Estonian Business School
Thesis in Management Studies

LEADERSHIP IN TRANSITIONAL ESTONIA
ON THE WAY TO THE EUROPEAN UNION

PhD Thesis
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Tallinn 2007

The Institute of Management, Estonian Business School, Tallinn Estonia

Dissertation is accepted for the defence of the degree of Doctor of Philosophy in Management Science by the PhD Curriculum Board of Estonian Business School on 20th of April 2007

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Public Commencement 14th of June 2007

I hereby declare that this doctoral thesis, my original investigation and achievement, submitted for a doctoral degree at Estonian Business School has not been submitted for any degree or examination.

Language editor: Michael Haagensen

EBS Print, Lauteri 3, Tallinn

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INTRODUCTION

The modern world can be described by three major global trends – reinforcing technological development, globalisation and the heterogenisation of lifestyles. It has been stated that it would be more precise not to speak about globalisation in general and universal terms, but rather about a specific wave of globalisation, which started in the first half or the middle of the 1980s. This wave of globalisation, which is mainly based on two propelling forces (economic liberalisation, especially in the sphere of the movement of capital, and the development of information technology and transport networks) has resulted, besides positive outcomes, in a rising gap between countries and the increased vulnerability of different types of systems, and consequently 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, and this has been considered one of greatest challenges (Buledon, 2000). This deeper challenge is interesting and different from two angles — on the one hand, globalization, and on the other, the transformation itself. These two in combination can cause quite unique results.

As stated by social scientists, organizations, whatever kind they are (family, school, religious-, economic-, non-economic and political institutions), do have structure and the structure usually means that there are leaders and followers. Kanungo & Mendonca (1996) state that organizations need leadership. Without leadership the organization is like a rudderless ship adrift in a turbulent environment. Especially when an organization or society is in a change process, leadership and leaders are needed.

Political and economic leaders together took the Soviet Republic of Estonia into a new stage of development – the re-establishment of The Republic of Estonia – a state that was once again recognized by the different countries of the world, also by Russia, and was ready to join the European Union already in 2004.

An important issue that must be considered, and one that certainly cannot be underestimated 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 has to be emphasized that this new developmental stage in Estonian history, the new Republic of Estonia, is influenced by the fact that the independence was re-established based on a legal continuum confirmed by the constitution accepted in 1992. As Schneider & Almann (2005) state, the

principles of legal consistency have obtained the status of a battle flag in *de jure* existence and *de facto* re-establishment of the Republic of Estonia.

Estonia, the smallest of the three Baltic states, had already practiced democracy and a market economy and enjoyed living standards comparable to Scandinavian nations before the unlawful incorporation into the Soviet Union in 1940 (Zamascikov, 1978). With reference to its GDP growth rate, Estonia has been one of the leading countries in the European Union in recent years. Estonia's competitiveness and economic freedom are also remarkably high in the context of the European Union, but the distribution of wealth in Estonia is still one of the most uneven in the European Union (Heidmets, 2007).

For Estonia, the last 15 years have not simply been years of change, but rapid and fundamental reform … almost everything has been transformed: the political and economic system, ownership relations and citizenship, friends and enemies. Estonia has reinvented itself as a country and society. The path Estonia has taken has been complicated and controversial (Heidmets, 2007). It started with the Singing Revolution in 1988 and after that life in Estonia has been full of turbulence all these years.

During the last decades Estonia has passed through the change from a hierarchical, centralized system of state-ownership and command planning, to a decentralized, market-driven economy founded on private property and based on different values. 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 making this period for actors very ambiguous and uncertain. Fifty years of Soviet occupation left Estonia with a divergent workforce with differing attitudes toward change both in society and organizations. There are people who have had work experience in vastly different economic systems (Alas, 2004).

Estonia has developed over the last fifteen years from a socialist economic system to an independent economic society, re-creating its own institutions step by step and with the vision of a market oriented economy always on the horizon.

The mission of the leaders who were in the forefront during the re-establishment of independence is being carried out. Estonia's route has to be to continue to become an equal member of the European Union and the world. For its future development it is important to find out what were these people like who had the assignment to lead Estonia through the transformation from soviet state ownership to a Western style market orientation.

According to Schein (1993), during the transformation process, the responsibilities of companies were redefined – companies focused solely on economic priorities and renounced their corporate responsibility for workers and, as Ducker said (sited by Barnowe 1992), a revolutionary managerial culture was needed.

Change is the essence of development (Kanungo & Mendonca, 1996), but leading the change needs initiative, guidance and effort. Leadership of a change effort involves setting a direction, aligning people with a vision and motivating them to achieve it (Kane, 2005).

Kanungo & Mendonca (1996) pointed out that during turbulent times transformational leadership is the best for meeting the needs of organizations. When a company changes its strategy, its people must do thing 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).

The author of the current thesis, based on above mentioned ideas, will concentrate on the assumption that during the period of transformation from a Soviet state to an accepted member of the European Union, Estonia needed transformational leadership to lead the change. Still, as the theoreticians point out, the line between transformational leadership and transactional leadership is practically invisible, but the main motivational factors are distinguishably different.

1.1 Motivation for Leadership Study in Estonian Organizations

The historical events and theoretical background for societies in change processes highlights the need for the current research. Knowledge acquired in history can be turned into strengths for the future. Not only Estonians, but also other transforming nationalities can benefit from the insights of this research.

Starting from the demolition of the Berlin Wall in 1989 and the dissimilation of the Soviet Union, management and leadership studies in former Soviet countries have been an interesting topic. The main question for these recently liberated countries has been whether the managerial forces and management styles are more similar to their geographical neighbours 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. According to Lang (2003), leadership studies in Eastern Europe suggest a more or less different pattern of leadership behaviour in these countries to those in Western or Northern Europe.

Explanations of this see it as a result of the so-called communist heritage, while leaving 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. This also includes the influences coming from different stages of the transformation process.

Estonia has been one of the best examples of developments in a transitional economy; therefore, much research has been carried out in different fields. According to Kooskora (2006), most of the research has dealt with political and macroeconomic policies, ownership structures and privatisation, internationalisation and foreign investments, innovations and fiscal determinants. But a limited number of studies of management and business corporations have been conducted (Kooskora, 2006).

The number of studies related to leadership issues is small; however, the following authors can be mentioned: Hentze/Lindert (1992), Nurmi & Üksvärav (1994 & 1996), Lindert (1996), Stout (2003), Vadi (2003), Alt et al (2003), Alas & Tuulik (2003 & 2005), Lang et al (2005) and Steyrer, Hartz & Schiffinger (2006). In 2001, Fontes also carried out a study of leadership among successful business leaders.

The limited number of leadership studies, especially dealing with the concept of transformation processes, led the author to realise that the theme has to be investigated more thoroughly. To expand the field of leadership studies in Estonia during the transformational period was one of the reasons for the current research to study Estonian management styles and preferences, and existing values in Estonia on the doorstep to the European Union.

The second reason for the leadership study in Estonia was that the team of international managers is expanding as trade in the new Baltic states is growing rapidly and the emphasis is sliding slightly toward the East. Estonians however, mainly accept the Nordic Leadership Style. For Estonians, the best example is evidently Finland, but Estonians do complain that Finns are relatively patronizing. Estonians are a proud, organized and individualistic nation and being compared to Finns does not please them as they consider themselves more European and believe that their culture contains cosmopolitan elements (Lewis, 2003).

Lewis (2003) stated that the Nordic Leadership style is acceptable to Estonians, and so the third reason for this study was to find out whether this statement can be supported. Weather Nordic leadership is similar to Estonian expectations about leadership.

Changes continue to be a natural part of the development of Estonian society. Change needs leading and leaders capable of setting of vision and directions, exercising control and executing other functions in order to achieve their objectives. Leaders have to be accepted by those who are led; otherwise, the targets will not be met. It is very important for future managers/leaders to know what kind of leadership is accepted by Estonians in order to sustain the development of the country.

Lastly, the motivation for the author choosing the topic of leadership is partly personal. The author had the possibility to start her working career (in 1992) in one of the first entrepreneurial Estonian companies established already in 1988 as one of the first joint ventures in the Soviet Union. Although it was a joint venture, the foreign investors in the company were not actively involved in the every day management decisions. The company was developed and run by a management team consisting of local Estonians and according to their understanding of management philosophy. The time frame for these events falls into the same period that is under investigation in the current thesis.

In 1998, the foreign investor decided to sell his ownership to another foreign owner. The new foreign owner, who was also from a neighbouring country, was totally different. This owner wanted to be actively involved in the every day management and company representatives of a different culture were sent to Estonia. The first months were a shock for the local Estonian managers and subordinates as their attitudes and opinions were totally different to the newcomers.

These provided the main motivational factors for the author of the thesis to concentrate on the subject of leadership and leadership in an Estonian cultural background. From the case described above, the author herself learned that while dealing with people of different cultures, one has to know as exactly as possible the values, attitudes and also historical background of these cultures. This is especially essential when one wants to change somebody or something.

Carrying out the survey and writing the thesis is important and is relevant in a number of different ways. **It is anticipated that the current thesis will contribute to the Estonian field of management research in the following ways:**

Firstly - to the best knowledge of the author, the current study of leadership has its origin in and reflects the transformational period of Estonian history between the Republic of Estonia being re-established and its subsequent accession to the European Union. In addition to filling the gaps in Estonian management research, the theme of leadership is a relevant topic in international management studies and the completion of this research makes a

valuable contribution to global management studies.

Second – based on existing information development decisions about the future can be made. The author considers the main characteristics of the thesis to be its practical application for deriving management/leadership related decisions. The understanding of the situation with regard to leadership and subsequent expectations can be used by practicing company executives, future foreign investors, the academic community and trainers.

Third – Estonia is considered to be a country of very rapid economic development. In this sense, Estonia can be used as a benchmark for other countries interested in joining the European Union as well as for other new democracies. An overview of the leadership qualities and guiding values in comparison with the economic achievements can provide useful information for these countries when setting and achieving their own targets.

Fourth – this study is the one that provides managers/leaders practicing in Estonia and academics the possibility to compare Estonian leaders with those of other cultures and societies in the world. A tested and reliable research tool has been used to provide comparative results enabling co-operation with other cultures in the future.

Fifth – this research breaks new ground and its value also lies in the fact that it can be repeated. It provides results from a certain period seen as the transformational period in Estonia's recent history. The existence of these results is valuable for future researchers to continue from the point where this research ends — when Estonia joined the European Union.

1.2 Objectives of the Leadership Study in Estonian Organizations

According to the author, the period between re-gaining independence in 1991 and joining the European Union in 2005 is considered a transformational period. This thesis concentrates on describing and analysing leadership in Estonian organizations during these transformational years. The best guiding theory that applies is the concept of transformational leadership, also called the new leadership theory.

In order to find answers to the subject of interest the following conceptual research strategy shown in Figure 1, was formulated:
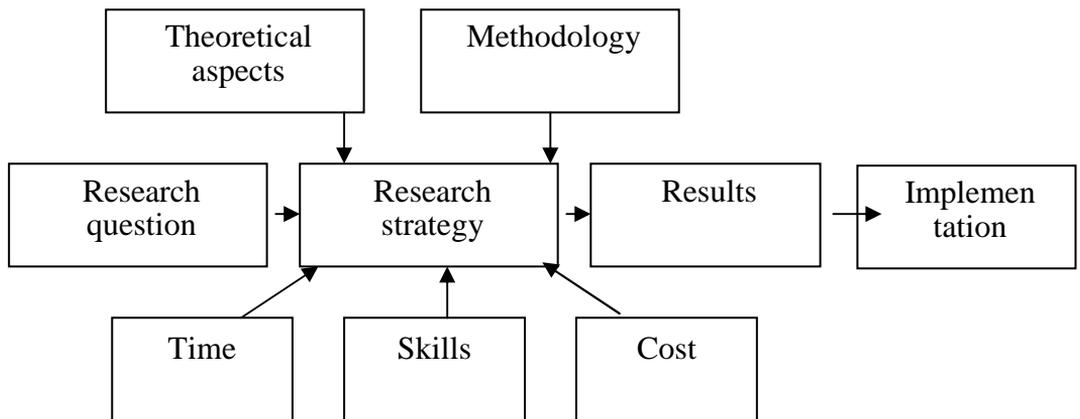
Source: author

Figure 1. Conceptual Research Strategy

The strategy consists of two leadership surveys carried out in Estonia in 2001 and 2003. To formulate the survey strategy, more exact research questions and hypotheses were constructed.

Firstly, the thesis discusses results based on descriptive analyses and research questions (research questions R1 and R2) and later the hypotheses become the basis for investigation.

Based on the aims of the thesis and theoretical assumptions that are the grounding for similar understandings of leadership related issues, the first research question was formulated.

R1 – How can the value systems of Estonian company executives and their subordinates be characterized?

The first research question was constructed to investigate the value systems of Estonian managers and employees. The second area of interest was what were the leaders in Estonia like during the period of transformation? The picture of Estonian leaders is provided by their subordinates — how Estonian leaders are perceived by their subordinates. More precisely, the second research question was formulated as follows:

R2 – What were the characteristics of the Estonian manager/leader during the transformational period?

The first research question investigated the work-related values among Estonian enterprises, while the second question was interested in leadership style. Both themes were the subject of the first wave of research. In addition, the first wave of research investigated the subject of subordinate commitment, effectiveness and job satisfaction (SCES). Based on all these subjects of interest the first research hypothesis was constructed as follows:

H1 – Subordinate commitment, effectiveness and job satisfaction (SCES) is related to ethical considerations and leadership style.

One of the main objectives of the current thesis and leadership research was to investigate leadership in Estonia around the turn of the century; that is, at the beginning of 21st century on the way to the European Union. These fifteen years before joining the European Union can be taken as a special era for Estonians as we had to build up the state and economy in a relatively short time. This period in Estonia is considered to be transformational. Transformational periods also need charismatic, transformational, "New Leadership" leaders to cope with the changes and take the organizations to meet new challenges. Based on the above mentioned the following hypothesis was constructed.

H2 – The leadership style practiced in Estonia during the period between regaining independence and joining the EU can be termed transformational.

In addition to the idea of transformational leadership, actual leadership perceptions and the desirable leadership was also studied. Again this picture is provided through evaluations by subordinates about successful leaders and leadership.

As there is considerable doubt about whether transforming countries in Europe are transforming in the same way or whether there is a special, country-specific pattern, this became the focus of the third hypothesis.

H3 - The leadership expectations in independent Estonia have differences compared to other East European Countries (EEC) and neighbouring countries.

To find the answers to the above-mentioned questions, a methodology developed at Wharton Business School in the United States of America, was used through the cross-cultural project of Global Leadership and Organizational Behaviour Effectiveness (GLOBE). In return for becoming a member of the GLOBE network, Estonian investigators received the opportunity to compare local results with results in the entire GLOBE project.

This ready-made fieldwork methodology was chosen as the author of the

current research wanted to use a reliable methodology that had already been tested. The other major reason was the importance of having comparable data from other countries and cultures. Estonia is too small a country, and a locally developed research method with local results can only offer local interest and expose local phenomena. This is definitely not the aim of the current study. The common methodology and access to a cross-cultural project provided the opportunity to compare the results of the current research with other nations. This is considered to be an advantage of the current research.

1.3   Structure of the thesis

In order to carry out the research strategy and find answers to the questions and hypotheses stated in 1.2, two different waves of research were carried out. The first wave, investigating actual perceptions of leadership, work related values and subordinate commitment, effectiveness and satisfaction, was carried out in 2001. The second wave, interested in subordinate evaluations of effective leader attributes, was carried out in 2003. The current thesis is written on the basis of the results of these two waves of research.

The thesis is divided into following six main chapters.

It starts with a general introduction to the subject, a brief overview of the work of other authors interested in the field, the motivation for the study, the research questions and hypotheses and the importance of the subject.

Chapter 2 is devoted to general leadership theories. The author provides an overview of different leadership theories to build a broader understanding of existing theories and to form a background to the current thesis. Starting from the beginning of the 20th century and the *trait approach* to leaders and concluding with contemporary *popular leadership theories*. Different leadership theories have different viewpoints — either the leader or the follower viewpoint, or either a context or process approach.

According to the author, *transformational leadership – the new leadership* is considered the guiding theory and that is why the theory of transformational leadership receives more attention in comparison to other theories.

The question of cultural influences on managing/leading is discussed by looking at whether local convictions have any importance or is management a universal profession. Are leaders born or can they be developed. What is the role of context — do leaders make the context or does the context make them as leaders, what happens to leaders if they are in a different context or taken out of their context. What made them leaders.

Leadership involves balancing on the margins of ethical and unethical behaviour. The line is very thin, and instead of leading, it can turn out to be manipulating people. Basic theoretical notions of leadership and ethics are also dealt with in the second chapter.

Chapter 3 deals with theoretical standpoints about societies in economic transformation. An overview of historical processes in Estonia is provided with an emphasis on the decade when independence was re-established — the era of transformation.

Chapter 4 is divided into four subchapters. In the first subchapter, the research questions and hypotheses are stated. The research methodology is described in the second sub-chapter. In the third subchapter, an overview is provided of the two phases of empirical research carried out in 2001 and 2003 in Estonian organizations. The fourth subchapter is dedicated to analyses and the results of the current thesis.

Chapter 5 is the discussion chapter and is devoted to analysing the empirical results and outcomes. Correlations with theory and theoretical viewpoints, and between different parts of thesis are discussed.

Chapter 6 deals with further implications — suggestions for practical use and potential for further advanced research are described. In addition, the theoretical limitations of the current thesis are highlighted, and the author provides some suggestions for further improvements by future researchers carrying out next phases of research.

Chapter 7 provides a summary of the thesis. A brief overview is given including the research questions, the guiding theory, research methodologies, fieldwork processes and research results. The main findings — answers to the research questions — are presented and whether the hypotheses found support or not.

The thesis ends with an Estonian language summary, a list of references and the appendices, containing the overview of the CEO leadership scale composition, preferred leadership scale composition, fragments of questionnaires and factor analyses.

1.4 Acknowledgements

express my gratitude to Estonian Business School for the years of understanding and support.

I received considerable support from my supervisors Professor Ruth Alas and Professor Raoul Üksvärav. You always seemed to have more faith in me than I had in myself. Without your understanding and knowledge this thesis could never have been completed.

My warmest gratitude goes to my reviewers, Professor Raimo Nurmi who gave me hope and encouraged me to struggle till the end by showing that there is a light at the end of the tunnel and Professor Nancy Papalexandris whos support was necessary to conclude the thesis.

I would like to thank my fellow students at EBS, especially Ly and Tiina from TLÜ as without your consistency this thesis never would have been completed the way it is.

My friends and my family, all of you who have been by my side for these countless years and encouraging me to carry on till the end. I am not trying to make a list of people who have contributed to this thesis by supporting me. Hopefully I will have more time to spend with you in the nearest future.

2 OVERVIEW OF LEADERSHIP THEORIES

2.1 Leaders and Leadership

The word manager usually indicates that the individual so labelled holds a directive post in an organization, presiding over the process by which the organization functions, allocating resources prudently, and making the best possible use of people (Gardner, 1990).

For Gardner (1997) a leader is a person who, by word and/or personal example, markedly influences the behaviours, thoughts and/or feelings of a significant number of their fellow human beings. He divides the notion of leader into ordinary, innovative and visionary. The line between innovative and visionary is not so easy to determine. According to Gardner, visionary leadership is far more readily achieved in specific domains (e.g. particular arts or sciences), or in specific institutions like universities or corporations than in the guidance of an entire society (Gardner, 1997).

There has been discussion about whether leaders are made or born. Hesselbein believes that leaders grow; they are not made (Hesselbein et al, 1996). The question here is, since leaders come in many forms with many styles and diverse qualities, are leaders born or are they educated**.**

According to Murphey (1996), in every successful organization every leader works and every worker leads, working is both an art and a science, but this is contrary to the traditional notion that leaders are born and not made. According to Murphey, anyone can learn how to be a working-leader. His work offers a different understanding of what a leader is — a working-leader. The foundation upon which these working-leaders build an architecture of achievement consists of Seven Guiding Principles: be an achiever; be pragmatic; practice strategic humility; be customer focused; be committed; be a learned optimist; be responsible (Murphy, 1996).

Jack Welsh (2005) in response to the question of whether leaders are born or made says that it is both. According to him, some characteristics, such as IQ and energy seem to come with the package. On the other hand, you learn some leadership skills, such as self-confidence, at your mother's knee and at school or in the academic arena and while doing sport. And you learn others at work through iterative experience – trying something, getting it wrong and learning from it, or getting it right and gaining the self-confidence to do it again, only better (Welsh, 2005).

Maxwell (1993) tells that leadership is developed, not discovered. According to him, the "truly born leader" will always emerge, but to stay on top, natural leadership characteristics must be developed. He has four major categories or levels that leaders fall into and these are:

- *the leading leader* (born with the right qualities, has seen leadership modelled throughout life, has learned added leadership skills through training, has the necessary self-discipline to become a greater leader);
- *the learned leader* (has seen leadership modelled through most of his or her life, has learned leadership through training, has the necessary self-discipline to be a great leader);
- *the latent leader* (has just recently seen leadership modelled, is learning to be a leader through training, has the necessary self-discipline to become a good leader);
- *the limited leader* (has little or no exposure to leaders, has little or no exposure to leadership training, has the necessary desire to become a leader).

In addition, there are plenty of authors who believe that leaders are born. At the beginning of the twenty-first century there was no consensus among authors and researchers of leadership whether leaders are born or educated.

The other important feature in the development of leaders is history. Do leaders make history or does the historical moment make the leader — Thomas Carlyle and Sidney Hook placed excessive emphasis on the great person; Karl Marx, George Hegel and Herbert Spencer placed emphasis on historical forces. According to Gardner, historical forces create the circumstances in which leaders emerge, but the characteristics of the particular leader in turn have their impact on history (e.g. Martin Luther – historical forces set the stage for him, but once there, he was himself a historical force). The historical moment is the broadest context affecting the emergence and functioning of leaders. But, the makeup of the group to be led is a crucial feature of the context. The leadership or leadership style that will be effective depends on, among other things, the age of the individuals being led, their educational background and competence, the size, homogeneity and cohesiveness of the group, its motivation and morale, and its rate of turnover (Gardner, 1990). It may take one type of leadership to start a new enterprise and quite another kind to keep it going through its various phases.

Leaders cannot be thought of apart from the historical context in which they emerge, the setting in which they function and the system over which they preside. They are integral parts of the system, subject to the forces that affect the system. They perform certain tasks or functions that are essential if the group is to accomplish its purposes. Interaction between leaders and constituents or followers tells us that communication and influence flow in both

directions, and as part of this two-way communication, non-rational, nonverbal, and unconscious elements play their part. In this process, leaders shape and are shaped (Gardner, 1990).

Researchers into leadership (Edgar Shein, etc) tend to be of the same opinion that it may take one type of leadership to start a new enterprise and quite another kind to keep it going and a different type again to change it according to the processes in society and the needs of the organization. Schein's (1996) opinion is that leadership should depend on the particular situation, the task to be performed and the characteristics of the leader's subordinates.

Murphey (1996) defined leadership as a form of intelligence. According to him, conventional wisdom tends to separate the people working in an organization into two distinct and separate categories, those who work and those who lead. Leaders know how to say the right thing to the right people at the right time to get the right work done well and on time and within the budget. They master the art of communication; they follow well-crafted scripts in all their communications. According to Murphey, leaders rely on specific tools to fulfil eight specific roles: select the right people; connect them to the right cause; solve problems that arise; evaluate progress towards objectives; negotiate resolutions to conflicts; heal the infected wounds; protect their cultures from the perils of crisis; and synergize all stakeholders in a way that enables them to achieve improvement together.

Handy (1996) states that leadership is a tough task, as authority has to be earned and it demands an unusual combination of attributes: a belief in oneself combined with reasonable doubt, a passion for the job combined with an awareness of other worlds, and love of people combined with a capacity for aloneness. Living with these paradoxes requires great strength of character. Handy believes that money alone is not enough to provide the motive to live with these contradictions; even the love of power is insufficient.

Leadership is not an easy concept to define (Steward et al, 2006). Scholars have advanced a wide variety of definitions. The core of almost all such definitions concerns influence; that is, how leaders influence others to help accomplish group or organizational objectives (House et al, 2004). Values are important to understanding leadership because they explain the focus and direction of people's actions. In any established group individuals fill different roles and one of the roles is that of leader.

Leadership . . . is the indispensable social essence that gives common meaning to common purpose, it creates the incentive that makes other incentives effec-tive, that infuses the subjective aspect of countless decisions with consistency in a changing environment, that inspires the personal conviction that produces the

vital cohesiveness without which cooperation is impossible (Barnard, 1938).

Leadership must not be confused with status, power and official authority. High status given by 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 from the capacity to inflict harm, or from control of something or somebody, or through military power, or from access to the media) are without leadership gifts. Official authority is simply legitimised power. Leadership requires major expenditures of effort and energy – more than most people care to make (Gardner, 1990).

Leadership is a subject that draws attention away from everything else. But attention to leadership alone is sterile and inappropriate. The larger topic, of which leadership is a subtopic, is the accomplishment of group purpose, which is furthered by effective leaders but also by innovators, entrepreneurs and thinkers through the availability of resources and the question of moral and social cohesion (Gardner, 1990).

Today's world may have leaders, but celebrities now overshadow them. Leaders are known by their achievements, the celebrity for being well known. The leader reveals the possibilities of human nature; the celebrity reveals the possibilities of the press and media. Celebrities are people who make the news; but leaders are people who make history (Boorstin, 1995).

Leadership is the process of persuasion; for example, by which an individual (or leadership team) induces a group to pursue objectives held by the leader or shared by the leader and his/her followers (Gardner, 1990).

According to Thomas Gordon, the word leadership appeared to the English language somewhere in 1800. It took more than a hundred years before social scientists began to investigate this syndrome. During the last 65 years, researchers and investigators have been working hard to make up for this (Gordon, 2001).

Already in 1959, Bennis wrote "… more has been written and less known about leadership than about any other topic in the behavioural sciences" (Bennis, 1959) and in 1994 Kets de Vries said "As far as leadership studies go, it seems that more and more has been studied about less and less … with a group of researchers studying everything about nothing" (Kets de Vries, 1994).

In the past 50 years, there have been as many as 65 different classification systems developed to define the dimensions of leadership (Fleishman et al, 1991).

One such classification system views leadership as a focus on the *group process*, another conceptualises leadership from a *personality perspective*, and a third defines it as an *act or behaviour*. In addition, it has been defined in terms of the *power relationship* between leaders and followers, and still others view it as *an instrument of goal achievement* where leadership transforms followers through vision setting, role modelling and individualized attention (Northouse, 1997).

Despite the multitude of approaches, several components can be identified as central to the phenomenon of leadership and they are: leadership is a process; leadership involves influence; leadership occurs within a group context; leadership involves goal attainment (Northouse, 1997).

The examination of leadership as a group and organizational phenomenon has been the focus of both theoretical and empirical analysis (Bass 1990; Bennis & Nanus 1985; Burns 1978; Hollander 1978 etc.). Yet, like any complex social psychological phenomenon our understanding remains incomplete in spite of the decades of research (Kanungo & Mendonca, 1996).

2.2   Different Theories of Leadership

In Chapter 2.1 the author showed the different concepts of the terms leader and leadership. The following chapter is devoted to most well known approaches to leadership.

Theories of leadership stress different viewpoints – the leader's point of view (trait and style approach), the follower and context approach (situational approach, contingency and path-goal theory) and the process approach (exchange theory).

The trait approach was one of the first systematic attempts to study leadership at the beginning of the 20th century. These were the "great men" theories and it was believed that certain traits or qualities made certain people great leaders. It was also believed that people are already born with these characteristics. In the mid-1900s the question of the universality of these traits arose. As a result, attention shifted to incorporating the impact of situations and followers.

As a result of several studies, it is clear that many traits contribute to leadership and these traits include intelligence, self-confidence, determination, integrity and sociability (Northouse, 1997).

The **style approach** is different to the trait approach. While the trait approach emphasizes personality characteristics, the style approach emphasizes the

behaviour of the leader, what leaders do and how they act, and this includes the actions of leaders towards subordinates in various contexts. *What leaders do* is what is important rather than *what leaders are*. There are mainly two different kinds of behaviours: task behaviours and relationship behaviours. How these two types are combined is central to the style approach (Northouse, 1997).

The next approach is the **situational approach**, which is one of the most recognized approaches. Developed by Hersey and Blanchard in1969, it has been revised by several authors on several occasions. The situational approach focuses on leadership in situations. The essence of the situational approach is that different situations demand different kinds of leadership. In order to be effective, the leader must adapt his/her style to the demands of different situations. This approach stresses that leadership is composed of directive and supportive dimensions, and to determine what is currently needed the leader has to evaluate his/her subordinates in terms of their competence and commitment to the task.

The situational approach assumes that the leader adapts his/her style to meet the employee needs. Leadership style in the situational approach is divided into four:
- *directive* (high directive-low supportive style) – subordinate level of development is low in competence and high in commitment;
- *supportive* (high supportive-low directive style) – subordinates are moderately competent but lacking commitment;
- *coaching* (high directive-high supportive style) – subordinates are moderately competent and low in commitment;
- *delegating* (low supportive-low directive style) – subordinates have high competence and a high degree of commitment.

The strength of the situational approach is that:
- it can operate as a standard for training leaders
- it is very practical and can be understood easily
- it sets a clear prescription for how leaders should act if they want to be successful
- it stresses that there is no single best style and leaders need to be flexible and adapt their style to the situation (Northouse, 1997)

Contingency theory shifts from focusing only on the leadership to looking at both the leader and the situation the leader works in. Here it is important to match the leaders style with the demands of the situation. This theory emphasizes the impact of situations on leaders and means that leaders may not to be effective in all situations. The drawback of this theory is that the connection between style and situation has not been described. This theory is not easy to use in organizations (Northouse, 1997).

Path-Goal theory deals with how the leader motivates subordinates to accomplish designated goals (Northouse, 1997). The theory first appeared in 1970 in the works of Evans, House & Dessler, and House & Mitchell (Northouse, 1997). The theory concentrates on the factors that motivate employees and emphasize the relationships between leadership style, characteristics of the subordinates and their work. One of the key issues is how the subordinates are motivated by the idea of being capable of achieving their tasks.

The basic idea of the theory involves defining the goal, clarifying the path, removing obstacles and providing support. Leaders can help their subordinates to achieve their goals by removing the obstacles and selecting behaviours and styles (directive, participative, supportive or achievement oriented styles) that are best suited to the situations the subordinates are working in. The directive leadership style is effective with ambiguous tasks, supportive with repetitive tasks, participative when tasks are unclear and subordinates are autonomous and achievement-oriented leadership is the preferred style for challenging tasks.

