.

We believe that exploring the role of the state in CEE would allow IM scholars to make important contributions to our understanding of the complex nature and implications of the state involvement in local firms' operations both domestically (e.g., the relationship between firms' social networks and bribery) and internationally (i.e., the reputational and stigmatization effects of firms' state affiliation). Moreover, such research will allow IM scholars to verify their findings obtained from the Chinese context, which is where the majority of state-focused research has been done.

## **2. The Role and Evolution of (Informal) Institutions**

Research has examined the important role of informal institutions for local firms' performance and effectiveness (Krammer, 2019). However, the strategic and creative use of informal institutions by local firms and the implications of the complex interaction of

informal and formal institutions for these firms require more attention. Against this background, research has highlighted the multifaceted interactions between formal and informal institutions in CEE (Soulsby & Clark, 2007; Gelbuda et al., 2008). As CEE countries have rapidly evolved from centrally planned to more market-oriented economies through privatization and institutional reforms, several informal institutions have also persevered and prospered as manifestations of norms and values inherited by firms and individuals alike (Gelbuda et al., 2008). As Chadee, Roxas and Kouznetsov (2021) argue, these informal institutions continue to play an important role in determining how business processes unfold in the region. They not only prevent formal institutions from operating effectively (Estrin & Prevezer, 2011) but can also be used by firms to their benefit in contexts impeded by weak and underdeveloped formal institutions such as excessive regulatory requirements, weak intellectual property right protection, and unreliable legal system (Rapacki & Prochniak, 2019; Soulsby & Clark, 2007). Even though well-functioning formal institutions are paramount for firms' superior performance and innovation, the effective use of informal institutions becomes critical and strategic for firms' effective economic exchange and performance in contexts where formal institutions are inefficient (Winkler & Remišová, 2007; Krammer, 2019).

CEE offers a relevant context for exploring informal institutions in three areas. First, the ability to effectively cope with informal institutions and institutional voids has been pinpointed as a competitive advantage of emerging market firms (EMFs) vis-à-vis their rivals from developed markets (Jormanainen & Koveshnikov, 2012). However, we need to understand better what capabilities allow EMFs to do that. Researching CEE firms could help IM scholars understand how firms creatively employ their deeper knowledge of the home market's informal institutions as a competitive strategy to impose entry barriers for their foreign rivals. The creative employment of informal institutions as a competitive strategy can

also be explored by examining CEE firms' operations abroad. In this way, IM scholars will be able to use the unique context of CEE to gain a better understanding of when institutional voids and informal institutions are mostly barriers for firms' internationalization or when they serve as incentives and strategic resources for successful and quick internationalization and development of competitive capabilities (Trąpczyński & Banalieva, 2016).

Second, the informal institutions of bribery and corruption have had a long foothold in the region (Chadee et al., 2021; Haynes & Raskovic, 2021). Recent research on CEE offers a more nuanced understanding of the two as distinct forms of informal institutions (Chadee et al., 2021). This research suggests that when corruption is widespread due to weak and underdeveloped formal institutions, bribery becomes a legitimate and accepted coping mechanism for firms to navigate complex and hostile business environments in relation to innovation activities. Further research can yield insights into the functioning of informal institutions such as corruption and bribery. Now that several CEE countries have become EU members, the interplay between the existing informal institutions and the new formal institutions supported by the EU could help address questions about the persistence of informal institutions and pervasiveness of formal institutional voids. It remains an open question as to how bribery transforms itself in the context where corruption is less "formalized" and widespread.

Third, doing research in CEE can elucidate the co-evolution of norms, values, and informal institutions. Such research might illuminate situations and conditions under which managers in local firms are likely to rely on informal institutions rather than formal ones, on their strategies to utilize social networks for their organizations' betterment, and on both the positive and negative outcomes of such activities. Research can investigate how the use of informal and formal institutions corresponds to managers' values and norms and the theory of person-environment fit could be used to evaluate the implications of such (mis)match for the

effective achievement of organizational goals and the managers' wellbeing and performance. Research on individuals' moral engagement with corruption suggests corruption and its underlying social psychology should be seen as a type of social informal institution instead of purposive actions by individuals (Haynes & Raskovic, 2021). Studying corruption as an informal institution would enrich our understanding of complex and context-embedded socio-cognitive processes that drive and transfer corruption over time.

