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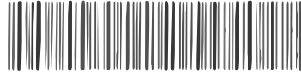
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**Economic System As A Factor
Influencing Leadership Behavior:
A Case Study of Leadership in Russia
From 1917 to 1995**

by

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Senior Project

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Richmond, Virginia

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Introduction

Envisioned by Lenin and molded by Stalin, the Soviet Union, and its communist economic system, lasted seventy-four years, from 1917 to 1991. The inception of communism in the Soviet Union was a result of the losses Russia incurred during World War I. Devastation during the war and mismanagement by the government throughout created an atmosphere ripe for revolution. With the leadership of Lenin, the Bolshevik Revolution occurred in November 1917, and the Communist Party was created in March 1918.¹

Although there are early hints of communism in Plato's Republic, where he described his vision of an ideal republic in which all things are held in common, modern theories of communism were developed as a reaction to the severe income-inequality, squalor, and poverty which resulted from the industrial revolution.² In particular, Karl Marx laid out his theory of communism to provide solutions to these problem in his Das Kapital. According to Marx, there are two stages of communism. The first stage is called socialism; the second, and final stage of historical development, is communism. Although the Soviet Union considered itself socialist, "it was a state-directed society that sought to fuse all realms into a single monolith and to impose a common direction, from economics to politics to culture, through a single institution, the Communist Party."³ While Marx envisioned a communist system without

¹The New Encyclopaedia Britannica. Chicago, IL: Encyclopaedia Britannica, Inc., 1994. P. 995-1022.

²Dalton, George. Economic Systems & Society. Baltimore, MD: Penguin Books, Ltd., 1974. P. 67-94.

³Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 42.

government, scarcity, conflict, or classes, the communism of the Soviet Union deviated from vision of Marx and Lenin. The Soviet Union implemented one variation of communism, often referred to as bureaucratic collectivism.⁴

The economic system of the Soviet Union was Marxist-Leninist, following their ideological guidelines for various institutional arrangements. For example, the Soviet government engaged in comprehensive economic planning. The purpose of this planning was to allocate resources without waste, determine output and the distribution of the output. According to communist theory, the planning would result in reduced waste of resources, while avoiding the duplication of goods and services, conspicuous consumption, and unnecessary product differentiation.⁵ In addition to economic planning, the state claimed ownership of all property; property being capital and land. Finally, the concentration of power was in the Communist Party, which was supposed to represent the interests of the working class. Beyond retaining total control of political power, the Communist Party was involved in all phases of economic activity. In all collective farms, military units, factories, and organizations, the Communist Party maintained local units or cells to maintain influence over the majority, the working class, the bourgeoisie.⁶ In every aspect of life, communism represented "cooperation". Individualism

⁴Meyer, Alfred G. Communism. New York, NY: Random House, Inc., 1967. P. 11-22.

⁵Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 11.

⁶Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 42.

was supposed to be replaced by cooperation as every citizen worked together to develop the perfect society.

Although Lenin and his Communist Party took control of the government in 1917, they did not convert the Soviet Union into a completely communist state. For example, Lenin's government adopted a policy of flexibility, permitting the use of some incentives of a market system. Their policy was called the New Economic Policy. During this period, farmers were even allowed to sell their products in an open market. Yet, Lenin died in 1924, and his successor, Joseph Stalin, implemented a more strict form of communism. Stalin was the leader of the Soviet Union from 1924 to 1953, during which time he was able to achieve the complete socialization of agriculture and industry.⁷

Economic planning was established as Stalin inaugurated his first of many five-year plans. Setting production targets for every sector of the economy and collectivizing agriculture, Stalin set a high pace of industrial growth, and, in turn, neglected agricultural production. This neglect led to constant shortages in agriculture. Moreover, Stalin ordered the death of some 20 million Russians as he became paranoid of dissension or conspiracies.⁸ Although communism was intended to create a classless society, Stalin established an upper class. Referred to as the "nomenklatura" elite, Stalin surrounded himself with absolutely loyal subservients who

⁷Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 226.

⁸The New Encyclopaedia Britannica. Chicago, IL: Encyclopaedia Britannica, Inc., 1994. P. 1008.

were members of the bureaucracy and were extended many privileges, controls, and rewards.⁹

In 1953, Stalin died, and many of his extreme policies died with him. Following Stalin as leader of the Soviet Union until 1964, Nikita Khrushchev attempted to decentralize responsibilities and revive agriculture. While the standard of living improved for most Russians, Khrushchev maintained Stalin's economic focus on producer goods and heavy industry. After Khrushchev was deposed as party leader, Leonid Brezhnev increased the standard of living even more as he brought more focus to agriculture. Although Brezhnev attempted to bring the economy's growth rate back up, the process of economic and social decay had begun and was simply getting worse.¹⁰

Although Yuri Andropov and Konstantin Chernenko followed Brezhnev for short periods, no significant economic changes were implemented and the economic decay in the Soviet Union seemed to accelerate. Soviet goods were low quality, the level of technology used in the Soviet Union was very low in comparison to the United States, and constant shortages plagued producers as well as consumers. Military production was the only industry which operated efficiently. This state of the art industry drained the empire of the finances and the best of the work force.¹¹ By the 1980's, it became obvious that "central planning was inefficient, and

⁹Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 227.

¹⁰Tucker, Robert C. Political Culture and Leadership in Soviet Russia: From Lenin to Gorbachev. New York, NY: W.W. Norton & Company, 1987. P. 108-139.

¹¹Tucker, Robert C. Political Culture and Leadership in Soviet Russia: From Lenin to Gorbachev. New York, NY: W.W. Norton & Company, 1987. P. 127-130.

the rejection of market prices, wages, and interest rates as indicators of scarcity resulted in production unrelated to needs of consumers."¹² The Soviet government did not believe in the principles of free-market economics and the respective theories on market equilibrium. This resulted in under-paid workers, over-priced supplies and stagnation throughout the economy.¹³

In 1985, Mikhail Gorbachev replaced Chernenko with intentions to revitalize the Soviet economy. Gorbachev's leadership marked a restructuring era for economic policy in the Soviet Union. In particular, Gorbachev referred to his restructuring policies as "perestroika". Under Gorbachev, "perestroika" represented an attempt to modernize Soviet society, which meant less bureaucracy, central planning, and coercion in the economic field. In addition, his policy called for more reliance on private initiative and incentive, which in turn was supposed to rekindle the spirit of the masses.¹⁴

There were three major principles of "perestroika", including tighter economic discipline, industrial modernization and economic reform.¹⁵ In 1987, these principles were represented in a number of reforms in the Law on State Enterprises. For example, certain prices became negotiable, suppliers and customers could engage in contracts, workers were allowed to elect managers, collective farms could engage in private selling and buying, and joint venture

¹²Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 11.

