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Article

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Strategy and strategic management within industries and across borders

Dear Reader,

Much of the transformation literature has been concerned, directly or indirectly, with the ‘modernisation’, ‘catch-up’ or ‘Westernisation’ of industries and organisations in the former socialist countries of Central and Eastern Europe (CEE). These sorts of issues have been meat and drink for economists, sociologists and the whole gamut of management theorists. In this vein, questions continue to be raised about whether the transformation process is yet over, given the accession to the European Union (EU) since 2004 of a great number of these post-socialist countries (see, for example, JEEMS Editorial, Volume 12, Number 3). Time and time again, however, research findings first of all seem to insist that significant differences – in management practices, industrial and organisational structures, economic and social values, etc. – prevail. A second stream of research studies carry on offering reasons for the gradualism that characterises the transition process experienced by CEE countries and their economic actors, including the problems of transferring ‘Western’ management practices within industries and across borders.

The three papers (two articles and one research note) in this issue contribute further to our understanding of the general problem of post-socialist ‘catch-up’ and the sub-issues of enduring divergence and restrained knowledge transfer. Two of the articles, by focusing on the brewing industry, identify *some* convergences between a mature market economy (‘Western Germany’) and post-socialist market economies (‘Eastern Germany’ and Croatia); but the overall message is about the enduring and multiple divergences, though their possible economic consequences are more tantalising. The third article offers interesting insights into the problems of knowledge transfer by examining the limits to cross-border cooperation through the concept of psychic distance. Let me tell you some more about these three contributions to debates about strategy and strategic management within and across ‘Western’ and ‘Eastern’ borders.

In two co-authored articles, *Ludwig Theuvsen* takes us into the internal industrial dynamics of the brewing industry. His work with *Matthias Heyder* focuses on the German beer sector. Some fifteen years after reunification, their analysis demonstrates clearly that, despite some convergence, there remain major differences between the industry structures and patterns of strategic management as they exist in the Western and Eastern parts of Germany. Heyder and Theuvsen show that both the Western and Eastern German brewing industry (and their key players) are strongly influenced by historical legacies, though the extent of recent FDI in the East has substantially changed its ‘brewing landscape’. Applying a simple model of strategic management to a large sample of breweries in both regions, they examine how strategic managers perceive the

relationships between industrial and organisational contexts, patterns of corporate and competitive management and corporate performance. The study finds important differences between the Western and Eastern management's perceptions, hinting, for example, at continuing differences in levels of managerial confidence. However, the article concludes on a positive note for Eastern German brewers. It seems that the German reintegration route to economic transition that attracted a large influx of FDI to modernise facilities, and the re-opening of CEE markets through EU enlargement that may increase future export potential for their lower cost products lead to a good prognosis. Arguably and paradoxically, it is the Western German brewing industry that is changing rather slowly.

Christoph Niederhut-Bollman and Ludwig Theuvsen in their research note develop a comparative approach to the brewing industry by examining the German and Croatian cases. Their simple and direct application of Porter's analytical frameworks identifies key differences in the industrial structures that exist and in the corporate strategies that characterise brewing in the two countries. Like the Eastern German market, the former socialist brewers have proven to be very attractive targets for the large multinational companies (MNCs) and it is the dominance of their strategies that pretty well shapes the internal dynamics of the Croatian brewing sector. As the authors point out, the different structures and competitive strategies that typify the two brewing sectors are reflections of the two countries' distinctive historical circumstances and the significant role played by the MNCs in an increasingly globalised industry.

While these two articles offer further evidence about the differences between mature market economies and transition economies and identify some potentially incongruous implications of those differences, the article by *Cornelia Zanger, Radka Hodicová and Hansjoerg Gaus* pursues some interesting questions about the social and cultural foundations of cross-border cooperation (or lack of it) between Saxon and Czech entrepreneurs. The pivotal concept in their argument – *psychic distance* – has had a long career in the international business literature, but the authors revive it through a brush down and a bit of polish. The concept is located firmly in the realm of the individual and their study of the perceptions of entrepreneurs solely responsible for strategic decisions to cooperate with 'foreigners' is a suitable application. I find the arguments quite compelling, especially since Czech managers in my research into a Czech-German joint venture made sense of their experiences by references to national stereotypes and to unflattering historical events involving Germans. It might just be that *psychic distance* – an analytical tool recently outmoded by its close cousins, 'cultural distance' and 'institutional distance' – can be reinvented to offer more traction in some of the more slippery areas of cross-border relationships.

As scholars of social and economic transformation, we are always on the lookout for concepts and theories that can help to clarify the ambiguities and complexities of the processes central to our quest. Every little helps in better understanding the differences between mature and emerging market economies and the problems associated with closing the gap (if indeed that is what is desirable). The articles in this issue offer a few more steps forward and I invite you to accompany the authors in their specific journeys.

Ed Clark

(Member of the Advisory Board)