Leader-Member Exchange (LMX) theory addresses leadership as a process centred on the interaction between leaders and followers and the pivotal concept in the process is the leader-member relationship (Northouse, 1997). This concept appeared 25 years ago and since then has been one of the concepts of interests for several researchers (Dansereau, Graen & Haga 1975, Garen & Cashman 1975 and Garen 1976). The latest development in this theory is that leaders should try to develop high quality relationships with their subordinates and partnerships that are marked with a high degree of mutual trust, respect and a sense of obligation are the most profitable.

Transformational leadership is also called "the New Leadership" paradigm and has been the focus of research since the 1980s. Max Weber was the first one to use the word charisma in 1947 in the context of the leader-follower relationship. In 1976, House published the theory of charismatic leadership. After that, starting from the 70s, several researchers (House 1977, Conger, Kanungo 1987, Beyer 1998, Shamir, House, Arthur 1993) have developed new concepts of charismatic leadership (House et al, 2004).

Transformational leadership is a process that changes and transforms individuals and is concerned with values, ethics, standards and long-term goals. The transformational leader plays an important role, but followers and leaders are inseparably bounded together in the transformation process. Transformational leadership also involves assessing followers' motives and needs. It is a process that subsumes charismatic and visionary leadership (Northouse, 1997), and can

be used to describe processes at the one-to-one level of influence up to very broad levels of influence for entire organizations or entire cultures.

The beginning of transformation leadership theory is considered to be 1978, with the work of political sociologist, James Macgregor Burns, titled *Leadership* (Northouse, 1997). Since that time there has been no agreement among scholars about whether charismatic and transformational leadership theories are the same or two different theories. Burns has distinguished between two types of leadership transactional and transformational.

According to Yukl (2002), transformational and charismatic leadership mainly concentrates on the leader's influence on the followers to make self-sacrifices and to put the mission of the organization above their materialistic self-interests. The names charismatic and transformational are often used interchangeably, and while the theories have many similarities, according to Yukl, there are important distinctions. The central feature of both theories is the process by which leaders appeal to the follower's values and emotions, and their commitment to shared objectives.

House suggests that charismatic leaders act in unique ways that have specific charismatic effects on followers. House states that charismatic leaders are dominant, have a strong desire to influence others, are self-confident and have a strong sense of their own moral values. They also demonstrate specific types of behaviours: they are strong role models for the beliefs and values they want their followers to adopt, they are competent for their followers, and they articulate moral ideological goals. They also communicate high expectations for their followers together with having confidence in the followers abilities to meet these expectations. They also arouse task relevant motives in their followers that may include affiliation, power or esteem. According to House's theory, there are several effects that are the result of charismatic leadership — followers trust in the leader's ideology, a similarity between follower and leader beliefs exists, there is an unquestioning acceptance of the leader, there is an expression of warmth toward the leader, followers are obedient, there is an identification with the leader, followers exhibit an emotional involvement in the leader's goals, the goals are ambitious and followers are confident about achieving them. Charismatic effects occur in the context of distress (Northouse, 1997).

In addition to Burns, Weber and House, there are several authors who have contributed to the theories of transformational and charismatic leadership — Bass in the mid-1980s, Bennis and Nanus also in 1985, Tichy and DeVanna (in 1986 and 1990).

According to Bass, transformational leadership contains four components: charisma or idealized influence (attributed or behavioural), inspirational

motivation, intellectual stimulation and individualized consideration (Bass et al, 1999).

Transactional leadership involves contingent reinforcement. Followers are motivated by the leaders' promises, praise and rewards, or they are corrected by negative feedback, reproof, threats or disciplinary actions. The leaders react to whether the follower's carry out what the leaders and followers have "transacted" to do. In contingent rewarding behaviour, the leaders either make assignments or they consult with followers about what is to be done in exchange for implicit or explicit rewards and the desired allocation of resources. When leaders engage in active management-by-exception, they monitor follower performance and correct followers' mistakes. When leaders engage in passive management-by-exception, they wait passively for followers' mistakes to be called to their attention before taking corrective action with negative feedback or reprimands. Laissez-faire leaders avoid leading (Bass et al, 1999).

In reality, most leaders have a profile that includes the full range with both transformational and transactional factors. Those who are call transformational do much more of the transformational than the transactional. In their defining moments, they are transformational. Those who are labelled transactional leaders display much more transactional leadership behaviour. They are more likely to have attitudes, beliefs and values more consistent with transactional leadership, but they still might be likely to be transformational at times. Both styles of leadership, transformational and transactional, have strong philosophical underpinnings and ethical components (Bass et al, 1999).

Team leadership theory – leadership in organizational groups or working teams has become one of the most popular and rapidly growing areas of research in leadership theory. Teams are organizational groups composed of members who are interdependent, who share common goals and must coordinate their activities to accomplish these goals (Hill, 2007). Within a rapidly changing environment, the use of organizational teams has been found to lead to greater productivity, more effective use of resources, better decisions and problem solving, better quality products and services and increasing innovation and creativity (Parker, 1990).

In team leadership theory, the leader's function is to assist the group in accomplishing its goals by monitoring/diagnosing the group instead of taking action, and focusing on internal group issues instead of external group issues.

According to Hackman and Walton (1986) the four types of group leadership functions are:
- diagnosing group deficiencies
- taking remedial action to correct deficiencies

- forecasting impending environmental changes
- taking preventive action in response to environmental changes

According to the **psychodynamic approach,** childhood and adolescent experiences in the family are reflected in reactions to paternalistic, maternalistic and familial patterns of leadership and management. Psychological development produces personality types and the key to effective leadership is to understand these types and the differences between them. The psychodynamic approach to leadership started already in 1938 with Sigmund Freud and his concept of psychoanalysis, and he was followed by Carl Jung. Important concepts in the psychodynamic approach to leadership include the family of origin, maturation or individuation, dependence and independence, regression and the shadow self. Each of these plays a unique role in the leadership process. The psychodynamic approach suggests that the leader with insight into his/her personality and into those of the subordinates will function effectively (Stech, 1997).

Popular leadership theories – in addition to the academic approach to leadership theories, there are lots of books about leadership written by non-academics intended for the general and leadership-practitioner audience. The most important difference between this popular literature and academic writing is the religious approach to the subject that is unacceptable in academic writing. In popular literature, the discussion is mainly focused upon which, how and why leadership occurs in organizations and what should occur to make leadership effective (Bowman, 1997).

The popular approaches to leadership in the 1990s have several common features. Many of them are influenced by the servant-leader paradigm where leaders are motivated by the desire and opportunity to serve others. The spiritual-ethical orientation is also one of the themes in the popular approach to leadership, where the issue deals with character, ethical behaviour and the meaning of life. Also, all the popular approaches emphasize the importance of the empowerment of followers. Leadership should be shared with employees so that it incorporates collaborative teams in cooperative decision-making. There is a shift from the individual leader to creating an environment in which employees can grow and learn together – the learning organization. The strengths of such popular approaches to leadership include the fact that they have a positive humanistic focus and employees in these theories are human beings with individual concerns and needs, there is the existence of a spiritual aspect, which is missing from the academic literature; they are easy to understand; and finally, they are consistent with accepted managerial principles. They highlight the value of an empowered workforce working cooperatively together with leaders and decision makers (Bowman, 1997).

The most well known popular authors are Stephen Covey, Peter Senge, Max Du Pree, James Kouzes, Barry Posner, Peter Block, Roland Heifetz and Robert K. Greenleaf (Bowman, 1997).

Servant leadership is one of these popular theories. The servant-leader is servant first. It begins with the natural feeling that one wants to serve, to serve first then this conscious choice brings one to aspire to lead. This sharply distinct from the situation where the subject is a leader first, perhaps because of the need to assuage an unusual power drive or to acquire material possessions. For this subject, the choice to serve will come later — after leadership has been established. The leader-first and the servant-first are two extreme types. Between them there are various degrees that are part of the infinite variety of human nature (Greenleaf, 1977).

Authentic leadership theory is also one of the theories sometimes considered part of the popular literature. Bill George (2006) defines the concept of authentic leadership as comprising five dimensions:
- understanding your purpose
- practising solid values
- leading with your heart
- establishing connected relationships
- demonstrating self-discipline

Being an authentic leader is about being true to yourself and your values — not presenting a false corporate image or trying to emulate the leadership style or characteristics of others. According to George, the best leaders are autonomous and highly independent. Without the right mind set, any attempts to develop authentic leadership will fail. The pillars of authentic leadership are especially pertinent in these days of corporate social responsibility (CSR) and employer branding. Employees and customers want to see a consistency of message and actions that demand more of leaders than merely satisfying the board and improving the bottom line. Authentic leadership can exist at all levels — not just in the boardroom. It cannot be taught on a training course, but can be developed as long as you have the correct motivation (George, 2006).

In the Table 1 the author provides an overview of the different leadership theories covered in this chapter and their approximate time of relevance.

For the author of current thesis, the concept of transformational leadership, also called new leadership, is the guiding theory for the thesis.

Table 1. Different Leadership Theories

Theory / Approach	Approximate Time	Main emphasis of the theory	Representatives
Psychodynamic Approach	1940s (1938)	Childhood and adolescent experiences in the family are reflected in reactions to paternalistic, materialistic and familial patterns of leadership and management.	Freud, Jung
Trait Approach	Up to 1940s	Leaders depend on personal qualities.	Mann
Style Approach	1940s to 1960s	Leader behaviour makes leaders. Considering and initiating structure	Stogdill
Situational Approach	1970s	Leadership in situations – different situations demand different leadership. Four styles of leadership: *directive, supportive, coaching, delegating.*	Hersey, Blanchard, Zigarim, Nelson
Contingency Theory	1960s to early 1980s	Looking at both - the leader and the situation, how the leader matches situations.	Fiedler, Carcia, Chemers
Path-Goal Theory	1970s	Leadership is how to motivate subordinates to achieve goals.	Evans, House, Dessler, Mitchell
Leader-Member Exchange Theory (LMX)	1970s (1975)	Leadership is a process between leaders and followers.	Danserau, Garen, Haga, Cashman
Transformational Leadership Theory, "New Leadership" (Charismatic sometimes used)	1980s (1978)	Leadership is a process that changes and transforms individuals and is concerned with values, ethics, standards and long-term goals.	House, Conger, Kanungo, Beyer, Schamir
Team Leadership Theory	Started in 1950 and has developed till 1990s	There are organizational teams where members are interdependent. The leaders role is to assist the group in achieving its goals.	Porter, Beyerlein, McGrath
Popular Leadership Theories *Servant Leadership* *Authentic Leadership*		Leadership is serving first and then leading	Greenleaf George

2.3 Local versus Global

Paul Gooderham and Odd Nordhaug claim that national cultural differences are diminishing much more quickly than Greet Hofstede assumed, due to of European integration. According to them, every day the cultural variety of mankind becomes more and more impoverished and homogenized, hundreds of natural languages are becoming extinct (Magala, 2005).

As with leadership, there is no universally agreed-upon definition among social scientists for the term *culture.* Generally speaking, culture is used by social scientists to refer to a set of parameters of collectives that differentiate each collective in a meaningful way. The focus is on the "sharedness" of cultural indicators among members of the collective. The specific criteria used to differentiate cultures usually depend on the preferences of the investigator and the issues under investigation. The criteria tend to reflect the discipline of the investigator (House et al, 2004).

Culture matters because it is a powerful, latent, and often unconscious set of forces that determine both our individual and collective behaviour, ways of perceiving, thought patterns and values. Organizational culture in particular matters because cultural elements determine strategy, goals and modes of operating. The values and thought patterns of leaders and senior managers are partially determined by their own cultural backgrounds and their shared experience. If we want to make organizations more efficient and effective, then we must understand the role that culture plays in organizational life (Shein, 1990).

Globalisation 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).

Percy Barnevick, the CEO of ABB once said, "Global managers have exceptionally open minds. They respect how different countries do things, and they have the imagination to appreciate why they do them that way. … Global managers are made not born (Ehrlich, 2002).

The implications of this way of thinking about culture are profound. For one

thing, you begin to realize that culture is so stable and difficult to change because it represents the accumulated learning of a group — the way its members think, feel and perceive the world has made the group successful. For another thing, you realize that the important parts of culture are essentially invisible. Culture at this deeper level can be thought of as the shared mental models that the members of an organization hold and take for granted. They cannot readily tell you what their culture is, any more than fish, if they could talk, could tell you what water is (Schein, 1990).

Perhaps most important of all, you begin to realize 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. General arguments of the sort you read in popular literature-about becoming more team-based, or creating a learning organization, or empowering employees — are all invalid unless they show how the basic assumptions on which these "new values" are based are adapted to the environment in which the organizations have to function. In some markets and with some technologies, teamwork and employee empowerment are essential and the only way the organization can continue to succeed. In other market environments or with other technologies, tight discipline and highly structured relationships are the prerequisites to success. There is no best or right culture (Schein, 1990).

Leadership is culturally contingent. That is, views about the importance and value of leadership vary across cultures. The GLOBE research program, along with the many other programs (House et al, 1996), has shown that the status and influence of leaders vary considerably as a result of cultural forces in the countries or regions in which the leaders function. Knowing what is considered to be effective or ineffective in the cultures with which one interacts is likely to facilitate conflict resolution and improve the performance of individuals as they interact. Individuals from different cultures often make contact with each other as negotiators, managers, members of joint ventures, or expatriates working in foreign cultures. Being prepared by obtaining cultural knowledge and information about the countries you have to work in, or understanding the culturally endorsed leader behaviour exhibited by representatives of the nationalities you have to work with helps a lot. It is beneficial to all who are involved in substantial intercultural interactions (House, 2004).

The increasing globalisation of industrial organizations, the growing interdependencies between nations and the understanding of cultural influences on leadership and organizational practices has never been greater. Leaders confront situations that are highly complex, constantly evolving and difficult to interpret. Managers of global firms are facing unprecedented fierce and rapidly changing competition. More questions than answers persist regarding the culturally contingent aspects of leadership. The GLOBE Project is designed to

contribute theoretical developments and empirical findings to fill this knowledge deficiency (House, 2004).

Because there is an emotional component to authentic leadership, any development must target the limbic system – the emotional part of the brain. This means that training is not sufficient for development. Developing authentic leadership is about learning how to think and behave differently. This means 'unlearning' old patterns and relearning new ones, which requires motivation, time and energy in the form of extensive practice and feedback. This can come from on-the-job feedback from a mentor and work colleagues as well as a coaching relationship (George, 2006).

2.4   GLOBE Background Theories

The following chapter will provide an overview of the GLOBE research program and its basic theoretical background and methodological construction.

The Global Leadership and Organizational Behaviour Effectiveness (GLOBE) definition of leadership is *the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members.*

The theory that guides the GLOBE research program is an integration of implicit leadership theory (Lord & Maher, 1991), value-belief theory of culture (Hofstede, 1980; Triandis, 1995), implicit motivation theory (McClelland, 1985)), and **structural contingency theory** of organizational form and effectiveness (Donaldson, 1993; Hickson, Hinings, McMillan, & Schwitter, 1974) (House et al, 2004).

Implicit Leadership Theory – according to this theory individuals have implicit beliefs, convictions, and assumptions concerning attributes and behaviours that distinguish leaders from followers, effective leaders from ineffective leaders and moral leaders from evil leaders. These beliefs, convictions and assumptions are referred to as individual implicit theories of leadership.

It is believed that implicit leadership theories held by individuals influence the way they view the importance of leadership, the values they attribute to leadership, and the values they place on selected leader behaviours and attributes. The following propositions express the major assertions of implicit leadership theory.

1. Leadership qualities are attributed to individuals, and those individuals are accepted as leaders on the basis of the degree of congruence

between the leader behaviours enacted and the implicit leadership theory held by the attributers.

2. Implicit leadership theories constrain, moderate and exercise leadership, the acceptance of leaders, and the perception of leaders as influential, acceptable, and effective, and the degree to which leaders are granted status and privileges.

The evidence for this is that there is a high and significant societal agreement with respect to questions concerning the effectiveness of leader attributes and behaviour. Further, aggregated leadership scores were significantly different among the societies studied. Thus, each society studied was found to have a unique profile with respect to the culturally endorsed implicit theory of leadership

Value-Belief Theory – according to value-belief theory, the values and beliefs held by members of cultures influence the degree to which the behaviours of individuals, groups, and institutions within cultures are enacted, and the degree to which they are viewed as legitimate, acceptable and effective. Collectively, the core GLOBE cultural dimensions described earlier reflect not only the dimensions of Hofstede's and Trandis's theories, but also McClelland's theory of human motivation and economic development. The humane, power distance, and performance orientation of cultures are conceptually analogous to the affiliative, power, and achievement motives in McClelland's theory of human motivation (House et al, 2004).

Implicit Motivation Theory – is a theory of non-conscious motives originally advanced by McClelland, Atkinson, Clark, and Lowell (1953). In its most general form, the theory asserts that the essential nature of long-term and complex human motivation can be understood in terms of three implicit (non-conscious) motives: achievement, affiliation, and power (social influence). This theory also identifies three explicit (conscious) motives related to achievement, affiliation and power that are predictive of short-term, noncomplex behaviour. In contrast to behavioural intentions and conscious values, which are predictive of discrete task behaviours for short periods of time under constant situational forces (Ajzen & Fishbein, 1970), implicit motives are predictive of (a) motive arousal in the presence of particular stimuli; (b) spontaneous behaviour in the absence of motive-arousal stimuli; and (c) long-term individual *global* behaviour patterns, such as social relationship patterns, citizenship behaviour, child-rearing practices and leadership styles (House et al, 2004).

Structural Contingency Theory – the central proposition of this theory is that there is a set of demands that are imposed on organizations that must be met if organizations are to survive and be effective. These demands are referred to as organizational contingencies formed by replication (House et al, 1999).

The integrated theory consists of the following assertions. The theoretical basis that guides the GLOBE research is an integrated construct of several theories. A diagram of this integrated theory is presented in Figure 2.
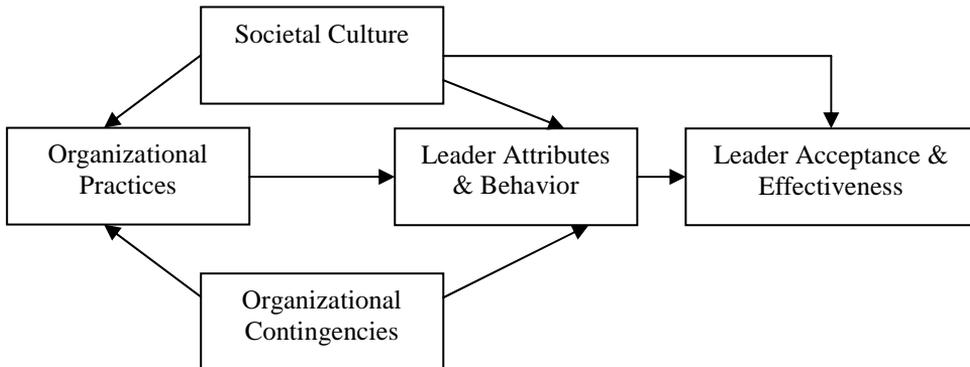
Figure 2. Theoretical model for the research (House et al, 2004)

1) Cultural values and beliefs provide incentives, cues, guidance, constraints and reinforcements for selected behaviours and practices.
2) The implicit motives that are stressed in the culture result in the differential social learning of implicit motives by members of the culture.
3) Jointly, the dominant cultural values, beliefs, assumptions, and implicit motives endorsed by cultures provide shared meaning to leader attributes and behaviour and organisational practices. They provide meaning in the sense that selected behaviours and organisational practices are understood in a particular way in each culture.
4) The shared meaning, values, beliefs and motives take on the status of norms, which are socially learned, communicated, and enforced by members of the culture. These norms are cultural level variables that guide individual behaviour and the evaluation of such behaviour.

According to Paul L. Koopman**,** the results must be placed, where Central and Eastern Europe is concerned, in the context of recent history. Their results provide some evidence that preferred leadership styles vary according to culture. Clusters of European countries that share similar cultural values were shown to also share similar leadership prototypes (Brodbeck et al, 2000).

This is also an issue for the current thesis to discover whether clusters of European countries share similar leadership prototypes.

2.5   Dilemmas in Evaluating Ethical Leadership

According to the presentation by Trompenaas at the Pärnu Management Forum in 2005, leadership is all about solving dilemmas. The words manipulation and management have a common root in *manus*, "hand," and both words imply shaping other people's destinies. Whereas manipulation of people has long been taken as bad because it implies moving them without them knowing fully what is going on, until recently management has been accepted as legitimate (Greenleaf, 1977). One of the earliest writings to focus on leadership ethics appeared as recently as 1996 (Northouse, 2007). So even in the Western world the subject is quite young.

Most people are the product of the context they find themselves in. They tend to "look up and look around," and they do what others around them do or expect them to do. They look outside themselves for guidance when thinking about what is right. What that means is that most unethical behaviour in business is supported by the context in which it occurs-either through direct reinforcement of unethical behaviour or through neglect (Trevino & Brown, 2004).

In regard to leadership, ethics has to do what leaders do and who leaders are (Northouse, 2007). Ethical leadership is an ambiguous construct that appears to include a variety of diverse elements. It is useful to make a distinction between the ethics of an individual leader and the ethics of specific types of leadership behaviour (Bass & Steidlmeier, 1999).

The mythology of ethical leadership focuses attention narrowly on individual character and qualities such as integrity, honesty, and fairness. Leaders must be more than individuals of high character. They must "lead" others to behave ethically … certain individual characteristics are necessary but not sufficient for effective ethical leadership (Trevino & Brown 2004)

The *ethics of influencing followers is of primary concern for theories of transformational and charismatic leadership*, because most of these theories involve substantial leader influence over follower attitudes and behaviour (Yukl, 2002). The difference between ethical and unethical leadership is given in Table 2.

Influencing Values and Beliefs
Even more controversial is the attempt to change the underlying values and beliefs of individual followers. Some writers contend that this type of leader influence is clearly unethical, even when the intended outcome is to benefit followers as well as the organization (Yukl, 2002).

The diverse consequences of a leader's decisions and actions complicate the evaluation of ethical leadership. Doing what is best for the owners may not be

what is best for employees, customers, the community, the national economy or the environment. Efforts to balance competing values and interests involve subjective judgments about rights, accountability, due process and social responsibilities. When stakeholder interests are incompatible, it is more difficult to evaluate ethical leadership (Yukl, 2002).

The traditional perspective is that managers in business organizations are agents who represent the interest of the owners in achieving economic success for the organization. From this perspective, ethical leadership is satisfied by maximizing economic outcomes that benefit owners while not doing anything strictly prohibited by the law and moral standards. A very different perspective is that managers should serve multiple stakeholders inside and outside the organization. The conception of leadership as a "servant" or "steward" is appealing but difficult to apply when there are conflicts among different stakeholders and trade-offs inherent in attempting to accomplish multiple objectives (Yukl, 2002).
Leader personality and cognitive moral development interact with aspects of the situation in the determination of ethical and unethical behaviour (Yukl, 2002).

Table 2. Difference Between Ethical Leadership and Unethical Leadership

	Ethical Leadership	Unethical Leadership
Use of leader power and influence	To serve followers and the organization	To satisfy personal needs and career objectives
Handling the diverse interests of multiple stakeholders	Attempts to balance and integrate them whenever feasible	Favours coalition partners who offer the most personal gain
Development of a vision for the organization	Develops a vision that builds on follower input about their needs, values, and ideas	Attempts to sell a personal vision as the only way for the organization to succeed.
Integrity of leader behaviour	Acts in a way that is consistent with espoused values	Does what is expedient for attaining personal objectives
Risk taking in leader decisions and actions	Is willing to take personal risks and actions to accomplish the mission or achieve the vision	Avoids necessary decisions or actions that involve personal risk to the leader
Communication of relevant information about operations	Makes a complete and timely disclosure of relevant information about events, problems, and actions	Uses deception and distortion to bias follower perceptions about problems and progress
Response to criticism and dissent by followers	Encourages critical evaluation to find better solutions to problems	Discourages and suppresses any criticism or dissent
Development of follower skills and self-confidence	Makes extensive use of coaching, mentoring, and training to develop followers	De-emphasizes development to keep followers weak and dependent on the leader

Source: Yukl 2002

For a long time it was assumed that effective leaders must be confident, task-oriented, competitive, objective, decisive, and assertive, all of which were traditionally viewed as masculine attributes (Schein, 1975; Stogdill, 1974). But effective leadership also requires strong interpersonal skills, concern for building cooperative and trusting relationships, and the use of behaviours traditionally viewed as feminine (e.g., supporting, developing, empowering). These values, skills, and behaviours have always been relevant for effective leadership, but they are more important now than in earlier times because of the changing conditions in organizations.

Developing a reputation for ethical leadership requires more than strong personal character. Employees must be "led" from the top on ethics just as they must be led on quality, competitiveness, and a host of other expected behaviours. In order to be effective ethical leaders, executives must demonstrate that they are ethical themselves, they must make their expectations of others' ethical conduct explicit, and they must hold all of their followers accountable for ethical conduct every day (Trevino & Brown 2004).

In concluding this overview of the theories of leadership, the following framework for the current study was developed (see Figure 3).
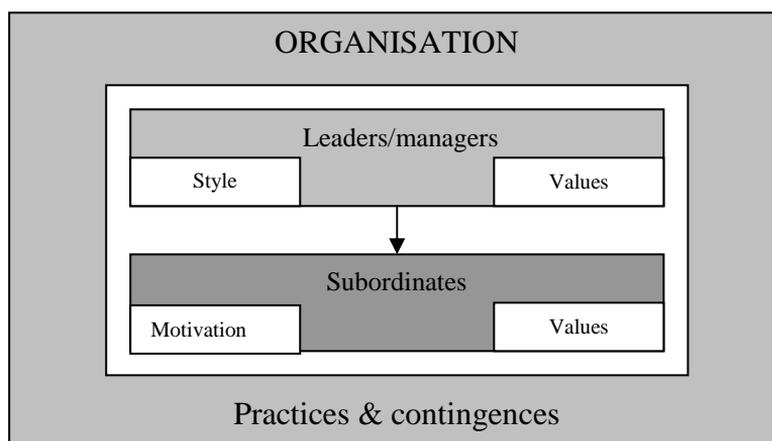
Source: author 2007

Figure 3. Theoretical Framework of Current Study

In addition to leader and subordinate relationships, the historical and cultural backgrounds have to be taken into consideration. As Brodbeck (2000) quoted Koopman — the results must be placed, where Central and Eastern Europe is concerned, in the context of recent history.

3 SOCIETIES IN ECONOMIC TRANSFORMATION

3.1 Estonia on the Way to the European Union – Relevance of the Topic

The eastward enlargement of the EU posed a major challenge for both member countries and candidate countries. The transition from command to market economy is a special case of economic, social and political development, and economic structures and institutions in the accession country must to be brought in line with the requirements of full EU membership. The process of re-integration into the European economic and political system has two interrelated aspects, internal domestic transformation and the external relationship between the regional and global economic system (Paas, 2003).

According to Greenleaf, these societies are in a period of radical transition regarding power, authority and decision-making everywhere, and a cloud has settled over leadership and management in all its forms. All institutions are affected by these trends, and institutional leadership is now quite different from what it was a few years ago and these trends are expected to continue. The expectations have emerged, held by many, that a manipulation-free society is a possibility — a "leaderless" society that is governed by a continuing consensus with full participation and with every motive behind every action fully exposed (Greenleaf, 1977)

The role of Soviet Estonia in Soviet economic reforms was fairly exceptional, because several reforms were implemented experimentally here from the 1950s onwards, until the disintegration of the Soviet Union. This "guinea pig" role brought Soviet Estonia and the enterprise sector slightly closer to market economy mechanisms than other Soviet republics (Liuhto, 1995).

The transformation of the Estonian economy and society in the 1990s coincided with the wave of globalisation, and Estonia has been able to put the impulses and opportunities derived from both to relatively good use in its development (Terk, 2002).

In order to achieve sustainable development in Estonian organizations, managers need different skills from those that were taught during the Soviet regime and during the early stages of the recent transition to a market economy. The successful implementation of organizational change requires an increase in social capital. According to Barnowe et al. (2003), making human relations more ethical directly increases the value of social capital.

At the present time there is a greater need for effective international and cross cultural communication, collaboration and cooperation, not only for the effective

practice of management, but also for the betterment of the human condition. Cultures across the world are getting more and more interconnected and the business world is becoming increasingly global. There are other aspects to globalisation besides foreign customers and competitors. The implication of corporations involved in international trade and cross-border mergers and acquisitions is that they are facing increasingly global employees, customers, suppliers, competitors and creditors (House, 2004).

It is an important responsibility of leaders to help an organization reinvent itself when necessary to ensure its survival and effectiveness. A large-scale organizational change will not be successful without some changes in member beliefs and perceptions. Effective leaders engage members and other stakeholders in a dialogue to determine what type of changes are necessary and morally right for the organization. The process may (or may not) result in the emergence of a new set of shared beliefs and values (Yukl, 2002).

During recent years in Estonian society, a number of ethical dilemmas have taken place. For the first time in Estonia's recent history our society is now speaking openly about some of our prosperous company executives who have entered the news with more or less unethical behaviour. When ethical issues arise, Estonians cannot decide whether it is ethical or unethical behaviour and whether it can be accepted as common behaviour or deemed unacceptable. The subjects of these discussions are the same people who contributed to building up our new republic. The issue of ethics has emerged, but we have not found any response. Society is waiting but nobody is willing to take a firm standpoint in the subject.

The question of what should and what should not be allowed has arisen. In order to develop a reputation for ethical leadership, an executive must be perceived as both a "moral person" and a "moral manager" A leader who is strong on both dimensions is perceived to be an *ethical leader* (Trevino et al. 2000).

Surviving in this chaos and becoming a part of Europe's club of chosen countries, even standing out positively in some regards, is a unique accomplishment. However, this achievement has been unusually fragmented and compressed in time (Heidmets, 2007).

3.2 Economic Transformation and the Institutionalised Context

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 towards a Western-style market economy, and the use of the term necessarily has an ideological halo effect. On the other hand, the notion of

transformation suggests nothing about the destination of the process of socioeconomic change, and emphasizes the variety and complexity of the process (Clark & Soulsby, 1999).

The author of the thesis suggests 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 the author views the nature of this change as being more like a resumption of the market oriented direction Estonia had already taken during its pre-war period of independence, and that Estonians had already embraced these concepts anew towards the end of the Soviet regime. The author also wishes to avoid the halo effect that emerges when treating the last fifteen years as transitional.

According to the overall framework of transformation developed by Lang (2003), transformation is seen as a social process of fundamental political, economic, technological and cultural changes in structures and values, including all areas and levels of society and inherent relations. Transformation is both managed and evolutionary — self-organized.