¹³Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 11.

¹⁴Laquer, Walter. The Long Road to Freedom: Russia and Glasnost. New York, NY: Charles Scribner's Sons, 1989. P. 52.

¹⁵Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 230.

legislation was passed to attract foreign capital. At the same time, Gorbachev implemented his policy of Glasnost, which meant openness about public affairs in every sphere of life.¹⁶ This openness went as far as exposing many of the bureaucratic inefficiencies, waste and mismanagement problems that plagued the communist economic system. Yet, economic reform was necessary, and glasnost was the tool used to inform Russians of the faults of their system, economically, politically, and socially. Although Gorbachev attempted to keep the Soviet Union unified, many republics took openness to mean freedom; and Lithuania, Latvia, and Estonia declared their independence in December 1991.

While Gorbachev started the drastic reforms in the Soviet Union, which resulted in economic, political and cultural change, Boris Yeltsin, Gorbachev's successor, focused on continued economic reforms in hopes of keeping the Russian economy from slowing, or possibly reaching negative growth rates. For example, under Yeltsin's leadership, Russia adopted a value-added tax, made the ruble convertible to other currencies, eliminated state-administered prices, and worked to establish an investment banking system. Yeltsin claimed that his objective was to convert Russia into a market economy; and floating prices, an exchangeable ruble, and a intermediary system for capital investment were necessary to start the process of change.¹⁷ Entrepreneurship and unemployment, signs of capitalism, resulted as Russians experienced a new privatized

¹⁶Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 232.

¹⁷Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 240.

society where prices were no longer fixed and jobs were no longer guaranteed.

By 1995, Russia's government had embraced the concept of a free-market system whole-heartily. Reforms were aimed at a transformation to capitalism, and there was no going back. According to Viktor Chernomyrdin, Russia's Prime Minister at the time, "The reform in Russia is irreversible...We will never turn back from the course we have taken."¹⁸ Although these reforms were supposed to improve the Russian economy in the long run, the citizens of Russia felt the pain of the short run change and attempted to modify their behaviors in the midst of major transformation. Jick has described this type of environment,

"By all accounts- cultural, political, social, and economic - the Russian Republic represents a country in transition...there is considerable transformational change, where the magnitude of change represents a total abandonment of traditional behavior, expectations, and theories."¹⁹

This economic reform created some form of change in every Russians' life; whether it be in their occupation, in their children's schooling, or their family's consumption patterns.

From a business perspective, the change has been even more drastic and rapid. While the living standard is the same, business policy and economic values have changed 180 degrees. Clinton Longenecker, a business professor studying Russian managers, describes the situation: "Amidst these radical changes, managers,

¹⁸Warren, Marcus. "Confusion' in Kremlin over reform program". The Daily Telegraph. January 31, 1994. P. 8.

¹⁹Kaufmann, Patrick J.; Welsh, Dianne H.B.; Bushmarin, Nicholas V. "Locus of control and entrepreneurship in the Russian Republic". Entrepreneurship: Theory and Practice. September, 1995. P. 43.

executives, and administrators find themselves in a new world for which they are ill-prepared given their past economic orientation, philosophies, and practices."²⁰ Yet, many Russians have excelled throughout this period of change as they embraced the new system and emerged as leaders.

Understanding the transition to capitalism and grasping the related business practices is essential to succeed in the Russia of today, one whose economy is now considered "free-market". Russia now has about 2,500 licensed commercial banks, 600 investment funds, and 40 million shareholders of publicly owned companies. Furthermore, Russia now has over 350,000 private farmers. These developments are not surprising as Russia contains immense natural wealth in the form of oil, gas, precious metals and diamonds, as well as strong human resources: a universally literate work force and an abundance of scientists and engineers.²¹ "Russian capitalism is definitely taking hold."²² And with it, there is a new style of Russian leadership taking hold.

The Problem

Leadership in Russia is under the influence of the economic transformation occurring. The environment in Russia is changing as the government attempts to recreate Russia under a new economic system. This new environment can be conceptualized as a macro situational factor affecting the nature of leader-follower relationships

²⁰Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. P. 35.

²¹"A silent revolution". The Economist. April 8, 1995.

²²Galuszka, Peter and Kranz, Patricia. "Russia's New Capitalism". Business Week. October 10, 1994. P. 80.

and ways in which leaders and followers accomplish their goals. Therefore, the theories most relevant to understanding the leadership in Russia appear to be contingency theories, as they attempt to understand leadership in light of the situation. From an economic perspective, Russia has experienced two economic systems, or "situations", in the past eighty years. Therefore, any study of leadership in Russia during this period *must* explicitly analyze the effects of these two economic "situations" on leadership processes.

The situational school of thought in leadership studies has provided many traditional contingency models of leadership which incorporate analysis of the situation. These theorists design contingency models because they propose that the emergence or effectiveness of any one leadership style or behavior is contingent upon aspects of the environment such as characteristics of followers, the task, and the immediate setting in which the leader is operating. Emory S. Bogardus discusses this phenomenon from a social perspective, "Social situations are not static. They are ever changing; the idea of process is implicit. Social situations call now for one set of leadership qualities but tomorrow perhaps for another set of traits."²³

Some situational theories concentrate on the effectiveness of particular leadership styles in certain situations; others focus on aspects of the situation which enhance or nullify the effectiveness of certain leadership behaviors. Regardless of the theory, these models of leadership consider the situation, the social and physical

²³Reed, Harold W. The Dynamics of LEADERSHIP. Danville, IL: The Interstate Printers & Publishers, Inc., 1982. P. 93.

environment, as well as the task and followers, to be major factors in determining which leadership behaviors are most effective.

Although contingency theories attempt to define effective leadership under the constraint of different situational determinants, no one theory addresses the economic environment as a situational factor influencing the appropriateness of particular leadership styles or behaviors. An overview of the major contingency theories of leadership is provided to illustrate the limits of many of these theories in analyzing the impact of the economic reforms on leadership behavior in Russia.

Overview of Contingency Theories of Leadership

There are certain contingency theories of leadership which have received considerable attention by leadership, management, and psychology scholars. For example, Gary A. Yukl's Leadership in Organizations, Second and Third editions, both contained a chapter on "Situational theories of effective leader behavior", which reviewed various situational theories, including "The Path-Goal Theory of Leadership", "Hersey and Blanchard's Situational Leadership Theory", and "Vroom and Yetton Normative Model".²⁴ A professor at State University of New York at Albany, Yukl's books focus on managerial leadership in organizations and present a broad survey of leadership theories in formal organizations. Therefore, his focus is similar to that of this case study which looks into leadership of domestic business organizations.

