

**MANAGEMENT IN TRANSITION ECONOMIES:
THE CZECH REPUBLIC & HUNGARY**

IB 8410 / IB 4410

Meeting place & times: RCB Building, Room 1442 (May 5 -May 14)
Weekday evenings 5:00-9:00 pm ; 9am-noon on Saturday

Professors:	Olga Petricevic ¹	Wade Danis ²
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Websites:	1) www.danisstudyabroad.com (promotional website) 2) http://myrobinson.gsu.edu (course materials)	

COURSE DESCRIPTION:

The course is comprised of two integrated modules, each containing pedagogical content equivalent to three credit hours. It is designed to provide students with an understanding of the dynamics of doing business in transition economies in the context of European Union (EU) accession. The first part of the class (5 days) will take place at GSU and is intended to provide students with an intensive grounding in the subject matter and the necessary background information (e.g., basic history, customs, language) required for them to interact successfully and safely while abroad. The in-country portion of the course (14 days) will then provide students with the opportunity to learn first-hand how domestic and international firms, and their managers, are coping with the challenges of transition and accession to the EU. High level speakers and organization/company visits will be facilitated by close contacts with the host institutions.

¹ Olga Petricevic is a Ph.D. candidate in strategic management at J. Mack Robinson College of Business, Georgia State University, where she also earned a master's degree in international business. Her research interests are at the intersection of international business and strategy formulation, with a specific focus on the role of knowledge-based capabilities in sustaining firm's competitive advantage. She has lived, worked, and traveled in Western as well as Central and Eastern Europe, and studied in China and South Africa. Her industry career is in commercial real estate investments in international markets. She is the recipient of the GTA Teaching Excellence Award as well as the Harding B. Young Teaching Excellence Award for teaching the undergraduate capstone class in strategic management at Georgia State University.

² Professor Danis earned his Ph.D. in Strategy & International Business from Indiana University's Kelley School of Business and is presently an Assistant Professor in the Institute of International Business at Georgia State University. His research and teaching focus on management of international ventures and strategic alliances, change management, and the influence of national & organizational culture on managerial practices. He has lived, worked, and traveled extensively in Central & Eastern Europe. Professor Danis has taught MBA and executive courses in Hungary, Poland, the Czech Republic, and Bosnia-Herzegovina, and consulted for well-known organizations in both Europe and the U.S.

Students who successfully complete the course will be able to:

- examine the challenges associated with economic, institutional and management development in the context of economic transition and EU accession and expansion
- understand the strategic issues faced by Czech and Hungarian business organizations in dealing with the EU now and in the future
- understand and explain why business may be conducted differently in different places based on different cultural perspectives, and the institutional systems and processes that are built upon them
- analyze business situations in which cultural or institutional differences could limit effective business performance and recommend approaches for managing that situation
- effectively modify their behavior so as to function successfully as a businessperson in a range of different cultural settings
- apply lessons learned in the course to their own organizations

COURSE MATERIALS

Virtually all of the course materials and information will be provided electronically via the course website. To access the site, navigate to <http://myrobinson.gsu.edu/>, select ‘Graduate Business Programs’ and login. Once you are logged in you may visit <http://tinyurl.com/7ym6vd> for a basic guide/tutorial.

(Note that this website is different than the public www.danisstudyabroad.com site, which was used to promote the course)

Most readings for the course will be made available (free of charge) in electronic (i.e., .pdf or Word) format via the GSU library electronic reserves system (<http://reserves.gsu.edu/eres/>). A small number of readings (e.g., Harvard Business School readings and cases, CultureGrams) will be available for purchase via: www.study.net. Both of these websites are accessible via the main course website at <http://myrobinson.gsu.edu/>.

A list of optional supplemental readings is provided at the end of the syllabus.