The combination of political and economic reforms, the transformation of key economic institutions and the impacts of foreign investment have made the process one of the most dynamic features of the global economy (Denison, 2001).

The change from hierarchical economic planning and administration through command directives, to a situation in which the responsibility for economic decision-making lies with local enterprise managers responding to market signals is so radical that it demands a perspective that captures its dramatic revolutionary nature (Clark & Soulsby, 1999) and this is called transformation.

Although change is at the core of the transformation process, it should not be forgotten that change as such is not the fundamental goal of the transformation, but rather a method of adjusting to a constantly changing business environment (Liuhto & Michailova, 1999).

The target can probably be formulated only in more general terms consistent with peoples' prior experiences and their desire for freedom and prosperity — a market economy and a democratic political and social system (Candea & Candea, 2001).

Lang (2003) proposed the model shown in Figure 4 to describe how society influences individual values during transition in Central and East Europe.

```
┌─────────────────────────────────┐
│           Society               │
│   Value system - Institutions   │
└─────────────────────────────────┘
     Institutionalisation    Construction

┌─────────────────────────────────┐
│         Organization            │
│      Cultures- Structures       │
└─────────────────────────────────┘
     Social influence    Social action

┌─────────────────────────────────┐
│          Individual             │
│       Values - Abilities        │
└─────────────────────────────────┘
```

In other roles e.g. family

In other fields
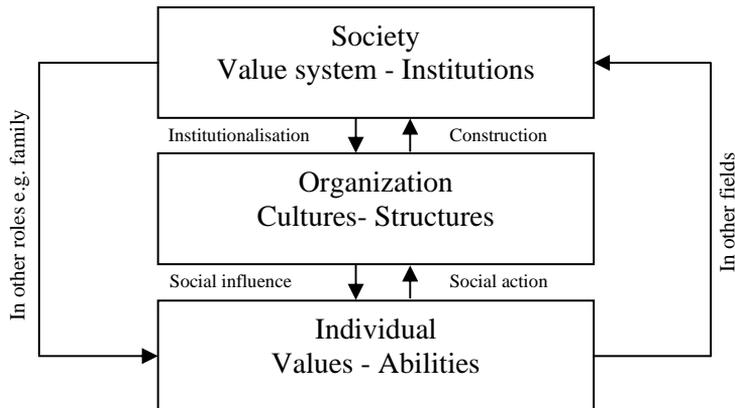
Source: Lang 2003

Figure 4. Different Levels of the Transformation of Values

The transition from the former centrally planned economies in Central and Eastern European countries to market economies has been cited as one of the most important issues in contemporary economics and in the development of the world economy (Vensel, 1996).

Such a change is so fundamental in its effects on macro systems and structures that the everyday experience of social life takes on an entirely different appearance. This is called transformation, a radical change that permeates society systematically and socially (Clark & Soulsby, 1999).

The research of Clark and Geppert (2002) in countries going through transformation has shown that the transfer of knowledge from market economy practices often fails because of institutional and cultural tensions and conflict.

North (1990) defined institutions as humanly designed formal and informal rules of the game. Institutional development is a learning process in which shared individual beliefs form collective attitudes and turn into a kind of culture. In order to structure these collective attitudes and their interactions, human beings develop institutions (Rajasalu, 2003).

These structural changes are deeply institutional and institutional changes tend to be rather slow (Rajasalu, 2003). According to Laar (2001), the slower the destruction of the old system, the more trouble and pain the transition brings.

Societies are institutionalised contexts, so any explanation of the processes of economic organization and change must start from an understanding of the nature of institutions and the ways in which institutionalisation influences concrete economic structures and activities (Clark & Soulsby, 1999).

Institutional theory initially focused upon explaining how institutionalised structures of meaning affect organizational processes (Greenwood & Suddaby, 2006). Attention was given to the conforming behaviour of organizations, the adoption of a limited range of socially approved organisational templates and the resilience of institutional prescriptions (Tolbert & Zucker, 1996; Scott, 2000).

According to the institutional perspective, the functioning of organizations can be described using the open-system approach, in which the organization may be seen as answering the challenges of a new environment. Institutions find expression in society through social constructions: formal institutions at the macro level in a market economy include private property and the free market; formal institutions at the micro level are organisations (Alas, 2003).

Institutions could be seen from both the structural and social perspective. From the structural viewpoint, institutions exist as institutionalised forms of *external social constraints*. From the social perspective, institutions can be understood as operating to enforce behavioural definition, which may take the form of either *cultural accounts* or *cultural rules*. Institutions are accounts of how the social world works and embody normative principles and social values (Mayer et al 1994).

According to Denison (2001), the most important changes that occur during the transition/transformation process take place at the organizational level and these still remain unexamined. An organization is a complex system that produces outputs in the context of an environment, an available set of resources and history (Nadler & Tushman 1989). The transition/transformation process may well begin with macro level political economic reforms, but can never be complete until dramatic change has occurred in each individual organization.

The transition process begins with macro level political and institutional changes that create a new environment in which firms must operate (Denison, 2001). According to Edwards and Lawrence (2000), the consequent change in processes in transforming countries can only be truly understood by examining the constituent practices of individuals and groups at the local micro levels of the economic system.

Ruth Alas (2004) argues that there are connections between the institutionalisation stage and changes in organizations. According to her, in stable institutions the change can be described using the idea of developmental change and during the de-institutionalisation/re-institutionalisation phase,

transformational change is needed. In addition, there is also a need for people who will carry out the change and keep the changing organizations on track. The change needed is transformational. Change needs to be led, so leaders are needed and as the change is transformational, transformational leaders are needed.

Management and organization are influenced by many of the same institutional factors and processes, because in accepted modern usage, management as an activity, a function and a group is oriented to the rational (i.e. technical and economic) achievement of organizational ends, and includes the adoption and application of practices directly intended to design and mould the organization (Clarck & Soulsby, 1999).

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 behaviour 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 abide by the same technical criteria (rationality) and normative criteria (legitimacy) as other elements of the system (Clark & Soulsby, 1999).

In institutional terms, management can be understood in similar ways, comprising, first, the cognitive ideas and beliefs which serve to define the tech-nically effective and socially accepted range of methods and procedures that constitute its rationality; and, second, the normative rules and associated sanctions that prescribe 'good' management and justify derived management practices in terms of their formal and social legitimacy (Clarck & Soulsby, 1999).

As with other institutions, management is expressed both formally and socially. First, management as an institutionalised form consists of a set of formal rights to act and decide, which are grounded in the higher level institutions that prescribe the social, political, legal and economic existence of business enterprise (Clarck & Soulsby, 1999).

Managing is to a large extent presupposed by its cultural (Globokar, 1994) and institutional (Willmott, 1987) context. Second, the conduct of management is a set of socially sanctioned practices, which are in part derived from the institutional descriptions and prescriptions accepted more widely, but also in part emergent from the real problems faced by typical managers in their complex, ongoing struggle to manage in local conditions.

 It is the inter play between these systemic and social processes which constitutes the actual nature of management at anyone time (Willmott, 1987). The institutional stability of management is directly related to the stability of

the institutional order in which it is embedded, and to the extent that the formal structures and social processes of management are mutually reinforcing.

Managers interpret their environment and 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 behaviour, motivation, flexibility and productivity. This process is never linear, but instead co-evolves at all of these levels at the same time. The history of nations, the cultures of organizations, the clash of economic ideologies, and the struggle to survive will all come into play in the workplace on a daily basis (Denison, 2001). The fundamental transformational challenge for leaders is to simultaneously manage continuity and divergent change, i.e. abandon an institutionalised template of functioning and replace it with a substantially different one (Clarke, 1994).

Development is all about overcoming barriers to catching-up: at the national, the firm and individual level (Forbes & Wield, 2002). The development in the last 15 years has brought a more international orientation and global challenges for East European countries, i.e. increasing integration into an international division of labour, massive foreign direct investments, joint ventures, and last but not least, massive transfer of management knowledge into East European countries. This should arguably lead to changes in the leadership behaviours and styles (Steyrer et al, 2006).

Developmental changes mostly take place during stable stages of institutionalisation. In order to evoke transitional changes, additional institutional forms could be added to established institutions. De-institutionalisation, which starts with a period of social transience calls for transformational changes in organizations. At the same time, re-institutionalisation starts, if the re-institutionalisation is completed, then transitional changes start to dominate over the transformational (Alas & Vadi, 2006).

From institutional point of view, social transformation may be interpreted as the period between the effective demise of one institutional system and the point at which another institutional system has been established and accepted on new cognitive and normative grounds. Such circumstances create acute social and psychological problems for the social actors and this period has been called *social transience* (Clark & Soulsby, 1999).

The conceptual framework for the current research from the institutional understanding can be outlined as shown in Figure 5.

STATE

SOCIETY

ORGANISATION

Leaders/managers

Style | Values

Subordinates

Motivation | Values

Practices & contingences

Societal culture
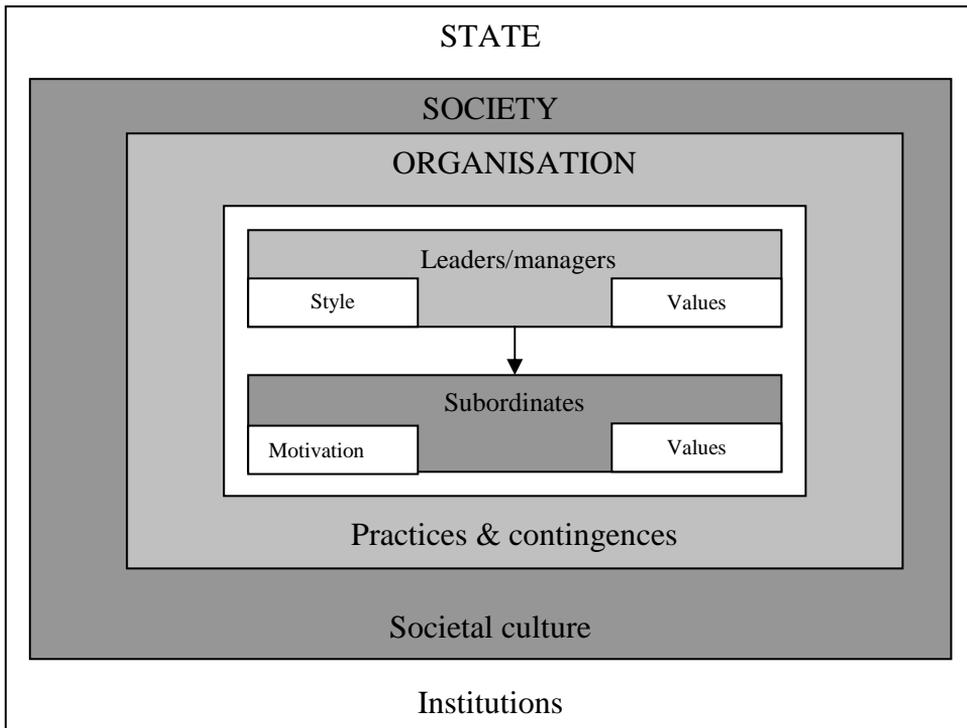
Institutions

Figure 5. Organizations in the Institutional Context

One cannot really understand certain social phenomena without understanding both the historical events and the cultural meanings attributed to those events by relevant actors (Sahlins, 1985). Still it is suggested that there is a difference between East and West. The reason for that "inertia" might be the ongoing transformation process or peculiarities of the natural culture (Steyrer et al, 2006).

It is certain that a large part of the peculiarities of Estonian development and our current situation is a result of our history. As one of the smallest nations in the Europe, Estonia has been notably tenacious in following its path from a 19th century peasant society to a modern European country. During the last century, Estonia endured two wars and five changes of political power, one of the largest proportionate losses of a population in Europe and also one of the heaviest waves of immigration. Estonia also lived through two elite shifts during the 1940 – 1950s and the 1990s, which has been extremely taxing on health and integrity in the society (Heidmets, 2007).

Understanding Estonian development phenomena requires an overview of the important stages of Estonian history starting from the period of the first Republic

of Estonia. The following Table will give an overview of Estonian history from an institutional perspective.

Table 3. Estonian History from the Institutional Perspective (1919 – 2005)

Period	Historical Event or Status	Phase of institutionalisation
1919 – 1940	Creation of First Estonian Republic	Creation of institutions followed by a period of stable institutions
1940 -1950	Soviet occupation	De-institutionalisation and re-institutionalisation
1950 - 1980	Soviet rule	Period of stable institutions
1980 - 1987	More autonomy for enterprises	Creation of first new institutions
1987 - 1991	Independent Economic Estonia, movement toward independence	Creation of new institutions
1991	Re-establishment of Estonian Republic	De-institutionalisation
1991 -	Transformation from planned economy to market economy	Social transience
2005	Joining European Union	

Source: adapted from Alas 2003

The creation of new institutions in Estonia started with Independent Economic Estonia (IME) in 1987. Radical reforms in Estonia started in 1987 – 1988 when a group of theoreticians and practitioners debated the idea of economic autonomy for Estonia (Taaler, 1995).

Liuhto (1993) has observed the situation in Estonia at the beginning of independence and has concluded that the independence of Estonia has emphasized national attitudes and thoughts. The outcome of national feelings has been extremely powerful, but this had developed during Soviet rule when national managerial features were suppressed.

The establishment of the independent state of Estonia in 1991 can be considered, from the institutionalised perspective, as the period of de-institutionalisation. De-institutionalisation in society, which instigates a period of social transience, calls for transformational changes in organizations (Alas & Vadi 2006). Transformational changes need transformational leaders to lead the change.

The fundamental idea behind this thesis is that transformation in Estonia started with the re-establishment of independence. This phase of transformational development can be seen as having concluded in 2004, when Estonia joined

European Union. The transformational changes will be replaced by transitional changes and integration into the EU and its arrangements, laws and regulations.
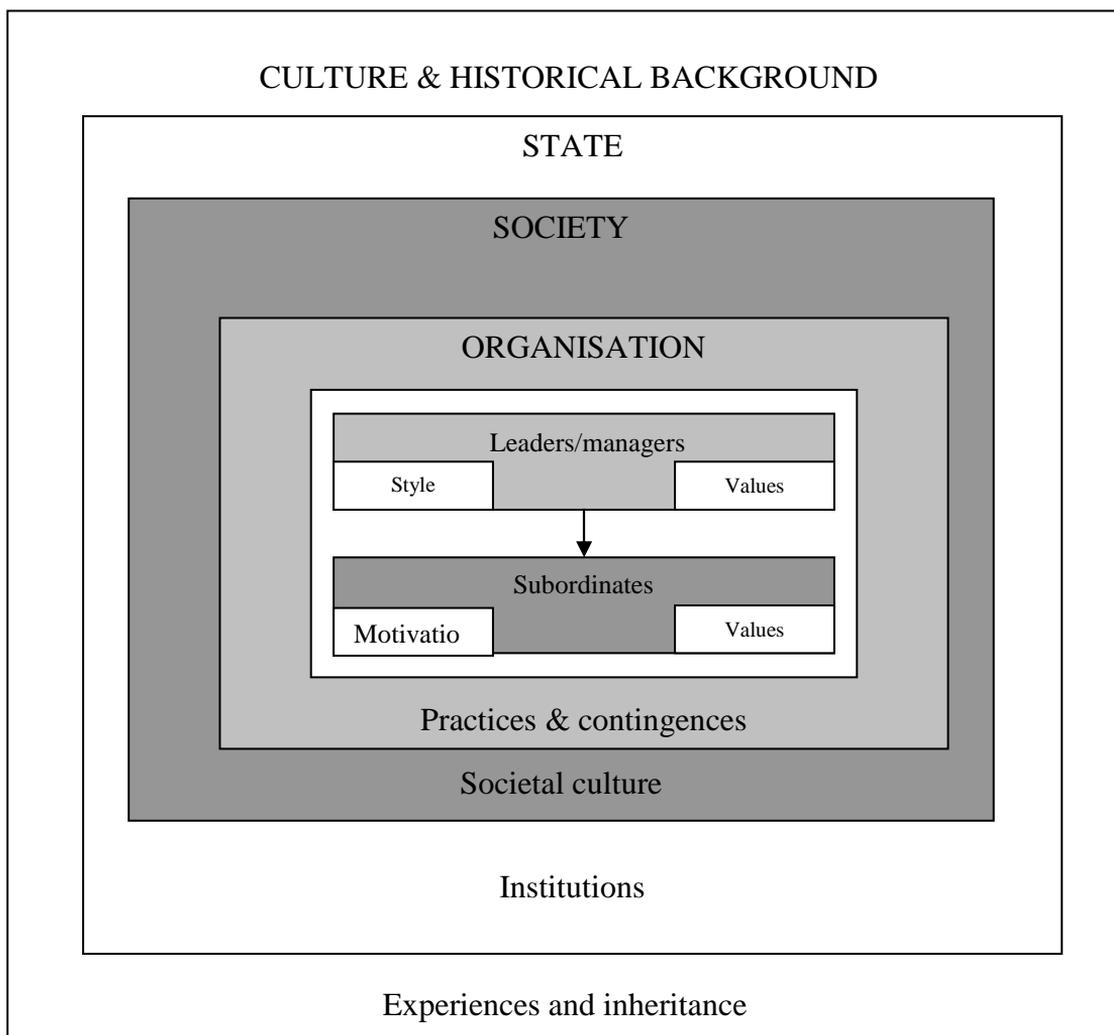
Source: author

Figure 6. Organizations and Institutions in the Historical Context

After providing an overview of the major theoretical aspects of leadership, transformation and institutions in transformation, the author of current thesis will now proceed with the country specific leadership study in Estonian organizations.

4 LEADERSHIP RESEARCH IN ESTONIAN ORGANIZATIONS

4.1 Research Objectives and Hypotheses

4.1.1 Objectives

According to Kanungo & Mendonca, charismatic or transformational leadership is best for responding to the needs of organizations in highly turbulent environments and in the context of the increasing globalisation of businesses and interdependence among nations (Kanungo & Mendonca, 1996).

By 2001 and 2003, when the GLOBE research was carried out, Estonia had already been free for more than ten years, and the initiator(s) of the research assumed that the first results of development had already been seen. Based on that assumption and literature review, several research questions and hypotheses to find answers to country specific processes in Estonia were constructed.

According to the GLOBE theoretical model, the dominant cultural values, beliefs, assumptions and implicit motives endorsed by cultures provide shared meaning to leader attributes and behaviour and organizational practices. They provide meaning in the sense that selected behaviours and organizational practices are understood in a particular way in each culture and that the shared meaning, values, beliefs and motives take on the status of norms, which are socially learned, communicated, and enforced by members of the culture. These norms are cultural level variables that guide individual behaviour and the evaluation of such behaviour (House et al, 1996).

Fernandez (2002) found that the most effective CEOs were those whose values were most like those of the company, rather than those who had the greatest knowledge of the company's industry. This leads to one of the objectives of this thesis — to find out whether the values are the same in both sub-groups under investigation i.e. among company executives and subordinates.

Successful leadership depends on acting in accordance with values that are also endorsed by the group. People will only follow the lead of individuals whose prime values align with their own. Leadership is a relational activity, and in the absence of shared values the leader-follower relationship dissolves (Fernandez et al, 2002).

One aim of the research was to find out whether Estonians have shared values in both of research groups; that is, are the values of subordinates the same as the values of their managers? Similar values guarantee a common understanding of leadership style and behaviour.

Proceeding from that the following research question was formulated:

R1 – How can the value systems of Estonian company executives and their subordinates be characterized?

To continue on from work related values, the thesis continues to investigate leadership in transformational Estonia. Certain characteristics have served leaders throughout history, such as the ability to communicate well, to earn the trust of followers, and to inspire others to action, and these will still be important (Nanus, 1989). What are the leader qualities in Estonian society in the transformation process were leadership is especially needed?

R2 – What were the characteristics of the Estonian manager/leader during the transformational period?

4.1.2 Hypotheses

According to Korhonen (2003), ethics is a cultural and normative phenomenon. Being ethical means following accepted standards in terms of one's personal and social welfare. Creating an ethical environment with respect to employees is not as simple as it might seem. Corporate ethics initiatives might appear to foster ethical behaviour in employees, but the success of efforts to develop ethical corporations also depends on other factors that influence employee perception of the ethics within a company (Weaver, 2004).

An organization's internal ethical context can help or hurt key employee attitudes and behaviours, such as employee commitment, good-citizen behaviour and the amount of unethical behaviour in an organization (Weaver &Trevino 1999).

According to Pringle & Kroll (1997) employee commitment and citizenship are important to a company's overall success, because these and other intangibles are not resources that can easily be replicated or purchased "off the self" by a competitor.

Based on the above statements, the author wanted to investigate subordinate commitment and it relationships in transformational Estonia. In this case, the presumption is that Estonian subordinates are motivated by ethical leaders and that the leadership style does play an important role in subordinate commitment, effectiveness and job satisfaction (SCES).

The following hypothesis was constructed:

H1 – Subordinate commitment, effectiveness and job satisfaction (SCES) is

related to leadership style and ethical considerations.

According to Lang (2003), in transforming countries a stable pattern of leadership behaviour can be found instead of massive changes towards Western behavioural patterns of leadership. This cannot be explained by pointing to the change from the "old system" to the new "Western system". Cultural factors and the transformation process itself must be taken into consideration.

Liuhto stated in 1991 that certain research results indicate that the Estonian managerial culture was closer to the Finnish culture than to the Russian one, despite the fact that Estonia was in the heart of Management Sovieticus for fifty years. Estonians have received a great deal of foreign influence from the Scandinavian countries (Liuhto, 1991). Despite the soviet regime and oppression, Estonians already practiced their own methods of management before the liberation process.

Based on the assumptions stated by Lang and Liuhto, the following two hypotheses were constructed:

H2 – The leadership style practiced in Estonia during the period between re-gaining independence and joining the EU can be called transformational.

According to social scientists, behaviour is a function of the meaning of a given situation. Participants in social events bring to them prior meanings and stereotypes, which can be understood only in a historical and cultural context (Sahlins, 1985). One of the theoretical assumptions of the GLOBE project is that leadership is seen as socially constructed by managers and followers as well as by culturally based assumptions about good and effective leadership.

A useful way to look at people in organizations is in terms of the socialization they have received before joining the organization and the socialization they receive at work. Differences in socialization explain why equally gifted persons will act quite differently in a given situation. In the socialization process, four elements of culture are transferred (from superficial to deep) — symbols, heroes, rituals and values (Pucik et al, 1993).

Socialization theory supports the idea of a learned behaviour that is supported by role models from past and present in politics and economy. Successful leadership therefore requires acceptance of style by the followers and is in turn the result of a leader's success (Steyrer et al 2006).

H3 - The leadership expectations in independent Estonia have differences compared to other EEC and neighbouring countries.

In order to find the answers to these research questions and support for these hypotheses, the author of the current thesis decided to use the cross-culturally established Global Leadership and Organizational Behaviour (GLOBE) methodology and research tools.

4.2 GLOBE Structure and Methodology

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 was conceived in the summer of 1991. In 1993, the recruiting of GLOBE country co-investigators (CCIs) to collect data in 62 regions began.

4.2.1 GLOBE Structure

Phase 1 involved setting and testing questionnaires and building research concepts. Phase 2 (GLOBE 2) concentrated on culturally endorsed leadership perceptions and organizational, societal and cultural values and practices. Phase 3 (GLOBE 3) was a CEO study, investigating practiced leadership behaviours, work related values, subordinate motivation, commitment, and the self-perception of managers and their work related values, and motives. Figure 7 shows the sequence of different phases of the GLOBE project.

**Phase 1**
Setting and testing questionnaires

↓

Phase 2
Culturally endorsed leadership perception
organizational & cultural values

↓

Phase 3
CEO study & Practiced leadership
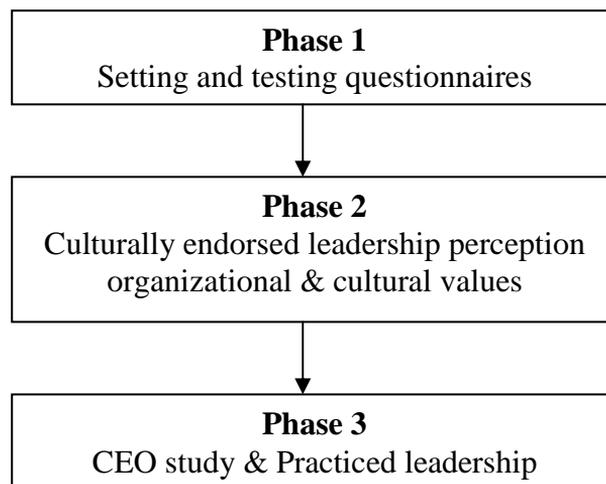
Source: author

Figure 7. Phases of the GLOBE Project

The fieldwork was carried out by CCIs responsible for leadership of the project in a specific region in which they have expertise. Their activities include 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 are natives of the cultures from which they are collecting data and reside in that culture (House et al, 2004).

Estonia joined the project in 2001, and started by carrying out phase 3 (GLOBE 3), and phase 2 (GLOBE 2) was carried out later in 2003. This research paper presents the culturally endorsed leadership perceptions from phase 2, and the practiced leadership behaviours, work related values of subordinates and managers, and motivational issues from phase 3.

In 2004, "Culture, Leadership, and Organizations, The GLOBE Study of 62 Societies" was published by Sage Publications based on phase 2 results of the GLOBE project, where the main focus was on organizational and societal culture and desirable leadership. As opposed to that publication, this research also concentrates on perceptions of current leadership, which was part of phase 3 of the GLOBE project. Nothing has been officially published from this part of the project. Work related values and subordinate commitment, effectiveness and satisfaction, which was part of the GLOBE questionnaire, is the basis for interpretations developed by the author in this work. The author includes the analysis of interviews carried out with CEOs, during the fieldwork of phase 3 at the end of 2001, as part of the current research paper.

4.2.2   GLOBE Methodology

One of the significant questions addressed by the project concerns differentiating attributes of societal and organizational cultures. The GLOBE methodology has identified nine major attributes of culture and six global leader behaviours from culturally endorsed implicit theories of leadership (CLTs) (House et al, 2004).

These cultural *dimensions* serve as the independent variables and are: *uncertainty avoidance; power distance; institutional collectivism; in group collectivism; gender egalitarianism; assertiveness; future orientation; performance orientation; humane orientation.*
In the studies carried out by the author, the independent cultural variables are not investigated. Instead the focus is on dependent variables consisting of **leadership**

dimensions derived from culturally endorsed implicit leadership theory (CLT).

The GLOBE Leader Attributes and Behaviour Questionnaire (LBQ) include 112 leader attributes and behaviour items. Leader attributes are rated 1 through 7 with 1 indicating "This behaviour or characteristic greatly inhibits a person from being an outstanding leader" to a high of 7 indicating "This behaviour or characteristic contributes greatly to a person being an outstanding leader". Examples of the LBQ items are presented in Appendix 3. These items are based on a review of the leadership literature as well as findings relevant to leadership resulting from focus groups, interviews and media analysis. Factor analysis yielded 21 leadership subscales. A second order factor analysis of the 21 scales yielded four factors. Two of the factors were subdivided into two subscales each, thus yielding six global leader behaviour dimensions (House et al, 2004).

In addition to the leadership issues, the research investigates work related values also using a 7-point scale for ratings. The respective questions in the questionnaire together with response alternatives are listed in Appendix 8.

4.2.3   Global Leadership Dimensions

The above mentioned global leadership dimensions are labelled and defined as follows:

Charismatic/Value-Based Leadership
A broadly defined leadership dimension that reflects the ability to inspire, to motivate and to expect high performance outcomes from others based on firmly held core values. The GLOBE Charismatic Value-Based leadership dimension includes six leadership subscales labelled (a) visionary, (b) inspirational, (c) self-sacrifice, (d) integrity, (e) decisive, and (f) performance oriented.

Team-Oriented Leadership
This is a leadership dimension that emphasizes effective team building and implementation of a common purpose or goal among team members. This leadership dimension includes five subscales labelled (a) collaborative team orientation, (b) team integrator, (c) diplomatic, (d) malevolent (reverse scored), and (e) administratively competent.

Participative Leadership
This is a leadership dimension that reflects the degree to which managers involve others in making and implementing decisions. The GLOBE Participative leadership dimension includes two subscales labelled (a) non-participative and (b) autocratic (both reverse scored).

Humane-Oriented Leadership
This is a leadership dimension that reflects supportive and considerate leadership, but also includes compassion and generosity. This leadership dimension includes two subscales labelled (a) modesty and (b) humane orientation.

Autonomous Leadership
This is a newly defined leadership dimension that refers to independent and individualistic leadership attributes. This dimension is measured by a single subscale labelled autonomous leadership, consisting of individualism, independence, autonomy and unique attributes.

Self-Protective Leadership
From a Western perspective, this newly defined leadership behaviour focuses on ensuring the safety and security of the individual and group through status enhancement and face saving. This leadership dimension includes five subscales labelled (a) self-centred, (b) status conscious, (c) conflict inducers, (d) face saver, and (e) procedural.

The GLOBE project understands and expects that the evaluative and semantic interpretation of the term leadership and the ways in which leadership and organizational processes are enacted are likely to vary across cultures. This means that some aspects of leadership are universally endorsed as effective or ineffective.

4.3 The Empirical Leadership Study in Estonian Organizations During the Years 2001 and 2003

4.3.1 Estonian Phase 1 in 2001 - Actual Leader Behaviour

4.3.1.1 Sample Design

In the context of the current research paper, phase 1 of the Estonian research was carried out in 2001 (GLOBE 3, phase 3 in the context of GLOBE).

According to the GLOBE research methodology, the sample had to consist of 40 chief operating officers (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 that 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 number of employees working for the organization included in the sample had to be at least 25.

To include 40 CEOs, it was decided to create a somewhat larger sample than the required minimum.

An analytical survey design rather than the representative descriptive survey design (Oppenheim, 2003) was chosen. As an initiator for the research, the author focused more on finding explanations and associations between different factors, and also predictions, rather than enumeration.

Thus, 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, published by the Estonian business daily newspaper Äripäev.

The fieldwork interviewers were Estonian Business School students, who carried out both qualitative and quantitative research. In case any of those students worked in a company meeting the methodology requirements, he/she was allowed to carry out the research in that company.

Of these 63 randomly selected companies, not all agreed to participate in the research. Mainly there were 2 types of refusals: firstly, the management stated they currently very busy e.g. in the middle of budgeting process (the fieldwork was carried out in the third quarter of 2001), and secondly, a significant reason was that there had just recently been some kind of research.

