



LEADERSHIP IN ESTONIAN ORGANIZATIONS DURING TRANSITION

Krista Tuulik

Mainor Business School, Estonia

Ruth Alas

Estonian Business School, Estonia

During the 20 years following the fall of communism, Estonia faced turbulent times as they declared independence and gained recognition both politically and economically. To understand characteristics of leaders during these turbulent times, two leadership surveys were carried out in Estonia in 2001 and 2003, evaluating actual leader behavior and desirable leader behavior, respectively. The methodology of the surveys used the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program, a worldwide, multi-phase and multi-method project. The results showed Estonians expect their leaders to be *charismatic - value based-team oriented* and *participative*; the leaders are not expected to be humane, self-protective and autonomous. The leaders' actual behaviors were considered *charismatic - value based* and *team oriented*, but *not participative* and *too autonomous*. This paper concentrates on the qualitative part of the research and on analyzing the interviews with the leaders of that era.

The modern world can be described by three major global trends: reinforcing technological development, globalization, and the heterogenization of lifestyles. It is more precise not to speak about globalization in general and universal terms, but rather about a specific wave of globalization; the wave being discussed began during the first half or the middle of the 1980s. This wave of globalization is mainly based on two propelling forces—economic liberalization, especially related to the movement of capital, and the development of information technology and transport networks. In addition to positive outcomes, this wave has resulted in a rising gap between countries and the increased vulnerability of different types of systems, and consequently in threats to the sustainability of development (Terk, 2002).

Changes in post-Soviet organizations have been deeper than those typical of a market economy because the new economic order is based on different attitudes and values and attempts to shift the organizational culture toward new values or beliefs, which has been an

enormous challenge (Bluedon, 2000). This challenge is interesting in terms of globalization and the transformation itself; this combination can produce quite unique results.

An important issue that must be considered when talking about the re-establishment of the Estonian republic and that affects the value of the principles of law throughout society is the continuum derived from the first Estonian Republic at the beginning of the 20th century. It must be emphasized that this new developmental stage in Estonian history, the new Republic of Estonia, is influenced by the fact that independence was re-established based on a legal continuum confirmed by the constitution accepted in 1992. As Schneider and Almann stated (as cited in Heidmets, 2007), the principles of legal consistency have obtained the status of a battle flag in the *de jure* existence and *de facto* re-establishment of the Republic of Estonia.

For Estonia, the last 15 years have not only included change, but also rapid and fundamental reform. Almost everything has been transformed: the political and economic systems, ownership relations and citizenship, and friends and enemies. Estonia has reinvented itself as a country and a society. However, the path Estonia has taken has been complicated and controversial (Heidmets, 2007).

During recent decades, Estonia has evolved from a hierarchical, centralized system of state-ownership and command planning to a decentralized, market-driven economy founded on private property. This transformation could be described as social transience, in which a complex set of normative and operating principles, embodied in historical structures, systems and practices becomes replaced by another unknown set; such transience has made this period very ambiguous and uncertain for actors involved. Estonia, the smallest of the three Baltic states, had previously practiced democracy and a market economy, and the country enjoyed living standards comparable to Scandinavian nations before the unlawful incorporation in 1940 (Zamascikov, 1978). Yet fifty years of Soviet occupation left Estonia with a divergent workforce with differing attitudes toward change both in society and in organizations. Additionally, many people have had work experience in vastly different economic systems (Alas, 2004).

The mission of the leaders of Estonia's re-establishment of independence has been carried out. However, Estonia's goal must continue to be becoming an equal member of the European Union and gaining respect from the world. Who are the leaders who had the assignment of guiding Estonia through the transformation from Soviet state ownership to a Western-style market orientation?

According to Schein (1993), the responsibilities of companies were redefined during the transformation process: companies focused solely on economic priorities and renounced their corporate responsibility for workers; now, as Ducker said, a revolutionary managerial culture is needed (as cited in Barnowe, 1992). Kanungo and Mendonca (1996) pointed out that during turbulent times, transformational leadership is best for meeting the needs of organizations. When a company changes its strategy, its people must do things differently as well. And it is the job of leaders at all levels of the organization to help employees identify and understand the changes needed to execute the new strategy and to motivate and guide them toward new ways of working (Kaplan & Norton, 2005).