²⁴Yukl, Gary A. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1989 & 1994.

Peter B. Smith and Mark F. Peterson, in their book, Leadership, Organization and Culture, also provide a broad survey of leadership thought. They review leadership from the perspective of event management. The first part of this text provides an overview of the "evolving concept of leadership", while the second analyzes "leadership in its cultural and organizational context."²⁵ Providing much information on Fiedler and his contingency theory, this book reviewed many of the same theories considered in Yukl's chapter on situational leadership. These theories include Osborne and Hunts Theory on Situational Determinants²⁶, Fiedler's LPC model²⁷, Hersey and Blanchard's situational model of leadership²⁸, and Vroom and Yetton's normative decision model²⁹. These theories are based on studies of superior-subordinate relations in business organizations and the military. Therefore, these contingency theories are relevant as the researcher considers domestic business organization leadership in Russia during the communist and capitalist eras. Although these are not the only valuable contingency theories of leadership, they are some of the most often cited contingency theories in leadership books and studies; and they are based on research in business organizations and the military.

²⁵Smith, Peter B. and Peterson, Mark F. Leadership, Organizations, and Culture. Beverly Hills, CA: SAGE Publications, 1988.

²⁶Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1994. P. 35.

²⁷Smith, Peter B. and Peterson, Mark F. Leadership, Organizations, and Culture. Beverly Hills, CA: SAGE Publications, 1988. P. 19.

²⁸Smith, Peter B. and Peterson, Mark F. Leadership, Organizations, and Culture. Beverly Hills, CA: SAGE Publications, 1988. P. 19.

²⁹Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1994. P. 35

In 1975, Osborne and Hunt researched the effects of certain situational determinants on leadership behavior. They proposed that macro level situational variables have substantial influence on managerial activity patterns and behavior content. These variables include crisis situations, the stage in the organizational life cycle, the function of the organizational unit, the size of the organizational unit, lateral interdependence and the level of management.³⁰ Osborne and Hunt found that each of these variables had an influence on leadership style. For example, when a manager has a large number of subordinates, he/she used less participative styles of leadership. Furthermore, in a crisis situation, subordinates expected the leader to be "more assertive, directive, and decisive."³¹

Although Osborne and Hunt do not directly consider the economic system as a determinant, the situational determinant they considered which may indirectly incorporate the influence of the economic system is the organizational life cycle. One could argue that the implementation of a new economic system would place organizations in the initial stage of evolution. In this initial stage of organizational evolution, the primary role of the leader is to provide a vision for the organization and inspire commitment among followers. Unfortunately, Osborne and Hunt do not explicitly include the economic system in their research as a situational determinant. As this paper postulates, the economic system is a relevant

³⁰Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1994. P. 35.

³¹Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1994. P. 40.

situational determinant, which influences leadership behavior, regardless of, but not independent of other situational determinants.

Providing a more comprehensive perspective, Fiedler's LPC (least preferred coworker) contingency model of leadership addresses the influence of the situation and leader traits on leader effectiveness. Fiedler considers three aspects of the situation which influence "situational favorability:" leader-member relations, position power, and task structure. Fiedler postulates that the relationship between leader LPC score and effectiveness depends on situational favorability. A "task-oriented" leader would have a low LPC score, whereas a "relationship-oriented" leader would have a high LPC score. Therefore, according to the three aspects of the situation, a certain type of leader will be most effective. For example, when dealing with a structured task with good leader-member relations and having strong positional power, Fiedler proposes that a leader with a low LPC would be most effective.³² Although Fiedler considers each possible combination of the favorability factors, his theory is limited to those three situational determinants. While the economic system may impact task structure or leader-member relations, Fiedler's theory, like most contingency theories, fails to take into account the influence of the economic system in which leader-member relations are embedded.

One of the major criticisms of Fiedler's theory is the possible interdependence of the three "independent" situational variables.³³

³²Smith, Peter B. and Peterson, Mark F. Leadership, Organizations, and Culture. Beverly Hills, CA: SAGE Publications, 1988. P. 19.

³³Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1994. P. 284.

In contrast, the path-goal theory of leadership treats the subordinates, the task, and the situation as interdependent variables. This theory of leadership postulates that the leader should diagnose the task environment and select the appropriate behaviors which will result in satisfied followers who are motivated toward organizational goals. In contrast to Fielder's LPC model, this approach focuses on four possible leader behaviors which are appropriate in different situations. The leader behaviors include supportive leadership, directive leadership, participative leadership, and achievement oriented leadership. House and Mitchell claimed that one of these behaviors would be most effective in any situation, depending on the situational moderator variables.

According to path-goal theory, situational moderator variables incorporate characteristics of the task, the environment, and the followers.³⁴ These influencing factors are similar to Fielder's situational favorability factors. This theory, like Fielder's, also fails to directly consider the impact of the economic system on the situation. Yet, House and Mitchell would expect the leader to diagnose the environment, which includes "the nature of the work group, the authority system within the organization and the nature of each subordinate's tasks."³⁵ Therefore, a diagnosis would most likely entail an understanding of the economic system. Although one could consider the economic system to be a characteristic of the

³⁴Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1994. P. 286.

³⁵Smith, Peter B. and Peterson, Mark F. Leadership, Organizations, and Culture. Beverly Hills, CA: SAGE Publications, 1988. Pg. 21.

environment, this is not explicitly considered in that manner by them.

Hersey and Blanchard also provide a situational model of leadership which has been applied widely by practitioners.³⁶ While for the most part, their theory has been used in management training, it directly applies to the study of domestic organizational leadership. Hersey and Blanchard's model rests on the following basic assumptions:

1) There is no single all-purpose leadership style. What is appropriate in each case depends on the follower (or subordinate) and the task to be performed.

2) The leader's behavior has two independent main components: directive behavior and supportive behavior.³⁷

This model focuses on follower maturity, the situational moderator variable, as the situational determinant. Depending on the follower's maturity in dealing with a certain task, the leader should choose an appropriate behavior. These behaviors include directive behaviors, directing and coaching, and supportive behaviors, supporting and delegating. Different styles may be appropriate with the same follower when he/she is performing different tasks. Therefore, an effective leader understands which style would be most effective in a given situation depending on the follower(s)' maturity level. Like most situational theories, this model attempts to take into account the formal power of the leader in the situation. Unfortunately,

³⁶Smith, Peter B. and Peterson, Mark F. Leadership, Organizations, and Culture. Beverly Hills, CA: SAGE Publications, 1988. Pg. 23.