In Table 4, an overview of the Estonian research sample is given:

Table 4. Sample Overview

	Companies
Research Database	100
Random Sample Size	63
Minimal Target Sample Size	40
Completed Research Kits	44

In each company a **research kit** was used that in Estonia consisted of the following instruments:
- Semi-structured qualitative interview questions,

- 4 <u>different quantitative</u> questionnaires:
    - One CEO questionnaire
    - For direct subordinates, two different questionnaires C and D
    - For executive colleagues, questionnaire E

Questionnaire E is not used for the current thesis and was excluded.

The original version of the research kit was in English and was translated into Estonian by the author of the thesis. One requirement of the research was organizing a return translation from Estonian into English to guarantee maximum possible preciseness of the Estonian version. The "new" English version was sent to the cross-cultural research expert at Wharton Business School and comments and corrections were implemented into the Estonian language survey instruments before the fieldwork started.

4.3.1.2 Field-work

The students were organized in work groups of two — research teams — and the task for each team was to carry out the fieldwork of the research project in one of the companies.

The research team had to carry out the qualitative interview with the CEO, and to deliver the questionnaire to the CEO who was asked to fill in the questionnaire on the spot. All the interviews were tape-recorded and written transcriptions of each had to be prepared afterwards.

The methodology suggested distributing three C and three D questionnaires to ensure at least two C and two D questionnaires were completed by subordinates of each company.

So additionally, the assistance of each CEO was sought for distributing the questionnaires to his/her subordinates. S/he usually gave the contact details of the subordinates (more names were given than questionnaires distributed to keep the sample random) to receive the questionnaires.

Receiving this full support from the CEOs made it much easier for the research teams to obtain the completed subordinate questionnaires, which enabled them to complete the necessary kits. The total number of completed research kits was as follows in Table 5.

Table 5. Distribution of Research Kits

Year 2001	CEO Interview	CEO Questionnaire	Question naire C	Question naire D	Question naire E*
CEO	44	44			
Subordinates			87	87	86

* - not used in the current thesis

4.3.1.3 The Respondent Characteristics of Actual Leader Behaviour Sample

CEO Characteristics – the total number of CEOs was 44. The characteristics of the CEO were sought during the qualitative interviews. The overview of the interview questions is given in Appendix 2.

The age distribution of the CEOs is based on the subordinate evaluations and is shown as follows in Table 6.

Table 6. The approximate average age of CEOs based on evaluations

Age group	%
20-30 years	13
31–40 years	38
41–50 years	29
51-60 years	14
N/A	6

Source: author's calculation

Subordinate Characteristics – the sample used for evaluating the current managerial behaviour in Estonia consisted of 178 respondents described in Table 7

Table 7. Respondent characteristics

Gender	%
Men	60
Women	40
Age	**Years**
Mean	36.9
Mode	30
Min	
Max	71

Source: author's calculations

In the breakdown of company departments, the respondents can be described as shown in Table 8.

Table 8. The departmental distribution of respondents

Department	%
Sales and Marketing	17
Finance & Accounting	15
Operations	13
Not exactly stated	55

Source: author's calculations

While talking about their education, the respondents had to state how many years they have spent on their education. The group of people over 30 years when the field research was carried out received their secondary (gymnasium) education mainly during Soviet times or at the beginning of independence, and their university degree also either during Soviet times or already in independent Estonia. In order to receive a secondary education eleven or twelve years are needed and for a university degree five years are needed.

Based on the statements of the respondents we received the following results are shown in Table 9.

Table 9. Estimated educational background

Years spent on education	Level	%
15 - 17	Higher i.e. Bachelor	53
18 - 20	Master degree or equal (or two higher educations)	8.7
NA		38.3

Source: author's calculations

4.3.1.4 Structure of questionnaires

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 paid manager/leader. An overview of the interview questions is given in Appendix 2.

The CEO questionnaire consisted of the following parts:
- 13 questions about organizational change
- 17 questions about the importance of organizational outcomes

The subordinate questionnaires C and D consisted of the following sections:
- Leadership behaviour
- Reactions and views about the organization
- Importance of organizational outcomes
- Respondent characteristics

Complete research kits including interviews, completed CEO questionnaires as well as questionnaires from subordinates (i.e. two each from types C, D and E) were received from 44 companies. Thus, the empirical part of Phase 1 (GLOBE 3) is based on 44 completed research kits including 174 subordinate questionnaires.

4.3.2 Estonian Phase 2 in 2003 – Desirable leader behaviour

4.3.2.1 Sample design

In the context of this research paper, phase 2 of the Estonia research was carried out in 2003 (GLOBE 2, phase 2 in the context of GLOBE).

Data collection was organized in the same way as for the first phase, with the help of third year business students at Estonian Business School. This time no research teams were formulated, as no qualitative interviews were necessary. Every student had to take the questionnaire to the company he/she was currently working at, enter the data to the necessary templates and write a basic summary about the company. Again, an analytical survey design was used rather than the representative descriptive survey design (Oppenheim, 2003).

For quantitative data collection, there were two types of questionnaires used. The reason for having two different types was that there were too many questions and it would have taken respondents too long time to complete them. During the data collection period it was necessary to follow the rule that about a half of the respondents at each organization had to fill in the questionnaire called Alpha, this time, and the other half, the questionnaire called Beta.

The total number of completed questionnaires is shown in Table 10.

Table 10. Distribution of questionnaires

Year 2003	Number received
Questionnaire Alpha	95
Questionnaire Beta	75
Total	**170**

4.3.2.2   Respondent characteristics

To evaluate leadership dimensions, 170 questionnaires were delivered, among the middle managers of the enterprises, and later collected from the respondents characterized in Table 11.

Table 11. Respondent characteristics

Gender	%
Men	53
Women	47
Age	**Years**
Mean	35.5
Mode	32
Min	21
Max	61

Source: author's calculations

The distribution of respondents between different sectors can be seen in Table 12.

Table 12. Distribution of respondents by economic sectors

Economic sector	%
Telecommunications	25
Shipping (high-speed ferries)	25
Food processing	23
Production	16
Financial services	6

Source: author's calculations

The working experience of the respondents varied between 2 and 40 years, the mean of working experience was 14.4 years and the mode 6 years of working experience. Manager experience varied from not being a manager at all (6 respondents) to the maximum of 38 years (1 respondent)

4.3.2.3   Structure of questionnaires

Both Alpha and Beta questionnaires had five sections of questions:

Questionnaire Alpha consisted of the following five sections:
1. Organization as is
2. Leader attributes
3. Organization should be
4. Leader attributes (continued)
5. Demographics

Questionnaire Beta consisted of the following five sections:
1. Society as is
2. Leader attributes
3. Society should be
4. Leader attributes (continued)
5. Demographics.

Sections 2, 4 and 5 were identical across the two versions, while the first and the third section depended on whether the respondent was connected with the organizational or societal culture. The organizational and societal cultures are not investigated in this thesis, but as such data was collected during the fieldwork, but it is not used for the current thesis.

It must also be mentioned that by 2003 the cross-cultural research for GLOBE 2 was already complete in the remaining participating countries, thus, phase 2 of the Estonian research is not part of the general GLOBE 2 phase. The collected data from the Estonian phase 2 (GLOBE phase 2) was processed and analysed by the author for the current thesis.

4.4   Results of the Survey

The first objective of current thesis is to investigate work-related values in transformational Estonia. The values were measured during the survey in 2001 in both investigated subgroups — managers/leaders and subordinates.

To measure the work-related values the sections *"The importance of organizational outcome"* from the subordinate questionnaires C and D as well as from the CEO questionnaire were used. The questions belonging to the section are shown in Appendix 6, and are named *Value Scales* in the context of the current research

In Chapters 4.4.2 and 4.4.3, these *Value Scales* are reduced to new latent factors using the factor analysis in order to find relationships between different phenomena.

In Chapter 4.4.4, actual leader attributes were analyzed based on the calculated mean values. Secondly, in order to find relationships between different phenomena these leader attributes were reduced to the new factors named – Leadership Styles using the factor analysis.

In Chapter 4.4.5, subordinate commitment, effectiveness and satisfaction (SCES) is described by using mean values. SCES and its connections in regard to managerial and subordinate values and leadership style are tested using correlation analyses. Also, regression models of the impacts of the factors were constructed in Chapters 4.4.5.1, 4.4.5.2 and 4.4.5.3.

In Chapter 4.4.6, SCES and its connections to ethical considerations are tested also using correlation analyses and regression models of the impacts of the factors were created.

Chapter 4.4.7 is dedicated to the preferred leader attributes (expectations) in Estonia. The preferred leader attributes were analyzed based on the calculated mean values. For a comparison of the differences with other East European Countries (EEC) a z-test is used.

4.4.1　Value Scales

As the work-related values were measured in managerial/leader and subordinate subgroups, the average group mean values for both subgroups were calculated based on the received data.
The values have been measured on a 7-point scale, where 7 means that the statement/question asked is the most important of all the factors, and 1 means it is not important at all.

The results with all the descriptive statistics are presented in Appendix 7.

Below, the same table presenting the mean values in descending order has been given, being divided into four smaller tables, each describing a certain section.

First, Table 13 shows evaluation 6 meaning that the statement/question is always especially important.

As we can see the evaluations in both sub-groups are very similar, only "employee professional growth and development" has lower ratings from the subordinate subgroup.

Table 13. Especially Important Work Related Values *(scale 1…7, evaluation 6)*

The Value Scale	Managerial Mean	Subordinate Mean
Customer satisfaction	*6.16*	*6.16*
Employee professional growth and development	*5.84*	*5.53*
Effect on product quality	*5.84*	*5.89*
Effect on firm profitability	*5.75*	*5.70*
Effect on the long term competitive ability of the organization	*5.60*	*5.65*

Source: author's calculations

Next, Table 14 shows evaluation 5, meaning that it is almost always very important. In this section, the subordinates gave higher ratings for the effect on sales volumes, also the employee relationship issues are rated higher than in the managerial subgroup. Ethical considerations, which are of special interest to the current thesis, are rated quite similarly.

Table 14. Very Important Work Related Values *(scale 1…7, evaluation 5)*

The Value Scale	Managerial Mean	Subordinate Mean
Effect on sales volume	*5.43*	*5.61*
Cost control	*5.43*	*5.47*
Effect on relationships with other organizations	*5.30*	*5.14*
Employee relations issues (employee well-being, safety, working conditions)	*5.30*	*5.51*
Ethical considerations	*5.25*	*5.27*

Source: author's calculations

In Table 15, evaluation 4 on the 7-point scale is considered the neutral zone and in the context of the current research the statements are considered generally important.

As we can see, environmental issues and welfare of the local community as well as the nation are all of no special importance. The effect on female employees

has received even lower rating than the mean value 4, i.e. towards a rating of little importance.

Table 15. Generally Important Work Related Values *(scale 1…7, evaluation 4)*

The Value Scale	Managerial Mean	Subordinate Mean
Effect on the environment	*4.45*	*4.33*
The welfare of the local community	*4.34*	*4.18*
Contribution to the economic welfare of the nation	*4.18*	*4.01*
Effect on female employees	*3.59*	*3.86*

Source: author's calculations

In Table 16, scores of 3 mean 'a little important' and scores of 2 mean 'of little importance'. These low ratings were given in response to statements/questions about minority employees and faith related issues.

Table 16. Slightly Important Work Related Values *(scale 1…7, evaluation 3 and 2)*

The Value Scale	Managerial Mean	Subordinate Mean
Effect on minority employees	*3.00*	*3.25*
Pleasing, respecting, not offending a divine being or god	*2.51*	*2.46*

Source: author's calculations

Lastly, rating 1 meant that the statement/question is of no importance, and in both subgroups of the current research this evaluation was given to the *effect of supernatural forces*. In the managerial subgroup the mean value was 1.36 - and in the subordinate subgroup 1.58.

4.4.2 New Value Factors

To formulate scales with reduced, latent factors, a factor analysis was carried out (principal component, varimax rotation) of the total of 17 initial value scales in both subgroups. As a result, new factors in both subgroups were formulated. In order to develop subscales for measuring attitudes, items were selected with a factor load for this particular factor above [0.30] and a load for other factors below [0.30].

4.4.2.1   New Managerial Value Factors

In managerial subgroup five, new factors were formulated, and the result of the factor analysis is presented in Appendix 8.

The first factor, Figure 8, *welfare and relationships,* consists of the following items: economic welfare of the local community, economic welfare of the nation, effect on female employees,
employee relations issues such as employee well-being, effect on/of minority employees.
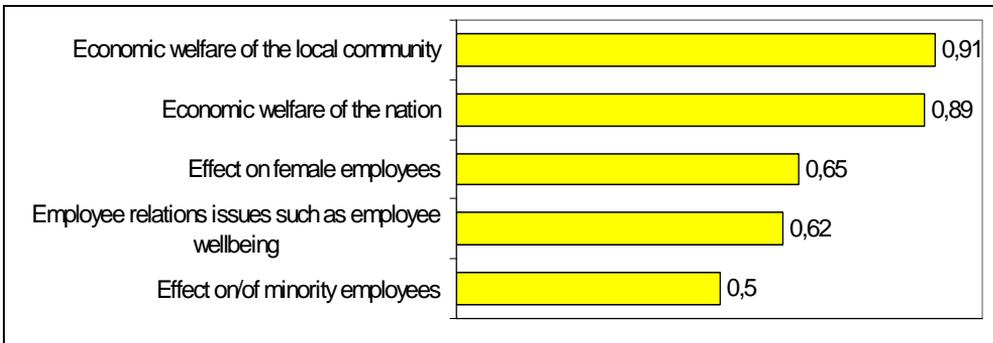
Source: author

Figure 8. Structure of Welfare and Relationships *(scale –1 … 1, presented from 0)*

The second factor, Figure 9, *ethics, environment and competitiveness,* consists of: ethical considerations, employee professional growth and development, effect on the environment and effect on long-term competitive ability of the organization.
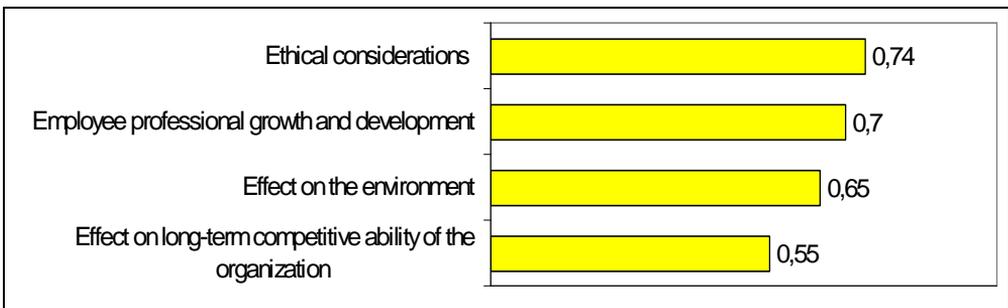
Source: author

Figure 9. Structure of Ethics, Environment and Competitiveness *(scale –1 … 1, presented from 0)*

The third factor, Figure 10, *product quality* and *customer satisfaction,* consists of: effect on product quality, customer satisfaction and effect on relationships with other organizations.
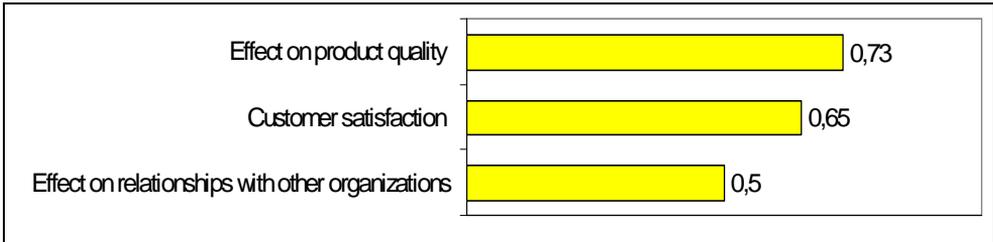
Source: author

Figure 10. Structure of Product Quality and Customer Satisfaction *(scale –1 … 1, presented from 0)*

The fourth factor, Figure 11, *supernatural forces,* consists of two items: effect of supernatural forces and pleasing, respecting, not offending a divine being.
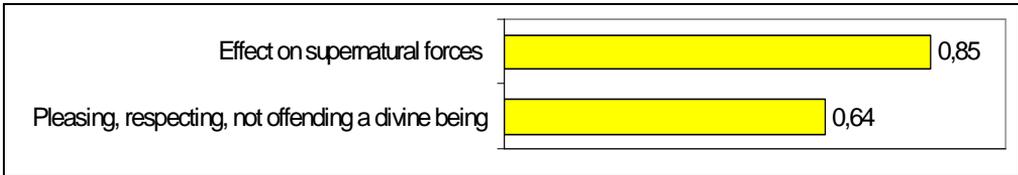
Source: author

Figure 11. Structure of Supernatural Forces *(scale –1 … 1, presented from 0)*

The fifth and last factor, Figure 12, under the new Managerial Value Factors is *profitability of the company,* consisting of three items: cost control, effect on the firm's profitability and effect on sales volumes.
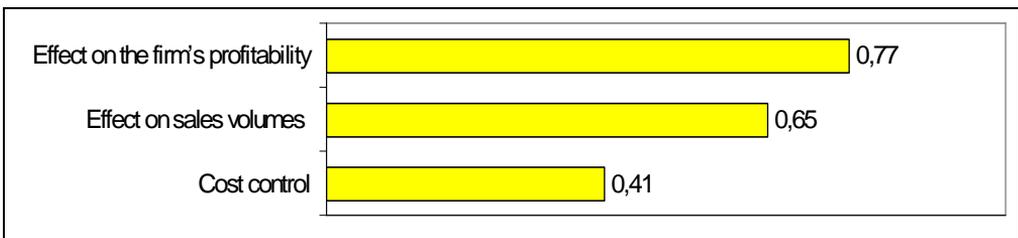
Source: author

Figure 12. Structure of Profitability of the Company *(scale –1 … 1, presented from 0)*

4.4.2.2   New Subordinate Value Factors

In this subordinate value subgroup, six new factors were formulated, and the result of the factor analysis is presented in Appendix 9.

The first factor, Figure 13, *product quality and competitiveness,* consists of: effect on sales volumes, effect on the firm's profitability, effect on product quality, effect on long-term competitive ability of the organization and effect on relationships with other organizations.

Source: author

Figure 13. Structure of Product Quality and Competitiveness *(scale –1 … 1, presented from 0)*

The second factor, Figure 14, *economic welfare,* consists of: the economic welfare of the nation, the economic welfare of the local community and cost control.

Source: author

Figure 14. Structure of Economic Welfare *(scale –1 … 1, presented from 0)*

The third factor, Figure 15, is *supernatural forces,* which consists of: effect on supernatural forces and pleasing, respecting, not offending a divine being.
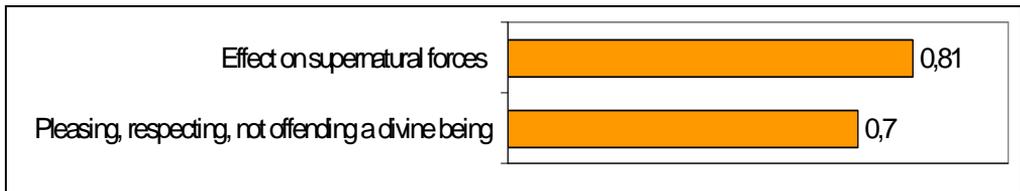

Source: author

Figure 15. Structure of Supernatural forces *(scale –1 … 1, presented from 0)*

The fourth factor, Figure 16, under the new Subordinate Value Factors was *employee and customer satisfaction,* which includes employee professional growth and development, employee relations issues such as employee well-being and customer satisfaction.

Source: author

Figure 16. Structure of Employee and Customer Satisfaction *(scale –1 … 1, presented from 0)*

In the managerial questionnaire, questions concerning minority groups were part of the welfare factor combined with national and local welfare, but in the case of subordinates the issue of minority groups formed a separate, fifth group, Figure 17, *effect on minority groups,* consisting of two questions: effect on female employees and effect on/of minority employees.

Source: author

Figure 17. Structure of Effect on Minority Groups *(scale –1 … 1, presented from 0)*

Lastly, the sixth group, Figure 18, was *ethics and the environment* including effect on the environment and ethical considerations.
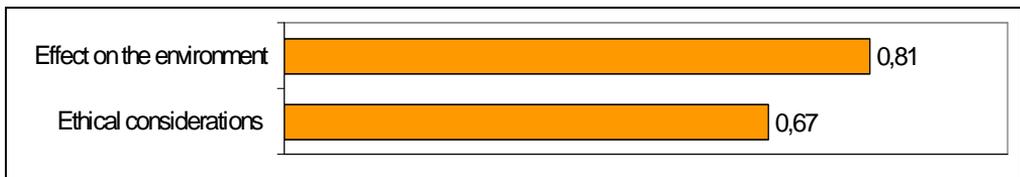
Source: author

Figure 18. Structure of Ethics and Environment *(scale –1 … 1, presented from 0)*

4.4.3   Actual Leadership Perception

To investigate the leadership situation in transforming Estonia, research into actual leader behaviour was also carried out in 2001. The subordinates were asked about 85 questions about the behaviour of their Managing Director/Chief Executive Officer. We asked them to give ratings for the leader behaviour on a 7-point scale where 7 expressed "absolutely agree", and 1 expressed "absolutely disagree". These questions were composed for different leader attributes as shown in Appendix 1.

A total of 174 subordinates evaluated their managers (in total 44). The results are shown in the following three tables.

The tables are constructed keeping in mind the mean values of the perception of the leader attribute, so Table 17 contains the attributes, presented in descending order according to mean value, considered by the subordinates as "used leader attributes".

Table 17. The Perception of Estonian Managers – Used Leader Attributes *(scale 1 … 7)*

Leadership item	Mean	SD
Information Source	5.609	0.742
Shows Self-Confidence	5.539	0.715
Decisive	5.497	0.692
Integrity	5.410	0.613
Visionary	5.390	0.714
Communicator	5.360	0.668
Administratively Effective	5.351	0.795
Performance Oriented	5.314	0.766
Team Oriented	5.167	0.685
Intellectually Stimulating	5.076	0.540
Charismatic effects	4.997	0.679
Diplomatic	4.986	0.574
Inspirational	4.857	0.580
Role Clarification	4.792	0.661
Humane	4.751	0.751
Bureaucratic	4.612	0.514
Face Saver	4.581	0.728
Follower Confidence	4.551	0.605

Source: author's calculations

The second, Table 18, shows those attributes, also in descending order according to mean values, based on subordinate statements where they do not agree nor disagree with the statements about leader behaviour. The author of the current research set the neutral zone between evaluations 4.5 down to 3.5.

Table 18. The Perception of Estonian Managers – Neutral Evaluation *(scale 1 … 7)*

Leadership item	Mean	SD
Calmness	4.488	0.716
Power Sharing	4.468	0.566
Fair	4.360	0.544
Directive	4.353	0.570
Status conscious	4.351	0.604
Risk taker	3.802	0.723
Autonomous	3.611	0.625
Autocratic	3.506	0.758

Source: author's calculations

The evaluations lower than 3.5 by subordinates already indicate that subordinates do not agree with these statements about leader behaviour. If the subordinates do not agree with the statement, that can lead to the conclusion that these are attributes that are not used by the manager/leaders. These statements are collocated into table 19.

Table 19. The Perception of Estonian Managers – Not Used Attributes *(scale 1 … 7)*

Leadership item	Mean	SD
Indirect	3.349	0.950
No contingent praise	3.174	1.030
Self-Protective	3.138	0.685
Malevolent	2.514	0.666

Source: author's calculations

4.4.4   Leadership Styles in Transformational Estonia

Based on the perceptions about actual leadership attributes, a factor analysis was also carried out (principal component, varimax with Kaiser normalization rotation) for the 30 attributes to find empirically grounded factors of leadership styles in transformational Estonia. In the analysis, all attributes are included.

Although some initial leader attributes had loads over 0.4 with more than one factor, the subscales for each factor were computed using all the variables that had their highest load with a particular factor.

All the attributes in the factor analysis, except one (*fair* in the style *visionary* and *team oriented leader*), are significantly related. The attribute *fair* has a weak connection (0.39) and can be excluded from the factor.

Six new summarized variables (factors) were calculated using the original attributes. The complete result of the factor analyses is shown in Appendix 8.

These new factors are considered to be country specific, and the six new different leadership style factor structures are shown in figures 19 to 24.

The first leadership style is based on the first factor and is called *visionary and team oriented leader*. The leader attribute *visionary* had the highest score (factor score 0.89) in the factor, followed by attributes *charismatic effects* (factor score 0.84), *inspirational* (factor score 0.84) and *decisiveness* (factor score 0.82).

The attributes *team orientation*, *role clarification*, *communicator* and *integrity* had loadings with other factors also, but as the highest score was with the first factor, *visionary and team orientated* these were left as part of the first factor.

The attribute *fair* also initially loaded to v*isionary and team orientated*, but as mentioned before, there was a weak connection, and it was excluded.

Figure 19 shows the structure of the factor *visionary and team orientated* leader with leader attributes and factor scores.

Source: author

Figure 19. Structure of Visionary and Team Oriented Leader *(scale –1 … 1)*

The second leadership style, based on the second factor, is called *Bureaucratic Leader*. The attributes that loaded to that factor were face saver, status conscious, bureaucratic and diplomatic. Figure 20 shows the structure of the factor Bureaucratic Leader with leader attributes and factor loads.
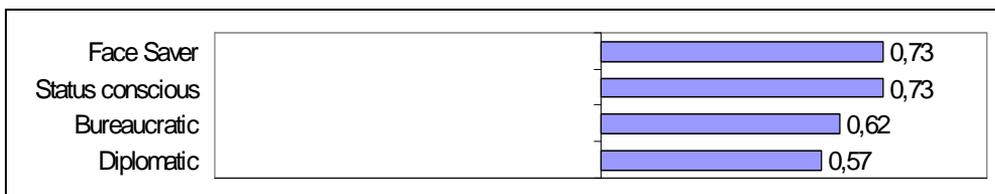
Source: author

Figure 20. Bureaucratic Leader *(scale –1 … 1)*

The third leadership style is based on the third factor and is called *Autonomous Leader*. The attributes scoring to that factor were Malevolent, Autonomous and Follower confidence. The attribute Humane had a negative score. Figure 21 shows the structure of Autonomous Leader with leader attributes and factor loads.
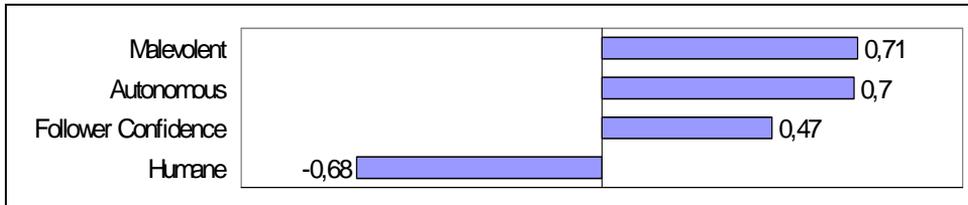
Source: author

Figure 21. Autonomous Leader *(scale –1 … 1)*

The fourth leadership style is based on the fourth factor and is called *Power Sharing Leader*. The attributes that loaded to that factor were Calmness and Power sharing, and the attribute Autocratic had a negative score. Figure 22 shows the structure of Power Sharing Leader with leader attributes and factor loads.
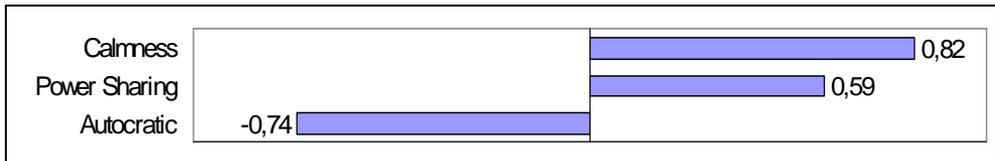
Source: author

Figure 22. Power Sharing Leader *(scale –1 … 1)*

The fifth leadership style is based on the fifth factor and is called *Risk Taking Leader*. The attributes that scored to that factor were Risk taker, while the attribute Self-protective had a negative score. Figure 23 shows the structure of Power Sharing Leader with leader attributes and factor loads.
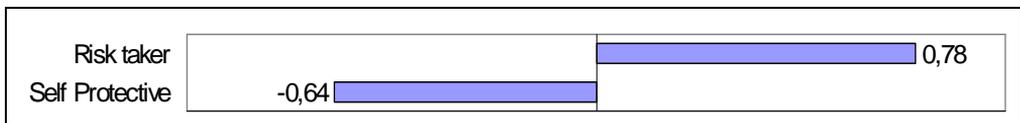
Source: author

Figure 23. Risk Taking Leader *(scale –1 … 1)*

The sixth and last leadership style is based on the sixth factor and is called *Directive Leader*. The attributes that scored to that factor were Non contingent praise, Directive and Indirect. Figure 24 shows the structure of Directive Leader with leader attributes and factor loads.

Non contingent praise — 0,78
Directive — 0,57
Indirect — 0,53
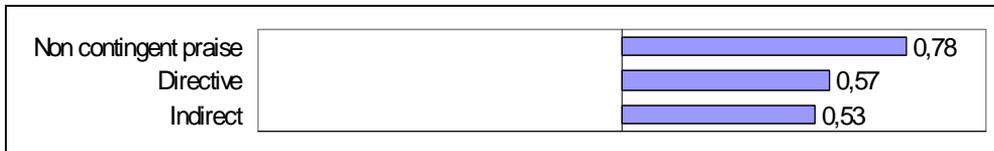
Source: author

Figure 24. Directive Leader *(scale –1 … 1)*

4.4.5   Subordinate Commitment, Effectiveness and Satisfaction

Subordinate Commitment, Effectiveness and Satisfaction (SCES) was measured with a special set of questions during the survey in 2001. This set consisted of 11 questions named *"Your reaction"* (Appendix 4), and was measured on a 7-point scale, and as a result the mean value of all of them was calculated.

The mean result for the commitment and satisfaction of Estonian employees in the companies was 5.152 (SD=0.479; min=3.925 and max=6.050).

SCES was studied also in regard to the three different correlations — firstly, in relation to management values; secondly, in relation to subordinate values; and thirdly, also in relation to management perception (Leadership Styles).

4.4.5.1   Relationships to managerial values

Correlation analysis of single value managerial work-related value items and subordinate *SCES* at a significance level of 0.01 exhibits positive correlations with the values *effect on relationships with other organizations* (r= .292) and *effect on product quality* (r= .255).

At a significance level of 0.05, there were also correlations with *customer satisfaction*
(r= .186), *employee professional growth and development* (r= .181) and *effect on the environment* (r= .197).

Correlation analysis of managerial value factors showed a relationship between *SCES* and the managerial value factors *product quality* and *customer satisfaction* (r= .33).