Beginning with the demolition of the Berlin Wall in 1989 and the dismantlement of the Soviet Union, management and leadership studies in former Soviet countries has continued to be an important topic. The main question for these recently liberated countries has been whether the managerial forces and management styles are more similar to their geographical neighbors or to the countries of the western world. Do they suffer from holdovers from the Soviet regime, or are

they establishing their own specific style of leadership? According to Lang (2003), leadership studies in Eastern Europe reveal a more or less different pattern of leadership behavior in these countries to those in western or northern Europe. One explanation for this is that it is a result of the so-called communist heritage. However, this leaves out any consideration of the influence of the transformation process as a fundamental process of change, which may have supported more strict types of leadership, as well as the influences of different stages of the transformation process.

The historical events and theoretical background regarding societies engaged in the change process highlights the need for the present research. Knowledge acquired from history can be turned into strengths for the future. Estonians, as well as other transforming nations, can benefit from the insights gained from such research.

Transformation in Estonia

Economic transition and transformation indicate different concepts to some social scientists. According to Clark & Soulsby (1999), the concept of transition has been claimed by some economists to connote a presumed move from a command economy toward a Western-style market economy, and the use of this term necessarily has an ideological halo effect. On the other hand, they also argue that the notion of transformation suggests nothing about the destination of the process of socioeconomic change, and that it emphasizes the variety and complexity of the process.

The authors suggest that when discussing Estonia's move from a command economy to a market oriented economy and its accession to the EU, the term transformation should be used. This is because we view the nature of this change as being more like a resumption of the market-oriented direction Estonia had previously taken during its pre-war period of independence. The authors also wish to avoid the halo effect that emerges when treating the period as transitional.

The combination of political and economic reforms, the transformation of key economic institutions, and the impact of foreign investment have made this change process one of the most dynamic features of the global economy (Denison, 2001). Societies are institutionalized contexts, so any explanation of the processes of economic organization and change must begin from an understanding of the nature of institutions and the ways in which institutionalization influences concrete economic structures and activities (Clark & Soulsby, 1999). According to Denison, the most important changes that occur during the transition/transformation process take place on an organizational level, and these changes remain unexamined. The transition/transformation process may well begin with macro level political economic reforms, but it can never be complete until dramatic change has occurred in each individual organization.

Organization and management must be understood as parts of the institutional system; they do not exist or operate independently, but reflect, reveal, and reinforce cultural rules and accounts about the nature of rational economic behavior in particular, and social conduct in general. Organizing and managing are subject to the same process of institutional inertia and change as other formal structures and social practices, and they abide by the same technical criteria, rationality, and normative criteria and legitimacy as other elements of the system (Clark & Soulsby, 1999).

Managers interpret their environment to create systems and structures that they believe will be adaptive. It is the successful creation of these systems and contexts that is required to change behavior, motivation, flexibility, and productivity. This process is never linear, but

instead co-evolves at each of these levels simultaneously. The history of nations, the cultures of organizations, the clash of economic ideologies, and the struggle to survive all come into play in the workplace on a daily basis (Denison, 2001). Thus, the fundamental transformational challenge for leaders is to simultaneously manage continuity and divergent change—namely, to abandon an institutionalized template of functioning and replace it with a substantially different one (Clarke, 1994).

Leadership must not be confused with status, power, or official authority. High status given to somebody does not guarantee the ability to lead. The same is true with power; leaders always have some measure of power rooted in their capacity to persuade, but many people with power (derived from money or the capacity to inflict harm, the control of something or somebody, military power, or access to the media) are without leadership skills. Likewise, official authority is simply legitimized power. Contrastingly, leadership requires major expenditures of effort and energy—more than most people care to give (Gardner, 1990).

