



THE WILLIAM DAVIDSON INSTITUTE  
AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

***Russian Managers under Storm: Explicit Reality and  
Implicit Leadership Theories (A Pilot Exploration)***

*by Igor Gurkov*

Working Paper Number 69  
October 1998

**Comments Welcome**

Copyright Igor Gurkov, 1998. Disseminated by the Davidson Institute with permission of the author.

# **Russian Managers under Storm: Explicit Reality and Implicit Leadership Theories (A Pilot Exploration)**

**Igor Gurkov**

**Visiting Professor, Center for Russian and East European Studies  
University of Michigan**

Suite 4648, 1080 South University Ave., Ann Arbor, MI 48109-1106

Phone: (734) 936-1842, Fax: (734) 736-4765, Email: igurkov@umich.edu

## **Abstract**

This paper reports the results of an exploratory study on leadership and strategies in Russian companies under the present conditions of economic turmoil. The study revealed three clusters on inter-dependencies between external variables (company performance) and implicit variables (mental models and patterns): There are three main clusters of inter-dependencies:

1. The intensity of critique on boss and subordinates is related to dissatisfaction with a manager's own qualities and abilities. This signifies that as a manager improves his abilities (or at least asserts himself in self-improvement) he will be less willing to tolerate both incapable boss and incapable subordinates.
2. The positive performance dynamics weakens the critique on subordinates, but has no direct impact on the critique of boss. The critique of a boss doesn't depend on economic position, competitiveness level or even the current possibilities of the top management to retrace changes in a volatile economic environment. It means that we deal here in a deeper level of implicit leadership theory.
3. The main impetus for managerial re-training is not the dissatisfaction by managers of their own abilities or their boss' weaknesses, but rather the dissatisfaction by subordinates and awareness of negative performance dynamics of their own company. This signifies that the drift of "would-be-managers" towards the highest responsibility areas is limited.

We discuss these findings and identify the promising next directions of research.

---

**This work was undertaken with support of Tacis Ace Program of the European Community**

## **Introduction**

The recent collapse of the financial system in Russia puts local managers on trial as to their mental and physical ability to operate under hyper-turbulent economic conditions. Although most industrial managers cannot be blamed for the short-term causes of the recent economic collapse, they share the general guilt with incapable politicians and rootless financial speculators for the overall inefficiency of economic development in the post-Soviet period. However, the incapability of the present leaders at macro-levels to run the Russian economy does not signify that the human potential of that vast country with its educated and industrious people, is exhausted. The new wave of "would-be-leaders" is on its way, as the new wave of corporate transformation and re-distribution of privatized ownership is expected. Therefore, we decided to clarify some issues of the potential behavior of those "would be leaders" in comparison to the people presently in charge of industrial companies. To achieve this overall goal, we ought to address the following issues:

- 1) general orientation of Russian business leaders in the present hyper-turbulent economic and political environment;*
- 2) assessment of the most important factors in the economic and political environment which affect the strategic and tactical decisions of companies in the "real sector", especially in industries;*
- 3) overview of current operating goals of company management;*
- 4) assessment of the effectiveness and efficiency of measures implemented in order to achieve such goals and the general congruence between goals and actions;*
- 5) the stereotypes of managers regarding the qualities and function of executives;*
- 6) the level of "credibility" of the current leadership in Russian companies;*
- 7) the possible differences in stereotypes and patterns of conduct between those who are in the position of leadership and those who are identified as prospects for such positions, as these "coming leaders" likely will be the main partners for business interactions at the beginning of the next millennium.*

This set of ambitious goals should be based on a solid theoretical background as well as on extensive empirical evidence. To limit this goal to a bearable task and to demarcate ourselves from the countless speculations about the “Russian soul” and the “Russian character”, we reduced the scope and the scale of our study to leadership beliefs of clearly defined, albeit large, groups of present industrial leaders and of “would-be-leaders”.

The group of would-be-leaders was assembled from the Russian managers recently selected to participate in a so-called “Presidential Re-training Program”. This program, launched in 1997 with support of USAID is designed to produce, in one-year’s time, complete re-training for 5,000 top managers of Russian companies. The program includes a 4-month period of intensive theoretical studies in Russia and a 4-month period of practical work abroad, in European and American companies in similar fields or lines of business. We expect to survey at least 1,500 industrial leaders and 2,000 participants of the program during the coming months. The present paper brings some evidence on the overall scope of the study, its research design and the results of the pilot study, carried out in September 1998.