³⁷Irgens, O. M. "Situational leadership: A modification of Hersey and Blanchard's Model". Leadership and Organizational Development Journal. 1995. P. 1.

Hersey and Blanchard only consider the follower's maturity and the task as aspects of the situation. Their theory does not and can not incorporate an economic system as a situational variable.

The Vroom and Yetton normative decision model is another form of contingency theory.³⁸ Yet, this model focuses on the decision procedures which are appropriate for certain situations. These theorists specify which decision procedures are effective in specific situations. Vroom and Yetton lay out five decision procedures for decisions involving multiple subordinates. Of the five, two procedures involve autocratic decision making, two procedures involve consultation decision making, and one procedure involves joint decision making by the leader and the subordinates. According to this model, there are seven variables in the situation which determine which decision making procedure is most effective. These seven variables include:

- 1) amount of relevant information possessed by leader and subordinates,
- 2) likelihood that subordinates will accept an autocratic decision,
- 3) compatibility of leader and subordinate objectives,
- 4) importance of decision quality,
- 5) importance of decision acceptance,
- 6) amount of disagreement among subordinates with respect to preferred alternatives,
- 7) extent to which the decision problem is unstructured.³⁹

³⁸Smith, Peter B. and Peterson, Mark F. Leadership, Organizations, and Culture. Beverly Hills, CA: SAGE Publications, 1988. P. 23.

³⁹Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1994. P. 164.

According to the Vroom and Yetton decision process flowchart, a leader can determine which decision making process would be most effective in any particular situation. Like Fiedler's model, this model has been supported by extensive research (Vroom & Jago, 1988). Again, similar to Fiedler's model and the path-goal model, this model does not directly address the impact of the economic system on leadership style. Vroom and Yetton concentrate on the leader, the subordinates, and their micro level relationship. This model seems to lack the capacity needed to address the macro level influence of an economic system.

Although three of the contingency models discussed above (Vroom and Yetton, Fielder and Hersey and Blanchard) could indirectly incorporate the economic system as an influencing aspect of the leadership situation via other determinants, to extrapolate how these models might view economic systems as a situational variable affecting leadership behavior would be problematic since the theorists were not considering factors at the macro level. Yet, there is a contingency theory which does address the influence of economics on effectiveness of leadership styles. In The Dynamics of LEADERSHIP, Harold W. Reed lays out his version of situational leadership. According to Reed, this book "is a practical disclosure of all elements and wisdom of one acknowledged leader's view of leadership, paired with scores of examples of other world class leaders".⁴⁰ Reed attempts to provide a complete collection of definitions and explanations of leadership, as well as many

⁴⁰Reed, Harold W. The Dynamics of LEADERSHIP. Danville, IL: The Interstate Printers & Publishers, Inc., 1982.

illustrations of them. This source included the "situationist theory" which is not covered in any of the other sources reviewed.

Reed considers many forces which make up the environment or situation in which the leader must interact. He claims, "the environmental forces of social, cultural, historic, economic, political, religious and scientific factors unite to determine the direction to which the social change is oriented."⁴¹ Reed calls his theory a "social situationist" theory of leadership.

Reed postulates that social aspects of the situation create an environment conducive to certain styles of leadership. He writes,

"For the situationist, leadership is molded and determined by the situation...For instance, he [/she] may choose between three or more different style of leadership in attempt to find the most acceptable style possible to reach his [/her] objective or objectives at a given time."⁴²

Reed believes that economic factors represent a powerful force in the creation of a social situation. Reed explains, "While leadership encompasses the full-orbed and creative style which goes far beyond mere routine, the social situation in any study...must include measurements of economics as a force."⁴³ Although Reed is one of the few to consider economic factors, he also gives equal consideration to political, socio-cultural, technical, scientific, educational, religious, and legal forces and institutions. While considering each of these factors, Reed explains the next step, "In

⁴¹Reed, Harold W. The Dynamics of LEADERSHIP. Danville, IL: The Interstate Printers & Publishers, Inc., 1982. P. 95.

⁴²Reed, Harold W. The Dynamics of LEADERSHIP. Danville, IL: The Interstate Printers & Publishers, Inc., 1982. P. 96.

⁴³Reed, Harold W. The Dynamics of LEADERSHIP. Danville, IL: The Interstate Printers & Publishers, Inc., 1982. P. 97.

situational analysis the objective is to identify each key factor in the situation by evaluating the dimensions of the factor. Once the situation is mapped out, the question becomes that of the course of actions or leadership style that will be effective."⁴⁴

Although Reed's situationist theory is valuable in its consideration of economic forces, its focus is obtuse, encompassing all aspects of the situation. While no one can disregard the influence of all the factors laid out by Reed, this paper focuses on the influence of the economic system on leadership behavior. In this report, the economic situation is considered one of the most powerful aspects of the situation because it deeply influences many aspects of organizations, individuals, and their respective day-to-day activities.

Contingency theories fail to consider the influence of an economic system on leadership, followership, and the environment because the economic system is a macro-variable and theorists are concerned with micro-variables in organizations; or because the economic system may be experienced in organizations via its effects on other variables. From Fielder, who address principally micro level factors, to Reed, who address many macro level factors, traditional situational or contingency theories have not directly explored the influence of economic factors on leadership behavior. Therefore, the goal of this paper is to examine the influence of economic systems on "effective" leadership styles or behaviors.

The Present Study

⁴⁴Reed, Harold W. The Dynamics of LEADERSHIP. Danville, IL: The Interstate Printers & Publishers, Inc., 1982. P. 99.

Using leadership in the former Soviet Union as a case study, this paper details the different leadership styles used by domestic leaders in Russia during the communist period, as well as, during the initial stages of Russia as a capitalist, free-market economy. Using insights based on the situational leadership theories outlined in the previous section, this paper will examine the different leadership styles which were most "effective" under each system. (For the purpose of this study, the term "effective" will be defined as follows:

"A general consensus from both the research and practitioner literature appears to be that effective managers elicit high performance productivity and quality from their units and satisfaction and organizational loyalty from their subordinates."⁴⁵

This definition corresponds to this report's focus on domestic organizational leadership.) The analysis will shed light on whether leadership in Russia during the different time periods was "relationship-oriented" or "task-oriented", two basic dimensions of leadership behavior that are fundamental elements of most contemporary leadership theories (and, in particular, contingency theories). The final section of the paper suggests a hybrid of a contingency theory which incorporates economic factors as situational determinants of leadership effectiveness, and may be useful in stimulating future research in this area.