### **3. The Role of Geopolitics and Populism**

Although IM research has acknowledged the growing importance and challenging nature of populism and geopolitics (Hartwell & Devinney, 2021), their manifestations and implications have not been fully studied. Populism has had a strong foothold in CEE for some time. 'Democratic illiberalism' has been developing in countries like Hungary and Poland whereas Russia and Belarus, both under Western sanctions, have for some time exhibited strong populist tendencies. Arguably, it led to Russia's invasion of Ukraine. From a research perspective, the rise of populism is characterized by institutional volatility. CEE offers a suitable context for both examining the implications of the evolving populist situation on domestic and foreign firms and identifying populism coping strategies and their effectiveness.

While some CEE countries have remained immune to populists (e.g., Estonia, Latvia), complementing the extant regimes in several post-Soviet countries (e.g., Russia, Belarus), recent elections in other countries have brought either a victory (Hungary, Poland) or substantial increase in electoral representation of populist parties (e.g., Slovakia, Romania). Some researchers note that the rise of populism in CEE can be explained by the ongoing economic situation and the tendency of politicians to view and present the cosmopolitan values of Western Europe as a threat to their national identity (Krastev, 2017; Noury & Roland, 2020). At the same time, national identity is perceived as something that these

countries fought for in the recent past. Given the region's numerous ethnic confrontations and geopolitical conflicts, national identity is seen as precious and worth protecting.

An interesting feature of populism in CEE is its business friendliness (Scheiring, 2020). For instance, Hungary offers Europe's lowest corporate tax rate (9%), generous financial subsidies, and assistance with investment procedures. In this way, several populist governments in CEE region have strong links with business elites and multinational corporations (MNCs). In countries like Russia and Belarus local MNCs (e.g., Gazprom, Belaruskali) are employed as political tools to exert economic and political pressure on particular countries and governments. Both countries operate under strengthening Western sanctions, creating a fruitful ground for breeding populism. Given the current Russia-Ukraine situation, it remains to be seen how Gazprom and Rosneft, for example, will fare in the context of the unprecedented Western sanctions against Russia and especially considering the inclination of EU countries to cut oil and gas imports from Russia.

CEE offers an interesting context for examining questions related to populism and its impact on organizations and IM (see Table 1). By addressing these questions, IM research can advance our understanding of how geopolitical context influences international strategies of corporations; how domestic firms employ the discourse of populism and populist rhetoric in their negotiation and competition vis-à-vis foreign entrants and competitors; and how populism argumentation is considered in foreign firms' adaptation and decision making in a host country.

## **Theme 2: Interfirm: Entrepreneurship, Internationalization, and Business Networks**

### **1. Entrepreneurship in CEE**

Entrepreneurship in CEE has several distinct features relevant for IM scholars (see Table 1 for research questions). First, due to the region's communist legacy, many older generation business owners in CEE lack Western business education and they manage and

internationalize their businesses based on intuition or deep local knowledge (Vătămănescu, 2020). With rising competition and a changing business environment in the region, professional knowledge and skills are needed for these owners to reconfigure their firms (Cunningham et al., 2012). One research avenue for IM scholars interested in older generation CEE entrepreneurs is to study the role of business education or its absence in the performance and management of business firms. Researchers can also investigate how family businesses evolve and transform when family owners are replaced by professional managers, often from outside CEE and with specialized business knowledge.

Research has shown that entrepreneurs in CEE countries rely heavily on domestic business networks and contextual knowledge experiences when facing uncertainty and novelty in their decision-making and entrepreneurial activities (Soulsby & Clark, 2007; Vătămănescu et al., 2020a, 2020b, 2021). Such indigenous resources are powerful instruments for value creation in challenging environments, as research on organizational change in CEE illustrates (Meyer & Peng, 2005). CEE firms can be used to explore the topic of how indigenous resources are mobilized in an effective and sustainable way by local entrepreneurs. The findings should help explain how entrepreneurs survive and prosper in resource-constrained and turbulent environments with ever-changing formal and informal institutions and conflicting external pressures (see Bratianu et al., 2021).