## **Theoretical Framework**

Most of the leadership research in the twentieth century is based on various ways of measuring impressions, perceptions, or expectations of our about the leader. These perceptions were measured on those who were in the position of leadership or were identified as prospects for such positions. For example, when a leader describes his or her behavior or attitude in general, the resultant measure was considered a leadership trait. Such “traits” included intelligence, charisma and self-esteem (Bass, 1990). In other situations leadership was measured by the “perception of others”, such as subordinates. The third way of techniques is studying leadership through the perception of “independent observers” (Komaki, 1986, Korablik, 1990). Although these three major approaches differ in the source of information, they are similar on another level: specifically, they all measure social perception. Indeed, as leadership is a social

interaction, and similar to all social interactions, perception and interpretation are critical to understanding the process (Martinko and Gardner, 1987). The end result of a decade of research on the perceptual approach to leadership was the development of implicit leadership theory (Lord and Maher, 1990). This research approach argues that individuals process information through the complexity and intricacy of social perception coupled with social judgment (i.e. attribution theory). These two recent approaches in leadership research have acknowledged the influence of social reality held by the participants in the leadership process. These approaches in leadership research also put the end on contradictions between the studies in "generic leadership traits" and the purely situational approach to leadership. Nowadays we may say about implicit leadership theories, enforced or discouraged by specific situations and the general reality of business where a leader must function effectively. These implicit theories are the "moving boundaries" of leaders' and followers' perception and conduct.

How these implicit theories were discouraged by very specific situations were presented recently in the article by Muczyk and Steel (Muczyk and Steel, 1998). They stress that "during crisis, autocratic and directive leader behavior is relied upon because of the difficult and sometimes unpopular decision-making that is required. So long as decisions and goals are considered by subordinates as legitimate and reasonable, and the subordinates are treated with courtesy, dignity and respect, the autocratic and directive supervisor is received much better by subordinates than management literature, academic and practitioner alike, would have as believe".

This approach has a direct impact on the way we expect to deal with leadership issues in the crisis-prone Russian economy. We may distinguish four interpenetrating "shears" of the social reality Russian managers face:

*First, there is the perception of the overall situation of a company where managers have the chance to work in.* We may reconstruct this perception by addressing such issues as:

- assessment of company's financial performance;
- assessment of competitiveness level vis-a-vis company's major competitors;

- assessment of the main factors disturbing day-to-day operations.

*Second, there is the accumulated “collective experience” of dealing with hyper-turbulence. We may assess here such issues as:*

- the set of the top management’s goals and the list of main macroeconomic factors with their relation to those goals;
- the reminiscence of the measures implemented to enhance the company performance and their relative effectiveness;
- the overall ability of the top management to predict and to deal with the changes in their ultimate environment (behavior of business partners).

*Third, we must deal with the personal shear of the social reality, including:*

- the pressure on an individual simply to survive,
- perceived job security and self-confidence in “employability” in turmoil conditions,
- the personal acquaintance of a managers with the both roles - that of boss and subordinate.

*Fourth, there is implicit leadership theory of Russian managers, built up their first years on managerial positions and adjusted by the present circumstances of operations. We should address here such issues as:*

- characteristics of “ideal leaders” of “ideal followers”,
- personal “social boundaries” in decision-making,
- preferences and beliefs in formal and informal managerial learning.

We may imagine in general the “geometry” of the shears, but at the present stage we are unable to design any particular model or to speculate on relationship between identified variables.

### **Previous studies on leadership in a Russian context**

Interest in leadership in a Russian context started in the West in mid-1950s (Berliner, 1957). Unfortunately, very little research indeed has done yet on Russian leadership. Fey and Denison (1998) suggest that “the research that has been conducted has primarily been based on anecdotal evidence or small-sample studies”(p.2) The extensive study on comparative US-Russian management issues is Lawrence and Vlachoutsicos (1990)’s book "Behind Factory Walls" and two related articles (Lawrence and Vlachoutsicos, 1990; Vlachoutsicos and Lawrence, 1990). They project was based on data collected by Harvard research team and its Russian colleagues at two US and two Russian electronic and truck factories during a two week period that the team spent in each country. A second influential stream of Russian management research is that done by Luthans and his colleagues at the Tver Cotton Mill. Luthans, Welsh and Rosenkratz (1993) systematically observed the activities of 66 Russian managers. Several articles have been published in executive magazines explaining the recipes for building strategic partnership in Russia (Fey, 1996; Randall and Cookly, 1998) with little reference to the mainstream theory of strategic leadership. Recently Sheila Puffer attempted to relate the leadership in Russian context with the general theoretical paradigms in strategic leadership studies (Puffer, 1996). Unfortunately, most of Puffer’s work has been primarily based on anecdotal evidence making generalization difficult. As a result, to date the empirical study where some leadership issues were raised is Ivancevich, DeFrank and Gregory (1992) survey of 1,000 Russian enterprise directors. Performed in 1991 under the complete different economic and political conditions, it cannot be seen as relevant to the present situation.