Methodology

Using Russia as a case study, the purpose of this report is to compare and contrast a set of leadership behaviors which were

⁴⁵Luthans, Fred; Welsh, Dianne H. B.; Rosenkrantz, Stuart A. "What do managers really do? An observational study with comparisons to U.S. managers". Journal of International Business. December 22, 1993.

considered to be "effective" under a communist economic system as compared to a capitalist economic system. According to Robert K. Yin, author of Case Study Research: Designs and methods, a case study "investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used."⁴⁶ In this report, leadership is the phenomenon being studied; and, the economic situation in Russia is a major aspect of the context. Finally, multiple sources of evidence are considered in trying to analyze the relationship between economic situation and leadership in Russia.

Gathering multiple source of evidence on domestic leadership in Russia during the Soviet era is difficult due to the government's control of information. Literature written before the fall of Soviet rule was highly subjective and highly influenced by the government. Furthermore, published studies of Soviet leadership were limited to high-ranking political officers. Yet, some documents have been uncovered which describe "effective" Soviet managers and directors.

A few studies regarding specific factories, like Vlachoutsicos and Lawrence's Behind Factory Walls, were conducted during the communist era by international scholars, who provide a more objective description of management under communism than that available from official government sources.⁴⁷ Moreover, since perestroika, or the opening of Russia, many scholars have studied

⁴⁶Yin, Robert K. Case Study Research: Designs and Methods. Newbury Park, CA: Sage Publications, Inc., 1989. P. 23.

⁴⁷Behind the Factory Walls. Edited by Paul R. Lawrence and Charalambos A. Vlachoutsicos. Boston, MA: Harvard Business School Press, 1990.

management in Soviet Russia utilizing retrospective analysis methods. Thus, because few studies are available describing leadership during communism, and those released by the Soviet government are highly questionable in validity, the majority of information examined in the present study was produced during and after Gorbachev's perestroika was implemented. Since perestroika was implemented, scholars from around the world have studied all aspects of Russian business management. Furthermore, "since the demise of the Soviet Union, much attention in the popular press has focused on the dramatic challenges facing managers of enterprises in the emerging Russian Republic".⁴⁸ A number of these recent articles provide historical analysis of leadership in Russia in the years preceding perestroika.

Information regarding leadership in Russia under capitalism is more readily available. From the The Moscow Times to The Reuter European Business Report, periodicals have increased their coverage of all aspects of Russia and its history. In particular, studies about Russian management and leadership are now available. Many management, sociology, and psychology journals have published articles on management in Russia, present and past. For example, Industrial Management, Journal of International Business Studies, Business Horizons, Harvard Business Review and Entrepreneurship: Theory and Practice have published research on leadership in Russia, leadership in the Soviet Union and corresponding changes that have occurred in leadership over the past ten years. For example, Paul

⁴⁸Luthans, Fred; Welsh, Dianne H. B.; Rosenkrantz, Stuart A. "What do Russian managers really do? An observational study with comparisons to U.S. managers". Journal of International Business Studies. 22 Dec., 1993.

Lawrence and Charalambos Vlachoutsicos have studied Russian management extensively under communism and capitalism. Thus, while the data sources for this study are not ideal, it is hoped that the use of multiple sources of evidence will allow this researcher to conduct a case study in which conclusions are persuasive and valid because they are "based on several different sources of information."⁴⁹

The evidence that is gathered will be analyzed in terms of situational theories of leadership, and, in particular, Hersey and Blanchard's situational leadership theory.⁵⁰ This approach is being taken since it represents the general "preferred" analytic strategy for conducting case studies. As Yin observes:

"The first and more preferred strategy [for conducting a case study] is to follow the theoretical propositions that led to the case study. The original objectives and design of the case study presumably were based on such propositions, which in turn reflected a set of research questions, reviews of literature, and new insights."⁵¹

Considered in terms of the data gathered about leadership in Russia throughout this study, Hersey and Blanchard's "situational leadership theory" attempts to explain effective leadership in terms of the moderating effect of one situational moderator variable on two broadly defined leader behaviors," directive, task-oriented leadership behaviors and supportive, relationship-oriented

⁴⁹Yin, Robert K. Case Study Research: Designs and Methods. Newbury Park, CA: Sage Publications, Inc., 1989. P. 97.

⁵⁰Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1989. P. 104.

⁵¹Yin, Robert K. Case Study Research: Designs and Methods. Newbury Park, CA: Sage Publications, Inc., 1989. P. 106.

leadership behaviors.⁵² Yukl summarizes Hersey and Blanchard's definitions of these forms of leadership style. He suggests, task oriented behavior "is the extent to which a leader organizes and defines the role of followers by explaining what each person must do, when, where, and how tasks are to be accomplished."⁵³ These leaders initiate structure and set high performance goals for their subordinates. In contrast relationship oriented behavior "is the extent to which a leader maintains personal relationships with followers by opening up channels of communication, providing socioemotional support, and giving 'psychological strokes'".⁵⁴

Hersey and Blanchard postulate that the level of subordinate maturity determines the optimal leadership behavior.

"Follower maturity includes two related components: (1) job maturity is a subordinate's task-relevant skills and technical knowledge, and (2) psychological maturity is the subordinate's self-confidence and self-respect."⁵⁵

Follower maturity (the situational moderator variable) is usually assessed in relation to a particular task performed by the subordinate. Hersey and Blanchard maintain that:

"as subordinate maturity increases from the minimum amount up to a moderate level, the leader should use more relations behavior and less task behavior. As subordinate maturity increases beyond a moderate level, the leader should

⁵²Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1989. P. 104.

⁵³Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1989. P. 104.

⁵⁴Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1989. P. 104.

⁵⁵Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1989. P. 105.

decrease the amounts of relations behavior while continuing to decrease the amount of task behavior."⁵⁶

In relation to this case study, this situational leadership theory is being used as a template for analysis of leadership in Russia for several reasons. First, Hersey and Blanchard's theory is based on leadership within business organizations, which is the focus of this study as well. In addition, much of the evidence collected reviews managerial, or domestic leader, behavior before and after the fall of communism in the Soviet Union. Second, its basic theoretical constructs are logically amenable to adaptation from a micro to a macro level of analysis. For example, it seems reasonable to move from a micro-level analysis of follower maturity at the task level to a macro-level analysis of followers' knowledge and psychological readiness to perform roles within an economic system. Thus, one might hypothesize that the maturity levels of followers in the Soviet Union was high under the communist economic system as they generally understood (although not necessarily liked) their roles as contributors to the state. In contrast, their maturity level might be considered low, although increasing, under the new capitalist system, in which they have minimal experience. In sum, using an adapted version (macro-level) of Hersey and Blanchard's model as a theoretical template for analysis, this paper offers a case study analysis of "effective" leadership behavior in the communist Soviet Union and the free-market oriented Russia. In the section that follows, the database reviewed as a source for conducting the

⁵⁶Yukl, Gary. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1989. P. 105.

analysis of Soviet and Russian leadership in light of Hersey and Blanchard's "situational theory of leadership" is described.