Finally, the differences between CEE countries, which range across political, social, and economic development levels, are rooted in the countries' unique histories and heritages. Communism was adopted in different forms in the CEE countries and interacted differently with the countries' cultural and socioeconomic features (Jaklič et al., 2018). The CEE context provides an interesting setting to study the role of entrepreneurs' individual-level characteristics, including cognitive biases and heuristics (Guercini & Milanese, 2020) stemming from the communist legacy of these entrepreneurs, in entrepreneurial decision-

making. An in-depth exploration of these issues could provide a better account of the impact of the ‘communist legacy’ that still affects managerial and entrepreneurial decisions and often contributes to the untrustworthy reputation of CEE firms and to the foreign partners’ reluctance to do business with these firms (see also Vătămănescu, 2020).

## **2. Internationalization in and from CEE**

Although research on the internationalization of emerging market firms have offered numerous important insights into these firms’ strategies, scarce resources, and liability of origin (Gammeltoft & Cuervo-Cazurra, 2021; Jormanainen & Koveshnikov, 2012), there are various research gaps. Compared to their Western counterparts CEE firms tend to rely on different strategies and behaviors in their internationalization activities (see Ipsmiller & Dikova, 2021). They use broader product and service portfolios, are less focused, and choose more diverse geographical destinations (Jaklič et al., 2018). Given the relatively small local markets of most CEE countries, CEE firms are forced to internationalize out of necessity despite their strong institutional embeddedness and notable resource scarcity. In these circumstances, firms need to be creative and entrepreneurial in their internationalization strategies and approaches. Researching how CEE firms internationalize could help develop internationalization theory that incorporates entrepreneurship concepts. This theory could explain the international activities and decision-making of firms operating in conditions similar to the ones that CEE entrepreneurs face (Ipsmiller & Dikova, 2021).

Another potential research area concerns the liability-of-origin that firms from CEE countries must overcome while operating internationally (Vătămănescu, 2020). Though many CEE firms have consistently proven to be accountable and professional, they often face a high level of skepticism when it comes to establishing partnerships. Western firms are often reluctant to engage in strategic collaborations with CEE actors not only because of macro-level factors, but also as a precautionary measure against individual-level contingencies (i.e.,

a lack of trust in CEE partners or in their professionalism or promise keeping). The high levels of prejudices, cultural stereotypes, and cognitive biases are likely to affect CEE firms' entry mode decisions, increase their internationalization costs, and potentially impact their international performance (Ipsmiller & Dikova, 2021). Research addressing country-of-origin effects and the efficiency of CEE firms' international operations could show how firms from lower-status countries or with high liabilities-of-origin deal with and overcome these disadvantages while pursuing international operations.

Furthermore, given the geographic and cultural proximity of many CEE countries, the region can be used to explore the antecedents, strategies, and consequences of firms' regionalization in resource-constrained environments (Schuh, 2007) as well as the impact of regional HQs in the functioning of MNCs (Ciabuschi, Dellestrand, & Holm, 2012). Both topics will become more important as the post-COVID-19 world de-globalizes and regionalizes (Witt, 2019). As CEE has a long history of close economic, cultural, and political interactions between its constitutive countries, many CEE firms have been actively regionalizing for some time. Scholars interested in the transformation of regional strategies and global value chains in the post-pandemic world will find that CEE provides a rich research context (Kano & Oh, 2020).

### **3. Business Networks in CEE**

Business networks provide IM scholars insights into the linkages between firms that operate across national borders (Musteen, Datta, & Francis, 2014a; Meyer & Peng, 2016; Sun et al., 2012) (see Table 1 for research questions). Network-based knowledge is an essential antecedent for internationalization and can impact the degree, speed, and success of internationalization (Manolova et al., 2010, 2014; Musteen, Datta, & Francis, 2014b). Yet, we know little about how networks can facilitate EMFs' internationalization given their limited reputation and high reliance on informal networks in their home markets. Thus,



exploring networks in CEE firms could provide evidence of the drivers behind the internationalization and international performance of EMFs.