### **Our previous work in the area of strategic leadership.**

Our study of strategic leadership in Russian industries started in 1993. In 1993-1996 we performed an intensive longitudinal survey of 20 industrial companies. The survey resulted in 180 interviews with executives, 470 hours of observations on executive conduct and 2041 questionnaires collected. The main results of the survey were presented in a series of articles in international journals (Gurkov, 1996, Gurkov and Maital, 1996;

Gurkov, 1997a; Gurkov, 1998a) and in my book "Adaptation of the Industrial Firm: Theory and Practices", published in Russian in 1997 by Higher School of Economics Press, Moscow.

The case study and survey evidence from 20 Russian industrial firms enabled us to design a new survey with particular emphasis on strategic leadership issues. In 1997-1998, we carried out a series of trial surveys which embraced 210 managers in 6 Russian regions (see Gurkov, 1998b). The main goals of the trial surveys was to experiment with different types of questions and scales in an iterative manners, bringing the study framework closer to the specific local economic and cultural context. We adjusted the overall length of the questionnaire and the positions of particular sets of questions, re-phrased some questions and removed the scales with low validity and reliability. In August 1998, we started a full-scale survey on Russian corporate executives.

### **Research design**

We expect to master cross-sectional longitudinal design of the study. Two main categories of respondents -- CEOs of industrial Russian companies and trainees of the Presidential program -- present formidable opportunities to discover the differences imposed by managerial position, industry specific and life experience. In addition, we expect to transform the cross-sectional design of the study into a longitudinal one as we are planning to repeat the study in 1999. The particular interest of a repeated survey is to see the possible outcomes in beliefs, operational and mental models of trainees after a considerable period of studying abroad. The transformation of the present survey into a longitudinal study is the matter of securing additional granting.

### **Research instruments**

The main research instruments are two questionnaires - one for CEOs and one for trainees. Both questionnaires consist of similar blocks and the share of common questions exceeds 80 percent.



To map the overall assessment of the company situation we used three main instruments. First, managers were asked to assess the financial situation of their firm on a 5-point scale ranged from (“near to bankruptcy” to “perfect”) and to compare the present situation with the situation a year ago (again on a 5-point scale ranged from “much deteriorated” to “much improved”). Second, managers were asked to indicate the main factors affecting day-to-day operations (like “capacity under-utilization”, “high debts”, “conflicts between managers and workers”). Third, managers were also asked to indicate the relative position of their companies in particular aspects of competitiveness (cost level, quality, trade mark recognition, service flexibility etc.). We used here 6-point scale, ranged from 0 - “difficult to say” through 1 - “much worse” to 5 - “much better”. The reliability of that instrument (Cronbach’s alpha) is 0.7974.

To map the accumulated “collective experience” of dealing with hyper-turbulence we used four types of instruments:

- 1) managers were asked to indicate an unspecified number of the most visible goals of the top management. We listed 9 main possible goals (from production at the world standards to maximizing personal benefits) and allowed managers to add to the list of goals,
- 2) managers were asked how the recent and planning economic events (including the fall of Ruble rate, freezing companies’ debts., acceleration of bankruptcy proceedings etc.) may affect the achievement of the goals;
- 3) managers were to identify in which extent it is possible to retrace changes in behavior of the six major agents of economic environment (competitors, creditors, local authorities etc.) on a 5-point scale, ranged from “not possible at all” to “completely possible”
- 4) finally, managers were asked to report on the measures to improve business performance which had been undertaken in their companies. We offered to managers a list of 16 measures with a possibility to add to the list. We used here the following two-pole scale:
  - 2 - “negative results”.
  - 1 - “no results”

0 - no measure

+1 - "some positive effects"

+2 - "great positive effect."

The reliability coefficient of the last instrument (Cronbach's alpha) is .8343

To assess the "personal pressure" and self-confidence of managers we proposed a following set of instruments and questions:

1) managers were asked to indicate their agreement with the statements about their job security and employability;

2) managers were asked to select the list of possible reasons to participate in the Presidential program, including such reasons as "change of job", "change of specialty", "increasing the weight in company decision-making" etc.

3) managers were also asked to indicate their salary level and the overall family income. The comparison of these two figures gives us a clear picture about the family role of a respondent.

4) managers were asked to select main "lacking qualities" of their boss and their subordinates. The set of possible boss' qualities includes 14 characteristics including decision-making ability, team-building, communication and coaching skills. The set of possible subordinates' qualities is limited to 11 characteristics, including "assiduity" (*ispolnitel'nost'*).

To reveal the patterns of implicit leadership theories of Russian managers we proposed the following set of instruments:

1) managers (both CEOs and trainees) were asked to identify the characteristics of "most effective" company leaders. We proposed a list of 15 characteristics, the same as for indication of "missing qualities". The reliability coefficient of this scale (Cronbach's alpha is 0.8196).