GRADED ACTIVITIES

Assignment	Date Due	Points
Attendance/participation/professionalism	each session	200
Written case analyses (2)	see schedule of classes	200
Pre-departure in-class exam	see schedule of classes	200
Bloggng assignments (6)	~ every other day while abroad	200
Final take-home exam	see schedule of classes	200

Total Points Earned and Corresponding Letter Grade:

A+	above 969	B+	870-899	C+	770-799	D+	670-699	F	below 600
A	930-969	B	830-869	C	730-769	D	630-669		
A-	900-929	B-	800-829	C-	700-729	D-	600-629		

Attendance, participation, and professionalism: (20%)

Broad and active participation is crucial and everyone should take part every class session, including company visits. The idea here is to encourage you to do the readings carefully, and to reflect on points of interest and controversy before class to create a framework that will help to organize our in-class discussions. Given the short duration of the course attendance and especially participation at all scheduled activities, both in Atlanta and overseas, is essential for doing well in the course. At a minimum, the well-prepared student comes to class equipped with the knowledge of the readings and with a written outline on articles and cases.

This class is designed so that participation plays an integral role in the learning process. You must participate to be successful in this class. Participation enables you to learn the process of analysis and evaluation of opportunities and challenges; it sharpens your ability to present your ideas concisely and persuasively, and develops your ability to effectively respond to ideas presented by your professors, classmates, and by company representatives during visits in the Czech Republic and Hungary. In fact, your participation will facilitate a great deal of your learning in this class. We reserve the right to “cold-call” during any session, in Atlanta or abroad.

Participation will be evaluated after each class meeting/field visit on the following scoring system:

- 3 – Significant and valuable contributions (comments or questions that stimulate discussion and debate and intellectually challenge other students and/or the professor)
- 2 – Contributes to class discussion (relevant comments or questions that demonstrate some preparation)
- 1 – Present and alert (a minor comment or some other indication that the student is engaged)
- 0 – Present but generally inattentive and/or unprepared (see below)
- 5 – Absent (*Due to the importance of attendance absences strongly negate participation credit!*)

At the end of the course we will use all individual class participation scores to compute an average then assign letter grades and points based on this. Scores near 3 are roughly equivalent to an ‘A,’ near 2 a ‘B,’ near 1 a ‘C’ and below 1 a ‘D’ or an ‘F.’ You may hence estimate your participation grade at any point during the course based on the extent to which you have meaningfully participated in class. Also feel free to ask the professors how you are doing at any point during the course.

Written case analyses (20%)

You will be expected to prepare written analyses of two case studies. Case analysis will require you to clinically diagnose the management problems (that may either be implicitly or explicitly presented in the case), pinpoint the underlying cause of the problems, and suggest a feasible course of action for management, based on your analysis.

In the business world, your ability to communicate effectively and concisely will be a critical skill. Therefore, these analyses should emulate what you might prepare for a busy executive. This means that the paper should be to the point, well organized, and comprehensible to the reader. Liberal use of headings, subheadings and other organizing conventions will help toward this end.

Some students may initially find case analysis of management problems to be difficult and awkward, especially those who have not yet done case analysis or who have only experienced highly structured approaches (e.g., answering specific questions at the end of a case, applying a specific formula to cases). The approach described here is more clinical in nature. Any questions provided should only be a general guide. Part of the analysis is defining the problem(s). Another part is explaining the mechanisms that

cause the problem(s). No concrete formula will lead you to the “right” answer, because no formula exists and there is no “right” answer. The following guidelines should help you to structure your analysis:

- Focus on defining, analyzing, and diagnosing the key problem(s) rather than describing the problem(s) – a subtle but important distinction. Use the analytical and theoretical frameworks discussed in class and the readings to diagnose the problems.
- Play the role of a consultant who must provide management with a clear, concise, and compelling solution, which clearly follows from the analysis and diagnosis.
- Write efficiently. Identify key issues and focus on these (avoid discussing topics that are not central to your analysis). Make your points clearly and concisely, avoiding wordy or complicated sentences. Use bullet points, numbered lists, diagrams, or tables if this is the most efficient way of conveying the information.

The sources of information used for the written case analyses must be limited to: 1) the cases themselves, 2) the assigned readings, 3) class lectures. Although this limitation may seem restrictive given the wealth of information available on the internet and other sources, the goal is not to discourage students from being resourceful but rather to establish consistent guidelines with regard to resources that may be used for the written work. Note that this constraint applies only to the written analysis and not to class discussion. In practice, class discussions will encourage students to bring in additional pertinent information (e.g., internet research, articles, personal experiences or knowledge) that can add to the richness of the discussion. Where possible, we try to update students about what has transpired after the writing of the case so they can see what decisions were made and how they played out. Hence, the write-ups provide a consistent, fair, and rigorous methodology for initial analysis while class discussion allows us the freedom to integrate additional information into our analysis, thereby adding to the richness of the overall experience.