Research into how CEE firms establish their international business networks given their perceived untrustworthiness and corresponding low status and reputation in the eyes of their international partners and collaborators would be useful. What resources do firms draw on to be accepted into networks and how do they position themselves in these networks? The extent to which CEE firms continue to rely on informal networks in their domestic and international operations is a further question. Historically, personal relationships and informal networks were vital in the CEE shortage economy during the communist period. Managers in CEE firms relied on informal connections more than on institutions to acquire scarce goods and services, to solve operational issues, and to reach their goals. In the past and still today, business networks created by managers at micro- and firm-levels represent an intangible asset and a ‘micro-macro link’ functioning as a firm safety net (Peng & Heath, 1996; Meyer & Peng, 2016). Thus, taking a closer look at network-based strategies of CEE firms could enrich our understanding of how business networks compensate for the lack of other tangible assets required by firms for successful internationalization.

As networks become formalized and institutionalized, the consequences for participants can be functional, such as easier and more expedient transactions, or dysfunctional, such as inertia, excessive commitment, and limited learning. Networks and their effects are also closely interrelated with institutional change and development. However, the implications of business networks’ institutionalization for network-constituting firms and the relationships between institutions, change, and network characteristics and consequences remain relatively underexplored.

### **Theme 3: Intra-firm: Management Practices, Leadership, and People Management**

#### **1. Knowledge and Practice Transfer and Meaning (Identity) Management**

An MNC's social complexity and micro-political nature can be conceptualized as a transnational social space, i.e. "the organizational site created by strategic partners, whose combined socio-political acts of imposition, resistance and negotiation serve to structure the space through the emergence of institutionalized practices" (Clark & Geppert, 2006: 343; see also Vaara, Tienari, & Koveshnikov, 2021). The CEE context offers a fascinating setting to delve deeper into the intricacies of the MNC as a transnational social space.

Research shows that actors in MNC subsidiaries located in CEE countries rely on different logics in their approaches to knowledge and competence management in comparison to their HQ colleagues. For instance, Outila and Fey (2022) in this special issue, demonstrate how Russian employees experience performance management practices that are based on the institutional logic of a Finnish MNC, which is contradictory to the one prevailing in Russia where the subsidiaries operate. These differences provide fertile ground for recontextualization and translation processes when original meanings associated with a particular practice or value gets modified upon their relocation to a new context by local actors in line with these actors' interests and aspirations (Brannen, 2004). The process of knowledge recontextualization in the MNC in terms of its triggers, resources, forms, and outcomes remains poorly understood (Brannen, 2022). Also, the conditions that enable such recontextualization processes to result in a repatriation of knowledge in its recontextualized form back to the original source could be further studied.

CEE has a predominantly hierarchical and vertical culture. Thus, boundary spanners (BS) play a key role in social networks and accessing tacit and unofficial knowledge (e.g., knowing the undercurrents in the society and one's business circle). This role can help enable intraorganizational knowledge and practice transfer (Kiessling, Harvey, & Dabic, 2008; Barner-Rasmussen et al., 2014). Many aspects of BS remain little understood and require further exploration. Hence, such research in the CEE context can provide valuable insights

into the role and influences of BS and the mechanisms through which these influences operate in knowledge and practices transfer processes in MNCs.

Research in CEE organizations could provide valuable insights into how actors with different socioeconomic status (locals versus foreigners) renegotiate the power balance in the organizational setting and in this way pursue their interests and agendas. Given the initial starting position of CEE managers versus their Western colleagues (Clark & Geppert, 2006), it is illuminating to see how CEE managers claim their power position and autonomy, assert their interests and agendas, and construct their relational identities and subject positions in relationships with their Western counterparts. For instance, several studies (Koveshnikov, 2011; Koveshnikov et al., 2016) show how in Russia, local managers engage in identity work vis-à-vis their Western colleagues in the MNC by constructing a sense of superiority based on ideas of Russia as being a large country in terms of both territory and population and having a long, eventful, and even colonial history. Interestingly, this stream of work also reveals that cultural stereotypes about oneself and others are widely used by actors on both sides when constructing their identities and subject positions in the context of MNCs.

