Understanding Organizational Change in Transition Economies: An Organizational Economics Model

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Abstract

Organizational change in transition economies is influenced by multiple political, historical, and economics factors not present in established market economies. In addition to previous research on change, this paper proposes an organizational economics approach to organizational change in emerging economies. Based on transaction cost economics and resource based view, cost of change is proposed as a mediator of change, and perceived governmental commitment to transition, new bundles of services, information source diversity, and outsourced activities are proposed as antecedents of cost of change for organizations in emerging economies. The proposed approach has practical implications for government and organizations concerned with long-term development in emerging economies. It may provide useful lens in studying the impact of government policies and new or outsourced activities on organizational change in transition economies.

Key Words: Organizational change, transition economies, organization economics

Introduction

Transition economies are the countries and markets undergoing change from a centrally planned economy to a market-based economy (Suhomlinova, 2006, pp. 1537). The countries commonly identified as transitioning economies include the 13 former Soviet countries and Eastern and Central European countries, and five countries in East Asia: Cambodia, China, Laos, Mongolia and Vietnam (Hoskisson et al., 2000; Suhomlinova, 2006). Two main features of transitioning economies are rapid pace of economic development and a transition from planned to market economic system (Hoskisson et al., 2000). Transition economies are gaining increasing attention with their contribution to world economy and the rich opportunities they provide for studying change (Hoskisson, Eden, Lau, & Wright, 2000; Hu & Hafsi, 2010; Sohumlinova, 2006). Understanding the various dynamics in these economies that drive organizations to change could prove of value to organizational decision makers as well as investors.

Researchers interested in change in transition economies have studied institutional change (Child & Tsai, 2005) and the changes in resources, organizational ties (Dewar and Frost, 1999; Peng, 2003) and the agency problems under such transitions (Aghion and Blanchard, 1996). The growing importance of transition economies in the world economy, as well as, the growing research on the changes occurring in these economies makes two questions increasingly prominent: first, given the rapid economic changes, and faced with the multitude of decisions involved in organizational change, at what point does an organization decide to invest in making significant changes, and second, what factors are involved in pressing the organization to invest in change? The answer to these questions may help us predict change, both at the organizational level and subsequently at the country level, in transition economies.

In this paper we apply the economic concept of "Substitution at the Margin" to define a "Cost of Change" model to explain organizational change and then propose five key variables that contribute to calculating the cost of change in transition economies. We illustrated these variables with examples, and a discussion of the theory and its implication concludes the paper.

Literature and Theory

Substitution at the margin and the costs of organizational change

Change, at its simplest level, means doing things differently. Kurt Lewin (1951) noted that organizational change could be understood through the assessment of "forces", both internal and external, that affect the organization. He referred to organizations as normally functioning in a quasi-stationary state, where the forces pressing for change are counterbalanced by forces opposing change. Understanding these forces allows one to understand and predict when change is likely to occur, as well as intervene to encourage and direct change. As Lewin pointed out, to create change the balance of forces sustaining the organization's quasi-stationary state must first be destabilized, i.e. the forces supporting change must be greater than the forces opposing the change.

Organizational economists employ the notion of substitution at the margin to ascertain when economic factors imply an organizational change should occur (Coase, 1937). Specifically, the concept of substitution at the margin has been used to explain the make-or-buy decision of firms. When the cost of making a product or delivering a service in-house equals the cost of buying that same or an equivalent product or service in the market, under most circumstances the firm should choose to buy from the external source. Vice versa, when the cost of organizing the production in-house is less than the cost of acquiring it in the market, the firm should choose to internalize the production. Substitution at the margin occurs in the change process in this make-or-buy decision. Thus, broadly speaking, substitution at the margin is the change that occurs as the focal constraints varies.

For example, the cost of conducting transactions can be managed through "effective adaptation and elimination of waste" (Williamson, 1991, pp. 77), and this cost-saving effort in organizations is first order economizing by organization decision makers. Substitution at the margin implies that organization decision makers are calculating the cost of change, either explicitly or implicitly, when evaluating the choice between adopting a change or avoiding the change by maintaining the status quo.