Database for Case Study

In order to construct a case describing leadership "effectiveness" in Russia, a corpus of "data" about Russia, its history, economic system, etc. was required. Several general sources provided a history of Russia and its economic system for the case study. For example, The New Encyclopaedia Britannica was used to provide a history of the Soviet Union.⁵⁷ The historical information found in this source was used to introduce the case study and allowed the researcher to obtain a detailed account of the rise and fall of the Soviet Union.

Comparative Economic Systems, by Martin C. Schnitzer, provided both historical and economic information regarding the Soviet Union and Russia.⁵⁸ This book was a valuable source because it discussed the fundamentals of capitalism, socialism, and Marxist communism. Furthermore, Schnitzer addressed the Soviet Union in particular, as an example of the collapse of communism. This source included detailed accounts of the environments created by the different economic systems that have existed in Russia.

Alfred G. Meyer's, Communism, an in-depth look at communism and its evolution from the writings of Marx to the government of the Soviet Union, was useful for its analysis of the

⁵⁷The New Encyclopaedia Britannica. Chicago, IL: Encyclopaedia Britannica, Inc., 1994. P. 995-1022.

⁵⁸Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994.

communist economic system.⁵⁹ This source provided a perspective of the Soviet Union as a communist system, describing the resulting institutions, their respective roles, and their effects on the Soviet Union. Robert C. Tucker's Political Culture and Leadership in Soviet Russia, was also helpful in that this work focused on the impact of communism on culture and leadership in Soviet Russia.⁶⁰ This historical analysis covers communist political leaders, from Lenin to Gorbachev, detailing their respective roles in the evolution of communism in the Soviet Union. Finally, Walter Laquer's, The Long Road to Freedom: Russia and Glasnost, covers the later stages of the evolution of communism, focusing on its unraveling in the Soviet Union.⁶¹ He addresses the impact of Gorbachev's social policies on the people and organizations of Russia. Though sparingly used, each of these three sources contributed to the researcher's understanding of communism in the Soviet Union, from Marx's ideology to Gorbachev's changes.

Many articles and studies also provided general information on the Soviet Union, the collapse of communism, and Russia under a new economic system. Many of these articles produced specific information about leadership under the communist system and the capitalist system. For example, a 1994 article from Business Week, "Russia's New Capitalism", outlined successful enterprises in four major Russian industries, including manufacturing, banking, services,

⁵⁹Meyer, Alfred G. Communism. New York, NY: Random House, Inc., 1967.

⁶⁰Tucker, Robert C. Political Culture and Leadership in Soviet Russia: From Lenin to Gorbachev. New York, NY: W.W. Norton & Company, 1987.

⁶¹Laquer, Walter. The Long Road to Freedom: Russia and Glasnost. New York, NY: Charles Scribner's Sons, 1989.

and technology.⁶² Describing certain leaders and their enterprises in new economic system, this article detailed a few attributes common in the new types of leaders in Russia. "So Sue Me", an article in Forbes, about corruption in the Russian market place, also provided information regarding leadership characteristics emerging in Russia under capitalism in the early 1990's.⁶³ This source concentrated on the business aspects of leadership in Russia. Another business source article, "'Confusion' in the Kremlin Over Reform Program", which was published in the Daily Telegraph, explained how the Russian government was committed to economic reform.⁶⁴

A series of articles appearing in The Economist provided useful information about Russia's emerging markets in the 1990's, including "A Silent Revolution", "The Sale of the Century", "Restructure or Die", "Putting Russia Right", and "Das Kapital Revisited".⁶⁵ In addition, these articles provided information about Russian markets, privatization, management, and certain industries, as well as a few examples of leadership. Some of these articles also considered the focus on the micro-changes in Russian economics, finance, and business administration, like selling stock to employees and restructuring the management system. "It's like climbing the Himalayas", an article in Business Week served the same purpose as

⁶²Galuszka, Peter and Kranz, Patricia. "Russia's New Capitalism". Business Week. October 10, 1994.

⁶³Klebnikov, Paul and Linden, Dana Wechsler. "So Sue Me". Forbes. August 1, 1994. P. 91.

⁶⁴Warren, Marcus. "'Confusion' in Kremlin over reform program". The Daily Telegraph. January 31, 1994. P. 8.

⁶⁵"Survey: Russia's Emerging Market". The Economist. April 8, 1995.

many of the works noted above.⁶⁶ However, this article also described one man's effort to save a decrepit tractor factory. In particular, this article described the business activities of Joseph Abramovich Bakaleynik, who restructured his organization and increased the stock value of his firm.

Data was also assessed from articles which provided information about leader/manager/director behaviors in Russia and the outcomes of their actions. Many articles were reviewed which did focus on specific leadership styles and traits in Russia. For example, "Locus of control and entrepreneurship in the Russian Republic", by Kauffmann, Welsh and Bushmarin, was a study of the locus of control of Russian entrepreneurs under the capitalist system.⁶⁷ This study also compared Russian business leaders to U.S. business leaders. Using roughly 300 Russian entrepreneurs who were under 30 years old as their sample, these scholars measured the amount of control Russians believed they had over the events of their lives, powerful others, and chance. Interestingly, this study found that Russians did locate control of their lives internally, a significant finding considering the history of communist control in Russia.⁶⁸

In 1994, Business Horizons also provided an article which analyzed leadership behaviors in Russia under a capitalist economic

⁶⁶Galuszka, Peter. "It's Like Climbing the Himalayas". Business Week. May 2, 1994. P. 106.

⁶⁷Kaufmann, Patrick J.; Welsh, Diane H. B.; and Bushmarin, Nicolas V. "Locus of control and entrepreneurship in the Russian Republic". Entrepreneurship: Theory and Practice. September, 1995.

⁶⁸Kaufmann, Patrick J.; Welsh, Diane H. B.; and Bushmarin, Nicolas V. "Locus of control and entrepreneurship in the Russian Republic". Entrepreneurship: Theory and Practice. September, 1995.

system. Longenecker and Popovski's article, "Managerial Trails of Privatization: Retooling Russian Managers", described traits of managers in the communist Russia as well as capitalist Russia.⁶⁹ Using a sample of 159 managers and executives from more than 25 organizations, they also attempted to lay out the problems Russian managers face in the new system and the skills needed to overcome them. Finally, these theorists laid out a process of retooling Russian managers for the free-market system. This 1994 article provided much information about the new styles of leadership in Russia and why they have emerged.