2) we asked managers (both CEOs and trainees) to select 5 qualities that distinguish their own leadership style and also to stress the qualities their miss (the same sets as the previous one)

3) managers were asked to rank whose interests they take into consideration while making serious decisions (family, direct supervisor, direct subordinates, co-workers, local community);

4) managers were asked to assess the qualification of key employees of various company department (on a 5-point scale ranged from “unacceptable low” to “quite high”, Cronbach’s alpha 0.7723) and to express their perception of the re-training needs for those departments’ specialists (again a 5-point scale ranged from “not necessary” to “retraining of the whole staff is necessary”).

Additional questions were devoted to clarify the sample’s characteristics, including the legal form of the enterprises, main lines of business, sales and employment level, gender and age of respondents and the length of employment in the current position).

### **The sample**

In the present paper, we report on first results of the survey, which embraced 107 trainees. Most of trainees were from newly created private companies (37%) and privatized companies (27%). The distribution of companies along main spheres of activities showed that 48% of managers worked in industrial companies, 18% - in wholesale and retail trade, 14% in business services, including banking and 15% in other lines of business. 70% of the surveyed managers were males. Among the respondents 42% occupied top managerial positions (including those of CEOs and executive directors), and 42% - senior managerial positions. In average, the surveyed managers have been working in their present position for 2.63 year and their average salary was Ruble 5,000 (US\$ 850 before the devaluation and \$300 now). Almost 90% of managers have salaries below Ruble 10,000.

## **Findings**

### **Some stylized facts on the current Russia's economic turmoil**

Before to start any data exploration we should remind the main facts on the economic turmoil which started on August 17, 1998 with the default of banks' debts. As a result, a major panics spread among depositors. The mass accounts' withdraws and the rush to convert Rubles into dollars sent most of the Russian banks into complete insolvency and also plummeted exchange rates. As the consumer prices followed the exchange rates, high inflation began. Accordingly to the last statistical release available (as of October 12, 1998), "consumer prices in the end-August and beginning of September experienced an extraordinary upsurge. In the last two weeks of August CPI grew by about 15%, and the first two weeks of September – by another 43%. In the third week of September the rate of growth of CPI declined to 1,55 per week, and in the fourth week prices actually declined. Producer prices in August didn't have enough time to react on financial crisis and even slightly declined, thus making the growth of CPI even more spectacular" (Russian Economic trends, October 1998, p. 8). Acceleration of inflation caused by financial crisis led to a deterioration in real personal income to the lowest level since 1992. Consumer expenditures, deflated by CPI dropped in August by 3.7%

The virtual destruction of the payment system in Russia caused additional troubles to industrial enterprises. The stock of overdue payables reached in September 1998 to almost 50% of GDP. In general, in August seasonally adjusted GPD fell by 3%, and it is expected that GPD in 1998 will be 6-10% lower than the 1997 level.

These isolated facts may bring some impression of the current conditions Russian managers should operate under and the pressure they should meet.

### **Current business drift – from bad to worse?**

First at all, the surveyed managers indicated the assessment of the current financial situation and its changes over a recent period. The overall assessment of the situation showed a minor negative shift from the normal distribution – for 52% of managers the

situation was “satisfactory”, for 29 % - “bad” and for 21% - “good”. Five managers definitely assessed the situation of his company as “near to bankruptcy”. However, the perception of changes was predominantly negative: 24% of respondents believe it became “much worse”, 44% - simply “worse” and for 24% of companies there is “slightly better”.

**“My company’s goals are respectable and modest...”**

Despite of the current crisis the top management of Russian firms express various sets of company’s goals, from trivial “personal benefits for themselves” to exotic “prosperity of Russia” (see Table 1).

**Table 1. Main goals of top managers**

<b>Goal</b>	<b>Percentage</b>
Production at the world standards	32
Maintaining the level of employment	44
High wages for employees	18
Value of the firm	26
The prosperity of Russia	22
Overseas expansion	23
Maintaining a good reputation of the firm	50
Strengthening the position on domestic markets	67
Personal benefits for themselves	26
Others	6

We may see that despite the current extreme conditions there is a predominant set of "internally-oriented" and thus highly socially acceptable goals, namely

- strengthening the position on domestic markets,
- maintaining the firm's reputation,
- maintaining the employment level.

The next step of the analysis was to clarify “the substantiation” for such goals, especially “strengthening the market position”. Our naive judgement is that strengthening the market position in Russian should be based on three pillars:

- experienced and flexible top management, capable to retrace and even to predict constant changes in business environment;
- capable and qualified work force, especially key employees in marketing, R&D, finances and operations, as well as devoted middle and shop-floor managers;
- overall superiority in competitiveness level, especially the superiority in trademark recognition, dealers' networks and after-sales services.

**“My partners and colleagues are respectable and predictable...”**

The next step was to verify such propositions based on managers’ opinion. In assessing the ability of top managers to retrace changes in business environment the respondents were quite optimistic. (see Table 2).