We propose that "substitution at the margin" (SAM) can be usefully applied to the study of organizational change: organizations change when the cost of maintaining the status-quo, or avoiding change (C_{AV}), exceeds the cost of making, or adopting change (C_{AD}). To express this idea mathematically: $SAM = C_{AV} - C_{AD}$. Therefore, change occurs when the cost of avoiding the change exceeds the cost of adopting the change.

So we propose that "substitution at the margin" in organizational change can then be defined to be *avoiding versus adopting change as the respective costs vary in comparison to one another*. The *cost of avoiding* (C_{AV}) a change is the sum of the costs incurred by 1) outdated practice, 2) loss of opportunities as a late mover, 3) fines due to non-compliance with new government regulation (Hirsh, 2009), and 4) loss of confidence from new stakeholders (Scott, 2008). While the *cost of adopting* **(C_{AD})** a change is the sum of the costs involved in modifying the existing system, including: 1) acquiring new technology, 2) hiring new expertise and employees, 3) training the employees in new practices, 4) re-structuring positions and personnel. Assessment of the trade-off between these two types of cost eventually leads management to make a decision about whether or not to adopt new practices.

By way of illustration, in the early stage of a new organizational practice, the *cost of adopting* the change can be significant. This expense is a function of the cost of changing the existing systems, and the cost of exploring the new practice or structure, and the pioneers have to bear with possible failures (Zimmerman & Zeitz, 2002). Thus, when an organizational practice or structure is new and the cost of adopting it is higher than the cost of avoiding the change, firms tend not to adopt the new practice or structure, unless they perceive a significant benefit from being the first to adopt. This situation is changed when the new practice becomes increasingly mature. When the new practice is adopted by more firms and the practice becomes familiar to more firms, the *cost of adopting* decreases and at the same time the *cost of avoiding* the change increases.

As more firms have adopted the new practice or structure, stakeholders of a firm that have avoided the change may suspect the legitimacy of the firm. The firms may find the pressure from stakeholders such as clients, stockholders, and government agencies, and the loss of legitimacy, actually cost them business and financing opportunities (Scott, 2008). When the *cost of avoiding* the change becomes greater than the *cost of adopting* the change, substitution at the margin that favors the change occurs and the firm is likely to adopt the new practice or structure. This assertion leads to the first proposition**:**

Proposition 1: Organizations are likely to adopt a change in practices when substitution at the margin favors the change, or $C_{AV} > C_{AD}$.

Substitution at the margin in transition economies

In transition economies, some forces affecting organizational change are more salient than in either centrally planned or market economies. Some scholars discuss change in relation to institutional environment (Child & Tsai, 2005; Dixon & Day, 2010; Hu & Hafsi, 2010; Peng and Heath, 1996), some look at organizational resources in transition economies (Dewar and Frost, 1999; Uhlenbruck, Meyer, & Hitt, 2003), some examine transactional uncertainty in emerging economies (Choi et al., 1999), and some focus on managers as decision makers and agents in transition economies (Aghion and Blanchard, 1996). These studies emphasize the importance of forces such as institutional environment, resources, and information in studying organizations in transition economies. Another force that has enjoyed sizeable attention in transition economies in the past years is outsourcing (Stefanova, 2006), which brings in both job opportunities and asset specificity to many firms in transition economies. An analysis of "substitution at the margin" for organizational change in relation to these four forces (institutional environment in the form of government policy, resources, information, and outsourcing) follows.

Perceived government commitment to transition - Decision making is based in-part upon judgments of what is going to happen in the future (Knight, 1921). In order to operate and compete, firms must make investment, as well as operation decisions, based on a prediction of future events and environments. To decision makers, "the whole calculation is in the future; past and even present conditions operate only as grounds of prediction as to what may be anticipated" (Knight, 1921, pp. 274).