Despite the multitude of approaches, four components can be identified as central to the phenomenon of leadership: leadership is a process, leadership involves influence, leadership occurs within a group context, and leadership involves goal attainment (Northouse, 1997). Globalization opens up many opportunities for business, but it also creates many challenges. One of the most important challenges is acknowledging and appreciating cultural values, practices, and subtleties in different parts of the world. All experts in international business agree that to succeed in global business, managers need the flexibility to respond positively and effectively to practices and values that may be drastically different from what they are accustomed to. This requires the ability to be open to the ideas and opinions of others. Being global is not just about where you do your business; it is also about how you do it (House et al., 2004).

Perhaps most important of all, successful incorporation of globalization demonstrates that there is no right or wrong culture, no better or worse culture, except in relation to what the organization is trying to do and what the environment in which it is operating allows (Schein, 1990).

Empirical study

In order to investigate the leaders in Estonia during the transformation process, the authors of the current article decided to use the cross-culturally established GLOBE methodology and research tools. The GLOBE research program is a worldwide, multi-phase and multi-method project. The concept of the research program is concerned with leadership and organization practices, and it was conceived in the summer of 1991. In 1993, the recruiting of GLOBE country co-investigators (CCIs) to collect data in 62 regions began (House et al., 2004).

Phase one involved setting and testing questionnaires and building research concepts. Phase two (GLOBE 2) concentrated on culturally endorsed leadership perceptions and organizational, societal, and cultural values and practices. Phase three (GLOBE 3) was a CEO study, investigating practiced leadership behaviors, work related values, subordinate motivation, commitment, and the self-perception of managers and their work related values and motives.

The fieldwork was carried out by CCIs responsible for leadership of the project in specific regions in which they had expertise. Their activities included collecting quantitative and qualitative data, ensuring the accuracy of questionnaire translations, writing country specific descriptions of their cultures, interpreting the results of quantitative data relevant to their culture, and contributing insights from their unique cultural perspectives to the ongoing GLOBE project.

In most cases, CCIs were natives of the cultures from which they collected data and resided in that culture (House et al., 2004).

Estonia, represented by the authors of this paper, joined the project in 2001 and started by carrying out phase three (GLOBE 3); phase two (GLOBE 2) was carried out in 2003. This paper reflects the qualitative portion of the study (part of GLOBE 3), i.e., the transformation seen through the eyes of local chief executive officers (CEOs).

Sample Design

In the context of the current research paper, phase one of the Estonian research was carried out in 2001 (GLOBE 3, phase three in the context of GLOBE). According to the GLOBE research methodology, the sample had to consist of 40 CEOs from companies or larger organizations. Half of them had to be entrepreneurial CEOs—leading a company they established themselves—and the other half had to be “hired CEOs.” Heads of divisions in domestic companies were not considered CEOs and did not qualify for inclusion in the sample, but heads of international companies were considered to be equal to CEOs of local companies. The rationale for this distinction was that the divisions of international companies doing business in Estonia are far enough removed from the influences of the parent company that they can be considered independent. The same independence could not be afforded to the branch or division managers of local companies. The minimum number of employees required to be working for the organization to be included in the sample was 25. To include 40 CEOs, it was decided to create a somewhat larger sample than the required minimum.

For the current article, the results of the semi-structured interviews were used. The semi-structured interviews carried out with the CEOs consisted of 10–12 questions depending on whether the CEO was an entrepreneurial manager/leader or a hired manager/leader. The interviews were first taped and then transcribed. From these written transcriptions, statements and viewpoints related to different aspects of economical life, situations, etc., were selected for use in the current article. An overview of the interview questions is given in Appendix 1.

Consequently, a sample of 63 companies was formulated by random selection from the database based on the Top 100 of Estonia's most successful companies in 2000, as published by the Estonian business daily newspaper, *Äripäev*. (An analytical survey design, rather than the representative descriptive survey design (Oppenheim, 2003), was chosen). Finally the empirical part of phase one (GLOBE 3) was based on 44 completed research kits, including 174 subordinate questionnaires. Sixty percent of the 178 respondents were men, and 40% were women. The average age was 36.9 years.