**Table 2. Ability of top managers to retrace changes in behavior of business partners**

<b>Partner</b>	<b>Assessment</b>	<b>S.D.</b>
Competitors	3.75	.94
Behavior of creditors	3.40	1.11
Behavior of suppliers	3.90	.85
Government economic policy	3.03	1.13
Behavior of customers	3.69	1.04
Behavior of the local authorities	3.88	1.06

Note: the scale used 1 = “almost impossible”, 5 – “quite successfully”

Although the "government economic policy" remains somehow a mysterious artifact for Russian managers (and the same may be true for the Russian government itself), the

behavior of key business "partners" - suppliers, customers and local authorities are much easy to predict.

Managers were also quite indulgent while assessing the qualification of their colleagues from various departments and managerial levels (see Table 3).

**Table 3. Assessment of qualification of key persons in various departments**

<b>Department</b>	<b>Assessment</b>	<b>S.D.</b>
Shop managers	3.51	.89
Foremen	3.39	.94
Technology managers	3.41	.93
Designers	3.46	.93
Accounting and finance	3.52	.97
Supply	3.32	.90
Marketing and sales	2.98	1.10
Human resource and payroll offices	2.92	.92

Note: the scale used 1 = "almost impossible", 5 – "quite successfully"

Russian company managers are quite confident in shop-floor and middle managers and in accounting officers. The areas with minimal satisfaction (and slightly negative assessments) are marketing and human resource management departments.

**"We make good things but cannot bring them to the market..."**

The next step was to ask managers about the competitiveness level of their companies. Again, managers were quite confident that they surpass their main competitors in quality level and match competitors in price level (see Table 4).

**Table 4. Assessment of company's competitiveness level**

<b>Department</b>	<b>Assessment</b>	<b>S.D.</b>
Cost level	2.64	1.20
Price level	3.10	1.15
Discount system	2.63	1.20
Quality level	3.47	1.08
Service level	3.20	1.24
Prestige	3.00	1.29
Promotion of the trade mark	2.72	1.34
Dealers' network	2.87	1.26

Note: the scale used 1 = "much worse", 5 – "much better"

At the same time, we may see four items where Russian firms stay far behind their competitors: dealers' networks, trademark recognition and especially cost level and price flexibility (discount system). It is obvious that reaching the ultimate goal of the most Russian companies (strengthening the position of domestic markets) with inadequate dealers' networks and irrelevant cost system is not probable, even under favorable macroeconomic conditions. But the present conditions are too far from normal.

**"Something is going wrong around us..."**

The questionnaire was designed in July 1998, when just some rumors about possible devaluation and the change of economic policy have begun to spread. Therefore, we formulated a set of rather cautious questions about "how the following event may affect the achievement of company's goals". Unfortunately, we have predicted almost all current events (see Table 5)



**Table 5. The impact on achievement of corporate goals by the macroeconomic events**

<b>Event</b>	<b>Assessment</b>	<b>S.D.</b>
The fall of Ruble exchange rate	-1.21	1.06
Raising prices of imported raw material	-.72	.96
Raised prices of imported finished products	-.58	1.11
Acceleration of bankruptcies	-.07	1.19
Clearing mutual debts	.02	1.32
Possible nationalization of your company	-1.19	1.08

Note: the scale used -2 = "extremely negative", +2 = "extremely positive"

The Ruble's devaluation has the worst influence on most Russian companies, comparable in its outcomes only with possible nationalization. Caused by the devaluation the increase of the price for imports, raw materials and finished products alike, has smaller but also negative impact on Russian companies. Some measures, proposed by the Primakov's government (like debts' clearing) have very modest appeal to Russian companies.

In such a conditions we may expect the partial or complete lose of tactical orientations of Russian companies.

The data presented in Table 6 portrays "feverish throwing" of Russian firms in order to deal with the turmoil.

**Table 6. Measures to improve (stabilize) business performance**

<b>Measure</b>	<b>Percentage of firms implemented</b>	<b>Overall assessment of those who implemented</b>
Price reduction	48	.44
Mastering modified production	56	.78
Mastering completely new production	43	.87
Penetration into new geographical markets	48	.75
New marketing channels	59	.75
New form of cooperation with suppliers	52	1.02
New forms of cooperation with competitors	48	1.18
Increasing advertising budgets	37	.92
Change of advertising forms and methods	40	.63
Consultants invited	21	.50

Note: the scale used -2 = “negative influence”, -1 = “no influence”, +1 = “limited positive influence”, +2 = “major positive influence”; answers “not implemented” are excluded from means’ calculation.

We may see here all possible directions of marketing response to the present crisis, including price reductions, expansion advertising budgets, change of advertising methods, use of consultants, etc. However, the measures that have at least minimal positive effects are establishing closer "cooperation" with competitors and suppliers (assessments 1.18 and 1.02 respectively). It is interesting to note that use of consultants has the minimal visible effect on current affairs of Russian companies.