Political and economic uncertainties are characteristic of transition economies (Hoskisson et al., 2000; Peng, 2003). In a transition economy, uncertainty about future government policy is associated with the risk of organizational change. The change of government policy can be in two directions: it can change the economy toward a more open market, or it can confine the transition process and revert to a controlled economy. The former will make organizational practices fit for a controlled economy unfit in the new economic environment, while the latter will make organizational practices fit for a market economy unfit in the new, more controlled, economic environment. Faced with these risks, firms need to feel confident and perceive their anticipated changes as a good fit for the future government.

Perceived commitment to transition (PCT) of government policy in a transition economy reduces the perceived risks of more market-based changes inside the organization. Government policies perceived as committed to a consistent direction give firms and their decision makers the confidence about the future. An open and liberalizing economic policy perceived as stable encourages firms that have practices designed for a planned economy to adopt practices that fit a market economy. If an open and liberalizing economic policy is perceived as unstable, it discourages firms from adopting changes that fit for a market economy. Instead, firms will adopt fewer changes to avoid the risk of unfitness in the future if the government's policies were to revert to a controlled economy. In other words, firms that do not perceive a governmental commitment to market policies tend to put off organizational changes until the risk of change is perceived as low compared to the benefits gained from the changes. If firms have the autonomy to decide on their own changes, when the firms' management perceives that the government is committed to open and liberating market policies, the cost of avoiding organizational change is greater than the cost of adopting organizational change. Substitution at the margin occurs under this circumstance in such a way that it favors organizational change. This argument leads to the second proposition:

Proposition 2: In a transition economy, substitution at the margin that favors change is positively associated with the degree of perceived governmental commitment to transition.

To illustrate, China is a country experiencing economic transition. The recent organizational change occurring in China as the government made its eleventh five-year plan is a case to illustrate this proposition. The theme of China's eleventh five-year plan is economic development through science and technology innovation.

> Today, China devotes only 1.2% of its GDP to R&D spending, and the government has announced its intention to boost that figure to 2% by the end of the decade and 2.5% by 2020, with the government pitching in about 40% of the total, and the private sector contributing the rest. By then, China will be spending $110 billion annually on R&D, putting the country in the same league as the U.S. and Japan….the government is also talking about the need to reform the financial and tax systems in order to promote the growth of cutting-edge industries (Einhorn, 2006).

The government made a commitment to invest 40% of the share into research and development and high-tech industries, and this long-term commitment promises to last at least until 2020, over a 15 years period. This emphasis on economic development encourages organizations to make organizational changes correspondingly. One of these organizations is Beike. Beike is a firm in Shenzhen, China, specializing in developing the use of stem cell in treatments of patients. With the government's policy favoring development, including stem cell technology, Beike decided to expand its operation nationwide (Einhorn, 2006).

Other firms, such as telecom manufacturers, also make changes responding to the government's long-term policy. Their confidence in the government's commitment to the transition is evidenced in their investment in expanding research facilities. Huawei, one of the biggest telecom companies in China made organizational changes accordingly by boosting its research spending and expanding its R&D center. ZTE, a major rival of Huawei in China, also completed a new R&D complex (Einhorn, 2006).

What Beike, Huawei, and ZTE have in common when making organizational changes is that they are faced with a government policy that forecasts increasing attention to innovation, and the government shows its long-term determination to be committed in this direction of economic development. This governmental long-term commitment to an economic policy gives the organizations confidence in making changes they deemed good for the growth of the firm. Without this perceived governmental commitment to transition, firms may forecast more uncertainty and risks associated with changes, which may lead to their hesitation in making changes. If the substitution at the margin favors avoiding changes, these organizations may not make the decision to change at all. It is because of the favorable substitution at the margin for change that pushed these organizations to the point where they saw the best opportunity to change had come, and as a result they made the decisions of changing their organizations to be more adaptive to innovation and economic development.

Resources and new bundles of services - As Lewin (1951) noted, the forces that cause change or resistance are both internal and external. The resource-based view (Kogut and Zander, 1992) explains organizational change from within the organizations and looks at the resources of the firms to explain the change process. Resource-based view holds that a firm's internal resources are the fundamental components of the firm. What enables organizational resources to produce benefits for the firm is knowledge (Fleming, 2001; Kogut and Zander, 1992). There are two types of knowledge: know-how and information (Kogut and Zander, 1992). Information is easily codified and can be passed along inside and outside the organization. Know-how or organizational capability includes the organizing principles, practices, and routines of the organization. It is difficult to codify and it is the primary reservoir of the organization's competitive advantage over other firms.

