



## VARIOUS TYPES OF ESTONIAN TOP-MANAGERS

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**Abstract.** Although there is no substantial change on this side, that leaders achieve results through the others work, there are still differences in the way, how leader achieves this. Based on empirical data from Cross Cultural CEO project this paper aims to classify leaders of Estonian organizations. The empirical study involved interviews with CEOs of 63 companies and questionnaires completed by the CEOs and their subordinates. Two types of top managers were received: directive type and team player. Self-organizing theory has been applied for interpreting results. Implications are developed for leadership development in countries in transition.

**Keywords:** leadership, Estonia, self-organizing.

### 1. Introduction

Leadership is culturally contingent and the status and influence of leaders vary considerably as a result of cultural forces in the countries or regions in which the leaders function (House et al., 2004). And not only cultural. Also economical transition has impact on leadership. During the last fifteen years Estonia has transformed from being an authoritarian, centralised, totalitarian socialist state, to a democratic country with a free market economy and different attitudes and values. This is a process, in which a complex set of normative and operating principles, embodied in historical structures, systems and practices becomes replaced by another unknown set, providing its members with a very ambiguous and uncertain period (Clark & Soulsby, 1999: 18). During economic transformation the challenge has been to internalise a new type of organisational behaviour in order to operate successfully under unfamiliar conditions. Leadership in the East European transitional countries have been seen as more autocratic and less participative, less human and more status oriented and, at least partly, more formal (Alt et al., 2003). During this period of transformation actors,

including top managers had to learn to deal with different institutional environment.

The aim of the article is to identify the possible change in leadership styles among Estonian top managers. The research question here is about Estonian top managers' possible movement towards more "softer" style of leadership during the years of transition.

In this paper the overview about different theories of leadership is followed by analysis of empirical data from CEO study in GLOBE project and implications for leadership development in countries in transition.

### 2. Theoretical background

The management process could be defined as social process of directing organisational complexity and conceiving organisational changes in a rapidly changing environment. Leadership involves influencing others to strive to achieve one or more goals. In work place settings values exert a great impact upon the work of managers. Leadership differences from management generally centre around more enterprise-wide, strate-

gic, eventful, and value-added roles and competencies. At the same time leadership and managerial roles can blur, and rightfully so. In smaller, start-up companies, for example, CEOs often perform leadership and managerial roles.

Leaders confront situations that are highly complex, constantly evolving and difficult to interpret (House et al., 2004). Although there is no substantial change on this side, that leaders achieve results through the others work, there are still differences in the way, how leader achieves this. From theoretical literature one could find a whole range of different definitions for the concept of leadership. It can be argued that there is no precise definition or widely accepted vocabulary for describing and discussing this phenomenon. Burns (1978: 2) also indicates that there is no school of leadership, intellectual or practical. According to House and Aditya (1997: 409, 462), almost all of the prevailing theories of leadership are rather distinctly American in character and in addition, these theories do not address the issue as to whether they can be generalized to other cultures.

Following are some theories about leadership:

**Authoritarian** leaders use legitimate power based on their formal position in organisation's hierarchy. The keywords for identifying this style are: usage of power, formal relationships, the existence or importance of hierarchy.

**Transactional** leaders use reward and cohesion power in exchange process in order to satisfy immediate needs (Burns, 1978). They ensure through the use of rewards and sanctions that the followers perform the required behaviours. It is like social exchange: leaders can offer resources to followers in exchange for the followers compliance and the loyalty to the leader (Kanungo & Mendonca, 1996). The focus of the transaction influence process is solely on the leader's objectives, needs and concerns (Ibid).

Transactional leadership involves reinforcement: leaders either make assignments or consult with followers about what is to be done in exchange for implicit or explicit rewards and the desired allocation of resources (Bass & Steidlmeier, 2004). The central traits of this style can be summed up as follows: reward-based, exchange-based, importance of self-interests.

**Transformational** leadership, in contrast, concentrates on satisfying higher needs (Burns, 1978). Transformational leaders empower followers in broader sense: they motivate and enable, highlight a new realization and transformation of the person (Kanungo & Mendonca, 1996). Transformational leadership is motivating, uplifting and more ethical (Burns, 1978).

Most leaders have profile including both transactional and transformational factors, combine authentic and inauthentic behavior (Bass & Steidlmeier, 2004).