### **I have a dream...**

We may derive from this data that the present economic crisis serves as a major impetus for further consolidation in industry and services, including financial services. On the way of consolidation under extreme economic conditions an executive should show the ability to "smell" the situation and to take quick decisions; be flexible in establishing relations outside the company; demonstrate the outstanding knowledge of finance. All these and some other qualities were stressed by managers as critical for effective leadership during the present crisis (see Table 7).

**Table 7. Characteristics of the most successful leaders**

<b>Characteristic</b>	<b>Percentage of managers</b>
Technical competence	32
Ability to access the situation quickly	78
Ability to make quick decisions	79
Financial knowledge	67
Knowledge of law	38
Ability to establish business contacts	69
Ability to maintain relation with the local authorities	52
Ability to bear responsibility	60
Conflict prevention skills	38
Conflict resolution skills	29
Mentoring skills	22
Team-building skills	79
Fair evaluation of subordinates	47
Tact	29
Other qualities	2

We may see the dream about a self-confident and extremely quick, to react albeit responsible "financier". An ideal turnaround leader should be able to expand business contacts in all possible directions, while lagging behind his back an established managerial team. He has no time for mentoring, for dealing with conflicts or for charming the subordinates by manners and kindness.

**"Would-be-leaders" on their outflanking march**

The last question in mapping the present situation in Russian companies is to identify in which extend "would-be-leaders" are ready to take charge of their companies. In order to do so, we asked trainees to identify the qualities they miss and compared with trainees' critique of their boss (see Table 8).

**Table 8. Assessment of deficiencies in leadership qualities**

Measure	Boss' lacks	Self-reported lacks
Professional knowledge and skills	25	29
Abilities to assess the situation quickly	24	16
Ability to establish business contacts	10	38
Team-building skills	41	15
Ability to bear responsibility	15	7
Conflict prevention skills	27	25
Conflict resolution skills	7	12
Tact	28	9
Willingness to coach and mentor subordinates	18	21
Other qualities	6	3

Of course, we should be quite cautious in dealing with any kinds of self-reports. However, even this data strongly refers to the main weak points of "would-be-leaders" –

ability to establish business contacts outside “factory walls” Trainees also do not overestimate their professional knowledge and conflict-prevention skills vis-a-vie the people in charge of their companies. To see how trainees expect to fill that gaps with asked them to indicate the most necessary subjects to learn (Table 9).

**Table 9. The most necessary subjects to learn**

<b>Subject</b>	<b>Percentage of managers stressed</b>
Computer skills	21
Economics	31
Financial accounting	19
Managerial accounting	22
General management	37
Strategic management	49
Financial management	60
Human resource management	47
Business law	13
Marketing management	44
Marketing research methods	33
Foreign language	62

We tried to find which subjects are related with specific deficiencies of trainees. The most significant correlations are:

- 1) the stressed lack of professional skills leads to higher necessity of accounting (corr. 0.211, 1-tailed sign. 0.017) and methods of marketing research (corr. 0.182, 1-tailed sign. 0.035);
- 2) the deficiency in quick orientation’s ability leads to higher necessity of economics (corr. 0.299, 1-tailed sign. 0.001);

- 3) the lack of abilities to establish contacts outside the company leads to higher necessity of strategic management (corr. 0.207, 1-tailed sign. 0.019) and foreign languages (corr. 0.154, 1-tailed sign. 0.062).

The most important question, however, involves whether newly acquired knowledge, skills and abilities will influence corporate decision-making processes. To assess such chances we ran a very simple exercise, asking managers to rank whose interests and opinions they take into consideration while making serious decisions (see Table 10).

**Table 10. The influential agents of managerial decision-making (mean ranks and Kendall's W tests)**

<b>Interest</b>	<b>All managers</b>	<b>Managers in state-owned and privatized companies</b>	<b>Managers in newly created private companies</b>
Your boss	3.41	3.04	3.61
Your team	3.46	3.56	3.35
Your family	3.43	3.37	3.51
Your subordinates	4.37	4.19	4.45
"Working collective"	3.49	3.19	3.65
Your friends	5.05	5.15	5.06
Local authorities	6.51	6.44	6.53
Local community	6.29	7.07	5.84
<b>Kendall's W</b>	<b>.286</b>	<b>.404</b>	<b>.239</b>
<b>Chi-Square</b>	<b>158.008</b>	<b>76.333</b>	<b>85.484</b>
<b>Asymp. Sig.</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>

The comparison of managers from state-owned and privatized companies with those from newly-created private companies revealed interesting differences. Managers from state-

owned and privatized companies demonstrate higher level of obedience and conformism. They put the interests of their boss in first place and the interests of the “working collective” in second place, before the interests of their families and their teams.