"Managing Russian Factory Workers: the Impact of U.S.-Based Behavioral and Participative Techniques", by Welsh, Luthans, and Sommer described the use of U.S. management techniques and the effectiveness of them in Russia.⁷⁰ In particular, this article covered the impact of providing extrinsic awards and the effectiveness of relations-oriented behavioral management in Russia. In the early 1990s, data were gathered in the largest textile factory in Russia and proved that these techniques had significant positive effects.

Colin Silverstone also drew a comparison between U.S. and Russian managers. His study examined aspects of worker motivation in factories in the U.S. in comparison to the communist, state-owned factories in Russia. This study showed differences in worker motivation and leadership behaviors between the two countries.

⁶⁹Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994.

⁷⁰Welsh, Diane B.; Luthans, Fred; and Sommer, Steven M. "Managing Russian Factory Workers: the impact of U.S.-based behavioral and participative techniques". Academy of Management Journal. Vol. 36 1993.

While the purpose of this study, conducted between June 1990 and July 1991, was to address multinational issues, it was primarily used in this case study for its commentary on Russian leadership behavior and worker motivation under the communist, state-owned system.⁷¹

Micheal Kublin, author of "The Soviet factory Director: A Window on Eastern Bloc Manufacturing," also wrote about leader behavior under communism.⁷² Although this article was published in 1990, it was based on the Soviet era. From the average education level of directors to the environment they worked in, this article focused on many aspects of management under the communist environment. Although this was not a behavioral study, Kublin did provide some information on common leadership behaviors used in the Soviet Union and offered examples of capitalist management to contrast with the Soviet Union.

The study which provided the most information on communist domestic leadership was Diane Koenker's article, published in The Russian Review, "Factory Tales: Narratives of Industrial Relations in the Transition to NEP".⁷³ This article presented narratives from workers of the Soviet Union in the 1930's, during the formative years of communism. Using information appearing as part of a newspaper contest in the Soviet Union, Koenker's study offered a third party analysis of effective leadership styles of directors under

⁷¹Silverthorne, Colin P. "Work Motivation in the United States, Russia and the Republic of China: A comparison". Journal of Applied Social Psychology., 1992. P. 1637.

⁷²Kublin, Micheal. "The Soviet Factory Director: a window on Eastern Bloc manufacturing". Industrial Management. March, 1990.

⁷³Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P. 384-412.

communism. She also provides information about the behaviors and leadership styles which were negatively regarded by subordinates. This source was considered relatively valid because the government would not have a reason to alter positive accounts of leadership. Yet, it is necessary to note that the Soviet government did control the information in the Soviet Union during this period.

Charalambos Vlachoutsicos and Paul Lawrence's works also provided much information regarding effective leadership behaviors in the Soviet Union. In their article, "What We Don't Know About Soviet Management", these scholars highlight the positive characteristics of managers during communism and how they were effective within the system.⁷⁴ In "Joint Ventures in Russia: Put the Locals in Charge", Lawrence and Vlachoutsicos examine the abilities of Soviet managers under the capitalist system.⁷⁵ Both of these articles were extracted from their book, Behind Factory Walls, in which these authors compare management systems in the Soviet Union and the United States.⁷⁶ This book also compared cultural characteristics, economic institutions, and decision making techniques of the two countries.

Finally, in their article, "What do Russian Managers Really Do?", Luthans, Welsh and Rosenkrantz examined the day-to-day activities of Russian managers and contrasted them with managers in the

⁷⁴Vlachoutsicos, Charalambos and Lawrence, Paul. "What we don't know about Soviet Management". Harvard Business Review. November-December, 1990. P. 59.

⁷⁵Vlachoutsicos, Charalambos and Lawrence, Paul. "Joint Ventures in Russia: Put the locals in charge". Harvard Business Review. January-February, 1993. P. 44.

⁷⁶Behind the Factory Walls. Edited by Paul R. Lawrence and Charalambos A. Vlachoutsicos. Boston, MA: Harvard Business School Press, 1990.

United States.⁷⁷ Although this study focused on managers under the new system and the activities in which they engage (e.g. networking, human resource management, and communication,) it also provided information on Russian managerial activity during its varying economic periods.

The multiple sources of evidence reviewed provided coverage of domestic business leadership in the Soviet Union and Russia. Although each of these sources is not ideal, relevant information has been extrapolated in hopes of providing convincing data. In sum, in the pages that follow, information gathered from the sources are integrated into a brief case description of leadership under communism and more recently under the new capitalism.

Leadership in the Communist and Capitalist Eras

The Communist Era

In the Soviet Union, the communist system dictated every aspect of Russian life, from management of industry and agriculture to the arts and education. "Communism's influence ranged deeply into every facet of society--including organizational life."⁷⁸ From work to play, Russians were dominated by "the Party" at all times. The communist party attempted to control Russian thought through propaganda, fear, and the communist ideology. While the Party used

⁷⁷Luthans, Fred; Welsh, Dianne H. B.; Rosenkrantz, Stuart A. "What do Russian managers really do? An observational study with comparisons to U.S. managers". Journal of International Business Studies. 22 Dec., 1993.

⁷⁸Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. P. 35.

fear to keep the system strong, it used God's will as an excuse to suppress a majority of the population, the labor class.⁷⁹ The communist influence was felt at an early age; "all Soviet students, regardless of their major, have received massive doses of ideological and political indoctrination..."⁸⁰ "The Party" promised its citizens that communism was the system needed to create God's kingdom on earth and the happiness of mankind. "The attractiveness of communism as an ideology was based on the belief that it could create a society free from exploitation and want."⁸¹ Although the government was supposed to represent the opinion of the bourgeoisie, or the labor class, the members of the government were most concerned about maintaining their authority and control.⁸² While every citizen was to contribute according to their ability and only take according to their needs, the government resulted in a system full of exploitation and waste.

Leadership at a domestic level in Russia was strongly influenced by the control of the communist party. Within the factories and on the farms, the local leaders were products of "the system". "Like all managers, Russian managers [needed to] be effective leaders, communicators, planners and organizers. Interestingly, however, many traditional responsibilities of managers were controlled at the highest levels of the state-controlled

⁷⁹Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 163.

⁸⁰Kublin, Micheal. "The Soviet Factory Director: a window on Eastern Bloc manufacturing". Industrial Management. March, 1990.