We will use the following criteria in evaluating case analyses:

1. Internal consistency, organization, and overall communication style?
2. Clear problem/issue definition?
3. Adequate analysis & diagnosis of problem(s)?
4. Adequate use of analytical tools & concepts discussed in class & readings (including explicit citations)?
5. Detailed and compelling recommendations?

The target page length for case analyses is 3-4 (maximum) pages, double-spaced (including any figures or numerical exhibits). Papers should be typewritten using a font size no smaller than 10 points.

Pre-departure in-class exam (20%)

The professors will introduce several topics in class before we depart for the overseas component of the course. You are expected to demonstrate your mastery these materials, which will be based on the lectures, assigned readings, and the cases. The exam is a closed book examination and may include a combination of multiple choice, short answers and essays. You will have 1 hour to complete the exam.

Blogging assignment (20%)

During our time abroad, students will be required to individually submit three blogs per week (6 total) of 750-1000 words each (one to two single-spaced pages) describing key learning points and reflections related to the following course thesis:

"Decades of communist-party rule and central planning have resulted in institutional voids and behavioral legacies that have negatively impacted the business environments in Hungary and the Czech Republic. On the other hand, changes in the political, legal, social, and economic arenas since 1989 have lead to unprecedented systemic transformation, culminating in European Union membership for both countries in 2004. Therefore, one may argue that both countries have now successfully completed their journeys from transitional to developed market economies."

To earn maximum credit for the blogging assignments, students should explicitly integrate and apply materials from lectures, presentations, company and other visits, course readings, and interactions with Czech and Hungarian individuals encountered on the trip. Moreover, students will be expected to write and post their blogs throughout the week (e.g., approximately every other day) rather than waiting until the end of the week deadline. Blogs should focus on integrating information from various company visits, key points learned in class lectures or discussions, and course readings. The blogs should NOT be merely summaries of company visits, lectures/discussions, or the readings. Instead, you should aim to integrate and synthesize pertinent information from these and other sources and link your comments to the course thesis in a manner that demonstrates your ability to integrate concepts and generate new insights. For example, some of the blogs may focus on comparing and contrasting business dynamics of different companies in different industries, or different companies in similar industries, or offering an analysis of environment-government-industry-firm relations in the context of transition, as well as examining the effects of the EU membership on the competitiveness of specific firms and their growth/expansion prospects, etc. Therefore, keeping up with your blogging assignments on a regular basis (i.e. every other day) is expected and strongly encouraged.

Final take-home exam (20%)

The final exam will be made available on the course website (<http://myrobinson.gsu.edu/>) no later than June 1st and will be due on June 3rd by midnight. The exam should be submitted electronically via the same course website mentioned above. Instructions about formatting, length, etc., will be provided on the exam so please read and follow them carefully.

COURSE SCHEDULE

(readings & assignments listed under each class session)

MAY 5- 14 (Atlanta)

Tuesday, May 5 - Danis (5-9pm)

Orientation, Administrative Matters, Hungarian Language, Overview of Hungary

CultureGrams 2009: Hungary (purchase on Study.net)

Hungary (Chapter 27) in Lewis, Richard D. 2006. *When cultures collide: leading across cultures*. 3rd ed.

Acs, Z., O'gorman, C., Szerb, L., & Terjesen, S. 2007. Could the Irish miracle be repeated in Hungary? *Small Business Economics*, 28: 123-142.

Anonymous. 2008. Europe: A Magyar Mess; Hungary's Economy. *The Economist*, 386(8573): 51.

Danis, W. M. 2003. Differences in values, practices, and systems among Hungarian managers and western expatriates: An organizing framework and typology. *Journal of World Business*, 38(3): 224-244. (especially pp. 232-243)

Edith, B. & Charles, F. 2009. World news: Hungary's ruling party picks premier, Wall Street Journal.

Anonymous. 2009. New leader, same old constraints?, Economist.com / Global Agenda.