When new products or services based on new combinations of resources are created in organizations of transition economies (Giuliani, Pietrobelli, & Rabellotti, 2005), do organizational know-how change accordingly? These new products or services based on new combinations of resources are called *new bundles of services* (NBS) in resource-based view. This question is important as it concerns changes in organizational principles, practices, and routines. Kogut and Zander (1992) suggest that the new use of resources is organized under the existing know-how of the firm. Potentially, this means organizations are limited by their existing know-how (Spencer, Murtha, & Lenway, 2005). Compared to organizational information, new organizational know-how's are more difficult to build and learn by members because it involves more tacit knowledge (Kogut and Zander, 1992). Know-how is more embedded inside the organization than information. Thus, change to know-how is even more difficult due to its tacit nature.

Although the above view is rather conservative and static about organizational capability change, changes to organizational know-how has to be slow and in an incremental nature. At least, the degree of change to the organizing principles has to be at pace with the degree of change in the production of new bundles of services. If the organizational principles, practices, and routines are poor fit for the current organization activities, cost will come along out of the incongruence. In the change process, a small addition to the production process may only bring small changes to the organizational know-how, but significantly altered bundles or even entirely new bundles of services may require greater changes in the organizing principle, practices, and routines. The cost of avoiding change in the organizing principles, practices, and routines will increase until it is higher than the cost of adopting changes. The result will be that a substitution at the margin favoring change occurs with the introduction of new bundles of services. This leads to the third proposition:

> *Proposition 3: In a transition economy, substitution at the margin that favors change is <u>positively</u> associated with the degree of the newness of the bundles of services offered by the firm.*

By way of illustration, Nee (1992) has made a case for the relationship between change and resources. Nee found that in China, a typical transition economy with a mixture of state and private enterprises, special institutional environments steered the resource market to favor a marketized enterprise over either private or state-owned organizational structure. With the progress of economic development in China, collective enterprises offering new bundles of services needed resources such as factors, investment, and technologies. Ironically, neither private nor state-owned firms were in a privileged position concerning resources, limited either by supply and marketing channels or state quota and control for production. Market-based collective enterprises, however, were tied to the local government because of its special ownership structure and thus privileged by this tie to gain access to resources needed for production. Under this circumstance, departure from state-owned structures occurred rapidly during 1980s and 1990s in China, and state-owned firms felt the need to change organizing principles to gain access to a beneficial resource position. As the institutional environment changes over a protracted period of time, the inefficiency of the market-based collective firms in profiting from new bundles of services will further cause other changes in organizing principles and practices to arise and replace the collective enterprise.

Information source diversity - Another force that tips the balance of substitution at the margin toward change is the sources of information about scarcity. Information is a prerequisite for the initiation and completion of transactions and services. The ways in which information is expressed and distributed governs the structure of transactions (Boisot & Child, 1988). Economic actors have only bounded rationality and they make decisions based on what they know or perceive to be true (Hayek, 1937; Mitchell, 2003). This means there is information that, if they knew, would induce them to change plans and take actions away from the economic equilibrium so that more money can be made, because information about scarcity could bring in superior profit (Hayek, 1937; Casson, 1982). Information about scarcity can be defined as the knowledge of what products or services can bring in profit that will enable the firm to survive and be competitive if the firm produces the products or provides the services. Information source diversity (ISD), then, is made up of the varieties of channels a firm uses to gather information about scarcity.

The sources of information about scarcity can influence organizational structure and practices. Information distribution can take a form anywhere between a pure hierarchy and a pure market (Williamson, 1985). When information about scarcity mainly comes from the government, the managers of the firm get the information directly from above, and they become the few possessors of critical information. As a result, when information about scarcity comes from the government, the firm tends to have a centralized structure. On the contrary, when information about scarcity comes from the market, the firm needs to organize employees' efforts to search for information, and employees become more important as information processors and possessors. This change in employees' role can change the organizational structure toward decentralization.

