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HBS Conference Coverage

Challenge and Promise in the Wild East

November 19, 2001

by Martha Lagace, Senior Editor, *HBS Working Knowledge*

Leslie Powell

Russia and Central and Eastern Europe remain full of promise, but the hurdles persist for ambitious businesspeople, according to a panel of seasoned experts at the Europe Business Conference 2001.

An Internet entrepreneur, a political scientist, and four executives with experience in everything from banking to coal gathered before an afternoon audience of international MBA students to dissect the present and future of the East. Drawing on their own adventures, the panelists expressed varying degrees of optimism for future business there.

Most upbeat was New Jersey native John T. Connor, an attorney and president of the Third Millennium Russia Fund, a mutual fund, who insisted, to a few raised eyebrows, "There is no mafia in Russia." Connor further asserted that managerial competence, rather than corruption, is the main hindrance to growth in the east.

While corruption is in large part a media obsession and not consistent with his reality, he believes, he allowed that anyone who runs a cash business on the street could indeed expect a problem.

Admittedly bearish on the region was political scientist Leslie Powell, chief Russia analyst for the research and consulting firm Eurasia Group. Powell couched her list of cautions on everything from flimsy contracts to domineering politicians by adding with a smile that it is her job to talk about negative issues. "I think Russia presents great opportunities," she told the students. "I think you should be cautiously optimistic, but with your eyes open."

In wide-ranging discussion with each other and the MBA candidates, participants described their own businesses and personal enthusiasms for the region. They agreed that the rewards were personal and certain, if not financial. According to Bernard Snoy of the European Bank for Reconstruction and Development, the best growth prospects in the wake of the attack on America and the current war are likely to be Russia and China. "Those countries are a little bit more removed from the impact of September 11," he said.

Youth on their side

Youth is a great advantage for managers in Russia and Eastern Europe, Connor said. Unlike

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“

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— Leslie Powell

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Eugene Goland

Western Europe, Russia and Eastern Europe welcome young enterprising managers, as in the U.S., he said. And young entrepreneurs should not feel constrained by the size of the country they've selected, he added. Finland's IKEA, for example, is one of the leading companies in the world now.

Eugene Goland, a Western-educated Russian native and co-founder of the Russian portal Port.ru, advised students to bring their Western education but also learn the local language. As an Internet business, Goland's portal grew up in the wake of the Soviet Union's collapse. The roots of corruption come from the formerly socialist government and from hard-core traditional sectors such as natural resources, he said; they do not infect the software sector because its money originates outside Russia.

In response to a student's question on transparency, panelists including Goland conceded that solid business information is still hard to get. Businesses are much less open in Russia, Goland said, and it is a big issue. Daniel Satinsky, the panel moderator and chairman of the U.S.-Russian Chamber of Commerce of Boston, suggested that businesspeople operating today try to understand why information is not forthcoming. "It's not necessarily malice," said Satinsky. Sometimes the information is not available in the format Western executives are used to, he said, adding that the situation is changing, albeit slowly.

Front-row seat to history

Perhaps the most impressive encouragement to students came from Warsaw-based panelist Zachariah Allen (HBS MBA '67). Allen, an American expert in energy and managing director of consulting firm Pan EurAsian Enterprises, displayed beautiful color photos of Lake Baikal and Kiev on a large screen, and reviewed a host of challenges he's endured in twenty years as an expatriate executive.



Zachariah Allen

"It's frustrating beyond belief," he told students. It is easy to learn about change management at HBS, he said, "but getting people to *want* to change, that's difficult. At times you will feel very isolated. ... Creature comforts? Forget it. Recreation? Not good. ... The weather is terrible in most of Central Europe.

"You'll always be—unless you happen to be from that area—a little bit of an outsider. The area is full of xenophobia. Look at the way the borders have moved around in Central Europe the last 200 years; you can understand xenophobia. ...

"Finally, this is still a socialist area of the world. For those of you like me who believe in a totally free market and see the advantages of that, Europe is socialist and Eastern Europe is even more socialist."

Central Europe is nonetheless exciting and rewarding, Allen said. Like nowhere else, businesspeople have a green light to learn and grow.

"The rewards for me have been *some* money, but a lot more has been an experience that I wouldn't have missed for all the world," he said. "To have been in the front row of one of the most exciting changes that the world has ever seen has been an experience that you couldn't pay for."

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