Results and Discussion

Socio-economic transformation, at both macro and micro levels, can be understood as institutional change from both the structural and social perspective embracing structures and social values. When the elements of an institution lose credibility and need redefining, the processes of *de-institutionalization* and *re-institutionalization* take place (Clark & Soulsby, 1999). The transformation of Estonia started early in its economic life—even before the re-establishment of the independent state of Estonia. New institutions in the shape of co-operatives and joint ventures started to appear. The first co-operatives in the Soviet Union were established

in 1988, and many of these were founded in Estonia. Many of the pioneer entrepreneurs and company executives involved in this stage were subjects in this research.

The idea of a transformational period of Estonia also found support from the CEOs involved in the study. Many of the entrepreneurs in the current study admitted that there were turbulent times. To illustrate what the period of transformation in Estonia was like, some statements from the interviews with CEOs about the economic circumstances and main obstacles in processes are provided here. Respondents stated (responses are identified by respondent identification number):

- “... in 1988 the doors opened a little bit ... and in the Soviet Union you could feel such an atmosphere of opening and the first joint-ventures were established between Western and Soviet enterprises....”(009).
- “... I can say that 1989 was such a happy period — everything was changing” (009).
- “... in 1989 the changes in society could be seen with the naked eye and life had to be organized differently” (044).

As the legislative environment in Estonia encouraged the creation of new private enterprises after re-gaining independence in 1991, most companies in Estonia were young with newly established concerns (Alas, 2004). The economic situation in this new republic was difficult, and the company executives involved in this research reflect that. While looking separately at the two different groups of company executives, paid managers and entrepreneurial managers, their opinions do differ on this point. For the entrepreneurs, the primary task was survival and the most important issues were money, profits, and loans. Money and finance related issues were also mentioned by some of the hired CEOs, but for them this matter seemed a bit easier. The importance of economic outcomes (profit, turnover, etc.) is also reflected in the work-related values, which will be discussed later.

Manager Responses

Speaking about the obstacles related to the development of the business, the majority of entrepreneurial managers said that one of the biggest problems was related to financial resources—the problems with getting loans. Local and foreign banks were not very eager to finance the establishment of new enterprises, and the credibility of local entrepreneurs and enterprises was very low.

Perceived challenges. The financial situation described above can be seen in the statement by one interviewee:

- “...of course there were problems with financing; the banks did not want to give loans nor credit for starting enterprises, so we had to borrow the money from our friends. We were lucky, we could pay the money back quite soon, and now we have an enterprise which has a creditable reputation also with the banks” (041).

Another important obstacle that had to be overcome during the period of building up the Estonian economy and society was getting rid of “old time attitudes.” One of the interviewees saw this as being important for a lot of people:

- “The Soviet mindset that we had was pretty hard to break” (045).

To summarize the comments from the managerial interviews about the first decade of free entrepreneurship and transforming Estonia, the following statements are very characteristic:

- “...then I had no experience of how to build up on organization like this ... and now I look back at it as a period of learning ... but during those times the obligation of an enterprise was to be flexible and act according to the opportunities of the environment” (002).
- “I didn’t think that The Republic of Estonia is such a serious thing in this sense that all the things starting from the beginning, from A and B have to be done and written down by ourselves, or at least together with others, and all kinds of work groups and councils and boards had to be organized and utilized, but it was an interesting period and there was the opportunity to do and test things personally and to learn a lot” (009).

Another person looking back on the period stated,

- “...as the Estonian Republic is developing slowly and is still suffering from its birth pains...” (030).

The period between Estonia’s liberation and joining the EU was rather short. It was a period that was full of changes and unexpected obstacles to overcome, but eventually it yielded learning and achievements. The hard times seem to be gone, as one of the company executives said,

- “...the difficulties are starting to be forgotten they are even hard to recall, but actually they were quite physical” (002)

Money and profits. In the 1970s, probably the most influential economist of the period, Milton Friedman (1970), stated that *the only responsibility of companies is to make a profit*. Estonia during the 1990s has been considered, and in some respect rightly so, a perfect example of ‘Friedmanism’ in Central and Eastern Europe (Alas et al, 2007). The interviews with the CEOs of companies support the importance of profits and other short-term values. The overall impression was that money and profits were why companies exist.