On the other side, managers from new private enterprises are more independent. Team’s and family’s interests go first, before boss’ and working collective’s influence. We see here the changing “mental boundaries” of Russian company managers, imposed by ownership structures. This is especially significant as we were unable to find any difference between the two groups of managers in such variables like age, gender, position, length of service, salary level and family income.

Another striking difference between managers from “old” and “new” companies is the treatment of local interests. Managers from state and privatized companies obediently put the interests of local authorities ahead of the interests of local communities. Managers from “new” private companies did the reverse. We should reiterate in this connection that for all of these managers, “maintaining the company’s reputation” was stressed among the three most important (see Table 1).

## **Conclusions**

The proposed particular findings reveal the complex character of relationships between the four identified shears of a “leadership box a la Russe”. To make these relationships more visible, we just summarized the correlations between key variables, i.e.

- 1) EcPosition – assessment of financial situation
- 2) EcDynamics – assessment of performance trends
- 3) SumPrediction – overall assessment of possibilities to retrace the behavior of business partners
- 4) SumCompetitive – overall assessment of competitiveness’ level
- 5) SumBossMissing – the number of qualities a respondent’s boss lacks
- 6) SumSelfMissing – the number of qualities a respondent lacks himself
- 7) SumSubMissing – the number of qualities subordinates lack

**Table 11. Correlations between summarizing variables**

		1	2	3	4	5	6	7	8	9	10	11
1	EcPosition	1.000										
2	EcDynamics	.359***	1.000									
3	SumPrediction	.285***	.289***	1.000								
4	SumCompetitive	.472***	.333***	.352****	1.000							
5	SumBossMissing	-.063	.098	-.027	.039	1.000						
6	SumSelfMissing	.073	.118	-.084	.133*	.275***	1.000					
7	SumSubordMissing	-.018	-.240***	-.134	.088	.310****	.274***	1.000				
8	SumRetrain	-.073	-.206**	-.160*	-.026	.095	.131*	.335****	1.000			
9	CompanyType	.148*	-.168**	.144*	.182**	-.110	-.186**	.056	-.015	1.000		
10	ServiceLength	.094	.169*	.208**	.197**	-.037	.049	.074	-.100	-.036	1.000	
11	Salary	.123	.217**	.046	.296***	.170*	-.019	-.153*	-.010	.013	.097	1.000

\* one-tiled significance < 0.10

\*\* one-tiled significance < 0.05

\*\*\* one-tiled significance < 0.01

\*\*\*\* one-tiled significance < 0.001



- 8) SumRetrain – the number of subjects necessary to acquire/study
- 9) CompanyType – either a company is state-owned/privatized or a new private
- 10) ServiceLength – the period of service in the same position
- 11) Salary – the reported monthly salary (see Table 11).

There are three main clusters of inter-dependencies:

1. The intensity of critique on boss and subordinates is related to dissatisfaction with a manager's own qualities and abilities. This signifies that as a manager improves his abilities (or at least asserts himself in self-improvement) he will be less willing to tolerate both incapable boss and incapable subordinates.
2. The positive performance dynamics weakens the critique on subordinates, but has no direct impact on the critique of boss. The critique of a boss doesn't depend on economic position, competitiveness level or even the current possibilities of the top management to retrace changes in a volatile economic environment. It means that we deal here in a deeper level of implicit leadership theory.
3. The main impetus for managerial re-training is not the dissatisfaction by managers of their own abilities or their boss' weaknesses, but rather the dissatisfaction by subordinates and awareness of negative performance dynamics of their own company. This signifies that the drift of "would-be-managers" towards the highest responsibility areas is limited.

All these partial conclusions are derived from a limited pilot sample of Russian executives. The next stage is to prove the discovered relationships on a wider sample. It will be necessary to compare the sets of "ideal leader's characteristics" of trainees and acting CEOs.

Another promising direction of the study is to expand it towards cross-cultural comparison. It looks promising to compare the beliefs and actions of Russian and East Asian managers, experiencing similar economic difficulties. In general, studying

managers under extreme conditions adds to the stream of strategic leadership theory and practices.

## References

Aldrich, H.E. (1979): *Organizations and Environments*. Englewood Cliffs, NJ: Prentice-Hall.

Bass, B.M. (1990): *Bass & Stogdill's Handbook on Leadership: Theory, Research, and Managerial Applications*. 3rd ed. New York: Free Press.

Blau, P.M. (1970): A Formal Theory of Differentiation in Organizations. *American Sociological Review*, 35: 200-19.

Fey, C.F. Important Design Characteristics for Russian-Foreign Joint Ventures. *European Management Journal*, 13 (4): 405-415.

Fey, C.F. and Denison, D.R. (1998): *Organizational Culture and Effectiveness: The Case of Foreign Firms in Russia*. The William Davidson Institute Working Paper No. 179, June 1998.

Finkelstein, S. and Hambrick, D.C. (1996): *Strategic Leadership*. Minneapolis: West Publishing Company.

