MGT 407

International Management Practices

Soviet Socialist Management

Introduction to Soviet Socialist Management

- ✓ Soviet Socialist Management refers to the system of economic and administrative control practiced in the former Union of Soviet Socialist Republics (USSR).
- ✓ It was based on Marxist-Leninist ideology, emphasizing state ownership of means of production.
- ✓ The goal was to eliminate private ownership and ensure equitable distribution of wealth.
- ✓ Centralized planning played a dominant role, with the state controlling all economic activities.
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Soviet Model of Socialism

The Soviet Union's ideological commitment to achieving communism included the national communist development of socialism in one country and peaceful coexistence with capitalist countries while engaging in anti-imperialism to defend the international proletariat, combat the predominant prevailing global system of socialism.

Soviet Model of Economy

The economy of the Soviet Union was based on state ownership of the means of production, collective farming, and industrial manufacturing. An administrative-command system managed a distinctive form of central planning.

Two characteristics of Soviet economy

Two characteristics of the Soviet economy during the cold war days were as follows:

- It had a complex communication network, vast energy resources including oil, iron and steel.
- It had a domestic consumer industry that produced everything from pins to cars.

Main Features Of Soviet System Of Government

(i)The Soviet System was very bureaucratic and authoritarian.

(ii) Lack of democracy and the absence of freedom of speech.

(iii) Tight control over all institutions and was unaccountable to the people.

(iv) Russia dominated everything and people from other regions felt neglected and often suppressed.

The Positive And Negative Features Of The Soviet System

Positive features:

1) Soviet system was more developed than rest of the world except USA.
2) Minimum standard of living was ensured for all the citizens.
3) Government subsidized the basic needs including health, education, etc.

Negative features:

1) System was very bureaucratic and authoritarian.

Evaluation of Soviet Socialist Management

Strengths:

- Rapid industrialization and technological growth
- Elimination of unemployment
- Equitable distribution of basic goods and services
- Strong national defense and scientific advancement

Weaknesses:

- Inefficiency due to lack of competition
- Bureaucratic rigidity and corruption
- Poor innovation and low-quality goods
- Neglect of consumer needs and incentives

Political and Legal Views of Soviet Management

- The Communist Party exercised full political and administrative control.
- Legal structures supported collective ownership and restricted private enterprise.
- Laws focused on state interests rather than individual rights.
- Trade unions were extensions of the state gear, not independent bodies.
- Political ideology guided all economic and managerial decisions.

Porter's Five Forces Based on Soviet Management

- Threat of New Entrants: Extremely low – state monopoly over all sectors.
- Bargaining Power of Suppliers: None – all suppliers were state-owned.
- Bargaining Power of Buyers: None – consumers had no choice.
- Threat of Substitutes: Negligible – limited innovation or alternatives.
- Industry Rivalry: Absent – no market competition among enterprises.

Challenges of Socialistic Management Style

- ✓ Centralization led to inefficiency and delays in decision-making.
- ✓ Lack of competition reduced productivity and innovation.
- ✓ Shortages of consumer goods created dissatisfaction.
- ✓ Motivation was low due to absence of profit incentives.
- ✓ Political interference hindered managerial autonomy.
- ✓ Corruption and misreporting were widespread to meet plan targets.

Lessons for Modern Management

- ✓ Balance between state regulation and market freedom is essential.
- ✓ Decentralization improves efficiency and innovation.
- ✓ Employee motivation requires incentives beyond ideology.
- ✓ Transparency and accountability reduce corruption.
- ✓ A hybrid model combining planning and competition ensures sustainability.