

correction to the much-criticised 'short-termism' believed to be prevalent in corporations and financial markets. Managers are encouraged to think in free cash flow terms rather than profit as a means of valuing their businesses more accurately and giving their financial decision-making a more logical basis.

Criticisms of the book are minor. The Chapter on Valuation and Business Restructuring is rather short and allows only brief treatment of SVA as a means of valuation. Part Four, Financial Direction, is overall a small part of the book, considering its innovative nature; the authors clearly made a judgement on how far to challenge a beginner in this field. The result is tasty but tantalising! The deficiencies of the capital asset pricing model could have been hinted at, considering the mischief it can do, and something brief on dividend policy could have been useful. But these are small matters, the reviewer predicts the book will be widely read and prove an excellent ambassador for the SVA mode of thinking in financial strategy.

Paul Stonham

Managing Expatriates in Russia

Price Waterhouse International Assignment Services, Southampton, UK, February, 1994.

Doing business in Russia, like most of the central European countries is far from straight forward. Global companies looking to establish new ventures are quickly adapting to the challenges but experience has shown that ideally, only those hardened expatriates who are well accustomed to working in difficult locations should be recruited to work there.

A newly published report by the International Assignment Services

of Price Waterhouse on *Managing Expatriates in Russia*, shows that the major differences between Russia and the central European countries such as Poland, Hungary and the Czech Republic is the growing lawlessness and crime for which staff need to be well prepared.

Furthermore the time investment needed to establish a business and train local management to take over is far in excess of many western company's expectations. This is exacerbated say Price Waterhouse by the political uncertainty in Russia and the lack of ability to generate hard currency which inevitably means that the progress of change in commercial activity cannot be as fast.

Economic problems and inflation of between 20–30 per cent per month are hitting the local population hard. The gulf is widening between the rich and the poor; between those who are benefitting from freer market conditions and those who are still reliant on state wages.

In Moscow, which is becoming more dangerous for foreigners, expatriates need to become aware of which areas to avoid and how to minimise the likelihood of falling victim to theft and muggings says the report. Security comes expensive but Price Waterhouse recommends protection, including considering the offer of a full time driver as an alternative to a company car.

Accommodation is one of the most difficult problems to address, but paying more for an apartment can make a considerable difference in helping the expatriate to settle in more quickly. Medical care is also expensive and pollution is a concern for all expatriates, some choosing to live in a compound outside the city because of the advantage of reduced air pollution.

Moscow has much to offer in the

way of culture and sports, but as a hardship area it attracts an average of three Rest and Recreation trips per year, most companies offering the cost of a round trip air fare to the nearest western European destination such as Helsinki.

'In spite of the current difficulties and the painful process of transforming the economy, Russia still has much to attract foreign investors' says Andrew McErlain, Price Waterhouse Partner who heads up the International Assignment Services of the firm in Europe. 'Financial aid from the west is increasing opportunities for supply to Russian companies, and there is greater scope for western investors as the country integrates into the world economy.'

Skill shortages do exist in the local labour force, but the clear message from companies operating in Russia is that the capabilities of the younger generation in particular (generally considered to be under the age of 35) are impressive.

Russian staff tend to be mobile, moving on for the attraction of a more prestigious job rather than for more money. Heavy investment in the training of local staff is a requirement, and expatriates believe that estimates by corporate headquarters of the time it will take to train up suitable successors to take over the management of local operations are sometimes unrealistically optimistic.

The report warns that unlike many of the expatriate locations in central Europe, where conditions for foreigners are rapidly improving, the converse exists in Russia where many of the aspects of life are deteriorating. This may certainly deter some expatriates from lengthening the assignment after an initial three year period, at the request of the headquarters company.

Paul Stonham