Gurkov, I. (1998a): Ownership and Control in Russian Privatized Companies: New Evidence from a Repeated Survey. *Communist Economies and Economic Transformations*, 10, 2, 259-270.

Gurkov, I. (1998b): Leadership in Russian Industries: Mutual Expectations, Requirements and Claims during the Systemic Crisis. *Proceedings of the 1st International Workshop on*

Corporate Restructuring in Transition Economies at Copenhagen, Denmark, August 1998, 12, 1-10.

Gurkov, I. (1998c): Innovation Strategies: A Cookbook. Moscow: The Ministry of the Economy, 88 pp. (in Russian).

Gurkov, I. (1997a): Adaptation of the Industrial Firm: Theory and Practice. Moscow. Higher School of Economics Press, 234 pp. (in Russian)

Gurkov, I (1997b): Russian Enterprises' Adaptation to New Economic Realities. Most-Moct, 7, 2, 36-48.

Gurkov, I. (1996): Control Structures and Strategy Formation in Russian Privatized Companies. The International Executive, 38, 3, 359-388.

Gurkov, I. and Maital, S. (1996): Perceived Control and Performance in Russian Privatized Companies: Western Implications. European Management Journal, 14, 2, 160-166.

Hambrick, D.C. and Mason, P. (1984): Upper echelons The Organization as a Reflection of its Top Managers. Academy of Management Review, 9: 193-206.

Ivancevich, J.M., DeFrank, R.S. and Gregory, P.R. The Soviet Enterprise Director: An Important Resource before and after the Cup. Academy of Management Executive, 6(1): 42-55.

Komaki, J.L. (1986): Towards Effective Supervision: An Operant Analysis and Comparison of Managers at Work. Journal of Applied Psychology, 71: 270-79.

Korablik, K. (1990): Androgyny and Leadership Style. *Journal of Business Ethics*, 9: 9-18.

Kotter, J.P. (1982): *The General Managers*. New York: Free Press.

Kotter, J.P. (1988): *The Leadership Factor*. New York: Free Press.

Kouzes, J.M. and Posner, B.Z. (1987): *The Leadership Challenge*. San Francisco: Jossey-Bass.

Kouzes, J.M. and Posner, B.Z. (1993): *Credibility*. San Francisco: Jossey-Bass.

Lawrence, P.R. and Vlachoutsicos, C.A. (1990): *Behind Factory Walls: Decision-Making in Soviet and U.S. Enterprises*. Boston: Harvard Business School Press.

Lawrence, P.R. and Vlachoutsicos, C.A. (1990): Joint Ventures in Russia: Put the Locals in Charge. *Harvard Business Review*, (January-February): 44-54.

Lord, R.G. and Maher, K.J. (1990): Alternative Information-processing Models and their Implications for Theory, Research, and Practice. *Academy of Management Review*, 15: 9-28.

Luthans, F., Welsh, D. and Rosenkratz, S. (1993): What Do Russian Managers Really Do? An Observational Study with Comparison to U.S. Managers. *Journal of International Business Studies*, 24(4): 741-761.

Martinko, M.J. and Gardner, W.L. (1987): The Leader/Member Attribution Process. *Academy of Management Review*, 12: 235-49.

Meindl, J.R. (1990): On Leadership: An Alternative to the Conventional Wisdom. *Research in Organizational behavior*, 12: 159-203.

Meindl, J.R., Ehrlich, S.B. and Dukerich, J.M. (1985): The Romance of Leadership. *Administrative Science Quarterly*, 30: 521-51.

Miller, D., Kiets de Vries, M.F.R. and Toulouse, J. (1982): Top Executive Locus of Control and its Relationship to Strategy-Making, Structure, and Environment. *Academy of Management Journal*, 4: 221-35.

Muczyk, J.P. and Steel, R.P. (1998): Leadership Style and Turnaround Executive. *Business Horizons*, 41 (2): 39-46.

Puffer, S.M. (1994): Understanding the Bear: A Portrait of Russian Business Leaders. *Academy of Management Executive*, 8(1):41-54.

Puffer, S.M. (1996): Leadership in a Russian Context. In Puffer S.M. (Ed.) *Business and Management in Russia*. Cheltenham, UK: Edward Elgar, 38-55.

Randall, L.M. and Cookly, L.A. (1998): Building Strategic Partnerships in Russia and Belarus: The Impact of Culture and Society. *Business Horizons*, 41 (2): 15-22.

Tichy, N.M. and Devanna, M.A. (1986): *The Transformational Leader*. New York: Wiley.

Vlachoutsicos, C. and Lawrence, P.L. (1990): What We Don't Know about Soviet Management. *Harvard Business Review*, (November-December): 50-63.

Yukl, G.A. (1989): *Leadership in Organizations*. 2nd ed. Englewood Cliffs, NJ: Prentice-Hall.

## Main relations between key variables