The linear regression analysis (stepwise method) was used to predict the impact of different factors on the dependent factor *SCES*. The method constructed two models (Appendix 12.1). In Model 1, *Product quality and customer satisfaction* is included since it has a positive impact (Beta=0,330) on the dependent factor. The factor *Profitability of the company* added to Model 2 had a negative impact, while the impact of *Product quality and customer satisfaction* increased.

The other factors – *welfare and relationships*, *ethics and environment*, long-term perspective and *supernatural forces* were removed from the analysis.

Table 20. Models of the Relationship between SCES and Managerial Values

		Standardized Beta	Factor Sig.	Model R^2
Model 1	Product quality and customer satisfaction	.330	.000	.109
Model 2	Product and customer satisfaction	.376	.000	.145
	Profitability of the company	-.196	.010	

Dependent Variable: Commitment, Effectiveness and Satisfaction

Model 2 predicts 15 % of the respondents' ratings for *SCES*, expressing the tendency that higher ratings are given to *Product and customer satisfaction*, and lower ratings to *Profitability of the company* — higher ratings would also be given to *SCES*.

4.4.5.2   Relationships to subordinate values

To find out how the values of subordinates influence their *SCES,* a correlation analysis was also done of subordinate work-related values single items and value factors.

According to the single items, the analysis showed that *SCES* was related at a significant level of 0.05 to the subordinate values *customer satisfaction* (r= .158),

economic welfare of the nation (r= .163) and *employee professional growth and development* (r= .189).

The correlation of subordinate value factors also showed a weak (p<.05) connection with *employee and customer satisfaction* (r= .162).

The linear regression analysis (stepwise method) was used to predict the impact of different factors on the dependent factor *SCES*. The method constructed one model (Appendix 12.2). In this model, *employee and customer satisfaction* had a positive impact (Beta=0,176) on the dependent factor.

Table 21. Model of the Relationship of SCES to Subordinate Values

		Standardized Beta	Factor Sig.	Model R^2
Model 1	Employee and customer satisfaction	.176	.025	.031

Dependent Variable: Commitment, Effectiveness and Satisfaction

The model predicts 3% of the respondents' ratings of *SCES*, through *employee and customer satisfaction,* and considering the relatively small sample size, the stepwise method may not be the best for removing the factors that might have an impact on the dependant factor in a larger sample.

4.4.5.3   Relationships between leadership style and subordinate commitment, effectiveness and satisfaction

In order to discover how the leadership style among managers influences *SCES*, a correlation analysis was conducted involving subordinate *SCES* and all 30 single items describing subordinate perceptions of managers.

From the data presented in Table 15, it can be seen that fifteen of the thirty leadership items are positively correlated to *SCES* at a significance level of p < .01. The first and most important items include *visionary* (r= .518), *information source* (r= .466), *administratively effective* (r= .403), *role clarifier* (r= .357) and *charismatic* employer (r= .354). Finally, commitment is negatively correlated with the management style, *directive* (r= –.228).

Table 22. Correlations of 15 leadership items to commitment, effectiveness and satisfaction, and subordinate perceptions of management

	r > 0
Visionary	.518
Information Source	.446
Administratively Effective	.403
Charismatic effects	.354
Inspirational	.351
Decisive	.331
Intellectually Stimulating	.329
Communicator	.320
Performance Oriented	.318
Integrity	.314
Team Oriented	.314
Fair	.267
Shows Self-Confidence	.262
Diplomatic	.241
Directive	-.228

Source: author´s calculations, p<.01

A correlation analysis was also conducted to discover whether there are significant (p<.01) connections between the scales management/leadership style (reduced factor scales) and *SCES*. The results of the analysis showed that *SCES* is positively correlated with *visionary and team oriented leadership* (r=.499).

The linear regression analysis (stepwise method) was used to predict the impact of different factors on the dependent factor *SCES*. The method constructed two models (Appendix 12.3). In Model 1, *visionary and team oriented leader* is included since it has a positive impact (Beta=0,499) on the dependent factor. The factor *risk taker,* added to Model 2, had a negative impact, while the impact of *visionary and team-oriented leader* increased.

Table 23. Regression model of Subordinate Commitment, Effectiveness and Leadership Style

		Standardized Beta	Factor Sig.	Model R^2
Model 1	Visionary and team oriented leader	0.499	0.000	0.249
Model 2	Visionary and team oriented leader	0.504	0.000	0.271
	Risk taker	-0.148	0.030	

Dependent Variable: Commitment, Effectiveness and Satisfaction
Source: author's calculations

Model 2 predicts 27 % of the respondents' ratings for *SCES,* expressing the tendency that higher ratings are given to *visionary and team oriented leader* and the lower ratings to *risk taking leader* — higher ratings would also be given to *SCES.*

4.4.6   Ethical Considerations

In order to find connections with the subject of the ethical considerations of top managers and their direct subordinates, a correlation analysis was conducted.

The results of the correlation analysis showed that ethical considerations in management have significantly relevant connections (p< .01) with the subordinate values, customer satisfaction (r= .278) and effect on product quality (r= .213).

The subordinate value ethical considerations, exhibits a significant negative correlation with the managerial value, firm's profitability (r= -.202)

Correlation analysis of value factors showed that the managerial value factor *ethics, environment and competitiveness* is positively correlated to the subordinate value factor, *employee and customer satisfaction* (r= .276), but the subordinate value factor, *ethics and environment,* is negatively correlated with *profitability of the company* at a significance level of p < .05 (r= –.169).

The linear regression analysis (stepwise method) was used to predict the impact of all 30 items describing how subordinates perceive their managers on the subordinate work related value scale *ethical considerations* as a dependent factor. The method constructed one model (Appendix 1). In this model *intellectually*

stimulating leader has a positive impact (Beta=0.208) on the dependent factor.

Table 24. Model of Ethical Considerations and Relationships with Leader Perception

		Standardized Beta	Factor Sig.	Model R^2
Model 1	Intellectually Stimulating	.208	.008	.043

Dependent Variable: Ethical considerations

The model predicts 4% of the respondents' ratings to *Ethical considerations*, through *Intellectually stimulating leader* and, again, considering the relatively small sample size, the stepwise method is not the best for removing the factors that might have an impact on the dependant factor in a larger sample.

In order to find out if there is a connection between the way managers are perceived by their subordinates and the ethical considerations of subordinates, two different correlation analyses were carried out. At first, a correlation analysis between the subordinate value scale *ethical considerations* and all the 30 items describing how managers are perceived. As a result of the analysis, only one leadership item *intellectually stimulating* (r=.208, p< .01) had a significant connection with subordinate ethical considerations. There was a weak (p< .05) connection between the leadership item diplomatic (r= .168), and a negative connection with malevolent (r= –.160) and showing self-confidence (r= .190).

The next step was to find connections between the subordinate value factor *ethics and environment* and the leadership styles. As a result of this, a connection was found between the subordinates value factor *ethics and environment* and the perception of managers as *power sharing* (r= .204, p< .01).

The linear regression analysis (stepwise method) was used to predict the impact of different factors on the subordinate value factor *ethical considerations* as a dependent factor. The method constructed one model (Appendix 12.5). In this model *power sharing leader* has a positive impact (Beta=0,204) on the dependent factor.

Table 25. Model of Subordinate Ethical considerations and Leadership Style

		Standardized Beta	Factor Sig.	Model R^2
Model 1	Power sharing	0.204	0.009	0.041

Dependent Variable: Ethics and environment
Source: author's calculations

The model predicts 4% of the respondents' ratings of *ethics and environment*, through *power sharing leader* and, again, considering the relatively small sample size the stepwise method is not the best for removing the factors that might have an impact on the dependant factor in a larger sample.

A correlation analysis was conducted using the ethical considerations of managers and all 30 items describing how managers are perceived by their subordinates. The results indicated that ethical considerations of managers are related to *power sharing* (r= .318, p< .01) and *follower confidence* (r= .212, p< .01).

The linear regression analysis (stepwise method) was used to predict the impact of different factors on the managerial value factor *ethics and environment* as a dependent factor. The method constructed one model (Appendix 12.6). In this model *power sharing leader* has a positive impact (Beta=0.244) on the dependent factor.

Table 26. Model of Managerial factor Ethics with Leadership Style

		Standardized Beta	**Factor Sig.**	**Model R^2**
Model 1	Power sharing	0.244	0.002	0.054

Dependent Variable: Ethics and environment and long-term perspective
Source: author's calculations

The model predicts 5% of the respondents' ratings of *ethics and environment* and *long term perspective*, through *power sharing leader* and, again, considering the relatively small sample size the stepwise method is not the best for removing the factors that might have an impact on the dependant factor in a larger sample.

4.4.7   Preferred Leadership Scales in Estonia

Using the GLOBE methodology from phase 2, 21 preferred leadership scales — characteristics, skills and abilities that are culturally endorsed to inhibit and contribute to outstanding leadership in the Estonian cultural context — were calculated.

The subordinates were asked to give their ratings in 112 questions (leader attributes) according to how important that behaviour or characteristic was for a leader to be outstanding. Leader attributes were rated 1 through 7 with 1 indicating "This behaviour or characteristic greatly inhibits a person from being an outstanding leader" to a high of 7 indicating "This behaviour or characteristic

contributes greatly to a person being an outstanding leader:" Examples of the LBQ items are presented Appendix 3.

Positively endorsed leadership scales are considered those with the mean rating ≥ 6. Low positively endorsed factors that slightly facilitate outstanding leadership are considered to be ≈ 5. A score of 4 is considered neutral — that means that these attributes do not facilitate nor inhibit outstanding leadership. Mean ratings with a score of 3 are already considered to slightly inhibit outstanding leadership, and mean ratings lower than 3 inhibit the attributes of outstanding leadership.

The results of the calculations, the 21 leadership scales, are shown in the following three tables (Tables 27–29, see following page) that are ordered according to the mean values i.e. according to the evaluation of the extent to which these scales facilitate or inhibit outstanding leadership.

Table 27 consists of leadership scales what are positively endorsed and are considered to contribute to outstanding/effective leadership.

Table 27. Outstanding and Slightly Facilitating Leadership Scales

Attribute	Mean	SD
Administratively competent	6.18	0.26
Inspirational	6.16	0.41
Visionary	6.15	0.30
Diplomatic	6.08	0.93
Integrity	6.07	0.51
Performance oriented	5.88	0.27
Non malevolent	5.81	1.72
Decisive	5.67	1.48
Autocratic	5.45	0.40
Team integrator	5.43	1.71
Participative	5.39	0.50
Team orientation	5.16	1.12
Self-sacrifice	4.66	1.10
Status conscious	4.58	0.79

Source: author's calculations

Table 28 contains those leadership scales (from the original 21) that are considered to neither impede nor facilitate outstanding/effective leadership.

Table 28. Neither Facilitating nor Inhibiting Leadership Scales

Attribute	Mean	SD
Humane orientation	4.37	0.60
Modesty	3.97	1.28
Procedural	3.73	0.88
Conflict inducer	3.60	1.61

Source: author's calculations

The last table of leadership scales (Table 29) contains those considered to inhibit outstanding/effective leadership.

Table 29 – Inhibiting Scales of Leadership

Attribute	Mean	SD
Autonomous	3.29	0.51
Face saver	2.55	0.47
Self-centred	1.89	0.17

Source: author's calculations

These 21 leadership scales formulate culturally endorsed leadership dimensions calculated in the following chapter.

4.4.8   Culture Specific Preferred Leadership Dimensions

Following the methodology, the 21 leadership scales are grouped into six global leadership dimensions — six global leader behaviour dimensions. These dimensions have been formulated by the cross-cultural research society. These six dimensions, derived from culturally endorsed leadership theory (CLT) are:
- Charismatic / Value Based Leadership
- Team-Oriented Leadership
- Participative Leadership
- Humane Oriented Leadership
- Autonomous Leadership
- Self-Protective Leadership

Based on the 21 leadership scales, the mean values for Estonian country specific leadership dimensions were calculated. The position of leadership items in

different global leadership dimensions with their mean values and dimension mean values are presented in Appendix 11.

Being part of this network of global research, and using the cross-cultural methodology enabled the author to compare the Estonian results with the results from other cultural clusters and the mean values of leadership dimensions derived from their country specific leadership perceptions. For the comparison with other countries/cultures, the mean values on the second order leadership dimensions — preferred leadership styles for other neighbouring clusters based on the literature review — are presented in Table 30.

The clusters consist as follows (House et al 2004) East European cluster: Albania, Georgia Greece, Hungary, Kazakhstan, Poland, Russia and Slovenia. Nordic Europe: Sweden, Finland, Denmark. Germanic Europe: Austria, Germany (former East and West), Switzerland and Netherlands. Anglo Cluster: Australia, Canada, New Zealand, South Africa (white sample), United Kingdom and United States.

Table 30. Cultural Cluster Specific Mean values of Preferred Leadership Dimensions

Country	Charisma	SD.	Team	SD.	Part.	SD.	Humane	SD.	Auto	SD.	Self-Protective	SD.
Estonia*	5.76	0.57	5.73	0.43	5.42	0.05	4.17	0.28	3.29	0.51	3.27	1.06
Eastern Europe **	5.73	0.15	5.50	0.91	5.09	0.39	4.75	0.49	4.18	0.45	3.67	0.38
Nordic Europe ***	5.93	n/a	5.77	n/a	5.75	n/a	4.42	n/a	3.94	n/a	2.72	n/a
Germanic Europe *****	5.93	n/a	5.62	n/a	5.86	n/a	4.71	n/a	4.16	n/a	3.03	n/a
Anglo ***	6.05	n/a	5.74	n/a	5.72	n/a	5.08	n/a	3.82	n/a	3.82	n/a
GLOBE mean***	5.83	0.33	5.76	0.26	5.35	0.41	4.87	0.38	3.86	0.45	3.45	0.41

*author's calculations; **Bakacsi, G. et al (2002); ***House et al (2004);
****Szabo et al (2002); *****Ashkanasy et al (2002)

The comparable groups are selected as follows. Eastern Europe is chosen for comparison because very often it is considered that Eastern Europe and Estonia, as a part of it, has similar leadership patterns. Nordic Europe is chosen for comparison as a neighbouring region, and neighbours are considered to share leadership patterns. In addition, Estonians prefer to be part of Nordic Europe. The Germanic and Anglo cluster is chosen for comparison as important European cultural clusters, plus Germany has ruled Estonia for considerable periods in the

past. Figure 25 is composed as an illustrative overview of the differences between the cultural clusters and preferred leadership dimensions.
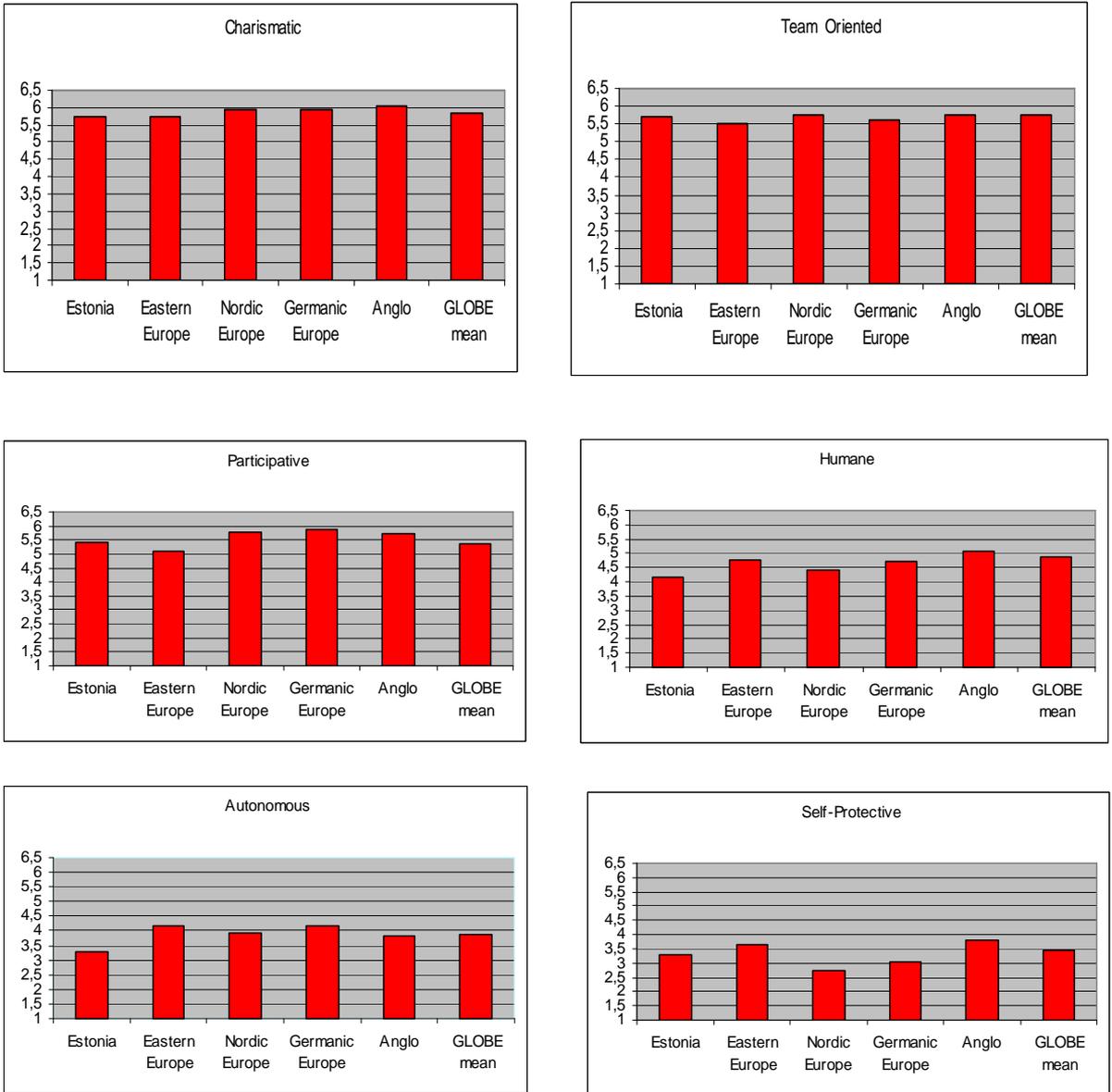
Figure 25. Differences Between Cultural Cluster Preferred Leadership Dimensions

To test the relevance of the hypothesis of whether Estonian leaders are different from East European leaders, part of hypothesis H3, the assumption is that there is a normal distribution, so an H_0 hypothesis was conducted with the statement that these two groups, Estonian leaders and East European leaders, are similar. The two hypotheses will be as follows:

H3 – leadership style in Estonia is different Eastern European leadership
$(\mu\,EST - \mu\,EE \neq 0)$

H_0 – the leadership styles in Estonia and Eastern Europe do not differ from each other
$(\mu\,EST - \mu\,EE = 0)$

To test the H0 hypothesis a Z-test using Formula 1 (for two independent means) was conducted, where:

H_0: $(\mu\,EST - \mu\,EE = 0)$

$$ z = \frac{\left(\overline{x_1} - \overline{x_2}\right) - \left(\mu_1 - \mu_2\right)}{\sqrt{\dfrac{\sigma_1^{\,2}}{n_1} - \dfrac{\sigma_2^{\,2}}{n_2}}} $$

Formula 1. z test for two independent means

Where:

x – Estonian mean result of leadership style

σ_1 – Estonian leadership style standard deviation (SD)

x_2 – East European mean result of leadership style

σ_2 - East European style standard deviation (SD)

The z values for different leadership styles were as shown in Table 31.

Table 31. Z Values for Different Leadership Styles

Leadership Style	Z value
Charismatic leadership style	0.680
Team- oriented style	5.744
Participative style	31.876
Humane style	- 23.438
Autonomous style	- 21.772
Self-protective style	- 4.859

Source: author's calculations

As a result of that test the assumption that these two groups are similar (H_0) did not find statistical support. The conclusion is that the Estonian country specific preferred leadership style is different from the East European cluster expected leadership style.

Lastly, a comparison was carried out of the Estonian actual versus expected leadership styles. The results are presented in Table 32 Leadership styles and expectations in Estonia. As seen from the results, in Charismatic/Value Based, Team Orientated and Participative styles, the expectations are higher than the actual level. In the other three, Humane, Autonomous and Self-protective styles, the expectations are lower than the actual level.

Table 32. Leadership Styles and Expectations in Estonia

	Charismatic	Team Oriented	Partici- pative	Humane	Autono- mous	Self Protective
Estonia As Is	5.18	5.34	4.33	4.47	4.57	4.09
Estonian Expectations	5.76	5.73	5.42	4.17	3.29	3.27

Source: Lang 2003& author

Figure 26 is composed as an illustrative overview of the differences between the actual practiced leadership styles and the preferred leadership dimensions/styles in transformational Estonia.
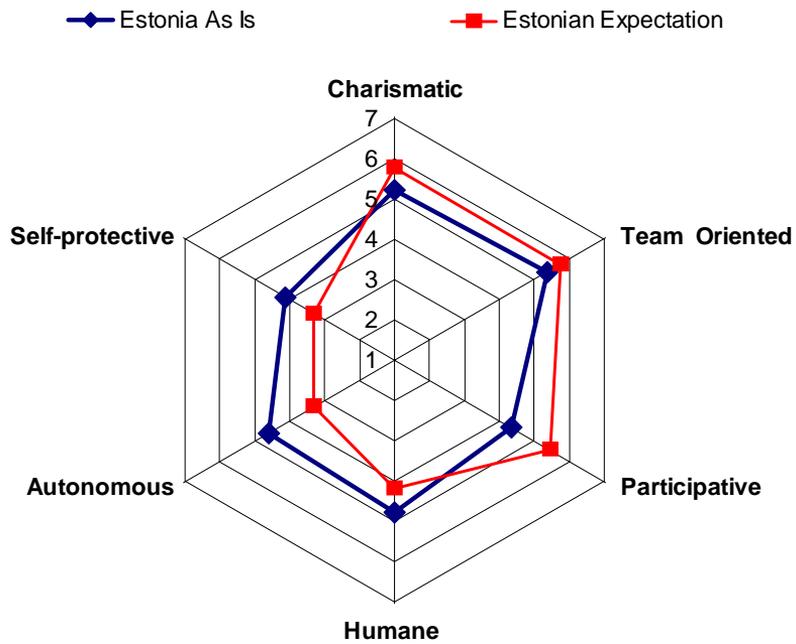
Figure 26. Differences between Leadership Styles and Expectations in Estonia (scale 1…7)

The results of the current chapter will be discussed in the following discussion chapter. The theoretical aspects related to the findings as well as the connections or contradictions will be presented. In addition to the results of the statistical analyses in the study, fragments from the qualitative interviews with enterprise executives that support the results will also be provided.

5 DISCUSSION

Socio-economic transformation, at both macro and micro levels, could be understood as institutional change, from both the structural and social perspective, embracing both structures and social values. The elements of an institution may lose credibility and need redefining – the processes of *de-institutionalisation* and *re-institutionalisation* take place (Tuulik & Alas, 2004).

The transformation started a bit earlier in 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 first co-operatives were established in Estonia. Many of the pioneer entrepreneurs and company executives involved in this stage were subjects in this research.

The hypotheses about the transformational period of Estonia also found support from the CEOs involved in the study. Many of them admitted that there were turbulent times, especially those who had the opportunity to start their own enterprises — they were the entrepreneurs in the current study.

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 that:
> " … 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…."

"… 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 after re-gaining independence in 1991 encouraged the creation of new private enterprises, most companies in Estonia are young, newly established concerns (Alas, 2004). The economic situation in this new republic was difficult and the company executives involved in this research also 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 issue was 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 what will be discussed later.

The majority of entrepreneurial managers said, while speaking about the obstacles related to the development of the business, that one of the biggest problems or the most disturbing factors 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. The credibility of local entrepreneurs and enterprises was very low.

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 summarise the comments from the managerial interviews about the first decade of free entrepreneurship and transforming Estonia, the following statement is 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).*

And another comment:

> *"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)*

or another looking back on the period

> *"… 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, unexpected obstacles to overcome, but eventually full of 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)

5.1 Work Related Values

Management is the process of getting things done through (other) people. In order to manage, one has to know "the things" that must be done and "the people" who have to do them. Understanding people means understanding their backgrounds – – from which present and future behaviour can be predicted. Top managers understand, interpret and mobilize a firm's resources and capabilities in a competitive environment consistent with their own background and experience (Weick, 1993).

In cross-cultural management studies, the term 'culture' is used as an explanatory variable to explain the differences between employee behaviours and attitudes as well as management practices. Generally, culture is used by social scientists to refer to a set of parameters that differentiate collectives from each other in meaningful ways. Collectives thus differentiated are regarded as distinct cultures (House et al, 1996).

The first research question (R1) of the current thesis was about the value system among Estonian subordinates and managers. Based on theoretical assumptions and statements by the gurus of organizational culture, management and leadership are the corner stones for co-operation in whatever kind of action**.**

Fernandez and Hogan (2002) stated that one of the core issues in leadership and leader activities is the value system. They are even of the opinion that talent and hard work cannot overcome fundamental differences in the individual values of executives and those of the larger group. As the principal task of leadership is to build and maintain an effective team, not all values are equally valuable (Fernandez et al, 2002).

According to Fernandez (2002), effective performance is associated with the combination of high altruism and power and low recognition, and managers who are primarily motivated by money, recognition, and/or security are disliked by their subordinates and unable to build a team.

In 1979, Massey pointed out that each person's values reflect contributions made by diverse inputs, including family, peers, the education system, the media, science and technology, geography and current events. Although one's values can change throughout one's life, they are relatively firmly established by young adulthood.

The people, both those leading economic life and those who are led by the previous generation in Estonia have emerged from the same historical background. A comparison of the work related values from this research *verified Massey's assumption in the local context, as the values are the same.*

The GLOBE integrated theory assumes that the dominant cultural values, beliefs, assumptions, and implicit motives endorsed by cultures provide shared meaning to leader attributes and behaviour and organizational practices. They provide meaning in the sense that selected behaviours and organizational practices are understood in a particular way in each culture (House et al, 1996).

As the results of the research show that the values among Estonian subordinates and their managers/leaders are similar, it supports the assumption that the leader attributes are similarly understood. This respectively supports the further investigation of leadership behaviour**.**

According to Lewis (2003), Estonian values are: work-ethics, individualism, nature and the importance of nature preservation, carefulness in things related to money, family and home, independence and national identity, education and skills.

National cultures differ primarily in the fundamental, invisible values held by the majority of their members, acquired in early childhood, whereas organizational cultures are much more superficial phenomena residing mainly in the visible practices of the organization, acquired by the socialization of new members who join the organization as young adults. National cultures change very slowly if at all; organizational cultures may be consciously changed, although it isn't necessarily easy. The secret of multinational companies – what keeps them together – is corporate culture based common practices (Hofstede, 1997).

The current research indicates that the issues of least importance or of minor importance are values related to belief. *Effect of supernatural forces* was evaluated in the managerial subgroup with mean value of 1.36 and in the subordinate subgroup with mean value of 1.58. A slightly higher evaluation was given to *pleasing, respecting, not offending a divine being or god* being evaluated in the managerial subgroup with a mean value of 2.51 and in the subordinate sub group with a mean value of 2.46.

In both subgroups at least one respondent was a believing or religious person, as the maximum score given for this value statement was seven, meaning that *pleasing and not offending a divine being or god* was the most important of all the factors for that person.

According to the minimum and maximum values given by the respondents, the value statement *effect of supernatural forces* had a maximum score of six in the subordinate subgroup, meaning it was considered especially important. This means that at least one person from the subordinate subgroup considered the guidance of supernatural forces important in work related problems. In the managerial subgroup the effect of supernatural forces was not evaluated higher than four — already around the neutral point of the scale.

One of the Soviet aims was to uproot any belief in God, and replace it with belief in the victory of communism. Based on this research, we can conclude that this aim was accomplished in Estonia. On the whole, people do not believe that work related issues are affected by supernatural forces, whether God or some other supernatural force.

This finding is in accordance with Heidmets (2007), who also highlights that on the world map of values (Inglehart & Welzel, 2005), values related to religion, authority, patriotism, etc. are relatively unimportant. In Estonia, group affiliation is not a factor that significantly limits or guides the choices of Estonians.

Another topic that is found to be of little importance among the other work related values, is the *effect of minority employees*. In the managerial subgroup, the mean evaluation was 3.0 and in the subordinate subgroup a little higher at 3.25, but still considered of little importance.

Heidmets (2007) states that during the last 15 years, Estonian society has not been able to find a constructive way of adapting to the reality where nearly one third of the country's population consists of people with non-Estonian cultural backgrounds. But as he concludes, the entire subject of equality has only been actively handled by a relatively small group in Estonia, while the rest of society has hesitantly ignored the matter. This conclusion is also supported by this study, as for these people the subject is also of little importance.

In transforming Estonia, sexual inequality seems to be an unknown problem, despite the ever-present discussion of inequality between men and women in workplaces, especially in terms of the differences in salaries paid for the same work. Is it really so that during the transformation, the issues of sexual inequality did not play an important role because everybody was concentrating on the transformation process. In the sample group for this study, neither the managerial subgroup nor the subordinate subgroup rated *effect on female employees* as an important feature. The managerial subgroup mean rating for the importance of the issue was 3.59, which can be considered neutral. While the managerial subgroup consisted mainly of male respondents, the subordinate subgroup had a higher number of female respondents and a higher importance of this issue could be expected. And so it is — but the issue is still only generally important with a mean evaluation of 3.86.

In "The 2005 Estonian Democracy Audit", Pettai (2006) states "in the field of gender equality, Estonia lags behind other developed countries by about 30-40 years. The notions of the roles of men and women in society that apply in Estonia were held by the rest of the world during the 1950s and 60s".

Also, welfare issues – the *welfare of local community* and *contribution to the economic welfare of the nation* – are distant as probably there was too much to do to get the companies and enterprises running steadily before having time to think beyond the doorstep of one's own company. This result supports the idea that Estonia was in transformation and hadn't reached the requirements of a stable economy. The local community was considered of greater importance than the whole nation, so the mean evaluation in the managerial subgroup for this issue was 4.34 and in the subordinate subgroup 4.18. While contributions to the economic welfare of the nation was given a mean value of 4.18 by the managerial subgroup and a mean value of 4.01 by the subordinate subgroup.

Kanter (2003) points out that the strategic connections of business continue to expand beyond links to customers, suppliers and venture partners … the questions of social values and social responsibilities inevitably arise, but in transforming Estonia it was still to early to discuss social responsibility.

Kooskora (2006) also found in her study of business purpose and responsibility that in most cases businesses in Estonia go no further than simply providing employment, paying taxes and obeying the laws of the land, and the main priority is still earning a profit (Kooskora, 2006).

The distance at which societal issues are kept is also supported by this study as is the following subject related to the environment.