Moreover, many CEE countries are socially stratified and different groups within CEE countries might react very differently to Western knowledge and practices. For instance, Maclean and Hollinshead (2011) studied a Turkish-Serbian organization and came across a very volatile environment in the Serbian side of the organization comparable to “a ‘tinderbox’ ready to ignite”. Focusing on intraorganizational relations through the identities and subject positions of key social actors, the authors identified several distinct groups that reacted to new market-oriented Western logics with both conflicting and consonant interests and rationalities. Furthermore, Haynes and Rašković (2021) found notable differences in how people in Hungary, North Makedonia and Slovenia constructed their identities vis-à-vis corruption and Western counterparts. For instance, whereas ordinary Hungarians were shown

to normalize corruption as something inevitable and unavoidable, those Hungarians who worked for Western MNCs were intolerant toward corruption. The authors conclude that the identities in the region are either evocative of and motivated by national historical events or are more future oriented, with individuals seeing themselves more as Europeans. This suggests the divergence of CEE as a collective identity space (Rašković et al., 2020).

In terms of possible theory implications (see Table 1), the complexity of identity construction in CEE's countries can be a relevant testing ground for the application of social identity theory and its motivational mechanisms of self-esteem, positive distinctiveness, and reduced uncertainty (Bandura, 2016). The theory can be used to examine various interorganizational processes and their underlying decision-making rationales in organizations with complex social structures and constellations (e.g., actors with complex backgrounds interacting and making decisions). People in CEE exhibit a diversity of behaviors, values and orientations that are often shaped and structured by their social and/or employment environment (for more see the section on people management below). Thus, the region is an excellent testing ground for validating and advancing the theory of crossvergence (Ralston, 2008).

## **2. Alternative Forms of Leadership**

There are indications that international leadership research is facing questions related to leadership concepts' clarity, discriminant validity, and operationalization (e.g., Banks, Fischer, Gooty, & Stock, 2021; Gardner, Karam, Alvesson, & Einola, 2021; Van Knippenberg & Sitkin, 2013), along with inconclusive results for several leadership styles (e.g., Bedi, 2020; Harms et al., 2018). The result is limited cross-cultural generalizability of these styles (e.g., Crede, Jong, & Harms, 2019; Pellegrini, Scandura, & Jayaraman, 2010). Although research aiming to resolve these issues is currently conducted in China we believe that the CEE context could also be relevant and revealing.

The CEE context is ideal for increasing understanding of the effectiveness of nonparticipative leadership styles, such as paternalistic and authoritarian leadership. Growing research indicates that under certain conditions (time pressure, high uncertainty, fast paced environment), such leadership styles can be effective and productive (Huang, Xu, Chiu, Lam, & Farh, 2015; Wang & Guan, 2018). In the CEE context, where nonparticipative leadership styles are historically embedded and widespread, such evidence exists. Paternalistic and authoritarian leaders were found to influence positively - albeit via different psychological mechanisms - the work engagement and retention of Russian employees (Koveshnikov, Ehnrooth, & Wechtler, 2020, 2022). This research has also started to highlight some of the boundary conditions, such as homophily between the leader and the follower, follower power distance orientation, and perceived employability, under which such leaders are effective. Further, Remisova and Lasakova (2013) studied leadership in five CEE countries (Czech Republic, Poland, Romania, Slovakia, and Slovenia) and found that paternalism was an important element in the effective leadership behavior of managers in these countries that tend to score high on the values of collectivism and power distance. The prevalence of paternalistic leadership relations in the region even led to attempts to derive and define a specific type of a benevolent paternalistic leader endemic to the region, the so-called Eastern European Paternalistic Leader (Bauer, 2015).

CEE research might help identify important boundary conditions and enablers for the effectiveness of both nonparticipative and more participative Western leadership styles. Suutari and Riusala (2001) noted that leadership styles of managers in Poland, Hungary and Czech Republic were different from those of Finnish managers. They speculated that the styles are likely to become closer to a more transformational Western-type style. It remains to be seen how this projection has been realized and what leadership styles are more effective today in CEE, as well as how the leadership evolution in the region reflects or refutes

Western-derived theories of leadership and motivation. The between-countries variation present in CEE in institutional conditions might provide insights into the pervasiveness of traditional, history-embedded leadership styles and their effectiveness as well as the diffusion and adoption of more Western-style leadership across the region.

Given the recent criticisms of Western-type styles and a growing realization that both paternalistic and authoritarian/authoritative styles can be effective in different cultural contexts and across various situations, future research (Table 1) could provide new insights on the functioning and effectiveness of different leadership styles. This would advance our understanding of the enablers and boundary conditions of these styles. Moreover, such research will add to the body of knowledge concerning the cross-cultural generalizability of different leadership styles. Given its multiplicity of societal and individual-level variations in cultural values and orientations, CEE offers a relevant testing ground for advancing the implicit theory of leadership by further explicating how various societal and individual-level factors form followers' implicit expectations regarding effective leadership.