When asked what the purpose of the organization was, many of the interviewed respondents (especially entrepreneurs) answered turnover and profit. Some did mention market share and the development of the brand and brand awareness, but still the prevailing answers were profit and asset values.

The following statements from CEO interviews have been chosen from numerous others to illustrate the importance of profitability:

- “...still the main aim of the company is to earn the money and grow, the wealth of the owners. Earning the money has been the main aim right from the beginning (the company was founded in 1988) and nowadays the main aim is still the same. We do have smaller aims and visions but the main thing is still earning the money” (006).

Another quote also reflects the overall mentality:

- “...on first place is still money. If the organization has money, then the organization is alive and there is something to manage” (044).

Alas (2003) also founded in her thesis that in a transforming economy with unstable institutions, survival needs dominate in the formation of people’s attitudes. Heidmets (2007) concluded that Estonian society cannot afford to concentrate on one single area of development—economic development.

Management/leadership styles and characteristics. Lewis (2003) describes Estonians and their management style using the following adjectives – reserved, critical and stubborn.

Estonians think that questions asked need a straight answer and they do not provide any additional information on their own initiative.

On the basis of the interviews with CEOs, the characteristic they most often mentioned when evaluating themselves was systematic approach, followed by good communication skills. The CEOs also pointed out that they are trusting, hard working and enthusiastic people, who are optimistic, straightforward, ambitious, can resist stress, are patient and trusting, possess intuition, are experienced and analytical and are good listeners. All these characteristics were stated in at least in two interviews. The first one — systematic approach — was mentioned by six CEOs and good communication skills by four CEOs.

The local managers themselves also think that their main weakness is that they are not strict enough, especially when it comes to routine (they also stated that they hate routine). This was one of the main characteristics, but interpretations varied as can be seen by the following statements:

- “My weakness is controlling” (002)
- “I am lousy in control” (004)
- “I am not systematic enough while it comes to routine and controlling then I have push myself hard to be consistent” (012)
- “I absolutely hate controlling” (015)

There is an interesting fear among the managers that they are too good or too gentle. Through their statements they want to show that they know that a manager/leader has to be more decisive but they are hesitant unless their employees find them sufficiently decisive. They characterized themselves with the following words:

- “I am too gentle” (006)
- “I am not resolute enough” (031)
- “I am too soft; I have to be sharper and more decisive” (043)
- “I am too compromising” (044)
- “I sometimes place too much confidence in my employees and try to understand them” (045).

One of the managers said, “...maybe I trust my people too much or I am naïve,” but he concluded the sentence after speaking about swindlers everywhere around us: “...but without trust you cannot do business” (042).

Some of the managers were critical of themselves, describing themselves as:

- “stubborn and even uncompromising” (005)
- “authoritarian” (030)
- “partly too authoritarian” (003).

Both who stated that they are “a bit authoritarian” also thought that the employees are used to it.

It seems that Estonian company executives are worried about being cheated or deceived, and they are not well prepared to prevent or avoid it. They want to treat their people well, but remain concerned about the possible negative outcomes. They still have the idea, or at least feel hesitant that maybe managers should be as Elenurm suggested in 1985 — “Estonian managers are demanding, giving orders and information and controlling, and their role as motivators, developers, team leaders and conflict managers is insignificant” (Elenurm, 1985).

In 1985 Elenurm pointed out that the role of the Estonian manager as a team leader is rather poor. In this sense there has been a change among Estonian managers, as a decade later one of the most important leader attributes is team orientation.

It is good to see that in independent Estonia, the role of distributing information is still one of the most important characteristics of local leaders. Even decisiveness and self-confidence has remained, but luckily new characteristics associated with people skills, which were lacking in Soviet managers, have developed.

Based on literature the qualities that are particularly helpful in enabling leaders to bring about transformations are creating vision, encouraging personal development of the staff, providing supportive leadership, empowering employees, innovative thinking, leading by example and being charismatic.

In addition to charisma, two key personality factors are agreeableness and extroversion, which combine to enhance interpersonal relationships (Judge & Bono, 2004).