Sources of information about scarcity vary in different economies. In a planned economy, information about scarcity comes mostly from the central government. The government decides what a certain firm needs to produce as the government decides what is needed for the economy. In a market economy, information about scarcity comes mostly, although not entirely, from the market—from consumers and ties with other firms (Peng & Luo, 2000).

Due to the transitioning nature of the transition economy, information about scarcity comes from a mixture of the above sources: the government, ties with other firms, and the consumers. The government has not entirely cut its role as a planner about scarcity, while the market is gaining importance in becoming an information source about scarcity. Thus, in a transition economy, the sources of information are more complicated than in either a planned or a market economy.

The change from decentralized to centralized organizational structure and practices develops in transition economies as a result of substitution at the margin. When information about scarcity is available from increasingly diverse sources, to maintain a centralized organizational structure and management practice will increase the direct cost of inefficiency and the indirect cost of increased lack of legitimacy (DiMaggio & Powell, 1984). A transition economy is marked by the government and the employees both being sources of information about scarcity. However, the government is playing a diminished role as a source of information for firms. The diminished role of the government and the increased role of the market as sources of information for firms determine that the cost of maintaining a centralized organizational structure will increase where a decentralized structure is more appropriate. As the channels of information about scarcity diversify, the cost of maintaining a centralized structure increases, until it reaches a point where the cost of avoiding the change is greater than that of adopting the change toward a new, more decentralized system. Substitution at the margin begins to favor the new decentralized structure and organizational change is likely to occur. The pace of this change is determined by the importance in the government's and the market's role respectively as sources of information about scarcity. This assertion leads to the fourth proposition:

> *Proposition 4: In a transition economy, substitution at the margin that favors change is* <u>*positively*</u> *associated with the degree of information source diversity of the firm.*

A change that occurred among organizations in China can illustrate this proposition. Since 1984, the Central Committee of the Communist Party planned for a much reduced state planning system and more freedom for firms to pursue their own economic benefits, and the decentralization of industrial enterprises was planned as a consequence. The change in the pattern of information codification and distribution created a special form of network capitalism (Boisot and Child, 1996), which enables decentralization gradually, and the decentralization of control spread from private sectors to marketized firms (Boisot & Child, 1988), and eventually to state-owned enterprises.

Outsourced activities - Outsourced activities (OSA) are activities that organization A contracts from organization B that was originally part of organization B's operation. In order to save cost and concentrate on higher technology, many organizations *(B)* in developed countries outsource part of their activity to outside organizations in transition economies *(A)*. Outsourcing is a widespread phenomenon in world economy today making this construct particularly important in the study of transition economy. The relationship between organizational change and outsourcing in a transition economy can be explained with asset-specificity from an organizational economics perspective.

According to Williamson (1991), asset specificity is "the ease with which an asset can be redeployed to alternative uses and by alternative users without loss of productive value" (1991, pp. 79-80). High asset specificity may lead the activity that involves that particular asset to become internalized by a firm to reduce transaction cost in the market procurement process. For the outsourcing company, the activity outsourced should be low on location, physical, and human asset specificity to them. Since the outsourced activities do not often require high-tech operations but do require capital and labor intensive input, they can be conducted in many places in a transition economy.

For the firm that takes the outsourced contract, however, physical and human assets are acquired for the purpose of the production for the specific outsourced activities. The high asset specificity of the production activity necessitates the internalization of the production activity to the outsourced firm. The outsourced firms procure machinery and tools, hire labor, and most importantly, develop a production process for the outsourced activity that is the main organizational routine of these firm. The tangible and intangible investments increase the asset specificity and reduce the flexibility of the outsourced firm in adopting organizational change.

As a consequence, the procurement of assets, training of personnel, and development of routines designed for outsourced activities make the cost of adopting future organizational change high for the outsourced companies in a transition economy due to high asset specificity.