### **3. Forms of Effective People Management**

A decade ago, Brewster et al. (2010) called attention to the unique practice and research environment of CEE regarding HRM and people management and highlighted the varying trajectories of CEE economies during the post-socialist transition. They concluded by suggesting that CEE is “an important testbed for the spread of institutionalization of international practice” concerning people management due to its “structural / institutional and configurational differences, along with significant practice differences in HRM, compared with other regions” (Brewster et al., 2010: 145-146). Morley et al. (2016) noted that CEE is characterized by a rising economic heterogeneity and a rapidly changing socio-cultural context, underscored by waves of restructuring, privatization, increasing foreign direct investment, and an emerging individualism.

Since the fall of the Berlin Wall, companies in the region have gone a long way in realizing the importance of HRM and, more recently, people management. In the communist times, HR departments largely played administrative and ideological roles, focusing on paying salaries and taking care of paperwork (Gurkov & Zelenova, 2011). The HR role was not seen as value-adding or strategic. Since then, a modern conception of HRM has emerged in the region and the development of HRM has followed different trajectories in different CEE countries (Poor et al., 2020).

Several challenges have been identified in relation to HRM and people management in the region: the underdevelopment of business education in the region that produces a shortage of qualified managers; the reluctance of organizations to invest in human capital of employees; the overall inefficiency of HRM practices and their poor implementation; several cultural barriers including the unwillingness of managers to empower employees and delegate responsibility; and the reluctance of employees to take initiative (Skuzza et al., 2013; Balabanova et al., 2016; Latukha et al., 2020). Importantly, since CEE countries have developed differently since 1990s, these factors and their criticality vary across CEE countries. Therefore, the region offers a relevant testing grounds for comparative examinations of the development of HRM and people management in different institutional contexts (Latukha et al., 2020 for a similar point).

Moreover, the transformation of the region has also produced a heterogeneous population of employees in CEE countries with different cultural orientations and attitudes toward people management and HRM. Research shows that within-country (individual-level) variation in cultural values and orientations can be larger than country-level cultural differences (Shenkar, 2001). For instance, individual-level power distance orientation, which refers to the individual-level acceptance of unequal distribution of power, is important as it is deemed to centrally influence how employees react to leadership behaviors and

organizational practices (Daniels & Greguras, 2014). Increasingly, researchers argue for the importance of identifying and examining the so far little understood effects of such individual-level cultural orientations on employee attitudes and reactions to organizational processes (Gelfand et al., 2007; Kirkman et al., 2009). The CEE context with its both between- and within-countries' employee heterogeneity is very suitable for studying these effects (see Table 1 for research questions).

### **Summary of Papers in the Special Issue**

Ipsmiller and Dikova review the research on CEE outward internationalization. Their review generates three conclusions. First, there is a discrepancy in the country-representation in the reviewed studies, with studies focused on Poland, Slovenia, Hungary, Estonia, and the Czech Republic dominating the literature. Second, they found a clear preference for empirical work, suggesting a need for further theory development. Third, future CEE research could examine the relationship between entry mode and performance, the role of (perceived) distance-asymmetry and micro-foundational perspectives in internationalization. Ipsmiller and Dikova also argue that greater reliance on theories and concepts from the field of entrepreneurship and a stronger focus on internationalization decision processes might further enrich understanding of the internationalization from CEE.

MNCs use the transfer of knowledge and management practices to foreign subsidiaries as a key means for developing competitive strengths in international markets. Outila and Fey examine the transfer of performance management (PM) practices from Finland to Russia. In their study they investigate how managers and employees in Russia perceive and respond to competing institutional logics when implementing a PM practice transferred from HQ. Outila and Fey find that the actors in the Russian subsidiaries respond to competing institutional logics by choosing certain elements from each logic to address both the HQ requirements and



the local conditions in the rapidly changing post-Soviet market. They describe this process as institutional bricolage, using a term from the institutional logics literature.