Most people place a great deal of faith in their leaders. Whether they are business leaders, political leaders, or leaders of religious or social groups, leaders are important representatives of their organizations. Leaders are looked to for direction, for inspiration and motivation and for comfort. Leaders give clues about how to behave, about what is right, and what is important (Ulmer et al, 2007).

Managers of post-communist enterprises have to assume this leadership role in the milieu of sudden discontinuity and dramatic change. They are the only ones potentially capable of translating changes in the macro-economic environment into the corresponding micro-economic behaviour of firms. Otherwise, transformation to a market economy will not happen (Kozminski, 1993).

Transformational leaders encourage the personal development of their staff, practice supportive leadership, empowerment and innovative thinking and they lead by example. Being emotionally stable and open to new experiences and extroversion are very highly rated. London (1999) stated that the leadership challenge in the twenty-first century is to lead in a way that shows high integrity, trust, and honesty.

The company executives of the study emphasized the importance of team orientation. The following quote could be used to illustrate this:

- “The most important strength is our people: our team, the specialists and the managers – their skills and motivation to work here” (022)

While talking about the strengths of management/leadership skills one of them pointed out,

- “I can assemble a powerful team to work together with me and also motivate the team to work towards challenging and ambitious but attainable targets” (015),

and another added,

- “... the keyword is teamwork” (019)

All these statements, and numerous others not included in this article, demonstrate that the basic ingredient for success is teamwork and that teams highlight the *transformational style of the leaders*.

Conclusion

It took Estonia fifteen years to become a member of the European Union. It all began with Independent Economic Estonia, an idea known as IME—which in Estonian means “miracle,” as it seemed to impossible to have a free economy in the Soviet Union. The process of re-establishing the Republic of Estonia was an enormous challenge for the entire nation. All the changes necessary to transform the planned economy of a Soviet republic into a market economy oriented independent state, had to be directed by leaders.

Leadership in Estonia will probably develop further during the coming years; the question is in what direction. Will Estonians continue developing along a country-specific track and establish a “unique Estonian leadership style,” or will leaders in the future become increasingly similar to global leaders—gaining conventional Western leadership patterns or merging into something of a European Union leadership style? Today it is not possible to predict these developments.

About the Authors

Krista Tuulik, Ph.D., is a professor of tourism entrepreneurship and vice-rector for academic affairs at Mainor Business School in Tallinn, Estonia. Her research over the past 10 years has focused on cross-cultural, charismatic, and ethical leadership and values. Tuulik has published several articles on these topics.

Email: krista.tuulik@mk.ee

Ruth Alas, Ph.D., is the vice-rector for scientific affairs and head of the Management Department at Estonian Business School. She has written 25 management textbooks and more than 100 articles. She also serves on the editorial boards for several journals, including the *Journal of Change Management*, the *European Journal of International Management*, *Chinese Management Studies*, *International Business: Research, Teaching and Practice*, and the *Baltic Journal of Management*. Dr. Alas has lectured on change management in Estonia, China, and South Africa. Her research focuses on the process of change related to employee attitudes, learning abilities, organizational culture, leadership, crisis management, business ethics, and corporate social responsibility. Additionally, she is chair of the EIASM workshop series, “Organizational development and change.”

Email: Ruth.Alas@ebs.ee

Research was supported by ETF grant 7537.

References

- Alas, R., (2004). Changes in Estonian organizations from an institutional perspective. *Journal of Business Economics and Management*, 5(1), 15-23.
- Alas, R., Tafel, K., & Tuulik, K. (2007). Leadership style during transition in society: Case of Estonia, *Problems and Perspectives in Management*, 5(1), 50-60.
- Bluedon, A. C. (2000). Time and organizational culture. In N. M. Ashkanasy, P. M. Wilderom, & M. F. Peterson (Eds.), *Handbook of Organizational Culture & Climate* (pp. 117-128).
- Clark, E., and Soulsby, A. (1999). Organisational change in post-communist Europe: Management and transformation in the Czech Republic. Routledge.
- Clarke, L. (1994). *The essence of change*. Hertfortshire: Prentice Hall.
- Denison, D. (2001). *Managing organizational change in transition economies*. Lawrence Erlbaum Associates, Inc., Publishers.
- Elenurm, T. (1985). Ettevõtte tippjuhtide probleemide uurimine majandusorganisatsioonide komplekse käsitluse koostisosana. Majandustegevuse täiustamise kompleksprobleeme.