In the long run, the high asset specificity of contracting companies will have a negative impact on the economy. What was low-tech and should have low asset specificity for one group of firms now has high asset specificity for another group of firms in another country. This dichotomy makes the outsourced firm particularly dependent on the outsourcing firm. The dependence creates a vicious cycle of lack of change due to high cost of change encountered by the outsourced firm that comes with heavy investment into machinery, personnel, and routine establishment—high asset specificity. Aggregately, low-tech operations can become a feature of the economy due to the high cost of organizational change as cost of avoiding further change is lower than cost of adopting further change due to high asset specificity. This assumption leads to our fifth proposition:

> *Proposition 5: In a transition economy, substitution at the margin that favors change is* <u>*negatively*</u> *associated with outsourced activities.*

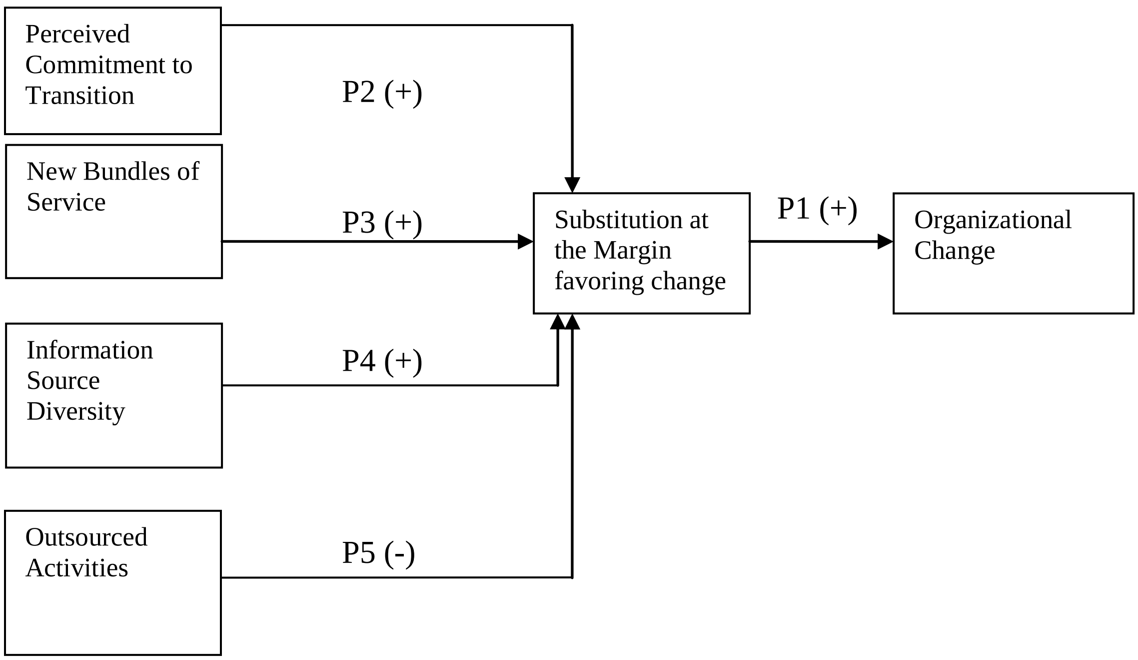
To illustrate this point, during the first ten months of 2008, 15,661 enterprises in Guangdong, China closed (Canaves, 2009). Guangdong is a manufacturing province in south China with industries centering on traditional outsourced activities: making textiles, shoes, furniture, and toys. In fact, from Wenzhou in Zhejiang province to Zhuhai in Guangdong province, similar manufacturers are experiencing high financial stress and a wave of closure looms in the region (Pomfret, 2011). The high dependence on outsourcing, instead of developing independent technology and non outsourcing-specific asset, led these enterprises into bankruptcy during recession when orders from Western countries decreased. If these enterprises did not invest heavily in assets specifically for outsourced manufacturing, change in product lines and operation activities could have occurred to avoid factory closure.