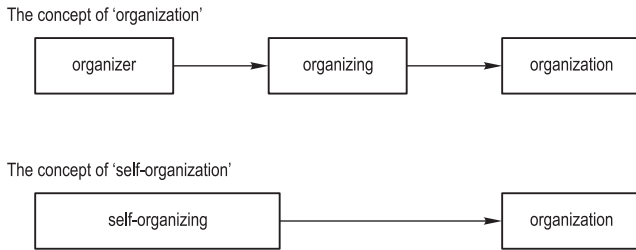
**Servant-leaders**, number one priority is to serve others – including employees, customers and community (Greenleaf, 2002). They have following characteristics: listening, empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment to the growth of people and building community (Spears, 1998).

**Authentic** leader can be characterized via morality, responsibility, understanding, passion, etc (Cuilla, 2004). To become authentic, each has to develop own leadership style, consistent with personality and character. Over time this style needs to be developed, in order to be effective in leading different types of people and to work in different types of environments (George, 2003).

Authors apply **the concepts of organization and self-organization** for distinguishing leaders and managers.

According to Näpinen (1993: 378) „the concepts of organization and self-organization are explained philosophically (i.e they are considered as philosophical categories)“. Näpinen (*Ibid.*) continues: „the categories of organization and self-organization can be distinguished from each other on the basis of their relations to consciousness or some external ordering factors /.../. The category of organization denotes the process which is created by consciousness or some external ordering factors; the category of self-organization denotes the process which is created beyond consciousness or some external factors /.../ in the case of self-organization, the goal is not produced by consciousness“.

In order to distinguish these two concepts, Näpinen (*Ibid.* 380) takes two points under consideration: (1) the role of the organizer, and (2) the interconnection of the process and its result. Having regard to these two aspects these concepts disentangle differently. Referring to Näpinen (*Ibid.* 379) the term 'organization' expresses the connection of concepts inseparable from one another: organizer (man, society, or some external agent), organization/organizing (the conscious, mind-directed process of the process regulated by external factors), organization (the result). And the term 'self-organization', according to Näpinen (*Ibid.* 379-380) indicates the interconnection of the concepts self-organization/self-organizing (i.e. the process going on beyond the conscious action or some external influence) and organization (the result). The following figure (Fig 1) specifies these interconnections.



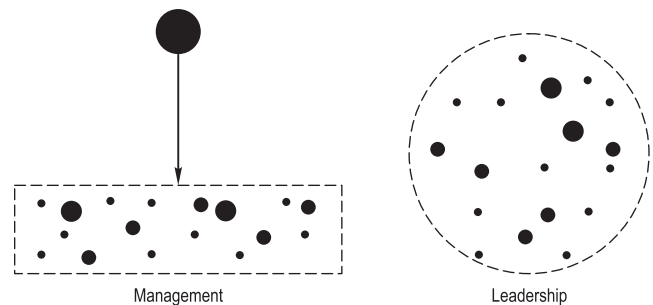
**Fig 1.** Disentanglement of the concepts of ‘organization’ and ‘self-organization’  
 Source: Authors

As Näpinen (1993: 379) refers and what can also be seen from Fig 1 the result is in both cases (in the case of organization as well as in the case of self-organization) designated by the term ‘organization’. However, like Näpinen (*Ibid.*) continues, the processes that lead to the result are different. According to Näpinen (*Ibid.*) the process of ‘organization’ assumes conscious, mind-directed action of man or some external ordering influence; and the process of ‘self-organization’ goes beyond this precondition. Or in other words, referring once again to Näpinen (*Ibid.* 381), the concept of organization expresses the situation in which the determinants of the process come from outside and the process itself leads to the formation of goal-oriented structures; and the concept of self-organization expresses an analogous situation with the difference that the determinants of the process are not forces but integral regularities (long-range correlations) and they emanate from inside the system.

Interpreting Näpinen (2002: 129, 130) in the case of self-organization the idea is to discover internal determinants of the process and (sometimes) to show ways of creating conditions where it would be easier for the system of internal determinants to emerge; instead in the case of organizing where the activities like organizing and controlling are put in the middle.

The argumentations stated previously lead us to the understanding how the concepts of “organizing” and “self-organization” help us to distinguish the concepts of management and leadership, incl. different leadership styles. Despite the fact that management and leadership roles are usually seen and treated as complementary and even overlapping, the authors argue that these concepts differ fundamentally in their essence. Authors claim, with certain reservations, that the base for distinction is the existence or even centeredness of the role of the organizing person (in case of management), or on the contrary, the absence of such person (in case of leadership). This is also one of the points that distinguishes the concepts of “organization” and “self-organization”.