- Noorte majandusteadlaste VII vabariikliku tedusliku seminari ettekannete teesid. Tallinn, pp 10-12.
- Friedman, M. (1970, September 13). The responsibility of business is to increase its profits. *New York Times Magazine*.
- Gardner, J.W. (1990). On leadership. *The Free Press*.
- Heidmets, M. (2007). "Where is Estonia?" In Heidmets, M. (Ed.), *Estonian Human Development Report 2006*, Eesti Ekspressi Kirjastuse AS.
- House, R. J., Hanges P. J., Javidan M., Dorfman P. W., & Gupta V. (2004). *Culture, leadership, and organizations. The GLOBE Study of 62 Societies*. Sage Publications, Inc.
- Kanungo, R. N., & Mendonca, M. (1996). *Ethical dimensions of leadership*. Sage Publications.
- Kaplan, R. S., & Norton, D. P. (2005). Organization capital II, leadership, alignment, and teamwork. *The Results-Driven Manager* (pp. 73-86), Harvard Business School Press.
- Kozmininski, A. (1993). *Catching up? – Organisational and management change in the ex-socialistic block*. Albany, NY: State University of New York Press.
- Lang, R. (2003). Opening speech of 6th Chemintz East Forum, March 2003, Chemnitz, Germany.
- Lewis, R. D. (2003). *Kultuuridevahelised erinevused, Kuidas edukalt ületada kultuuribarjääre*, Tea Kirjastus, 358-361.
- London, M. (1999). Principled leadership and business diplomacy, a practical values-based direction for management development. *The Journal of Management Development*, 18(2), pp 170.
- Northouse, P. G. (1997). *Leadership theory and practice*. Sage Publications.
- Oppenheim, A., (2003). *Questionnaire design, interviewing and attitude measurement*, London, New York, Continuum.
- Schein, E. H. (1990). *The corporate culture survival guide: Sense and nonsense about cultural change*. Jossey-Bass, Inc.
- Schein, E. H. (1993). How can organizations learn faster? The challenge of entering the green room. *Sloan Management Review*, 34(2), 85-92.
- Terk, E. (2002). Trends of change at the turn of the 20th and 21st centuries. Kindlus ja kindlusetus muutuv maailmas, Interdistsiplinaarne teoreetiline konverents, 27-28 märts 2002 Tallinnas, TPÜ kirjastus 2002.
- Tuulik, K., & Alas, R. (2005). The impact of values and management style upon subordinate commitment, effectiveness and satisfaction – Ethical consideration management of organizations. *Scientific Research Journal of Vytautas Magnus University*, 36, 177-189.
- Ulmer, R. R., Sellnow, T. L., & Seeger, M. W. (2007). *Effective crisis communication, Moving from crises to opportunity*. Sage Publications, Inc.
- Zamascikov, S. (1978). Soviet methods and instrumentalities of maintaining control over the Balts. *Journal of Baltic Studies*, 18(3), 221-234.

Appendix 1 - CEO Interview Guide

Begin with an explanation of the cross-cultural CEO study. Inform the CEO of the following:

This is a multination study of CEO leader behavior and its effects, organizational practices and their effectiveness, and strategic organizational change. Twenty-seven countries are participating in the study. This study is a follow-on to a study of leadership and organizational practices in 62 countries. In that study we identified the kind of leader behavior most commonly expected of high-level executives in each of the cultures. I will leave with you a copy of the first report of the 62 nations study (House et al, monograph in ADVANCES IN GLOBAL LEADERSHIP, JAI press). While this report is quite technical, I believe you will find the information on pages 212 to 216 to be informative and interesting. A non-technical report of the current study will be sent to all participating executives in about two years. There will take one year for data collection and another year to complete the data analyses. Separate analyses will be conducted for each participating country and a collective analysis of all of the data will also be conducted.