Lewis (2003) finds that one of the values that describe Estonians is nature and the importance of nature preservation. This statement did not find support by this study. In both subgroups the *effect on the environment* is evaluated as an issue of only some importance. The mean evaluation in the managerial subgroup was 4.45 and in the subordinate subgroup 4.33. During the transformation period, it is understandable that environmental issues tend to be of lower importance compared to economic outcomes.

The values rated as very important are *ethical consideration*s, with a managerial mean evaluation of 5.25 and a subordinate evaluation of 5.27, and *employee related issues,* with a managerial mean evaluation of 5.30 and a subordinate evaluation of 5.51. It is understandable that the score in the subordinate subgroup has to be higher as these are questions related to employee well being, safety and working conditions. One would expect these fields to be of minor importance to managers, but it is good to see a contrary result.

Effect on relationships with other organisations were scored high with a managerial mean evaluation of 5.30 and a subordinate evaluation of 5.14. These were followed by subjects related to cost control and sales volumes. The managerial subgroup scored *cost control* with a mean value of 5.43 and the subordinate subgroup with a value of 5.47.

Sales volumes were considered more important by the subordinate subgroup with a mean evaluation of 5.61 compared to the managerial mean evaluation of 5.43. This difference could be explained by a possible connection to subordinate motivational packages related to sales results or to the fact that subordinates evaluate the outcome of the enterprise based on sales results while for the managers profit is the preferred measurement.

In Estonia it is customary that the events of the past 15 years are a success story, celebrated by the phrases "successful little tiger" and "this is the Estonia we wanted". Rapid development and an innovative spirit have become trademarks of Estonia used to lift our spirits and introduce ourselves internationally (Heidmets, 2007).

Work-related values of special importance in transformational Estonia include effect on *long-term competitive ability of the organisation* with an evaluation from the managerial subgroup of 5.60 and the subordinate subgroup of 5.65. *The firm's profitability*, a core issue in survival, is scored a little higher by managers with a mean evaluation of 5.75 while the subordinate subgroup mean was 5.70.

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 that is quite similar to the previous one and reflects the overall mentality is:

> *"…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.

Product quality was the next in importance. The managerial subgroup gave a mean evaluation of 5.84 and the subordinate subgroup 5.89.

Lewis (2003) found that Estonians value education and skills. This was also supported by the current research as *employee professional growth and development* is considered very important. The managerial subgroup finds it more important with a mean evaluation of 5.84 compared to the subordinate subgroup evaluation of 5.53.

The most important for both subgroups with a similar mean value of 6.16 was *customer satisfaction*. This value-statement was the only one to be evaluated by both subgroups, managers and subordinates, with a score over six (on the seven point scale).

This evaluation contradicts the conclusions by Leimann et al in 2003. They stated that senior managers have been sensitive to changes in the ideologies and business contexts that this transformation entails and have developed a clear vision and goals consistent with the vision. The pace toward achieving customer-orientation and the willingness to compete aggressively in the market place has probably not been at the desired level (Leimann et al, 2003).

The reason for these contradictions could be that Leimann and his colleagues mainly investigated previous state owned enterprises, but the sample of the current research consists mainly of business leaders. Still there are also representatives of so-called "old-time managers" and state or municipally owned companies in the sample.

Estonia's economic growth over last fifteen years has been remarkable and that is due to the sharp reforms during the transformation period, and so the dominance of survival needs is understandable, but development has to continue. Liuhto (1993) points out that in Estonia's case unfortunately it has often been soothe case that the first investors to come to Estonia from the West have been

speculating businessmen wanting cash profits. This Western quick-draw price mentality has further added to the amount of exploitative management in Estonia. At the same time, in established capitalistic countries where they have experienced a period of stable institutions, the problem of survival has already been solved and higher level needs have started to dominate. In 2007, Heidmets already suggests that looking at the big picture, while we might win money, we may loose Estonia.

5.2 Estonian Leadership Style During the Transformational Years

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.

The second research question (R2) of the thesis was about the characteristics of Estonian managers/leaders during the transformation period. This leadership study investigated leadership style through the eyes of native Estonians. The perceptions were delivered through evaluations by subordinates. Based on their comments, the following profile of Estonian managers/leaders can be drawn.

This person, who is primarily male, is above all an information source (mean 5.61), a self-confident person (mean 5.54) and decisive (mean 5.50). S/he possesses integrity (mean 5.4), is visionary, a communicator and administratively effective (means rounded up to 5.4). After that comes performance orientation (mean 5.31) and then team orientation (mean 5.17). The charismatic effects of Estonian managers have a mean score of 4.99.

Kouzes & Posner discover that the single characteristic of leaders that is most strongly associated with their effectiveness is their perceived integrity. This feature of integrity is also included among the image of the Estonian manager/leader. But still the highest ratings were given to self-confidence and decisiveness.

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/leaders 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 concludes the sentence after speaking about swindlers everywhere around us*:"… but without trust you cannot do business*" (042)

Some of the managers are critical of themselves and state that they are:
   "*stubborn and even uncompromising*" (005)
   "*authoritarian*" (030)
   "*partly too authoritarian*" (003)
Both who stated that they are "a bit authoritarian" also think 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.

5.3 SCES, Ethical Considerations and Leadership Style

The first research hypothesis (H1) assumed that – *subordinate commitment, effectiveness and job satisfaction (SCES) is related to leadership style and ethical considerations.*

To find support for this hypothesis, the first step for the author was to find out whether management values are related to SCES. So, a correlation analysis of SCES and managerial work-related value scales was conducted. As a result of the analysis, a significant correlation was found with the values *relationships with other organizations* and *effect on product quality*. Less significant correlations were noted with *employee professional growth and development* and *effect on environment*.

The second step was to find out whether subordinate work-related values scales are correlated with SCES. Again as a result of a correlation analysis, the following correlations were found. SCES shows a significant correlation with *customer satisfaction*, *economic welfare of the nation* and *employee professional growth and development.*

Analysis of managerial and subordinate value factors showed that there are correlations between the managerial values product quality and customer satisfaction and subordinate values employee and customer satisfaction. The following model was constructed to show how SECS is dependent on work-related values.
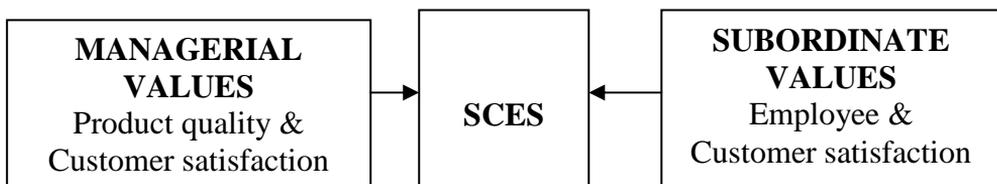
Source: author

Figure 27. SCES' Dependence on Work Related Values

In addition to the correlations with value scales and factors, the author also looked at how SCES is correlated to subordinate perception of their managers. There were fifteen leadership perception attributes out of a total of thirty that SCES is positively correlated with and one with which it was negatively correlated.

From these, the strongest connection was with the attribute *visionary*, followed by the manager being an *information source* and being *administratively effective*. *Charismatic effects* and *inspirational quality* were ranked next. The weakest correlation was with *diplomacy* and *self-confidence*. SCES displayed a negative correlation with the leadership perception attribute *directive.*

Perception attributes *humane, follower confidence, power, bureaucratic* and *face saver,* which are considered current leader attributes by Estonian leaders and could be assumed to be correlated with SCES (especially *humane* and *follower confidence*) did not show any such correlation.

From the neutrally evaluated leader attributes *calmness* and *power sharing*, it could be supposed that they would be correlated with SCES, but they were not. The other neutrally evaluated leader attributes that did not show any correlation with SCES were *status conscious*, *risk taker*, *autonomous* and *autocratic.* The leader attributes not in use (*indirect, non contingent praise, self-protective* and *malevolent*) did not show any correlation with SCES.

As a result of the analyses, support was found for the existence of a correlation between leadership styles (compressed result from factor analyses of leader attributes) and SCES with the *visionary and team oriented* leadership styles.

So managerial style and commitment of subordinates are related — SCES is affected by *visionary* and *team-oriented* managers. These managers can also be described as leaders, so Estonians want to be led and be part of a team rather than managed by bureaucrats or directive managers.

The findings of the current study that Estonian employees are motivated by *visionary leaders* is consistent with a study conducted in 2002 by Barnowe et al, showing that the majority of Estonian subordinates would prefer a consultative or participative style of management and only 3% of respondents preferred a directive style.

SCES among Estonian employees is correlated with product quality. It is important for the Estonian work force to be sure that the product or the service is seen by customers as being reliable. If the customer commits to the outcome of the enterprise then the employees do also.

It is interesting that the values of the employee do not affect their SCES as much

as managerial values do. This could be explained by the idea that managers are involved in setting long-term targets, company mission and visions, and they create the company management philosophy based on their own values, and these strategic factors affect employee commitment.

In addition to wanting to know whether there were correlations between managerial and subordinate values and SCES, the author was also interested in the impact of different values on SCES. So a regression analysis stepwise method was used and all the factors were loaded to obtain a model.

There were only two models constructed that had any impact on SCES. SCES could be predicted by product quality and customer satisfaction and by visionary and team oriented leadership.

Studies have revealed a crucial link between leader behaviour and the way fairness and integration factors are handled regarding ethics. Commitment among top-management plays a more important role then external pressures in leading organizations to develop integrated, value-based and compliance-oriented ethics initiatives (Weaver et al, 1999).

"…. Business ethics weighs ethical arguments and alternatives in a manner that considers the rights, privileges and anticipated responses of all stakeholders. An undeniable link exists between effective ethical management and genuine customer service and support" (Axline, 1990).

This thesis investigated the ethical considerations of managers and also the ethical considerations of subordinates in regard to managerial and subordinate values. As a result of correlation analyses, a significant connection was found between the managerial value scale *ethical consideration* and subordinate value scales *customer satisfaction* and *product quality*. In 1990, Axline pointed out that business ethics can also be linked to terms and priorities in the organization, such as quality, safety and customer service. This was also supported in the context of the current research.

The subordinate value scale *ethical consideration* was found to have a negative correlation with the managerial value scale *firm's profitability*. And the subordinate value factor *ethics and environment* also shows a negative correlation with the managerial value factor *profitability of the company*. In 1990, Axline investigated business people and their fairness in paying people. According to Axline, it is very easy to forget about ethics and concentrate on outcomes and his research showed that people believe that businesspeople would bend the rules to achieve success based on their earlier experience. The results of the current research support Axline's findings by showing the negative connection between subordinate value factor and firms profit orientation.

Support was found for correlations between the managerial value factor *ethics environment and competitiveness* and subordinate value factor *employee and customer satisfaction*. Again this supports the findings of Axline (1990) that ethics does play a crucial role in interactions between the firm and its external constituencies and internal social contracts as ethical managers result in satisfied employees and customers.

In addition to value scales, ethical issues were studied in regard to leadership perception. The subordinate value factor *ethics and the environment* was found to be correlated with the leadership style *power sharing.* It is interesting that the visionary and team oriented leadership style that correlates with SCES and is considered to be the most effective leadership style for transforming Estonia shows no correlation with subordinate ethical expectations.

The ethical attitudes of Estonian employees correlate with *product quality* and *customer satisfaction*. Leaders who are ethical are also *power-sharing* and *intellectually stimulating*. In order to be ethical, subordinates need to be intellectually stimulated by their managers. When talking about success, a satisfied customer is needed and this is achieved via quality products. The ethical considerations of leaders are dependant on employee and customer satisfaction.

Fairness involves giving people a voice in the processes that affect them (Trevino & Weaver, 2003). Can the people involved in these processes be sure to understand the inherent issues from the perspective of the employees who are affected, so that there will be a sense of respect and concern demonstrated in any ethics initiative (Weaver, 2004). The connection between the perception of managers as *power sharing* and the subordinate value *ethical considerations* is therefore understandable.

The first research hypothesis (H1*)* of the current study obtained partial support. The SCES of Estonian employees during the period under investigation is not directly related to either managerial or subordinate ethical considerations. SCES is related to *product quality*, and *employee and customer satisfaction. Employee and customer satisfac*tion is related to *ethics, the environment and competitiveness.* It can be concluded that SCES is related to ethical considerations through employee and customer satisfaction. The leadership style that SCES is related to is *visionary and team oriented leadership*.

5.4   The Transformational Leader in Estonia

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).

The aim of this study (H2 & H3) was:
- to define the characteristics that can be used to describe the leaders of the period of transformation in post soviet Estonia
- to discover whether the leader can be described as transformational
- to explore whether Estonian leaders are similar to their colleagues in other EEC countries

The factor analyses carried out by the author showed that there are six different types of leadership patterns in liberated Estonia. One of the leadership types can be called transformational. Estonian transformational leaders are a combination of the visionary-value based leader and the team-oriented leader. Within the theoretical approach of the Globe methodology, the visionary-value based and team oriented leader are two different leadership dimensions. While evaluating Estonian leaders, there is one leadership dimension what summarizes the visionary-value based and team oriented subscales. The leader attributes that belong to the charismatic style (visionary, inspirational, charismatic, decisive, performance orientation, integrity) form a factor together with team-oriented leader attributes (team orientation, administratively competent). This leadership dimension could be called *visionary-value based/team oriented leader* and could be called a transformational leader in the Estonian context.

The reason why this type of leader can be named transformational is that, according to the theory, transformational leaders have the respect, confidence and loyalty of group members.

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. Dubrin (2004) and London (1999) said that the leadership challenge in the twenty-first century is to lead in a way that shows high integrity, trust and honesty.

The Estonian transformational/charismatic leader in addition to having visionary-value based and team-oriented attributes possesses extra qualities such as being intellectually stimulating, self-confident, role clarifying and a communicative information source.

The importance of team orientation was also emphasized by the company executives in this study. 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)

…or, 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)

…or

> *"… the keyword is teamwork"* (019)

All these statements and numerous others not included here, but which also value this idea, state that the basic ingredient for success is teamwork and teams highlight the *transformational style of the leaders.*

The second important leadership style, in addition to transformational/charismatic, is *power-sharing.* Leaders that exhibit this style exhibit calmness in addition to power sharing as well as reverse scores for autocratic. This type could also be seen as a local version of the participative leader, but still the Estonian participative leader is different from the participative leader as described by GLOBE theory, which is just a participative autocrat.

Some parallels can be drawn between the Estonian *bureaucratic* and the GLOBE self-protective leader and the local and global autonomous leaders, but still these show dissimilarities. The GLOBE self-protective leader is a self-centred, status conscious, face saving, procedural, conflict inducer, but in the Estonian version s/he is a status conscious, face saving, bureaucratic diplomat, and the local autonomous is a (non) malevolent, autonomous, follower, confident type of leader.

There are also two Estonian styles that cannot be found among the GLOBE styles, these are the *risk taker* and *directive leader*. The latter, which is described as being directive and indirect and awarding with a non-contingent prize, is a leftover from former Soviet times.

5.5 The Desirable Leadership Style in Transformational Estonia

There is an assumption that leaders in transforming countries have similar leadership styles. In order to find out whether the leaders in transforming Estonia are similar to leaders in other EEC countries (based on the EEC average) or leaders in other European cultural clusters (Nordic, Germanic or Anglo cluster), a comparison was carried out.

In Estonia, it is locally expected that value-based leadership supports outstanding leadership (mean 5.76), and this expectation is practically the same in other EEC countries (mean 5.73). But if we compare expectations in Estonia and EEC with other European clusters, there is a difference. In Nordic and Germanic Europe, the expectations are higher (mean 5.93), and in the Anglo cluster even higher (mean 6.05). When looking at visionary-value based leadership, Eastern European countries differ from the other, more established European countries. All the evaluated groups consider that value based leadership facilitates outstanding leadership.

The leadership style, team orientation, is more valued in Estonia (mean 5.73) than in other EEC countries (mean 5.50), and so Estonia is more similar to the Anglo cluster (mean 5.74), but has a lower mean score than the Nordic countries. Finland and Sweden, our closest neighbours are well known for their team spirit, and this was also supported here by statistical analysis that Estonians do not share the same level as our Scandinavian neighbours. When comparing Estonia's result to the German result (mean 5.62), Estonians value team spirit more. Again all investigated groups consider that team orientation facilitates outstanding leadership. The Estonian expectations were also borne out by the results of the factor analysis, which showed team orientation to be important in Estonia, and that the Estonian transformational leader is a team-orientated visionary.

The participative style of leadership is more valued in Germanic countries (mean 5.86), and the Nordic and Anglo clusters find the participative style a less important leadership style (Nordic mean 5.75 and Anglo mean 5.72). Estonia and other EEC countries find it even less important than the Nordic and Anglo clusters, but the mean score for the participative style is lowest in EEC countries (mean 5.09). It still facilitates outstanding leadership, but the differences are remarkable.

Humane leadership is most valued in Anglo countries (mean 5.08), where they find that the humane style even facilitates outstanding leadership. The other cultural clusters are more neutral about the humane style. Germanic and EEC countries score it quite similarly (Germanic mean 4.71 and EEC mean 4.75). The Nordic score is even more neutral (mean 4.42), and the lowest evaluation for humane leadership is in Estonia (mean 4.17).

Autonomy in leadership is not valued in Estonia (mean 3.29). The Anglo and Nordic clusters score it higher, around the neutral point (respectively 3.82 and 3.94). Germanic and EEC cluster evaluations are a bit higher (respectively 4.16 and 4.18).

The self-protective style has the most support in countries in the Anglo cluster (mean 3.82) followed by EEC countries (mean 3.67). The countries of the Nordic cultural cluster find the self-protective style counter-productive (mean 2.72), and so do Germanic countries (mean 3.03). Estonian attitudes towards the self-protective style is also negative (mean 3.27).

Based on comparisons carried out by the author, it can be said that each cultural cluster has its own expectations of outstanding leadership. The assumption that EEC has the same leadership tendencies as Estonia was found to be erroneous. The Estonian leadership style is different and on some points considerably different. On some points; for example, team orientation, Estonians are more similar to Nordic countries, on other points; for example, value based leadership there are similarities with Eastern Europe. Some preferences; for example, humane and autonomous leadership styles, are characteristic and unique to transforming Estonia.

When Nurmi & Üksvärav (1992) carried out their research, they confirmed a tendency towards group decision-making at the top and individual decision at lower levels, but all with a tendency towards top-down and authoritarian decisions combined with a traditional orientation towards social responsibility. They pointed out that managers "feel more responsible for their personnel, the community, and the Estonian society at large, than Western managers…". At the beginning of Estonia's recently regained independence, the characteristics of team work (in their case group) were noted. This also found support in the current research, that team orientation is an important feature in current Estonian management styles. The author can conclude that the importance of team orientation is still, after fifteen years, remarkably important.

In the transformation process, team orientation has been combined with a visionary style of leadership what forms a unique Estonian leadership style that differs from other countries. Lang stated in 2003 that transforming countries have a stable pattern of leadership behaviour instead of massive changes towards

Western behavioural patterns, and this was also proven in this study, showing that Estonia has its own leadership pattern. Similarities with global types exist, but there is a special local touch — Estonians have their own approach to leadership. There is still potential for greater similarities to emerge, since the majority of our leaders are still very young in their early thirties and do not have Soviet management practices. Based on expectations about leadership in Estonia and information that is preferred, Estonians expect a participative style, which at the moment is not being practiced, and this will probably have to be improved by these young developing leaders. The importance of the team and team orientation is also seen as an important leadership style.

Hypotheses H2 and H3 found support. Leaders working in Estonian companies at the beginning of the 21st century, during the transformational period, can be called transformational. They are different from their colleagues in other EEC countries and have their own country specific approach to leadership.

Finally, the study compared Estonia's actual leadership styles as practiced by local CEOs with local perceptions of outstanding leadership. The expectations of value based leadership (mean 5.76) were higher than actual current practice (mean 5.18), but still the result for the actual practice is relatively high and means that local CEOs use value based leadership attributes. It is interesting that in real life local company leaders practice more of a team orientated leadership style (mean 5.34) than a value based/visionary style. As proven before, these are styles that both facilitate outstanding leadership, and expectations of them are even quite similar — respectively visionary scored a mean of 5.67 and team orientation a mean score of 5.76, but in actual practice team orientation is more often used.

Also, the participative style is expected to facilitate outstanding leadership (mean 5.42), but in reality Estonians do not practice this style of leadership.

The humane style is found to be neutral (mean 4.17), when speaking about outstanding leadership in the Estonian context, but in reality it is higher than expected (mean 4.74).

There are two styles of leadership that Estonians expect to work against outstanding leadership. These styles are self-protective (expectation mean 3.27) and autonomous (expectation mean 3.29). In reality, local CEOs actually practice an autonomous style (mean 4.57), but evaluations for the self-protective style in reality are very close to neutral (mean 4.09), suggesting the conclusion that this style is not practiced in Estonia.

The world economy is experiencing another kind of transition, toward a fully global and borderless era. The global transition raises new, complex competitive provocations and imperatives for players, who will have to find novel strategic and organizational responses to traditional practice (Candea & Candea, 2001).

What will the different cultures do? According to Hill (2000) they do not stand still, but evolve over time, albeit slowly; and Paul Gooderham and Odd Nordhaug claim that national cultural differences are diminishing much more quickly than Greet Hofstede assumed because of European integration. According to them, every day, cultural variety among mankind is becoming more and more impoverished and homogenized; hundreds of natural languages are becoming extinct (Magala, 2005).

What is really going to happen will be seen in the forthcoming years. Not only will the Estonian culture develop, but also that of our neighbours will develop and change during the coming years. The only way to prove or disprove this is through further studies.

6   FURTHER IMPLICATIONS

6.1   Practical Implications of this Study

The removal of trade barriers and growth in the permeability of national boundaries within Europe and throughout the entire World is continuing. An increasing number of companies are expanding beyond national borders, managers are being employed trans-nationally in cultures other than their own, and participation in cross-cultural teams is becoming more commonplace. In the cross currents between the durability of national cultures (divergence) and the practical necessities born of closer and more frequent action (convergence), there is certainly a lag in the chain of change from individual concepts to individual behaviour, to group behaviour, to systems, and finally to institutional harmonization (Brodbeck et al, 2000). In the current research paper, Estonian management level executives and their subordinates were investigated. As the research was carried out in 2001 and 2003, after ten years of independence, it can be said that this is also typical for Estonia during the transformational period and it has continued since becoming a member of European Union.

In 1997, Estonia experienced its first stock market crisis, which resulted in more stable economic development. More foreign companies are opening up subsidiaries in Estonia, more and more companies are being bought and run by foreigners. Practical knowledge and an understanding of culturally endorsed differences in leadership related concepts has to be the first step by foreign managers to adjust their behaviour to suit those valued in the host country — when in Rome do as the Romans do.

The rapid development of regional and global economic integration has created a need for culturally knowledgeable managers who can work in multicultural environments (House, et al, 2004).

The findings of the current research are of particular value to managerial leaders in multinational companies located in Estonia. These managers placed in cross-cultural situations face problems associated with multicultural misunderstandings. This research helps international and expatriate managers understand the Estonian cultural background and by understanding the local expectations probably avoid a lot of conflict.

Not only can international managers use the results of this study, but also those responsible for public or private negotiations either in the private or public sector.

Another important feature of this research project is that it is part of the global network of the GLOBE study, enabling a comparative study of results and statistics from 62 other cultures worldwide. After joining the European Union, the borders have been open also for Estonians to work in other societies and an understanding of their convictions is a valuable asset.

The basis for success in Estonian entrepreneurship is leaders. According to Pärjamäe, in 2004 Estonia faced the problem of a decreasing number of successful leaders and the potential new generation of leaders did not seem to be emerging. What happens in a company where the manager/leader is not devoted/dedicated? Such a decrease in dedication results in a lack of willingness and emotional dedication; an obscuring of the vision, the clarity of things desired fades; accomplishments loose their essence as doubt in the objectives grows; a decline in motivation is transferred to subordinates and this is the basis for personal problems to emerge, managers/leaders leave these problems without solution and the end result is that the competitiveness of the enterprise declines and the owners have to find a new manager/leader (Pärjamäe, 2004).

If change in Estonia is not developmental, as in stable institutions, but on the contrary, transformational as Alas (2003) asserts, and as according to Pärjamäe (2004) there is need for leaders, then there is probably a need of leaders that suite the transformational phase of institutional development.

In a recent article, Pärjamäe (2007) continues his discussion about Estonia lacking leaders, pointing out that the education system is not currently producing leaders, but employees. The outcome will be that future leaders will not have ambition and their abilities will not be sufficiently developed.

Business students are traditionally taught the tools of analysis: finance and accounting, operational management and strategy. The product of such an education may be great thinkers, but they may not necessarily be good at communicating their ideas, influencing others to work toward shared goals, or collaborating with others on a team. The results of this excessive focus on analysis can be seen in poor decision-making (Hunt, 2002).

As numerous authors assert, the world is and will continue to be in constant change. But succeeding in change needs leaders. In Estonia, we have to start educating these people for the country and the economy. Before teaching them, the question of what to teach has to be very clear and exact. If Estonian education enterprises want to educate future leaders for the Estonian economy, local subordinates' preferences and expectations of leadership must be known beforehand.

That is where the current research can be applied as input material for developing management courses and programs for universities and colleges, already keeping

in mind the local context and local preferences. The theoretical assumptions acquired from Western textbooks can be complemented with findings about local patterns. Information about the differences between cultures and their expectations is also a useful asset when training future leaders. As part of the EU, local colleges and universities can prepare future leaders for other nations.

The number of management studies in present-day Estonia is quite limited, there are no other studies concentrating on the factors of leadership during the years of transformation. This study fills a gap and investigates the subject, mapping the context of management in Estonia after the first decade of independence and before joining the European Union.

Estonia could be an example for quite a number of countries in Europe who are interested in joining the EU in the coming years, as well as for emerging democracies. Estonia managed to become an EU member state after fifteen years. This speed with which this occurred was as a result of the co-operation of political and economic leaders and the principle of the consistency of our justice system.

The qualities of our economic leaders in Estonia during transformation are brought out by this study and may represent valuable input information for future developments.

The contemporary world is in constant change and change needs leading and leadership. Leadership and leader qualities will be of interest for future researchers and academics. The research of leadership has to continue not only globally, but also locally in Estonia. This research has the potential to be elaborated and developed by new generations of researchers and academics.

In addition to use in universities, the results of the study can be used in refresher courses and company level management training programs. The leadership styles expected by Estonian subordinates represent invaluable information for practising managers/leaders in their every day work leading subordinates to new challenges.

In addition to using the results of this study, the methodology can also be used to carry out new company level studies. It is relatively easy for company managers and CEOs to run the research to discover how subordinates in their company perceive them as leaders, and to track down the subordinate evaluation of successful leader attributes. The two different research phases can be merged together to develop one leadership perception/expectation questionnaire to ease the fieldwork procedure.

The section on work-related values can also be utilized to test whether the basics or the shared values at company level are in place. Shared values are the key to success and understanding and the more time passes and the faster development

in Estonia is, the more important competitive advantage the values will be for an enterprise.

One of the values of this study lies in the fact that it can be run repeatedly, and that value can be added by future researchers. The author of this study strongly supports the idea of revising it using the same methodology. For example, the Estonian Business School, considered to be a leading school in management and business studies, could become a pioneer in the continuous tracking of developments in the local managerial world by running this study in management and tracking the results for future generations. By using the current methodology, which has actually been implemented in Estonia by the Estonian Business School, and by running the research every three or five years, results could be provided for up-dating teaching methodologies and preparing future generations of leaders and managers.

For the Estonian Business School and its research organizations it could be relatively easy to run a project like that. The methodology with all the necessary research tools already exists. The project could be run the same way as it was in 2001 and 2003, and groups of bachelor students can easily be formed to carry out the fieldwork. Participating in a project of this kind provides the students with a good overview of how complicated it is to carry out a survey among company executives and the business community.

As the project is compiled as a multi-methodology project and as it involves different qualitative and quantitative research possibilities, it could be the perfect tool for practising the knowledge acquired during lectures on research methodology.

Much of the information gathered during the fieldwork for the current research remained untouched by the author. Especially the information dealing with societal culture and organizational culture, and this could be of interest in subsequent projects. Analysing the results and comparing them with neighbouring countries, and discovering similarities or unique qualities could be an interesting field of study for future researchers.

As author of the current research I strongly believe that this research is an important contribution to Estonian management history.

6.2   Theoretical Limitations and Suggestions

For some time considerable dissatisfaction has existed with conventional approaches to social research, including management research. The popularity and use of methods varies among different social and behavioural scientists in

different countries. In the US, quantitative approaches still dominate, whereas in British and Swedish management studies, qualitative study methods have taken the upper hand (Alvesson, 2000).

The current thesis is based on research carried out in co-operation with a cross-cultural research team with its principal investigators in the US. In addition to the US investigators, there were several principal investigators from European academic institutions, but still as stated above by Alvesson the guiding approach to leadership is quantitative.

Leadership studies represent one of the central themes in management research. In management studies, the study of organizational cultures has been largely anthropological which is typically strongly qualitative while studies of organizational behaviour – leadership, motivation, stress – draw upon the research ideals dominant in psychology which are strongly quantitative (Alvesson, 2000). This statement supports the quantitative approach of the current research.

The development of general and abstract knowledge aimed at explaining and predicting social phenomena in a law-like, casual fashion requires the production of a stable object, which continues through time. Language can thus name and present the phenomena/variables and research can describe their nature and relation to other variables. But problems arise in establishing leadership as a stable object in the real world of organizations and in the choice of language representing it in a neutral way. Language use is metaphorical rather than literal, and relies on the repression/denial of alternative meanings, and is local and context-related rather than abstract. Words work in an imaginative and associative rather than analytically clear-cut manner. The same definition may be informed by different metaphors and thus different meanings. No simple one-to-one relationship between the word and a distinct part of social reality can be established across a wide variety of social and organizational contexts (Alvesson, 2000).

The current quantitative research is based on questionnaires where the final version of the questionnaires was worked out in English. A lot of work was done by the research team to test the meanings and understanding of questions in different cultural contests and avoid differences. One of the methods to avoid the different meanings of the questions in the questionnaire was the need for a relay translation that had to be approved by the principal investigators. The author of the current thesis personally participated in the process of translating the questionnaires. There were some adjustments that had to be made before the fieldwork could be carried out with the Estonian language questionnaires. Still, there always remains the possibility that different respondents understand the same questions differently, and so they can interpret the questionnaires differently and this affects the result of the survey.

This problem of the reliability of the translations will not be an issue for future researchers as the Estonian questionnaire version already exists, and the author of the current research suggests using this.