All in all, the authors consider management as an activity, where the manager plays an important or even central role: the manager formulates the goals of the organization and chooses the employees to implement these goals. The leadership on the other hand, can be seen as a concept where the leader’s role and understandings are not seen as central. Instead, understanding the processes which are happening and supporting these processes are put in the middle. In case of management, the decisive importance is attached to the role of the manager or organizer; in case of leadership, on the other hand, one could claim that the central role of one person (as organizer, decision maker, dictator etc.) is significantly smaller. See also Fig 2.



**Fig 2.** The difference between the concepts of management and leadership  
 Source: Authors

To explain Fig 2 it is important to add that the “spots” in case of leadership are changing – transforming into bigger or smaller. To specify: different persons in the organization have different knowledge and skills and different situations need skills and knowledge differently. Accordingly, in different situations the importance of the persons in the organization can vary. Briefly: there is not one central important person who is “important” in majority of time – which is the case of management.

To sum up, the authors argue that the keyword for distinguishing management and leadership styles, incl. different leadership styles, is the existence of one central managing person in the organization – to be more exact, the will of this person to put himself in the middle and to see his role in managing others.

**3. CEO study of GLOBE Research Project**

The 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 (House & Javidan, 2004: 15).

Estonia joined the GLOBE project in 2001, and research into expectations and perceptions of leaders in Estonia was carried out in 2001.

The empirical study involved two-hour interviews with CEOs of 63 Estonian companies, which included questions concerning leadership career, experiences and philosophies, as well as change of management. It includes a short CEO questionnaire on management preferences and strategies. In addition, a number of up to nine followers have been asked to describe the leadership style and behaviour of their CEO with a questionnaire from the GLOBE. Questionnaires were translated and re-translated into Estonian language. The questionnaire asked about leadership behaviour, trust and confidence of the followers, and their perception of the objectives and strategies of the firm. 53 questionnaires were completed by the CEOs and 324 questionnaires were completed by subordinates. CEO questionnaires and all the necessary questionnaires from subordinates (i.e. two, each from types c, d and e) were returned from 40 companies. 20 CEOs were owners of entrepreneurial firms and 20 CEOs were not owners. Heads of divisions in domestic companies were not considered as CEOs and did not qualify for inclusion in the sample.

#### 4. The sample

The sample used for the current research, consisted of 60 % men and 40 % women, whose average (mean) age was 36.9 years. The majority of respondents (61,7 %) had a university degree. The majority of CEOs (38 %) belonged to the 31–40 age group, followed by the age group of 41–50 (29 %), and the percent of CEOs belonging to the age groups of 20–30 and 51–60 was practically equal (13 % and 14 %, respectively). Of the subordinates reporting directly to the CEO, 58 % belonged to the 31–40 age group. According to positions in the companies, 17 % of subordinates were working in sales and marketing, 15 % in the finance department and 13 % in operations.

#### 5. Results

The content analysis of interviews enables us to conclude that many different styles can be found among Estonian top managers. With certain limitations the authors conclude that transformational style characterizes about half and transactional style about one third of the respondents. The results also reflected the existence of autocratic style. Even some traits of authentic and servant leadership can be noticed.

According to the interview results, to characterise the leadership styles among Estonian CEOs, the binary

classification instead of the quadruple (quintuple) classification could be used. On the one hand the authors differentiate the leadership style based on authority, which combines the authoritarian and transactional styles and on the other hand, the transformational style or one close to it.

According to the analysis of the interviews the authors combine the authoritarian and transactional styles to a common denominator, defining it collectively as the **independent decision-maker style**. A CEO using the independent decision-maker style is characterised by the central feature of use of authority, which means proceeding from one's own opinion, making oneself the central figure, being tough, but also tackling problems on one's own and interfering.

The interviews characterise several common aspects and principles, which are typical of the CEOs belonging to this group of leadership style. The authors shall further point out the aspects, which were most decisive in the responses of the interviewees classified as independent decision-makers. It is most obvious from their style of communication and perception of leadership as such.

The communication style of a CEO practicing the independent decision-making style reveals a quite clear differentiation between the boss and the subordinate, talking *to* a subordinate rather than *with* the subordinate. The CEO belonging to this group views no need to involve other employees in decision-making or the realisation of changes; any new activities or directions will be **made clear** to the staff.