The paper by Cerar, Dimitrova and Nell investigates how operational management “best practices” can be adopted by MNC subsidiary plants in the Western Balkans. The paper builds on the Practice-Based View (PBV) and argues that subsidiary plants are more likely to operate according to widely recognized best practices, as far as such practices are already common in the MNC home country. The paper also examines the degree to which the MNC can facilitate best practices in their plants by allocating organizational and human resources for different activities. The authors survey subsidiary managers and triangulate their data with manager interviews from established European, U.S., and Asian MNCs with subsidiary plants in Bosnia and Herzegovina, Croatia, Serbia, and North Macedonia. The results indicate that the subsidiary plants adopt practices that are common in the MNC home country. Contrary to author expectations, there seems to be no benefit to allocating human resources, such as expatriates and business travelers. The paper provides insights into the transfer and implementation of best practices in the Western-Balkan context and enhances understanding of the PBV.

The Kozhakhmet and Nurgabdeshev study advances understanding of the interplay between cultural intelligence of Chinese expatriates who are managing Chinese multinational companies in Kazakhstan and the level of knowledge acquisition from local employees. The paper is based on Kolb’s Experiential Learning Theory, Sternberg’s Theory of Successful Intelligence and Bandura’s Social Learning Theory. Using a questionnaire distributed among Chinese expatriates, the paper advances knowledge of the relationship between cultural intelligence, innovativeness, and knowledge acquisition, contributing to the literature by enhancing the general understanding of Chinese expatriates’ knowledge acquisition from local employees.

Internationalizing beyond the home market is the focus of the paper by Yoruk, Bunduchi, Yoruk, Crisan-Mitra, Salanta and Crisan. They adopt a knowledge-driven approach and examine the strategies of small innovative Romanian software product provider firms seeking to reconfigure their resources to be competitive beyond CEE. Using fuzzy-set Qualitative Comparative Analysis (fsQCA), they examine the combination of internal capabilities, knowledge and internationalization and find that early and gradual international approaches more rapidly attain product innovation. Furthermore, a proper capitalization of knowledge wells can be a critical differentiator between high and low-level innovation products whereas internationalization itself pushes local market-oriented companies towards high-level innovation.

Finally, Lee, Mutlu, and Lee explore how bribery affects firm performance and how the perceived degree of court fairness by a firm moderates this relationship in CEE countries. Their analysis of the Business Environment and Enterprise Performance Survey (BEEPS) data from 27 CEE countries from 2002 to 2008 shows that bribery increases firms' sales growth whereas the perceived degree of court fairness negatively moderates this relationship. In this way, the study offers support for the "grease in the wheels" argument in the context of CEE countries. In addition, drawing on organizational sensemaking literature, the study underscores the crucial role of the firm's ability to make sense of its environment to fully benefit from its bribing activities.

### **Conclusion**

This article comes out as CEE lives through one of its most difficult periods since the post-socialist transformation started some 30 years ago. Once again, the horrifying events unfolding in the region have worldwide, long-term implications and significance. Regardless of how the Ukraine war plays out, CEE will remain a vital part of the world, which takes us to our key point in this paper – the enduring relevance of CEE as an illuminating research

setting for studying important contemporary issues and existing gaps in IM research. We believe such research has the potential to advance our understanding of a wide range of IM phenomena existing at macro-, inter-firm, and intra-firm levels. We are convinced that CEE offers a truly unique research setting nourished by the region's socioeconomic and cultural richness, diversity, and dynamism, which would allow IM scholars to test existing theories and develop new insights. A successful unraveling of these theories will require IM scholars to be self-reflexive and open to context-sensitive explanations and critical toward over-generalizations across the entire CEE region. We hope the research areas outlined in this article will stimulate IM researchers to engage with CEE and explore the uniqueness it has to offer.

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## **Table 1: Research Questions and the CEE**

### **Theme 1: State, institutions, and populism**

#### *The Complex Role of the State*

- How does re-nationalization affect firms' reputation, internationalization, and strategies?
- What is the threshold beyond which the negative implications of the state involvement start to outweigh its presumably positive implications?
- How do firms' connections to government officials and government-affiliated individuals (such as oligarchs) affect their reputation and success when going international?
- How does the current geopolitical situation around Russia and Ukraine as well as the sanctions that have been imposed on Russia by the EU and United States affect the reputation and status of Russian firms' operating internationally?
- How do CEE firms repair the reputational damages due to geopolitics to gain legitimacy when operating internationally?

