Foreword

The political and social changes of the 1990s in Central and Eastern Europe have forced companies to reinvent themselves, and to create new identities as market-facing business organisations. This organisational transformation put exceptional demands on business leaders who had to create or acquire new types of capabilities and to develop new organisational structures that would allow the effective utilisation of their resources, especially their human capital. Yet at the same time, they had to face an ever-changing external environment, where not only market trends but also legal and regulatory institutions were often highly uncertain. This interdependence of external change and organisational change is a key feature of the transition process in this region, yet also provides a showcase that may yield lessons for companies elsewhere facing radical external change.

The dramatic organisational changes induced by economic transition have been particularly evident in the Russian oil and gas industry. The key players adopted very different strategies of coping with the new situation, some aiming to develop new resources and capabilities to prosper in a market economy, while others relied on a political strategy that left key elements of the organisational structures intact. In many ways, the organisational change in the companies of the Russian oil and gas industry is a microcosm of economic change in Russian society at large.

Yet, the Russian oil and gas industry itself is a key player in the economic transformation and the political sphere of Russian society. The growth of export revenues generated by this industry on the back of rising prices in world markets for raw materials – and oil in particular – have underpinned the economic recovery after the crisis of 1998. This economic success has helped to stabilise the political system during Putin's presidency. At the same time, the central role of the oil industry led to continued political interference, and forced businesses to operate in both a market sphere and a political sphere. These dual pressures require different types of leadership skills than those normally expected in a mature market economy.

This study by Dr Sarah Dixon provides unique insights into the evolution of the key players over a period of over a decade of transition. She is an industry expert having worked for the Royal Dutch Shell Group for over twenty years, including four years based in Moscow as Chemicals Manager Russia. Her expertise has been the foundation of this scholarly study and

provided her with exceptional access to the leading players in the industry in Russia. This study presents unique in-depth case studies, interpreted by an industry expert, and analyses them on the basis of concepts and theories developed from contemporary research on organisational change and strategic management, notably the resource-based view of the firm.

The insights of this study are hoped to transcend the specific context. Many companies face radical change in their environment and dual pressures of markets and politics, though rarely as radical as Russia since the 1990s. Dr Dixon's study generates new ideas about the role of business leaders in managing dynamic change processes. Her cases illustrate how companies can break dysfunctional inherited structures and develop operational and dynamic capabilities that open new, profitable growth paths.

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