Quantitative research may be defined as research aimed at reducing ambiguity through transforming perceived, pre-structured, quantifiable categories. The choice of statements in the study indicates some of the difficulties associated with letting the researcher decide what the respondents should respond to. Information that would help sort out the different interpretations is absent from the questionnaire (Alvesson, 2000).

The methods used in the current research provided results, but for wider generalizations the results need the support of further studies. This research paper can be taken as a pilot study testing the methodology in the Estonian context. For the initiator of future research, a working tool and the results of the current research can be used to compare with future results to observe the development of Estonian leadership practices and expectations.

The following limitations of the current work have to be taken into consideration when continuing. The sample of the current research is based on the Äripäev Top 100 enterprises. The companies on this list are considered successful. Based on the sample, it could be discussed whether adding the word "successful" to the title of the current research would be more appropriate. The author suggests that researchers continuing the study use modern sampling methods. To avoid a bias in the sample, a larger random sample based on all the registered companies in Estonia could be formulated with the help of the services of the Centre of Registers and Infosystems.

The methodology of the current study is a complex of different tools, but the prevailing conclusions are still made based on the quantitative survey.

Leaders, subordinates and measurements of various qualities, feelings and outcomes are social constructions — they are not simple reflections of objective reality (Alvesson, 2000). Whatever methodology is used to capture this, the reality is complicated.

CONCLUSION

It took Estonia fifteen years to become a member of the European Union. It all started 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. IME was followed by the Singing Revolution and re-establishment of the Republic of Estonia. The whole chain of events 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 carried out during these fifteen years. Change needs to be led and that means leaders are needed.

This thesis concentrates on the subject of leadership during the years of transformation. The concept of transformation in the current work is based on the theoretical approach of Clark & Soulsby (1999), where the difference between transition and transformation is addressed as follows. Transition has to connote a presumed move from a command economy towards a Western-style market economy, and the use of the term necessarily has an ideological halo effect. The notion of transformation suggests nothing about the destination of the process of socioeconomic change, and emphasizes the variety and complexity of the process. The period between re-establishing the independence of the Estonian economy and joining the EU is regarded as the transformational period in Estonia.

There were several reasons for the author to concentrate on the subject of leadership in transforming Estonia. The most important reasons are as follows.

Firstly – to the best knowledge of the author there were no leadership studies comparing preferred and actual leadership styles and related issues concerning the period of transformation or the first fifteen years of the re-established Republic of Estonia.

Secondly – after liberalization, Estonia became once again part of the world economy with foreign companies establishing subsidiaries in Estonia. The team of international managers is expanding, and an understanding of Estonian country-specific leadership styles is essential for expatriate managers. To be successful in a foreign culture, the background of the country has to be known. Knowing the leadership style and work values is a step towards this desired success.

Thirdly – change has to continue and change has to be led, and so there is a need for leaders. An overview of the desired leadership style in Estonia makes it easier

for education institutions to produce future generations of leaders and managers who can take over guiding the Estonian economy.

In order to fulfil the shortage of knowledge, the author of the current thesis decided to concentrate on the subject in more depth. Two research questions were formulated:

- **R1** – how can the value systems of Estonian company executives and their subordinates be characterized
- **R2** – what are the characteristics of the Estonian manager/leader during the transformational period

…and three hypotheses related to the field were constructed as follows:

- **H1** – subordinate commitment, effectiveness and job satisfaction (SCES) is related to ethical considerations and leadership style
- **H2** – the leadership style practiced in Estonia during the period between re-establishing independent Estonia and joining the EU can be named transformational
- **H3** – the leadership expectations in independent Estonia have differences compared to other EEC and neighbouring countries

To find answers to the research questions and decide whether support for the hypotheses could be found, two leadership surveys were carried out in Estonia in 2001 and 2003.

The research carried out in 2001 concentrated on work-related values, actual leader behaviour and subordinate commitment, effectiveness and satisfaction. This phase of the research, also called the CEO research, contained qualitative research. The qualitative part involved interviews with company executives from the research sample.

The subject of the next wave of research, carried out in 2003, was desirable leader behaviour. The fieldwork of both research waves was organized using bachelor students from Estonian Business School.

The methodology of the surveys was based on the cross-cultural Global Leadership and Organizational Behaviour Effectiveness (GLOBE) research program with its initial headquarters in the US. The GLOBE research program is a worldwide, multi-phase and method project. The concept of the research program is concerned with leadership and organizational practices, and the initial investigators started the project in 1991, and the recruiting of GLOBE country co-investigators (CCIs) to collect data in 62 regions began in 1993.

The author of the current thesis chose a ready-made methodology for two reasons. The first reason was the fact that the author wanted to use a reliable research methodology that had been tested in the international environment.

The second and major reason for choosing a ready-made research tool was the importance of having data to compare with other countries and cultures. Estonia is such a small country and a locally developed research method with local results would only result in local interest and phenomena. This is definitely not the aim of the current research. Using common methodology and being part of a cross-cultural project provided the potential for comparing Estonian results with other nations. Comparability with other cultures is considered to be one of the strengths of the current research.

Before attempting to find answers to the research issues, the author provides an overview of the different theoretical aspects. Differences between the manager and the leader are pointed out. Are leaders born or can leaders be educated and trained. What is the effect of the historical context of the leader and leadership theories. And finally, the most well-known approaches to leadership are presented.

The guiding theory for the author of this study is transformational leadership theory, also called "the New Leadership" paradigm, which has been in the focus of research since 1989. The reason for that is that transformational leadership is considered to be a process that changes and transforms individuals, and is concerned with values and ethics.

The topic of national cultures and leadership in different cultural backgrounds is given a brief overview. The modern word globalisation is very often used in management related themes. Globalisation provides opportunities and at the same time creates new challenges.

The author of the current thesis grounds her findings of work-related values, actual and preferred leader behaviour firstly on a descriptive analysis. The descriptive scales are reduced using factor analysis to find new culture-specific scales. Afterwards, a correlation and regression analysis is used to find relationships between different phenomena. The preferred leadership styles in Estonia and other East European Countries are compared and support for the differences/similarities is found by using a z-test.

The overall outcomes of the current thesis can be concluded as follows:

The values of Estonian managers and Estonian subordinates have developed as a result of the same historical background. In 1979, Massey assumed that each person's values reflect contributions made by diverse inputs, including family, peers, the education system, the media, science and technology, geography and current events. This assumption was verified in the Estonian context.

The history for both sub-groups under investigation (i.e. managers/leaders and their subordinates) has been the same — both groups have developed under the

same circumstances — so the guiding work-related values have to be similar. This research found that values among managers/leaders and their subordinates to be similar. This similarity also provides an answer to the first research question *R1 - how can the value systems of Estonian company executives and their subordinates be characterized?*

The GLOBE integrated theory assumes that the dominant cultural values, beliefs, assumptions, and implicit motives endorsed by cultures give shared meaning to leader attributes. The result of similar values verified in the current research, supports the idea that the leader attributes in Estonia are similarly understood by both parties, managers/leaders and their subordinates. This respectively allows us to continue with further research and investigate actual perceptions of leaders in transforming Estonia, the second research question, *R2- what are the characteristics of the Estonian manager/leader, how can we describe a manager/leader in transforming Estonia?*

The Estonian leader during the transformation period, was mainly male and is above all an information source, self-confident and decisive person. S/he possesses the feature of integrity, is a visionary, a communicator and administratively effective. After that comes the ability of performance orientation and then team orientation.

In 1985, Elenurm pointed out that Estonian manager's role as a team leader is insignificant, in 1992 Nurmi & Üksvärav confirmed a tendency towards group decision making at the top of the company. The current research found support from Estonian employees that team orientation is one of the leader attributes used by local leaders. During the fifteen years of development, from Elenurm's work to the current research, the importance of team orientation has improved significantly.

The theme of subordinate commitment, effectiveness and job satisfaction (SCES) and its relationships to previously investigated subjects (i.e. work related values and leadership style) was one of the aims of the current study. Special attention was focused on one of the work-related values – ethics. The first hypothesis (H1) was — *subordinate commitment, effectiveness and job satisfaction (SCES) is related to ethical considerations and leadership style.*

As a result of the current study, the author of the thesis can conclude that this assumption only found partial support. SCES is not directly related to either managerial or subordinate ethical considerations. SCES is related to product quality, and employee and customer satisfaction. Employee and customer satisfaction is related to the ethics environment and competitiveness. It can be concluded that SCES is related to ethical considerations through employee and customer satisfaction.

The other part of the hypothesis, about SCES and its relationship to leadership styles was supported because of the relationship to visionary and team oriented leadership.

One of the major tasks of the current thesis was to investigate the leadership style in transforming Estonia. More exactly, to discover whether leaders in economic organizations could be named transformational as according to the theoretical background a period of transformation also needs transformational leaders.

In order to find support for the second hypothesis (H2) – *The leadership style practiced in Estonia during the period between re-establishing independence and joining the EU can be named transformational* — leadership characteristics were compressed using factor analyses to create new scales called leadership styles. As a result of the factor analyses, the author formulated six new Estonian country-specific leadership styles. These styles are: *visionary and team oriented leader*, *bureaucratic leader*, *autonomous leader*, p*ower sharing leader*, *risk taking leader* and *directive leader*.

The first style – visionary and team oriented leader contains the following leader attributes: being visionary, inspirational, charismatic, performance oriented, intellectually stimulating, team oriented, self confident, role clarifying, administratively effective, a communicator and having integrity.

According to the theoretical aspects of transformational leadership, also known as new leadership, it contains leader qualities that enable leaders to respect and have confidence in their subordinates and group members. They practice supportive leadership and have special charismatic affects on their subordinates. Based on the theoretical assumptions and the results of the analysis, the author can conclude that the first leadership style *visionary and team-oriented leader* – can also be known as the *Estonian transformational leader.*

The last assumption of current thesis (H3) was that – *the leadership expectations in independent Estonia have differences compared to other EEC and neighbouring countries*.

Lang stated in 2003 that transforming countries have a stable pattern of leadership behaviour instead of massive changes towards Western behavioural patterns, and this assumption received support from the current thesis.

The following leadership pattern is typical for Estonians. The crucial thing in the working environment during the transition period was team spirit and team reinforcement. Unless Estonians are usually considered to be lonely spirits, the team in the working environment is considered to be very important. As opposed to other Eastern European countries, Estonia is more like other European countries when considering our team orientation.

In addition to the research questions and hypotheses, the comparison of actual leadership patterns and desired leadership in Estonia was carried out. 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 — these styles are considered to inhibit outstanding leadership.

The leaders during the research period were considered to be *charismatic - value based* and *team oriented*, but *not participative* and *too autonomous*.

Leadership will probably develop during the coming years. The question is in what direction. Will Estonians keep 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 — gain conventional Western leadership patterns, or merge into something what can be called a European Union leadership style. Today it is not possible to predict these developments.

To find out about future developments in Estonian leadership the research should be run repeatedly using the same methodology. This is one of the suggestions of the author of the current thesis to conduct the research every three or five years. The value of the research is and can be developed by repeating it. The repetition is possible because a reliable and comparable methodology has been used and initial benchmark data and results are available.

The author also suggests it be carried out by Estonian Business School and their students as it was conducted initially. For such a management-oriented academic establishment it provides the opportunity for research activities in a relevant field. The students of the school can benefit from this kind of multi-method research project involving different qualitative, quantitative research options in terms of practical experience it affords them of subjects related to research methodology and management studies.

For the attention of future researchers, the author of the thesis also highlights the theoretical limitations of the current work. The main discrepancy between scholars in different cultural regions is whether leadership as part of organizational behaviour can be measured using qualitative or quantitative methods. The other suggestion is to work with the sample and formulate it based on modern sampling methods, which are nowadays already available.

Estonia could be an example for quite a number of countries in Europe who are interested in joining the EU in future years, as well as and for other emerging democracies. Estonia managed to become an EU member state in fifteen years, this is considered to be very quick. This was not only thanks to our political leaders, but also economic leaders had their share in building up the state. The

qualities of our economic leaders are brought out by this research and this information represents valuable input information for future developments.

SUMMARY IN ESTONIAN

Ajavahemikul 1988 - 2004 on Eestist kui endisest Nõukogude Sotsialistlikus Vabariigist saanud iseseisev turumajanduslikele printsiipidele tuginev iseseisev Eest Vabariik. Lisaks riigikorrale ja õigussüsteemile on muutusi pidanud läbi viima nii organisatsioonid kui ka inimesed.

Muutused post-sotsialistlikes organisatsioonides on sügavamad, kui tüüpilised muutused turumajanduslikes tingimustes, sest uus majanduslik kord põhineb erinevatel põhimõtetel ja väärtustel. Üheks suurimaks väljakutseks on püüd muuta organisatsioonikultuure uutele väärtustele põhinevaks.(Bluedon, 2000). Antud ülesanne on huvitav kahest mõjuaspektist. Ühest küljest mõjutab globaliseerumine ja teisest küljest transformatsioon, ehk üleminekuaeg ise.

Sotsiaalteadlased väidavad, et organisatsioonid, sõltumata nende olemusest, (perekond, kool, religioossed-, poliitilised, majanduslikud või mittemajanduslikud institutsioonid) omavad struktuuri. Struktuur tähendab tavaliselt seda, et eksisteerivad liidrid ja järgijad. Kanungo ja Mendonca väidavad (Kanungo & Mendonca, 1996), et organisatsioonid vajavad eestvedamist, sest eestvedamiseta on organisatsioonid nagu tüürimeheta laev tormisel merel.

Viimased viisteist aastat on Eesti ajaloos olnud tormilised. Esmased protsessid said alguse laulva revolutsiooniga aastal 1988 ning selleaegsete liidrite eestvedamisel taasloodigi Eesti Vabariik. Nemad on oma missiooni täitnud, kuid Eesti riik peab jätkama oma teekonda ja saama võrdseks ning usaldusväärseks partneriks Euroopa riikide seas. Taas on vaja liidreid, kes juhiks soovitud protsesse ning soovitud eesmärkide saavutamist.

Alahinnata ei saa ka õiguse väärtuspõhimõtte mõju ühiskonnale kui tervikule. Uut arengustaadiumit ning Eesti ühiskonna väärtusmõõdet mõjutas oluliselt asjaolu, et Eesti taastas oma iseseisvuse 1991. Seda tehti õigusliku järjepidevuse alusel ning kinnitati 1992. aastal vastuvõetud põhiseadusega. Nagu seda Schneider ja Almann (2005) sõnastavad, õigusliku järjepidevuse põhimõttest on saanud võitluslipp EV *de iure* eksisteerimise *ja de facto* taasiseseisvumise taotluses.

Arengu tuumaks on muutus, kuid muutuste juhtimine vajab initsiatiivi, jõupingutusi ja juhendamist (Kanungo ja Mendonca, 1996). Seega, kes on need inimesed, kes viivad jätkuvates muutusteprotsessides oleva Eesti Vabariigi turumajanduslike majandusprintsiipidega kooskõlla ning ülejäänud maailma poolt aktsepteeritavaks partneriks?

Iseseisvunud Balti riikidesse, sealhulgas ka Eestisse, on tulnud viimastel aastatel palju välismaalastest juhte. Mida ja millised kultuurilisi eripärasid peaksid need juhid arvesse võtma, millised on need eestlased ja milliseid väärtusi nad endas kannavad? Väärtushinnangud on need, millele rajatakse tulemusrikas koostöö.

Nii formuleeruski autori eesmärk uurida antud doktoritööga eestlaste hinnanguid oma juhtidele üleminekuajastul ja enne Europaa Liiduga liitumist. See ajastu ei iseloomusta mitte ainult õiguslikku ja poliitilist, vaid ka majanduslikku keskkonda. Majanduslikus keskkonnas asuvad ettevõtted koos oma juhtide ja alluvatega ning nende tõekspidamistega ja väärtushinnangutega.

Käesolev doktoritöö keskendub Eesti juhtimisstiilide ja tööga seotud väärtuste uurimisele üleminekuaastatel. Üleminekuaastateks e. transformatsiooni aastateks peetakse antud töö raames ajavahemikku taasiseseisvumisest kuni Euroopa Liiduga liitumiseni aastal 2004.

Teiseks oluliseks teoreetiliseks lähtekohaks antud töös on nn. transformatsiooniline eestvedamise teooria, mida kutsutakse ka "uueks" eestvedamise teooriaks. Töö autor peab just seda teooriat kõige sobivamaks teoreetiliseks lähenemisviisiks käsitledes eestvedamise teemasid Eestis üleminekuperioodil.

Täpsustamaks ja kitsendamaks uuritavat valdkonda, formuleeris autor alljärgnevad kaks uurimisküsimust ja kolm hüpoteesi:

R1 – kuidas võib kirjeldada Eesti ettevõtete juhtide ja nende alluvate tööga seotud väärtusi?
R2 - millised on üleminekuajastul Eesti juhte iseloomustavad tunnused?

H1 – töötajate pühendumine, efektiivsus ja tööga rahulolu on seotud eetiliste tõekspidamiste ja eestvedamise stiiliga.
H2 – eestvedamise stiili, mida praktiseeriti Eestis üleminekuajastul võib nimetada transformatsiooniliseks.
H3 – eestvedamisega seotud ootused Eestis on erinevad teistest Ida-Euroopa riikidest ja naaberriikidest.

Ülalmainitud uurimusküsimustele ja hüpoteesidele vastuste leidmiseks kasutatas autor Global Leadership and Organizational Behavior Effectivness (GLOBE) uurimusprogrammi raames välja töötatud metoodikaid ja küsimustikke. Antud programmi juhtivaks uurijaks on professor Robert House, kes koos oma kolleegidega rohkem kui 62st erinevast maailma kultuuripiirkonnast on organisatsioonikultuuri ja eestvedamise temaatikale pühendunud juba alates aastast 1991.

Eesti uurimisgrupp ühines antud programmiga aastal 2001, mil viidi läbi esimene uuring, eesmärgiga tegeleda kohalike juhtide poolt kasutatavate liidristiilide kaardistamise, alluvate ja juhtide tööga seotud väärtushinnangute väljaselgitamise ning ka alluvate pühendumise, efektiivsuse ja rahulolu temaatikaga.

2003. aastal viidi läbi teine uuring, mis keskendus organisatsioonikultuuri ja alluvate poolt oodatavatele liidriomaduste väljaselgitamisele. Tingituna soovist keskenduda eelkõige liidriomaduste uurimisele ei käsitle autor oma töös organisatsioonikultuurilised aspektid.

Antud doktoritööd võib lugeda aktuaalseks ja uudseks lähtuvalt järgnevast viiest aspektist:

Esiteks - teadaolevalt töö autorile ei ole Eestis varem uuritud üleminekuajastu eestvedamisega seotud problemaatikat. Lisaks sellele on antud teemavaldkond ka rahvusvahelises uurimisajaloos uus. Seega on tööl suur roll ja panus eestvedamise uurimistemaatika käsitlemisel laiemas aspektis ning eelkõige Eesti juhtimisteaduses eestvedamise temaatika täiendamine. Lisaks on sellel tööl oma roll globaalsemas juhtimisteaduses läbi kohaliku kultuurispetsiifilise sisendinfo.

Teiseks – arengud tulevikus on seotud minevikuga. Seega usub autor, et tuginedes antud töös uuritavale eestvedamise teooriale ja empiirilisele materjalile on võimalik seada eesmärke edaspidiseks. Antud töö tulemusi, informatsiooni eestvedamise edukate võtete, stiilide ja praktika kohta on võimalik kasutada nii äriettevõtetes täiendkoolituseks kui ka akadeemilistes ringkondades tuleviku juhtide ettevalmistamiseks.

Kolmandaks – teadmised liidriomadustest, mis aitasid kaasa Eesti kiirele arengule on väärtuslik informatsioon sarnaste eesmärkide saavutamisel. Eesti võiks olla võrdlusetalon uutele demokraatiatele ja ka neile kes soovivad lähitulevikus ühineda Euroopa Liiduga.

Neljandaks – antud töö oluliseks aspektiks on tulemuste võrreldavus teiste riikide sarnaste näitajatega. Uuringu läbiviimisel ja järelduste tegemisel kasutas autor rahvusvaheliselt aktsepteeritavat metoodikat. Ühtlasi andis osalemine rahvusvahelises uurimisprojektis võimaluse võrrelda Eesti uuringutulemusi teiste kultuurikeskkondade uuringutulemustega.

Viiendaks – uurimisprojektide üks olulisimaid väärtusi on nende korratavuses. Rahvusvaheliselt kasutatav metoodika on nüüdseks läbi antud doktoritöös kajastatava uurimisprojekti Eesti kultuurikeskkonnas testitud. Seega on tuleviku uurijatel olemas võimalus kordusuuringute teostamiseks ning võrdlemiseks üleminekuperioodiga.

Püstitatud uurimuseesmärkidele vastuse leidmiseks sai käesolev doktoritöö üles ehitatud viies põhipeatükis, millele omakorda lisanduvad sissejuhatus, inglise ja eesti keelne kokkuvõte ning töö käigus kasutatud kirjanduse loetulu ning lisad.

Peatükk kaks – käsitleb eestvedamisega seotud erinevaid teooriaid – kes on liider, kas liidriks sünnitakse, õpitakse või arenetakse, milline on ümbritseva keskkonna roll liidriks saamisel ja olemisel. Ühtlasi annab autor ülevaade enamlevinud eestvedamise teooriatest.

Peatükk kolm - keskendub teoreetiliste seisukohtade käsitlemisele majanduslikult muutuvates ühiskondades. Autor annab ülevaade Eestis toimunud ajaloolistest protsessidest rõhutades iseseisvuse taastamisaegset aastakümmet.

Peatükk neli – on jagatud neljaks alapeatükiks. Esimeses alapeatükis püstitab autor uurimistöö küsimused ja hüpoteesid. Teises alapeatükis kirjeldatakse uurimistöö metoodikat. Kolmandas alapeatükis annab autor ülevaade Eesti ettevõtetes aastatel 2001 ja 2003 läbi viidud kahest läbiviidud empiirilisest uuringust. Neljandas alapeatükis annab autor ülevaate empiirilise materjali analüüsist ja saadud tulemustest.

Peatükk viis - sisu on pühendatud empiiriliste tulemuste ja tulemite analüüsile, milles käsitletakse uurimistöö erinevate osade seotust teoreetiliste nägemustega.

Peatükis kuus – arutleb autor antud doktoritöö edasiste mõjude üle, teeb ettepanekud töö praktiliseks kasutamiseks. Lisaks annab autor suuniseid uurimuse edasiarendamiseks tulevikus

Peatükk seitse - on käesoleva uurimistöö kokkuvõte. Välja on toodud lühike ülevaade, uurimistöö küsimused, teoreetiline aspekt, millest juhindutakse, uurimistöö meetodid, küsitlustöö protsess ja uurimistöö tulemused.

Uurimistöö lõpetatakse eestikeelse kokkuvõttega, kasutatud kirjanduse loeteluga ja lisadega. Lisatud on autori elulookirjeldus ja avaldatud artiklite loetelu.

Töö käigus jõuab autor järgmiste järeldusteni:

Esimene uurimusküsimus (R1) - *kuidas võib kirjeldada Eesti ettevõtete juhtide ja nende alluvate tööga seotud väärtusi,* kajastas tööga seotud väärtushinnangute valdkonda. Neid väärtushinnanguid võrdles töö autor kahe erinevas uurimisgrupis lõikes s.o. eraldi juhtide ja alluvate grupis. Tulemusena leidis autor, et üleminekuperioodi Eestis olid väärtushinnangud mõlemas uurimisaluses grupis suhteliselt sarnased.

Kõige ebaolulisemateks osutusid nii juhtide, kui nende alluvate seas usu ja uskumustega seotud tõekspidamised. Usku salapärastes jõudude toimeefekti

hinnati madalaima keskmise hinnanguga, ehk alla kahe seitseme punktilisel skaalal. Ka usk jumalasse ei leidnud eestlaste poolt kõrgemat kui kahe ja poole punktilist keskmist hinnangut.

Suhteliselt madala hinnangu sai ka mõju vähemusrahvustele. Selline hinnang on ootamatu, kuid sarnaselt teiste sotsiaalteadlastega leiab ka antud töö autor, et eeldatavasti kuulub see teatud kindla ringkonna probleemide hulka

Enam-vähem olulisteks valdkondadeks peeti naistöötajatega seotud problemaatikat, mõju kogu ühiskonna ja ka kohaliku ühiskonna heaolule ning keskkonnaga seotud temaatikat. Tunduvalt olulisemaks hinnati nn. lühiajalise heaoluga seotud väärtushinnanguid nagu näiteks müügitulemused ja kulude kontroll. Tulenevalt sellest, et pikema perspektiivi heaolu küsimused on vähemtähtsad kui lühiajalised, teeb autor järelduse, et Eesti majandusühiskond on ikka veel faasis, kus lahendatakse esmase rohuloluga seotud küsimusi.

Tuginedes tulemustele ja autori hinnangule võib öelda, et Eestit iseloomustab Milton Friedmanlik mõttelaad, kus ettevõtete eksisteerimise ainuke põhjus ja konkurentsieelis on kasum.

Siiski on hea tõdeda, et olulisemaks kui kasumit peetakse üleminekuaja Eestis nii töötajate professionaalsuse kasvu kui ka kliendirahulolu.

Lisaks väärtushinnangutele uuritakse antud töös *liidriomadused, mis iseloomustavad juhte üleminekuajastu Eestis* (R2). Empiirilise analüüsi tulemusena selgus, et olulisimad omadused on info omamine ja jagamine, enesekindlus, otsustavus, ausameelsus ja visionäärlus. Neile järgneb suhtlusoskus ja administratiivne efektiivsus, tulemustele ning meeskonnatööle orienteeritus ja intellektuaalse motivatsiooni loomine. Need olid esimesed kümme juhiomadust kolmekümnest, mis alluvate arvates iseloomustavad Eesti kohalikku juhti. Samas arvasid alluvad, et nende juht ei ole pahatahtlik, ennast kaitsev, ei julgusta juhuslikult ega kasuta „ümber nurga" juhtimist.

Nendest kolmekümnest juhiomadusest moodustati faktoranalüüsi teel kuus Eestile omast juhtimisstiili. Neile kuuele stiilile anti järgnevad nimetused: *visionäär ja meeskonnale orienteeritud juht, bürokraatlik juht, autonoomne juht, võimu jagav juht, riskeeriv juht* ja *dikteeriv juht.* Nendest juhtimisstiilidest esimest e. visionäär ja meeskonnale orienteeritud juhti võib Eesti kontekstis pidada ka transformatsiooniliseks juhiks. Sellese juhtimisstiili koondusid teoreetilises käsitluses transformatsioonilist juhti iseloomustavad omadused.

Järgnevalt, lisaks liidriomaduste ja -väärtuste temaatikale huvitab töö autorit töötajate pühendumist, efektiivsust ja rahulolu mõjutavad tegurid - kas väärtushinnangud mõjutavad töötajate pühendumist, efektiivsust ja rahulolu ning

kas töötajate pühendumine, efektiivsus ja rahulolu on seotud eestvedamise stiiliga.

Väärtushinnangutest pööras autor erilist tähelepanu eetikale ja selle seotusele töötajate pühendumise, efektiivsuse ja rahuloluga. Üha enam vapustab Eesti ühiskonda juhtide eetilise käitumisega seotud problemaatika. Trevino (2000) väidab: selleks, et saavutada eetilise juhi reputatsioon, peab juht olema nii *moraalne inimene* kui ka *moraalne juht* ning liidrit, kes on tugev mõlemas kategoorias tunnetatakse eetilise liidrina (Trevino et al, 2000).

Järeldusena võib välja tuua, et uurimistöö esimene hüpotees ei saanud täielikku kinnitust. Analüüsi käigus selgus, et töötajate pühendumine, efektiivsus ja rahulolu ei oma otsest seost eetiliste küsimustega, vaid kvaliteedi ning töötajate ja klientide rahuloluga. Viimane omakorda on seotud juhtide eetiliste tõekspidamistega. Seega on töötajate pühendumine, efektiivsus ja rahulolu seotud eetikaga kaudselt läbi töötajate ning klientide rahulolufaktori.

Eestvedamise stiilidest on töötajate pühendumine, efektiivsus ja rahulolu seotud visionäärse ja meeskonnale orienteeritud stiiliga.

Uurimustöö viimaseid ja üks olulisemaid eesmärke on teada saada, kas eestlaste ootused juhtimisstiilile on sarnased teistele Ida-Euroopa juhtidele või on Eestis teistsugused tõekspidamised edukast juhtimisstiilist. Lang (2003) on väitnud, et üleminekumaadel on oma kindel eestvedamise mudel erinevalt arvamusest, et see muutub sarnaseks lääneliku eestvedamisega.

Seda eesmärki aitas täita osalemine rahvusvahelises uurimisprojektis ja võimalus saada võrreldavaid andmeid teiste kultuuripiirkondade kohta.

Tulemusi mõõdeti kuue erineva juhtimisstiili lõikes. Antud stiilide, mida nimetatakse ka globaalseteks eestvedamise mõõtmeteks, tulemuste välja arvutamine oli üks rahvusvahelise metoodika osa. Nendeks mõõdeteks e. stiilideks on: karismaatiline – väärtustel põhinev stiil, meeskonnale orienteeritud stiil, osalev stiil, inimlik stiil, autonoomne stiil ja nartsistlik stiil.

Tulemuste võrdlemisel kasutati erinevate kultuuriliste klastrite stiilide keskmisi väärtusi. Teiste Ida-Euroopa riikide keskmiste tulemuste erinevuse võrdlemiseks kasutati z-testi. Testi tulemusena saadi, et Eestit ja teiste Ida-Euroopa riikide ootused juhtimisstiilile on erinevad. Lisaks võrreldi Eesti ka Põhjamaade, anglo ja germaani kultuuripiirkonnaga.

Järeldusena võib öelda, et eestvedamise ootused üleminekuaja Eestis erinevad nii Ida-Euroopa ootustest juhtimisstiilidele ning ka teistest kultuuriliste piirkondade ootustst juhtimisstiilile, moodustades seega Eestile omase stiiliootuse.

Seega sai kinnitus nii hüpotees H2 kui ka H3. Kokkuvõtvalt võib öelda, et juhte, kes töötas Eesti ettevõtetes üleminekuperioodil võib nimetada transformatsiooniliseks juhtideks ning ootused juhtimisstiilidele Ida-Euroopa riikides ja Eestis erinevad teineteisest.

Viimasena võrreldi Eestis tegelikult praktiseeritud eestvedamisstiile alluvate ootustega juhtimisstiilidele. Tulenes, et väärtustele põhineva juhtimisstiili ootus on kõrgem, kui praktikas. Tähelepanu vääriv on aga asjaolu, et praktilises juhtimistegevuses on meeskonnale orienteeritud juhtimisstiil saanud kõrgema hinnangu, kui väärtustele põhinev juhtimisstiil. Stiil, mida Eesti juhid igapäevatöös ei kasuta on osalev stiil, hoolimata töötajate ootustest. Samas humaanset stiili praktiseeritakse rohkem, kui on töötajate ootused sellele juhtimisstiilile.