#### *The Role and Evolution of (Informal) Institutions*

- What capabilities do allow firms to effectively cope with informal institutions and institutional voids both domestically and internationally?
- How does the informal institution of bribery and corruption evolve in the context of CEE countries entering the EU?
- How do individual and organizational norms / values and informal institutions co-evolve over time?
- What are the situations and conditions under which local managers in local firms are likely to rely on informal institutions than formal ones?
- How the use of informal / formal institutions corresponds to local managers' own values and norms, and what are the implications of such (mis)match for the effective achievement of organizational goals and the managers' wellbeing and performance?

#### *The Role of Geopolitics and Populism*

- How does populism influence public policy and the internationalization choices of firms from different home countries - entry mode, location choice, M&A, ownership choice, partner selection, portfolio investment, financing, marketing?
- How do populist policies change specific MNC operations and HQ-subsidiary relationships, foreign direct investment modes, and global supply chains?
- What strategies MNCs employ to respond to populist policies and how effective are these strategies?
- What is the role of media (often pro-government and populist) in shaping local attitudes toward foreign businesses and employees?
- What are the implications of rising nationalism in the region for business relationships between foreign and local actors?
- What is the impact of sanctions and the war on the operations of Russian firms and foreign firms operating in Russia?

### **Theme 2: Entrepreneurship, internationalization, and business networks**

#### *Entrepreneurship in CEE*

- What are the lingering manifestations of the post-socialist context and what are their implications for international entrepreneurship and management in CEE?
- How can domestic firms reorganize and enhance their resources to become market competitive within and beyond CEE?
- What dynamic capabilities do CEE entrepreneurs need to meet the challenges of a turbulent environment?

- To what extent has the professionalization of management impacted the business performance on international markets?
- Are there any “survival capabilities” of post-socialist firms that help these firms to operate internationally?

#### *Internationalization in and from CEE*

- How does the entry mode of CEE firms impact long-term international performance?
- What is the cost of the liability of origin for the CEE firms engaged in strategic partnerships?
- What strategies do CEE firms use to gain legitimacy and overcome “the liabilities of origin” as they internationalize?
- What is the role and implications of CEE firms’ home country institutional embeddedness in establishing international strategies?
- What are the organizational and individual implications of prejudices, cultural stereotypes, and cognitive biases in relations between CEE and foreign firm managers?

#### *Business Networks in CEE*

- How do firms create and employ domestic and cross-border business networks in CEE?
- How do CEE firms capitalize on the intangible resources created by business networks in the region?
- What type of knowledge is shared among CEE firms forming business networks?
- To what extent do business networks in the region catalyze and support the expansion of firms’ operations worldwide?
- What are the relationships between institutions / institutional change in CEE and CEE firms’ business networks’ characteristics and consequences?

### **Theme 3: Intra-firm management practices, leadership, and people management**

#### *Knowledge and Practice Transfer & Meaning (Identity) Management*

- What are the enabling and restricting conditions for forward and reverse knowledge and competence transfer in the CEE MNCs?
- What are the roles and functions of boundary spanners in knowledge transfer?
- What are the factors behind ceremonial adoption, recontextualization forms and (un)successful repatriation of knowledge and practices in the MNC?
- What is the role of history and socioeconomic legacy of CEE countries and regions in the sensemaking and sensegiving as well as identity construction processes of managers and employees in MNCs?

#### *Alternative Forms of Leadership*

- How applicable are the Western-type leadership styles in CEE?
- How do the implicit theories of followership and leadership among employees reflect and align with the institutional and socioeconomic development in the region?
- What endemic leadership approaches (e.g., Eastern European Paternalistic Leadership) are effective for managing and motivating CEE employees?
- What contextual factors can explain and serve as boundary conditions and/or enablers for the effectiveness of different leadership styles in the region?

#### *Forms of Effective People Management*

- What are the boundary conditions for the effectiveness and the generalizability of CEE people management and HRM practices and systems?
- How do HRM practices and systems reflect the institutional context where they are developed and implemented?
- What is the interplay between societal and individual level cultural values and orientations?
- What is the impact of context on organizational behavior in relation to the theory of strong situations