Thursday, May 7 – Danis (5-9pm)

Czech Language, Overview of the Czech Republic, Transition Economies

CultureGrams 2009: Czech Republic (purchase on Study.net)

Czech Republic (Chapter 28) in Lewis, Richard D. 2006. *When cultures collide: leading across cultures*. 3rd ed.

Spotting institutional voids in emerging markets (HBS Note 106014) (purchase on Study.net)

Marer, Paul. 1999. *Business Cultures in Market and Transforming Economies*. Presentation at Budapest University of Economic Sciences (BUES): 1-8.

2007. Business: Vroom; Carmaking in Central Europe. *The Economist*, 383(8534): 80.

Leos, R., Sean, C., & Joellen, P. 2009. World news: Czech government falls amid political infighting, Wall Street Journal.

Written Case 1: MATAV (Indiana CIBER Case)

Saturday, May 9 (9am-noon)

Transition Economies

Kornai, Janos. 2000. What the Change of System from Socialism to Capitalism Does and Does Not Mean. *Journal of Economic Perspectives*, 14:1, pp. 27-42.

Shock Therapy in Eastern Europe: Polish and Czechoslovak Economic Reforms (HBS Case 9-797-068) (available on Study.net)

Marangos, John. 2003. "Was Shock Therapy Really a Shock?" *Journal of Economic Issues*. Vol. XXXVII, No.4, December 2003, pp.943-966

Svejnar, Jan. 2002. "Transition Economies: Performance and Challenges." *Journal of Economic Perspectives* 16(1):3-28.

Jan Fidrmuc. 2003. "Economic reform, democracy and growth during post communist transition", *European Journal of Political Economy*, pp. 583-604.

Stanley Fischer and Ratha Sahay (2001), "The Transition Economies After Ten Years", NBER Working Paper No. 7664, Downloadable from <http://www.nber.org/papers/w7664>

Kornai, Janos. 2006. "The Great Transformation of Central Eastern Europe," *Economics of Transition* 14:2, pp. 207-244.

Chapter 9 "Czech Republic: Strengths and Weaknesses" by Alena Zemplerova and Martin Machacek, pp.202-224, in Kalyuzhnova, Y. and Andreff, W. (eds), *Privatisation and Structural Change in Transition Economies* (New York: Palgrave Macmillan, 2003)

Written Case 2: R.R. Donnelley: Country and opportunity analysis in Eastern Europe (HBS Case 9-799-083) (purchase on Study.net)

Monday, May 11 (5-9pm)

The European Union and Transition Economies

The creation of the European Union (HBS Case 9-703-032) (purchase on Study.net)

Competition policy in the European Union (HBS Note 9-796-038) (purchase on Study.net)

Carlin, W., S. Fries, M. Schaffer, and P. Seabright. 2004. "A Minimum of Rivalry: Evidence from Transition Economies on the Importance of Competition for Innovation and Growth," *Contributions to Economic Analysis and Policy*, Vol. 3 (1). Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=533085

Joshua A. Tucker, Alexander C. Pacek and Adam J. Berinsky. 2002. Transitional winners and losers: Attitudes toward EU membership in post-communist countries. *American Journal of Political Science*, Vol. 46, No. 3 pp. 557-571.

"New member states, stock exchanges, one year after EU accession." June 30, 2005.
www.euractiv.com

Akos Rona-Tas, "The Worm and the Caterpillar: The Small Private Sector in the Czech Republic, Hungary, and Slovakia," in Victoria E. Bonnell and Thomas B. Gold, eds., *The New Entrepreneurs of Europe and Asia* (London: Sharpe, 2002), pp. 39-65.

Bohatá Marie, "Pražské Pivovary a.s.," in Saul Estrin, Xavier Richet and Josef C. Brada, eds., *Foreign Direct Investment in Central Eastern Europe: Case Studies of Firms in Transition* (London: M.E. Sharpe, 2000).

Andras Inetai, "The Eastern Enlargement of the European Union" in Marise Cermona (ed), *The enlargement of the European Union* (New York: Oxford University Press, 2003) pp. 79-89.

"The overlooked potential for outsourcing in Eastern Europe." Web exclusive, December 2006. [The McKinsey Quarterly Online](#).