The data collection for the current study consists of interviews with approximately 50 CEOs in each nation, and administration of the questionnaire to their immediate subordinates. The questionnaire consists of questions about the leader behavior of the CEOs, organizational practices and their effectiveness, organizational competitive performance, strategic processes, and organizational change. It also includes questions about the environment of the organization and its dominant technology.

Ensure the CEO that the responses to the questions will be kept completely confidential. Inform the CEO that the interview usually takes about forty-five minutes and that you would also like him/her to complete a short ten-minute questionnaire after the interview is completed. Please wait for the CEO to complete the survey to clarify any questions.

Please record the interview on an audiocassette and have the interview transcribed for subsequent motive coding.

Ask the CEO for permission to record the interview on an audiocassette. Tell the CEO that you will turn the recorder off at any time that he or she wishes not be recorded. (If you do turn the recorder off take notes about what he/she discusses unless he or she expresses that you should not take such notes).

Following questions are asked from No- Entrepreneur CEOs

INTERVIEW QUESTIONS:

1. Would you briefly, taking about five to eight minutes, describe your career to date, beginning with your education and then when you first entered a management position?
2. When you assumed your present position was there a mandate for what you were expected to accomplish, a number of problems you were expected or desired to solve, goals you expected or desired to achieve, or a vision of your own or someone else's to be accomplished?

3. What were the strengths of the organization that you expected to help you accomplish your mandate?
4. What were the major deficiencies in the organization, or the major problems or barriers facing you, in accomplishing what you hoped to accomplish?
5. What are your major strengths with respect to your functioning as a CEO in your current position?
6. What are your major weaknesses?
7. Please describe the most important organizational changes that you plan to implement in the near future.
8. How do you plan to go about it? (Probe for how he or she will introduce the change and the strategy for its implementation.)
9. Please describe your philosophy of management (this is usually already implicitly described in the answers to the above questions). If time permits request the CEO to describe the second most important change he/she wants to introduce, and repeat question 8 with respect to this change.
10. Are there any other considerations we need to know about in order to understand your role in your current position?
11. At this point, please give the CEO the quantitative questionnaire, ask him/her to fill it out and return it to you while you are there. We advise you to wait for the CEO to fill it out. Again, the questionnaire should take approximately 10 minutes to complete.
12. **IMPORTANT:** In the CEO Entrepreneur and Non-entrepreneur questionnaire, the organizational change section (questions 1-13) may be problematic for some respondents. Please ask them to answer in regard to MAJOR strategic, organizational or operational change that has occurred in the last six months.

Following questions are asked from Entrepreneur CEOs

INTERVIEW QUESTIONS:

1. Would you briefly, taking about five to eight minutes, describe your career to date, beginning with your education and then when you first entered a management position?
2. How did you happen to found your business? That is, what were the events or circumstances that led up to the founding of your business?
3. When you started your business, what goals did you expect or desire to achieve?
4. Did you have a vision the kind of organization, products to be produced, and kind of market to be served by your organization when you founded your business or did the organization, product line(s) and markets evolve incrementally?
5. What were the major problems or barriers to achieving your vision/objectives that had to overcome?
6. What were the factors that helped you accomplish your objective (s)?
7. What are your major strengths with respect to your functioning as a CEO of your organization?
8. What are your major weaknesses?
9. Please describe the most important organizational change that you plan to implement in the near future.

10. How do you plan to go about it? (Probe for how he or she will introduce the change and the strategy for its implementation.)
11. Please describe your philosophy of management (this is usually already implicitly described in the answers to the above questions). If time permits request the CEO to describe the second most important change he/she wants to introduce, and repeat question 9 with respect to this change.
12. Are there any other considerations we need to know about in order to understand your role in your current position?
13. At this point, please give the CEO the quantitative questionnaire, ask him/her to fill it out and return it to you while you are there. We advise you to wait for the CEO to fill it out. Again, the questionnaire should take approximately 10 minutes to complete.
14. **IMPORTANT:** In the CEO Entrepreneur and Non-entrepreneur questionnaire, the organizational change section (questions 1-13) may be problematic for some respondents. Please ask them to answer in regard to MAJOR strategic, organizational or operational change that has occurred in the last six months.