So far, we have presented five propositions and elaborated them with examples. These propositions are captured in the following formula:

$$\text{SAM} = \sum(C_{AD} - C_{AV}) = f\,(\,PCT + NBS + ISD + OSA + cv),$$

where *SAM* is substitution at the margin that favors change, C_{AV} is the cost of avoiding a change, and C_{AD} is the cost of adopting a change, PCT is the perceived government commitment to transition, NBS is the new bundles of services a firm provides, ISD is information source diversity of a firm, OSA is outsourced activities that a firm in a transition economy performs, and "*cv*" is made up of other forces not discussed in this paper, but should be included as useful control variables when modeling change in general. Additionally, figure 1 is an overview of our proposed approach of change in transition economies, illustrating the propositions and the antecedents and their relationship to cost of change.

Figure 1: Substitution at the Margin in Transition Economies



The proposed antecedents in this approach can be measured in a variety of ways. Perceived commitment to transition can be measured with instruments that test the perception of organizational decision makers of the government's determination to change. New bundles of services can be measured from observing the new types of services an organization provides. Outsourced activities can be observed by the percentage of income that comes from outsourced production contract. Information source diversity can be tested with instruments that focus on the information source in the organizational decision making process. Field studies with these measurable constructs may yield important understanding of organizational change in transition economies.

Discussion

Understanding substitution at the margin and a small set of highly salient factors, both internal and external, that describe that cost can help organizational decision makers make effective decisions about when organizational change is necessary and potentially effective in transition economies. When substitution at the margin occurs, the organization is more likely to change. Understanding perceived governmental commitment to change, the costs associated with new bundles of services, organization information sources diversity, and outsourced activities that organizations are involved in should help managers and investors understand when change can be successful, and researchers better understand why some changes are more effective than others. Depending on their degree of presence, we believe that these factors contribute to change decisions by tipping the balance of the status quo and creating substitution at the margin—the point where decision makers feel the need to change.

Our approach to organizational change in transition economies may have practical implications for the management in these economies at two levels. First, at the state level, government officials should be aware of the effect their policy-making behaviors has on organization decisions. Any government move is regarded as an indicator of future direction of policy change. If the government wants to ensure organizational change toward the direction of a market economy, the government should be cautious with changes in their economic policy. Policies that encourage more market activities should be implemented according to the pace of development of that country. Policies that appear capricious and contradictory to the market principles should be avoided. The proposed approach should remind governments of transition economies to take caution both when making policies, and when considering possible policy changes.

At the organizational level, organizational decision makers should be aware of the consequences certain decisions will bring them (Meyer, 2004).

By contracting to more outsourced activities, management should be aware that in the long run these activities will hinder their organizational innovation and change, and hence they need to balance between the outsourced activities and innovation activities of the firm. The decision to provide new bundles of services will require corresponding organizational change, and management should be aware of the cost of the change and make appropriate decisions on the organizational structure. Management also needs to pay attention to, and follow, the change in information channels closely, and adjust the organizational structure, so that they may implement changes and avoid the hampering of information flow caused by an unfit organizational structure. In these ways, the proposed framework should help senior management in organizations make decisions that are better for the organization in the long run, and help management at state level make decisions of policy change that guides transition economies toward healthy growth.

Although the propositions in this paper are developed with transition economies in mind, their application may not be limited to transition economies. Some features commonly considered as specific only to transition economies may be found in any transition-involved economies (Peng, 2000). Even in a market economy, political changes and economic shocks may cause organizations to reconsider their strategy and structure, and adopt changes as a consequence. The recent economic recession, for instance, prompted the U.S. automobile industry to rethink innovation and move slowly away from the asset specificity associated with the traditional technology. Coincidentally, the level of government intervention in organizational affairs and the change in the distribution of information about scarcity during the economic recession is yet another example of where organizations in market economy might find themselves in transitions.

The theoretical framework proposed here has its limitations. First, the proposed framework assumes that organizational decision makers are reasonably rational in their calculation of cost of change, have adequate information to assess the antecedents and calculate the cost of change, and that they are concerned about the organization's survival and success. Second, while we feel that the antecedents we've defined are particularly salient to organizations in transition economies, we are making these assertions without empirical research to substantiate them. We are proposing them as a way to organize future research, which we hope will substantiate our approach. Certainly, it may not or it may discover additional constructs that predict organizational change in other economies based on substitution at the margin.

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