Rupnik.J. 2007. "From Democracy Fatigue to Populist Backlash," *Journal of Democracy*, 18:4, pp. 1045-5736.

Wednesday, May 13– open day to study for exam

(professors will hold office hours from 5-7pm)

Thursday, May 14– Danis and Petricevic; guest speaker

Radiant Systems presentation (guest speaker) – (5-6:30pm)

Break (6:30-7pm)

Exam (7-8pm)

MAY 16 – MAY 31 (travel in the Czech Republic & Hungary)

Supplemental Readings (Optional)

Corporate Life Under State Socialism.

Elena Iankova, *Eastern European Capitalism in the Making* (New York: Cambridge University Press, 2002) Chapter 2 “The Corporatist Legacy of State Socialism,” pp. 31-51.

Understanding the Business Environment of Countries in Transition: Political Reform and Democratization.

Elena Iankova, *Eastern European Capitalism in the Making* (New York: Cambridge University Press, 2002), Chapter 1 “Hybrid Capitalism in the Making,” pp. 1-30.

Ian Fisher, “As Poland Endures Hard Times, Capitalism Comes Under Attack,” *The New York Times*, June 12, 2002.

Karklins, Rasma. “Typology of Post-Communist Corruption.” *Problems of Post-Communism*, Vol.49, No.4, July/August 2002, pp.22-32.

Shleifer, “Government in Transition,” *European Economic Review* 41:3-5, April 1997, Pages 385-410.

Garcés, Jorge, Francisco Ródenas, and Stephanie Carretero. “Observations on the Progress of Welfare-State Construction in Hungary, Poland, and the Czech Republic.” *Post-Soviet Affairs*. 2003: 19, 4. EXCERPT: 363-371.

Adair, Bianca L. “Democratization and Regime Transformation in Hungary.” *Problems of Post-Communism*, March-April 2002, Vol.49, No.2, pp.52-61

Understanding the Business Environment of Countries in Transition: Economic Restructuring and Privatization.

Ellman, Michael, “Transition: Intended and Unintended Processes”, *Comparative Economic Studies*, 2005, v.47, pp.595 – 614.

Gupta, N., J. Ham and J. Svejnar: Priorities and Sequencing in Privatization: Theory and Evidence from the Czech Republic, The William Davidson Institute Working Paper No. 323, 2000.

Frydman, R., C. Gray, M. Hessel, and A. Rapaczynski: When Does Privatization Work? The Impact of Private Ownership on Corporate Performance in the Transition Economies, *Quarterly Journal of Economics*, CXIV(4), 1153-1192, 1999.

Süß, Dirck. “Fiscal Effects of Privatization – A Comparative Study of Poland, the Czech Republic and Hungary.” *Economic Systems*, Vol.22, No.3, September 1998, pp.305-309.

John Thirkell, Krastyu Petkov, and Sarah Vickerstaff, *The Transformation of Labour Relations: Restructuring and Privatization in Eastern Europe and Russia* (Oxford and New York: Oxford University Press, 1998): Chapter 7 “Inside the Enterprise,” pp. 110-136.

Martha de Melo, Cevdet Denizler, and Alan Gelb (1996), "Patterns of Transition from Plan to Market," *The World Bank Economic Review*, Vol. 10, No. 3, pp. 307-324.

Nauro Campos and Fabrizio Coricelli, “Growth in Transition: What we know, what we don't and what we should”, *Journal of Economic Literature*, September 2002, pp. 793-836 Downloadable from <http://www.staff.ncl.ac.uk/n.f.campos/papers.html>.

Dani Rodrik and Romain Wacziarg (2005), “Do democratic transition produce bad economic outcomes”. Available at <http://ksghome.harvard.edu/~drodrik/papers.html>.

Terry Cox and Bob Mason, *Social and Economic Transformation in East Central Europe: Institutions, Property Relations and Social Interests* (Cheltenham, U.K.: Edward Elgar, 1999): Chapter 9 “Property Ownership and Enterprise Participation,” pp. 179-200.

Murphy, Kevin M., Andrei Shleifer and Robert W. Vishny. The Transition to a Market Economy: Pitfalls of Partial Reform. *The Quarterly Journal of Economics*, Vol. 107, No. 3. (Aug., 1992), pp. 889-906.