The second aspect perceived in the interviews and characteristic of this type of manager is that they **use persuasion** for winning the other employees' support to a decision made by them. The independently deciding CEOs either do not overly emphasise the asking of the employees' opinion or always **reserve the right to make the final decision**. Cooperation with the employees is perceived as something where the CEO need not change his position, attitude or perception of anything.

The other separate group is formed by the respondents, who can be characterised by the keyword "team". The keywords emphasised that the team player CEO is granting the staff latitude in their work, hearing their opinion, involving them in decision-making, etc. The **others** are viewed by these leaders as **guarantors of one's success** or where the manager claims that he could not work without the others. The managers of this type are also characterised by **involving** their staff



in the process of realisation of changes or making decisions, rather than merely informing them of already determined changes. Team-players are characterised not just by an understanding of the need for cooperation and emphasis on listening to people, but also **the motivation of the staff, individual approach** etc.

In cluster analysis authors included leadership style, values of CEO and how CEO is perceived by subordinates. Two clusters were received: directive type (17 respondents) and team player, (13 persons). Authors connect first type with concept of 'management' and second type with concept of 'leadership.' According to T-Test respondents in leaders' group were perceived by their direct subordinates as more power sharing and team oriented than managers.

## 6. Conclusions

The leadership styles defined in theory – authoritarian, transactional, transformational, servant and authentic – were reflected in the interviews with certain variations. When placing the results of the interviews in the context of the leadership styles presented in theory, it became necessary to combine (concentrate) and modify them to a certain extent. In order to do this authors rely on concepts of "organization" and "self-organization". All in all, the authors defined regarding the interviewed Estonian CEOs, on the one hand, the so-called independent decision-making and on the other hand team-player styles. The authors found that these two styles differ from each other to a significant degree.

CEO using the independent decision-making style, attempts to make his own person central by taking advantage of the authority granted by his position and justifying it with a claim that the other employees would not be much use anyway in submitting opinions. When comparing it with theory, the ways of characterising the transactional and authoritarian types, the independent decision-making style reveals quite clearly a combination of features typical of these two styles. Usage of power, importance of hierarchy (in the context of superior-subordinate relations), as well as importance of self-interests are all quite common to the independent decision-making style.

In case of the team-player style the central position of hierarchic structure (superior-subordinate) as well as of the aspect of monitoring have lost their significance, it has been replaced by the involvement of the employees, considering them, hearing out their opinion etc. If we refer to the descriptions provided by the theory we can point out the similarity between the typical features of

the team-player style and the central keywords of the transformational style. The keywords such as importance of motivating, attaching importance to values, stimulating intellectually, etc. are also to a greater or lesser degree central in case of the team-player style.

To sum it up, the keyword for distinguishing these styles is the existence of one organizing person who has put himself in the middle and sees his role in managing others, which is characteristic of the independent decision-making style. Or on the contrary: the absence of such person or the diminishing importance of the role of such person which is typical of team-player style. This is also one of the points that distinguishes the concepts of "organization" and "self-organization".

The outcome of the interviews revealed that the independent decision-making and team-player styles are basically equally represented among the Estonian CEOs. It indicates a certain shift in the perceptions of the managers, which either has taken place or is in the process of occurring: about how – in which ways and by which methods – to lead. In a more general way the results outline a more broad-based and extensive change, where the general social stability enables the CEOs to use a softer and more involving leadership style (unlike the period of rapid changes in the early years of transition, when the surrounding environment confronted the CEOs with situations, where they were "forced" to make most of the decisions on their own). To some extent this could be explained by the transition country context typical of Estonia: a situation described earlier, where the general uncertainty inevitably dictates the certain type of behaviour possible for the manager and it cannot be ruled out that the situations requiring "tougher" managers have not ended.

All in all, it is important to emphasise that transition countries certainly cannot be judged in a uniform and general manner; that they are in a constant movement from authority and individual-centred styles towards increasingly "softer" cooperation-based styles. Which style predominates at any given moment depends besides the general environment on the development stage of the enterprise itself and the CEO's personal principles and views, the factors influencing their development etc. In principle, there will always be users of different styles of leadership, since the various contexts, development stages of organisations etc. will by themselves presume various styles of leadership. Therefore, considering also the respondents' wishes to be "tougher" and more self-centred than "softer" and cooperative, it is as yet too early to claim, in which direction the Estonian CEOs are actually moving and which style could be expected to emerge in the future.

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