Kuigi reaalses elus leidis vähest praktiseerimist autonoomne stiil ning nartsistliku stiili puhul on arvamus neutraalne, peavad eestlased neid stiile eestvedamist takistavateks stiilideks.

Käesoleval doktoritööl on mitmeid erinevaid kasutusvõimalusi nii igapäeva majanduselus, kui ka akadeemilises arendustegevuses.

Võib eeldada, et jätkuvalt lisandub Eestisse uusi ettevõtteid, mida juhivad või omavad välismaalased. Antud doktoritöös välja toodud eestlaste poolt oodatavad juhtimisstiilid ja tööga seotud väärtushinnangud on kasulik informatsioon mitteeestlastest juhtidele mõistmaks oma alluvaid ja hoidmaks ära kultuurilistel erinevustel põhinevaid konflikte.

Lisaks välismaallastest juhtidele peavad ka eesti oma juhid teadma oma alluvate ootusi eestvedamise stiilidele. Antud doktoritöö on neile väärtuslikuks allikaks selle teabe omandamisel

Pärjamäe (2007) diskuteerib, et Eestis napib häid juhte ning lisab, et korraliku juhtimisalast haridust ei ole võimalik saada. Seega on oluline kasutada doktoritöösse koondatud andmeid tuleviku juhtide koolitamisel ja täiendkoolitustel. Antud doktoritöö annab oma panuse Eesti akadeemilise juhtimishariduse edasiarendamises pöörates tähelepanu eestvedamisstiilidele, praktikale ja ootustele Eestis.

Autor toetab kindlasti ideed viia antud uurimisprojekt kordusena läbi mõne aasta pärast, näiteks Estonian Business Shool'is. Selle töö kordamine annaks õppeasutusele olla pidevalt kursis muutustega Eesti eestvedamisstiilides ja kaasajastada vastavalt ühiskonna normidele õppeprogramme. Lisaks on uurimustöö kordamine hea võimalus üliõpilastel praktiseerida multimeetodilise projekti läbi viimist.

Edasistel uurijatel soovitab käesoleva töö autor võrreldavate tulemuste saavutamiseks eestikeelsed küsimustike variandid jätta samaks ning võimaluse korral kasutada kaasaegsemaid valimi moodustamise meetodeid.

Autor soovib edu kõigile antud projekti edasi viia soovijatele, kellel on huvi ja pühendumust ning soov anda panus eestvedamise temaatika arendamisele Eestis.

ABBREVIATIONS

CCI   - Country co-investigator

CLT   - culturally endorsed leadership theory

CEO   - Chief Executive Officer

CSR   - corporate social responsibility

EEC   - East European Country

EU   - European Union

GLOBE   - Global Leadership and Organizational Behaviour Effectiveness Research Programme

IME   - Independent Economic Estonia

LBQ   - Leader Attributes and Behaviour Questionnaire

LMX   - Leader member exchange

SD   - Standard deviation

SCES   -Subordinate commitment, effectiveness and satisfaction

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APPENDIXES

Appendix 1 - CEO Questionnaire Scale Composition Guides

Autocratic
D21 Is in charge and does not tolerate disagreement or questioning, gives orders
D39 Acts like a tyrant or despot; imperious
C65 Tells subordinates what to do in a commanding way
C23 Makes decisions in dictatorial way
C35 Is inclined to dominate others
C31 Forces his/her values and opinions on others

Decisive
C29 Makes decisions firmly and quickly
C76 Applies logic when thinking
C73 Has good intuition; is insightful
D43 Strong-willed, determined, resolute, persistent

Diplomatic
D45 Interested in temporal events, has a world outlook
D44 Is able to identify solutions which satisfy individuals with diverse and conflicting interests
D46 Is able to maintain good relationships with others
C32 Is skilled at interpersonal relations
C72 Avoids disputes with members of his or her group
C37 Is able to negotiate effectively; is able to make transactions with others on favourable terms

Face Saver
D24 Ensures that subordinates are not embarrassed or shamed
C49 Refrains from making negative comments to maintain good relationships and save-face
C83 Avoids saying no to another when requested to do something, even when it cannot be done

Visionary
D9 Anticipates and prepares in advance
D42 Has a vision and imagination of the future
C7 Anticipates; attempts to forecast events; considers what will happen in the future
C50 Anticipates possible future events
C53 Makes plans and takes actions based on future goals
C3 Is able to successfully anticipate future needs
D78 Has a clear sense of where he/she wants this organization to be in five years
C71 Has a clear understanding of where we are going
C45 Clearly articulates his/her vision of the future

Inspirational
D6 Emphasizes the importance of being committed to our values and beliefs
C43 Demonstrates and imparts strong positive emotions for work
C36 Is highly involved; energetic; enthused; motivated
C25 Is unusually able to persuade others of his/her viewpoint

C11 Talks to subordinates about his/her important values and beliefs.

C12 Emphasizes the importance of having a strong sense of purpose

D27 Foregoes self-interests and makes personal sacrifices in the interest of a goal or vision

Integrity

D30 Means what he/she says, earnest

D38 Deserves trust, can be believed and relied upon to keep his/her word

C75 Acts according to what is right or fair

C58 Speaks and acts truthfully

C30 Can be relied on to meet obligations

C33 Is not sincere, fraudulent (reverse scored)

C27 Is sly, deceitful, full of guile (reverse scored)

D66. Makes sure that his/her actions are always ethical

D67 Can be trusted to serve the interests of his/her subordinates rather than him/herself

D83. Makes sure that his/her actions are always ethical

Bureaucratic

D20. Is ritualistic; uses a prescribed order to carry out procedures

D14 Follows established rules and guidelines

D3 Tends to behave according to established norms, policies, and procedures

C51 Acts in accordance with rules, convention and ceremonies

C57 Is habitual; given to a constant, regular routine

Administratively Effective

D18 Is organized and methodological in work

D4 Well-organized, methodical, orderly

D13 Is generally prepared for meetings any foreseeable future events

C4 Able to plan, organize, coordinate and control work of large numbers (over 30) of individuals

C5 Has the ability to manage complex office work and administrative systems

Autonomous

C8 Avoids people or groups, prefers own company

C42 Acts independently, does not rely on others

C61 Does not rely on others; is self-governing

C63 Behaves in a different manner than peers

C77 Is a loner, tends to work and act separately from others

C34 Aloof, stands off from others, difficult to become friends with

D40 Is unique; has characteristics or behaviors that are different from most others

Malevolent

D22. Is punitive; has no pity or compassion

D41 Vengeful; seeks revenge when wronged

C38 Is conceited; is convinced of own abilities

C28 Tends to believe the worst about people and events

C20 Is overbearing

C59 Is actively unfriendly; acts negatively toward others

Performance Oriented

D79 Insists on only the best performance

D29 Sets high performance standards

D5 Strives for excellence in performance of self and subordinates

C60 Seeks continuous performance improvement

C6 Sets high goals, works hard

Power Sharing

D50 Does not allow others to participate in decision making (Reverse scored)

D53 Gives subordinates a high degree of discretion to perform their work

D7 Tends to be unwilling or unable to relinquish control of projects or tasks (Reverse scored)

D69 Allows subordinates to have influence on critical decisions

D70 Seeks advice concerning organizational strategy from subordinates

D71 Will reconsider decisions on the basis of recommendations by those who report to him/her

C24 Consults with others before making plans or taking action

C80 Is an extremely close supervisor, one who insists on making all decisions (Reverse scored)

C10 Sets goals for my performance (Reverse scored)

Humane

C52 Tends to be good friends with subordinates

C54 Is willing to give time, money, resources and help to others

C21 Has empathy for others; is inclined to be helpful or show mercy

D60 Sees that the interests of subordinates are given due consideration

D84 Looks out for my personal welfare

C56 Is concerned with the welfare of the group

C78 Stays with and supports friends even when they have substantial problems or difficulties

Calmness

C9 Is not easily distressed

C81 Does not boast, presents self in a humble manner

C74 Given to being moody; easily agitated (reverse scored)

D8 Has and shows patience

D32 Is suppressed, quiet, tame

Information Source

C64 Is knowledgeable; is aware of information

C16 Is easily understood

C69 Is smart; learns and understands easily (reverse scored)

Communicator

C19 Communicates with others frequently

D54 Is open in his/her communications with subordinates

D55 Shares critical information with subordinates

Role Clarification

D16 Communicates his/her performance expectations for group members

D23 Clarifies who is responsible for what

D36 Provides feedback to help subordinates

D72 Explains what is expected of each member of the group

D73 Explains each individual group members' scope of authority

D74 Clarifies priorities

C14 Provides direction in regard to my job

C39 Explains the rules and procedures group members are expected to follow

C55 Gives me instructions about how to do my job

Directive

D35 Establishes my goals for me

D56 Takes a strong hand in establishing my goals

D63 Allows me to take a strong hand in setting my own performance goals (Reverse scored)

D65 Encourages me to set my own performance goals (Reverse scored)

D82 Tells me how to do my work

Shows Self-Confidence

D57 Displays conviction in his/her ideals, beliefs, and values

D75 Shows a high degree of self confidence

D76 Rises to meet difficult goals

D77 Has strong convictions about the correctness of his or her actions

C17 Views obstacles as challenges rather than threats

D11 Is generally optimistic and confident

Fair

D58 Holds me accountable for work over which I have no control(Reverse scored)

D59 Does not show favoritism toward an individual or group of individuals

D61 Does not criticize subordinates without good reason

C46 Uses a common standard to evaluate all who report to him/her

C48 Administers rewards in a fair manner

Intellectually Stimulating

D64 When I have a problem he/she asks me to find a solution

D68 Has ideas that have forced me to rethink some things that I have never questioned before

D80 Encourages subordinates to look for better ways of doing their work

D85 Expects unquestioning obedience of those who report to him/her (Reverse scored)

D86 Challenges me to think about problems in new ways

C2 Encourages me to solve problems on my own

C68 Encourages others to think and use their minds; challenges beliefs, stereotypes and attitudes of others

C84 Challenges me to re-examine some of my basic assumptions about my work

C85 Encourages subordinates to be independent thinkers

Follower Confidence

D52 Allows subordinates to use their judgment when solving problems

D51 Delegates challenging responsibilities to subordinates

D47 Shows confidence in subordinates

C1 Shows confidence in my ability to work without supervision

D62 Shows confidence in my ability to contribute to the goals of this organization

Team Oriented

D33 Works at getting members to work together

C67 Integrates people into cohesive work units

C26 Integrates and manages work of subordinates

C79 Intervenes to solve conflicts between individuals

C18 Works jointly with others

D2 Unwilling to work jointly with others (Reverse scored)

Risk taker

D19 Is willing to invest major resources in endeavors that do not have high probability of success.

D17.Avoids taking risks, dislikes risks (Reverse scored)

C47 Proceeds/performs with great care and does not take risks (Reverse scored)

Non-contingent praise

D81 Is just as likely to praise me when I do poorly as when I do well

C13 Will praise me even when I don't deserve it

Self-Protective

D48 Pursues own best interests

C44 Is self-absorbed; his/her thoughts focus mostly on one's self

D12 Individually oriented: places high value on preserving individual rather than group needs

D25 Tends to conceal information from others

D15 Stimulates unrest

D34 Easily hurt or offended

C70 Competes with others within the top management team

Status conscious

D31 Aware of others' socially accepted status

C15 Is conscious of class and status boundaries and acts accordingly

C40 Believes that a small number of people with similar backgrounds are superior and should enjoy privileges

D26 Is modest (Reverse scored)

D10 Believes that all individuals are not equal and only some should have equal rights and privileges (reverse

scored)

Charismatic effects

D1 Mobilizes and activates followers

D49. Builds trust with subordinates

C66 Inspires others to be motivated to work hard

C41 Gives courage, confidence or hope through reassurance and advice

C82 Increases morale of subordinates by offering encouragement, praise, and/or by being confident

C22 Instills others with confidence by showing confidence in them

C86 The CEO stimulates others to put forth efforts above and beyond the call of duty and make personal

sacrifices

D87 The CEO stimulates others to put forth efforts above and beyond the call of duty and make personal

sacrifices

Indirect

D37 Does not communicate explicitly, communicates by metaphor, and allegory, and example

C62 Does not go straight to the point; uses metaphors and examples to communicate

Appendix 2 - 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.

Appendix 3- Sample CLT Questionnaire Items and Response Alternatives

Sample leadership items:

Sensitive - Aware of slight changes in moods of others.

Motivator - Mobilizes, activates followers

Evasive - Refrains from making negative comments to maintain good relationships and saves face

Diplomatic - Skilled at interpersonal relations, tactful.

Self-interested -Pursues own best interests.

Response Alternatives:

This attribute/characteristic impedes or facilitates unusually effective leadership

1. Substantially impedes

2. Moderately impedes

3. Slightly impedes

4. Neither impedes nor facilitates

5. Slightly facilitates

6. Moderately facilitates

7. Substantially facilitates

Appendix 4 – Subordinate Commitment, Effectiveness and Satisfaction composition

Your reaction

In this section we are interested in your reactions to, and views of, this organization. Your answers will be kept strictly confidential. Please answer the following questions using the same response alternatives

(1) Strongly Disagree
(2) Moderately Disagree
(3) Slightly Disagree
(4) Neither Agree nor Disagree
(5) Slightly Agree
(6) Moderately Agree
(7) Strongly Agree

Please circle the number that most closely represents the behavior of the chief executive of your organization. He or she…

86. The CEO stimulates others to put forth efforts above
and beyond the call of duty and make personal sacrifices   1 2 3 4 5 6 7

87. I contribute to this organization 100% of my ability   1 2 3 4 5 6 7

88. I expect to be with this organization three years from now   1 2 3 4 5 6 7

89. People at my level work well together   1 2 3 4 5 6 7

90. I am optimistic about my future with this organization   1 2 3 4 5 6 7

91. My work is made difficult because others will not provide
the cooperation and support they should provide   1 2 3 4 5 6 7

92. The top managers work as an effective team   1 2 3 4 5 6 7

93. I agree with to the chief executive's vision of this organization   1 2 3 4 5 6 7

94. I expect this organization to have an excellent future   1 2 3 4 5 6 7

95. I am willing to make serious personal sacrifices to contribute
to the success of this organization   1 2 3 4 5 6 7

96. My effort is above and beyond that which is required   1 2 3 4 5 6 7

Appendix 5- Leadership dimensions

Visionary
II-12   inspirational
II-13   anticipatory
II-35   prepared
II-56   intellectually stimulating
IV-10 foresight
IV-11 plans ahead
IV-19 able to anticipate
IV-46 visionary
IV-51 future oriented

Inspirational
II-5   positive
II-31   encouraging
II-32   morale booster
II-48   enthusiastic
IV-20   motive arouser
IV-26   confidence builder
IV-35   dynamic
IV-42   motivational

Self Sacrificial
II-14   risk taker
IV-22   convincing
IV-30   self-sacrificial

Integrity
II-15   sincere
II-16   trustworthy
II-20   just
IV-32 honest

Decisive
II-44   decisive
IV-8   logical
IV-15 intuitive
IV-47 will-full

Performance orientated
II-11   improvement oriented
IV-24   excellence-oriented
IV-40   performance orientated

Team Orientation
II-3   mediator
II-28   loyal

II-30   collaborative
II-39   fraternal
II-45   consultative
IV-27   group-oriented

Team Integrator
II-22   clear
II-25   integrator
II-52   subdued (reverse scored)
IV-4   informed
IV-23   communicative
IV-36   coordinator
IV-38   team builder

Diplomatic
II-1   diplomatic
II-17   worldly
II-18   intra-group conflict avoider
II-21   win-win problem solver
IV-5   effective bargainer

Malevolent
II-43   intelligent (reversed score)
II-46   irritable
II-50   vindictive
IV-6   egoistical
IV-7   non-cooperative
IV-39   cynical
IV-49   dishonest
IV-50   hostile
IV-53   dependable (reversed score)

Administratively competent
II-19   administratively skilled
II-34   orderly
IV-2   organized
IV-52   good administrator

Self-centered
II-23   self-interested
II-38   asocial
II-47   loner
IV-29   non-participative

Status Consciousness
IV-9   status-conscious
IV-28   class-conscious

Conflict Inducer
II-6   intra-group competitor
II-37   secretive
IV-12 normative

Face saver
II-2   evasive
IV-16 indirect
IV-45 avoids negatives

Procedural
II-41   formal
IV-1   cautious
IV-17 habitual
IV-25 procedural
IV-56 ritualistic

Autocratic
II-4   bossy
II-36   autocratic
IV-33 domineering
IV-37 elitist
IV-48 ruler
IV-54 dictatorial

Non-participative
IV-13   individually oriented
IV-14   non-egalitarian
IV-43   micro manager
IV-44   non-delegator

Humane Orientation
II-40   generous
II-51   compassionate

Modesty
II-26   calm
II-42   modest
IV-18 self-effacing
IV-31 patient

Autonomous
II-7   autonomous
II-8   independent
II-29   unique
IV-55 individualistic

Appendix 6 - Scales of Work Related Values

Work related value scale

1. Cost control
2. Customer satisfaction
3. Employee relations issues such as employee well-being, safety, working conditions
4. Contribution to the economic welfare of the nation
5. The welfare of the local community
6. Employee professional growth and development
7. Pleasing, respecting, not offending a divine being – a god or an idol for example
8. Effect on the environment
9. Ethical considerations
10. Effect on the long term competitive ability of the organization

Effect on relationships with other organizations with which
11. You do seriousbusiness, for example suppliers, government agencies, strategic alliances,
12. Effect on firm profitability
13. Effect on of minority employees
14. Effect on female employees
15. Effect of supernatural forces forces such as auspicious days, forcasts by truth sayers, and the like.
16. Effect on product quality
17. Effect on sales volume

Response Alternatives

1. Not important
2. Of little importance
3. Of some importance, but little
4. Important / Frequently considered important
5. Very important / almost always
6. Especially important / always
7. The most important

Appendix 7 - Descriptive Statistics of Work Related Values

	Managers					Subordinates				
	N	Min.	Max.	Mean	Std. Dev.	N	Min.	Max.	Mean	Std. Dev
Cost control	44	4	7	5.43	0.70	174	3	7	5.47	0.86
Customer satisfaction	44	4	7	6.16	0.86	174	4	7	6.16	0.92
Employee relations issues such as employee well-being, safety, working conditions	44	3	7	5.30	1.00	174	2	7	5.51	0.87
Contribution to the economic welfare of the nation	44	2	6	4.18	1.04	173	1	7	4.01	1.24
The welfare of the local community	44	2	7	4.34	1.10	173	1	7	4.18	1.17
Employee professional growth and development	44	4	7	5.84	0.78	173	2	7	5.53	0.92
Pleasing, respecting, not offending a devine being a god	43	1	7	2.51	1.72	173	1	7	2.46	1.53
Effect on the environment	44	2	7	4.45	1.07	174	1	7	4.33	1.17
Ethical considerations	44	2	7	5.25	1.04	174	2	7	5.27	1.08
Effect on the long term competitive ability of the organization	43	3	7	5.60	0.88	172	3	7	5.65	0.92
Effect on relationships with other organizations	44	3	7	5.30	0.90	173	1	7	5.14	0.90
Effect on firm profitability	44	3	7	5.75	0.87	173	1	7	5.70	1.05
Effect on of minority employees	44	1	6	3.00	1.28	172	1	7	3.25	1.45
Effect on female employees	44	1	7	3.59	1.51	173	1	7	3.86	1.37
Effect of supernatural forces forces	44	1	4	1.36	0.69	173	1	6	1.58	1.07
Effect on product quality	44	4	7	5.84	0.81	172	2	7	5.89	0.92
Effect on sales volume	44	3	7	5.43	0.87	173	1	7	5.61	1.00

Source: author's calculations

Appendix 8 - Managerial Value Factors

Welfare and Relationships	1	2	3	4	5
Economic welfare of the local community	**.91**	.15	.06	-.12	-.14
Economic welfare of the nation	**.89**	.01	.07	-.04	-.01
Effect on female employees	**.65**	.17	.12	.23	.17
Employee relations issues such as employee well-being	**.62**	.36	.46	-.14	-.06
Effect on/of minority employees	**.50**	.06	-.44	.02	.37
Ethics, Environment and Competitiveness					
Ethical considerations	.38	**.74**	.03	.05	.24
Employee professional growth and development	.03	**.70**	.29	-.02	-.22
Effect on the environment	.51	**.65**	.19	.31	-.08
Effect on long-term competitive ability of the organization	-.05	**.55**	.20	.05	.55
Product Quality and Customer					
Effect on product quality	.20	.25	**.73**	-.01	.26
Customer satisfaction	.12	.14	**.65**	.30	.05
Effect on relationships with other organizations	-.02	.35	**.50**	-.40	.08
Supernatural Forces					
Effect on supernatural forces	-.02	-.04	.13	**.85**	-.05
Pleasing, respecting, not offending a divine being	.18	.35	-.25	**.64**	.15
Profitability of Company					
Cost control	.20	-.03	-.19	-.59	**.41**
Effect on the firm's profitability	-.14	.01	.03	-.10	**.77**
Effect on sales volumes	.31	-013	.44	-.02	**.65**

Source: author's calculations

Appendix 9 - Subordinate Value Factors

Product Quality and Competitiveness	1	2	3	4	5	6
Effect on sales volumes	**.83**	-.04	.07	-.04	-.05	-.12
Effect on the firm's profitability	**.72**	.11	-.18	.08	.19	-.01
Effect on product quality	**.66**	-.05	-.10	.23	-.06	.30
Effect on long-term competitive ability of the organization	**.58**	-.04	.07	.17	.09	.34
Effect on relationships with other organizations	**.57**	.22	.37	.18	.06	-.05
Economic Welfare						
Economic welfare of the nation	.02	**.86**	.19	.12	.16	.12
Economic welfare of the local community	-.01	**.83**	.26	.10	.03	.19
Cost control	.38	**.49**	-.34	-.30	.22	.16
Supernatural Forces						
Effect on supernatural forces	.02	.17	**.81**	-.29	.13	-.04
Pleasing, respecting, not offending a divine being	.00	.11	**.70**	.09	.16	.16
Employee and Customer Satisfaction						
Employee professional growth and development	.11	-.01	-.07	**.80**	.20	.21
Employee relations issues such as employee well-being	.14	.45	-.17	**.57**	.21	-.08
Customer satisfaction	.42	.13	.07	**.54**	-.10	-.01
Effect on Minority Groups						
Effect on female employees	.09	.08	.04	.16	**.86**	.09
Effect on/of minority employees	.01	.19	.32	.03	**.79**	.12
Ethics and Environment						
Effect on the environment	.05	.28	-.03	-.07	.07	**.81**
Ethical considerations	.08	.05	.28	.36	.21	**.67**

Source: autor's calculations

Appendix 10 - Special patterns of Leadership Style in Estonia (scales for management style)

Visionary and Team Oriented Leader	1	2	3	4	5	6
Visionary	**.89**	.15	.02	.06	-.10	-.21
Inspirational	**.84**	-.04	-.14	-.08	.02	.12
Charismatic effects	**.84**	-.02	-.24	-.24	.25	.01
Decisive	**.82**	-.15	.16	.17	-.10	-.06
Performance Oriented	**.78**	**.16**	.19	-.19	-.06	.14
Information Source	**.77**	-.02	-.11	.24	-.36	-.23
Intellectually Stimulating	**.74**	.07	.03	.40	.27	.02
Team Oriented	**.72**	.23	-.43	.02	-.14	.07
Shows Self-Confidence	**.66**	.23	-.02	-.21	.39	.07
Role Clarification	**.59**	.46	.00	-.02	.21	.16
Administratively Effective	**.58**	.50	.06	.16	-.24	-.16
Communicator	**.54**	.36	-.52	.08	.28	.03
Integrity	**.51**	.48	-.11	.25	.29	-.31
Fair	**.39**	.12	-.25	.35	.14	-.14
Bureaucratic Leader						
Status conscious	.05	**.73**	.12	-.40	.18	.18
Face Saver	-.04	**.73**	**-.20**	.15	-.02	.14
Bureaucratic	.09	**.62**	.16	.05	-.12	-.19
Diplomatic	.38	**.57**	-.34	.21	.05	-.15
Autonomous Leader						
Malevolent	-.04	.04	**.71**	-.44	-.12	.17
Autonomous	.04	.14	**.70**	-.17	.02	-.12
Humane	.30	.24	**-.68**	.11	.11	.13
Follower Confidence	.43	.18	**.47**	.43	.25	.41
Power Sharing Leader						
Calmness	-.10	.00	-.26	**.82**	-.11	-.11
Autocratic	.01	-.08	.51	**-.74**	-.12	-.07
Power Sharing	.13	.30	-.02	**.59**	.55	.20
Risk Taker						
Risk taker	.01	-.24	-.02	.01	**.78**	-.03
Self Protective	.14	-.41	.36	-.12	**-.64**	.08
Directive Leader						
Non contingent praise	-.09	.07	-.22	.10	.05	**.78**
Directive	.19	.04	.31	-.04	.12	**.57**
Indirect	-.12	-.17	-.11	-.14	-.21	**.53**

Source: author's calculations

Appendix 11 - Culturally Endorsed Implicit Leadership styles Dimensions

Leadership Style Dimension	Mean	SD	Leadership Style Dimension	Mean	SD
Value based	**5.76**	**0.57**	**Self-protective**	**3.27**	**1.06**
visionary	6.15	0.30	*self-centred*	1.89	0.17
inspirational	6.16	0.41	*status conscious*	4.58	0.79
self-sacrifice	4.66	1.10	*conflict inducer*	3.60	1.61
integrity	6.07	0.51	*face saver*	2.55	0.47
decisive	5.67	1.48	*procedural*	3.73	0.88
performance oriented	5.88	0.27	**Participative**	**5.42**	**0.05**
Team oriented	**5.73**	**0.43**	*autocratic*	5.45	0.40
team orientation	5.16	1.12	*non-participative*	5.39	0.50
team intgrator	5.43	1.71	**Humane**	**4.17**	**0.28**
diplomatic	6.08	0.93	*humane orientation*	4.37	0.60
malevolent	5.81	1.72	*modesty*	3.97	1.28
administratively competent	6.18	0.26	**Autonomous**	**3.29**	**0.51**

Note:

Leadership dimensions consist of primary leadership subscales which are italicized.

Source: authors calculations

Appendix 12 - Regression Models

Appendix 12.1 - Regression Models of SCES with Managerial Value Factors

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R	Adjusted R Square	Std. Error of the Estimate
	B	Std. Error	Beta					
(Constant)	3.729	0.324		11.498	0.000	0.330	0.025	0.44676
1 Product quality and customer satisfaction (PQCS)	0.249	0.056	0.330	4.443	0.000			
(Constant)	4.409	0.411		10.724	0.000			
2 product quality and customer satisfaction	0.284	0.057	0.376	5.014	0.000	0.381	0.145	0.4389
Profitability of the Company (PQ)	-0.159	0.061	-0.196	-2.615	0.010			

a. Dependent Variable: Commitment. Effectiveness and Satisfaction

Appendix 12.2 - Regression Models of SCES with Subordinate Value Factors

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R	R Square	Adjusted R Square	Std. Error of the Estimate
		B	Std. Error	Beta						
1	(Constant)	4.432	0.323		13.735	0.000	0.176	0.031	0.025	
	Employee and customer satisfaction	0.127	0.056	0.176	2.270	0.020				

a. Dependent Variable: Commitment. Effectiveness and Satisfaction

Appendix 12.3 - Regression Models of SCES with Leadership Styles

Model		Unstandardized Coefficients		Standardized Coefficients						Std. Error
		B	Std. Error	Beta	t	Sig.	R	R Square	Adjusted R Square	of the Estimate
1	(Constant)	2.427	0.375		6.478	0.000	0.499	0.249	0.244	0.41012
	Visionary & Team	0.539	0.074	0.499	7.325	0.000				
2	(Constant)	2.973	0.446		6.661	0.000				
	Visionary & Team	0.544	0.073	0.504	7.477	0.000	0.520	0.271	0.262	0.40540
	Risk Taker	-0.131	0.060	-0.148	-2.191	0.030				

a. Dependent Variable: Commitment. Effectiveness and Satisfaction

Appendix 12.4 - Regression Model of Ethical Considerations with Leadership Attributes

Coefficients(a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R	R Square	Adjusted R Square	Std. Error of the Estimate
	B	Std. Error	Beta						
1 (Constant)	3.111	0.802		3.879	0.000				
Intellectually Stimulating	0.424	0.157	0.208	2.704	0.008	0.208	0.043	0.037	1.07096

a. Dependent Variable: Ethical considerations

Appendix 12.5 - Regression Model of Subordinate Value Factor Ethics and Environment with Leadership Styles

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R	R Square	Adjusted R Square	Std. Error of the Estimate
		B	Std. Error	Beta						
1	(Constant)	3.252	0.588		5.529	0.000				
	Power Sharing	0.344	0.130	0.204	2.646	0.009	0.204	0.041	0.036	0.93552

a. Dependent Variable: Value item factor Ethics and Environment

Appendix 12.6 - Regression Model of Managerial Value Factor Ethics. Environment and Long Term Perspective with Leadership Styles

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R	R Square	Adjusted R Square	Std. Error of the Estimate
		B	Std. Error	Beta						
1	(Constant)	3.905	0.434		9.007	0.000				
	Power Sharing	0.307	0.096	0.244	3.205	0.002	0.244	0.060	0.054	0.68968

a. Dependent Variable: Ethics and environment and long term perspective

Appendix 13 - Second order factors and the scales/items they are based on

Charismatic/Value Based
   - Charismatic 1: Visionary
   - Charismatic 2: Inspirational
   - Charismatic 3: Self-sacrifice
   - Integrity
   - Decisive
   - Performance oriented
	Team Oriented
	   - Team 1: Collaborative Team Orientation
	   - Team 2: Team Integrator
	   - Diplomatic
	   - Malevolent (reverse scored)
	   - Administratively competent

Self-protective
   - Self-centered
   - Status conscious
   - Conflict inducer
   - Face saver
   - Procedural
	Participative
	- Autocratic (reverse scored)
	- Non-participative (reverse scored)
	- Delegator

Humane
   - Modest
   - Humane orientation
	Autonomous
	   - Individualistic
	   - Independent
	   - Autonomous
	   - Unique

Note: These are Global CLT Dimensions. They are comprised of the 21 leadership subscales
The only exceptions are Autonomous which is comprised of questionnaire items. not subscales
and delegator which is also an item rather than a scale.

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