Campos, Nauro F. and Coricelli, Fabrizio. “Growth in Transition: What We Know, What We Don't, and What We Should,” *Journal of Economic Literature* 40: 3, September 2002, pp. 793-836.

- Garibaldi, Pietro, Mora, Nada, Sahay, Ratna and Zettelmeyer, Jeromin. "What Moves Capital to Transition Economies?" *IMF Staff Papers* 48, Special Issue, Washington: IMF, 2001.
- Fischer, Stanley, Sahay, Ratna, and Vegh, Carlos A. "Stabilization and Growth in Transition Economies: The Early Experience," *Journal of Economic Perspectives*, 10: 2, Spring 1996, pp. 45-66.
- Estrin, Saul. "Competition and Corporate Governance in Transition." *The Journal of Economic Perspectives*. Volume 16, Number 1, Winter 2002, pp.101-124.

Restructuring of Industrial Sectors.

- Attila Havas, "Local, Regional and Global Production Networks: Reintegration of the Hungarian Automotive Industry," in Christian von Hirschhausen and Jurgen Bitzer, eds., *The Globalization of Industry and Innovation in Eastern Europe: From Post-Socialist Restructuring to International Competitiveness* (Cheltenham, UK: Edward Elgar, 2000), pp. 95-128.
- Petr Pavlinek, "Privatization and the Regional Restructuring of Coal Mining in the Czech Republic After the Collapse of State Socialism," in John Pickles and Adrian Smith, eds., *Theorizing Transition: The Political Economy of Post-Communist Transformation* (London and New York: Routledge, 1998), pp. 218-239.
- Chapter 1 "Multinationals in Eastern Europe: an Overview," by Patrick Artisien-Maksimenko and Matija Rojec, pp. 3-9; Chapter 3 "Multinationals in the Transition to a Market Economy," by John Slater, pp. 58-77, in Patrick Artisien-Maksimenko, ed., *Multinationals in Eastern Europe*. (New York: St. Martin's Press, 2000).

Management Restructuring and Entrepreneurship.

- Gerald A. McDermott, "The Embedded Politics of Entrepreneurship and Network Restructuring in East-Central Europe," in Victoria E. Bonnell and Thomas B. Gold, eds., *The New Entrepreneurs of Europe and Asia* (London: Sharpe, 2002), pp. 214-255 (will be distributed in class).

History of European Integration & Enlargement

- John McCormick: "Understanding the European Union", Palgrave MacMillan, Third edition, 2005.
Chapter 3, 4, 7 and pp. 197-201.
- Spaak, Paul-Henri. 1950. The Integration of Europe: Dreams and Realities. *Foreign Affairs* 29: 1, 94-100.
- Bomberg, E. / Cram, L. / Martin, D. 2003: The EU's institutions, in: Bomberg, E. / Stubb, A. (Eds.): The EU – how does it work? Oxford University Press, 44-67
- Filler, Randall K. and Jan Hanousek. "Research Data from Transition Economies." *Journal of Economic Perspectives* 16(1, 2002):225-40.

Economic Integration

- Mundell, Robert A. "A Reconsideration of the Twentieth Century." *AER* 90(3 June 2000):327-40.
- Mishkin, Frederic S. "Global Financial Instability: Framework, Events, Issues." *The Journal of Economic Perspectives* 13(4, Fall 1999):3-20.
- Sholes, Miron S. "Crisis and Risk Management." *AER* 90(2, May 2000, *Papers and Proceedings*):17:21.
- Krugman, Paul. "Is Capitalism Too Productive?" *Foreign Affairs* (September/October 1997):79-94.
- Summers, Lawrence H. "International Financial Crises: Causes, Prevention, and Cures." *AER* 90(2, May 2000, *Papers and Proceedings*):1-16.

EU-Foreign relations

- Blinken, Antony J. 2001. The False Crisis Over the Atlantic. *Foreign Affairs* 80: 3, 35-48.
- Hwee, Yeo Lay. 1999. The Role of the ASEAN in EU-East Asian Relations. *Asien* 72: 19-28.
- Senti, Richard. 2002. The Role of the EU as an Economic Actor within the WTO. *European Foreign Affairs Review* 7: 1, 111-117.