⁸¹Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 163.

⁸²Schnitzer, Martin C. Comparative Economic Systems. Cincinnati, OH: South-Western Publishing Co., 1994. P. 164.

organizations."⁸³ The environment created by government dictated the activities, behaviors, and attitudes of leaders in all organizations.

While the system dictated basic principles of leadership in Russia, leaders differentiated themselves with their personalities and behaviors. Managers ran their factories differently although many of their activities were pre-determined by the state. Using different behavior styles and allocating time to different activities, managers were able to motivate workers to increase output and create different levels of subordinate satisfaction. Unfortunately, output levels were often subjective to the expectations of the state because managers would lie if they did not truly reach their set goals. Directors "had considerable opportunity for maneuverability and manipulation. What he could confidently claim to have accomplished was more important than what he actually did."⁸⁴ Therefore, one aspect of the measure of "effectiveness", high performance productivity, was subjective to state demand.

In the Russian economy, shortages, absenteeism, alcoholism, and a lack of motivation became common in the workplace. From the inception of communism, a common theme of employees in Russian business was "the state pretends to pay us; we pretend to work."⁸⁵ "The traditional state-run system created a weak relationship between outcomes and performance. A manager could have

⁸³Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. Pg. 35.

⁸⁴Kublin, Micheal. "The Soviet Factory Director: a window on Eastern Bloc manufacturing". Industrial Management. March, 1990.

⁸⁵Kublin, Micheal. "The Soviet Factory Director: a window on Eastern Bloc manufacturing". Industrial Management. March, 1990.

complete disregard for quality and still receive promotion."⁸⁶ Yet, many factories were considered successful for reasons other than high levels of production.

Under the communist ideology, the ideal manager was often described as follows:

The basic criterion for excellence was the manager's 'khoziaistvennost', or managerial capability. This was the director's duty to the state: to raise production. But as a Communist he must also defend the interest of workers, and the best directors would find the proper equilibrium... The best director was an organizer, a helmsman, the head of enterprise, the brain of workers' class consciousness, and the soul of political life in the enterprise."⁸⁷

Although the state wanted managers to balance the emphasis on production and subordinate satisfaction, career advancement had little to do with either factor. "Advancement [was] based upon managerial skill, luck, connections, and, most importantly, political reliability."⁸⁸ In contrast, from a subordinate's perspective, "effective" managers were more concerned about their employees than production and "the Party". While factory workers did not choose their leaders under the communist system, they often determined their "effectiveness" with their effort, cooperation and satisfaction level.

The situation Soviet directors faced also involved many aspects of the unfavorable environment which was developing in the Soviet

⁸⁶Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. P. 35.

⁸⁷Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. Pg 384-412.

⁸⁸Kublin, Micheal. "The Soviet Factory Director: a window on Eastern Bloc manufacturing". Industrial Management. March, 1990.

Union. To simply get by as a leader, the director had to successfully overcome many of the shortfalls of the communist system. The Soviet economy was planned; specific production targets and input constraints were set for each sector of the economy. Labor productivity goals were also set. However, "For Soviet factory directors, the plan has been a double edged sword. If they could meet production targets their jobs were probably secure...if they continually missed their quota, they were likely demoted."⁸⁹ Therefore, leaders often had to choose between lying about production, coercing the work force into meeting production standards, or failing to meet goals. Aside from dealing with production goals, Soviet leaders faced the problems associated with an unmotivated work force, out of date equipment and constant shortages. For example, "on any given day, 10% of the work force may [have been] absent."⁹⁰ Furthermore, the equipment supplied by the state did not enable leaders to be highly productive. For instance, one leader considered the production of his factory to be worth new equipment. "He said the plant produced one million rubles worth of engines every day and was so valuable to the enterprise as a whole that it would have to help the factory replace its 827 pieces of faulty equipment."⁹¹ Unfortunately, the economic system could not afford to replace equipment in the later years of

⁸⁹Kublin, Micheal. "The Soviet Factory Director: a window on Eastern Bloc manufacturing". Industrial Management. March, 1990.

⁹⁰Vlachoutsicos, Charalambos and Lawrence, Paul. "What we don't know about Soviet Management". Harvard Business Review. November-December, 1990. P. 59.

⁹¹Vlachoutsicos, Charalambos and Lawrence, Paul. "What we don't know about Soviet Management". Harvard Business Review. November-December, 1990. P. 60.

communism and the Director could not realistically meet production goals.

Surprisingly, "given the economic realities of peremptory centralized planning, state monopoly, and constant shortage, a remarkable number of Soviet enterprises produced usable, sophisticated products and cared for their workers as well."⁹² The best leaders in the Soviet Union were able to accomplish this in light of the struggling market. For example, Avdeev, a Soviet factory director written about in a Pravda newspaper contest, was praised by his subordinates because he "'spared us from the market'...negotiating with cooperatives for low prices or bypassing the market altogether."⁹³ Often leaders had to circumvent the bureaucracy of the state.

From the perspective of subordinates, "effective" leaders circumvented the state. The best leaders put more energy into the workers' needs, and less time into production and "the Party". Yet, production was essential for the welfare of the workers because without adequate performance, these workers would find themselves underpaid, or possibly unemployed. Therefore, a leader who could balance the needs of the subordinates and the needs of the factory was ideal.

One of the most commonly cited virtues of "effective" leaders in communist industry was the ability to revive, preserve and promote production. In fact, leaders were considered heroic if they had the

⁹²Luthans, Fred; Welsh, Dianne H. B.; Rosenkrantz, Stuart A. "What do Russian managers really do? An observational study with comparisons to U.S. managers". Journal of International Business Studies. 22 Dec., 1993.

⁹³Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

ability to turn a factory around. For example, N. A. Arkhangel'skii "created a living, alive factory from dead and sleeping people", according to one of his workers.⁹⁴ (Directors names were provided by the Koenker article which reviewed a Pravda newspaper contest for the best manager in the Soviet Union.) And Osip Suchkov revived a factory where "our giant slept the sleep of the dead, and the workers were without shoes, without clothing, starving, they walked around like black phantoms."⁹⁵ The turning point in this factory occurred when Osip Suchkov told his subordinates, "It's life, or death. Save the factory, and you save yourselves."⁹⁶

Not all good directors resuscitated dead factories; many of them simply protected their factories from closure. For example, "Avdeev took over the Petrograd powder plant... when many factories were evacuated or closed down, but he kept his plant open...and provided his workers with food."⁹⁷ There were others like him. Vasilii Dmitrievich Serov restored production in his military factory, revived a supplier's repair shop, and organized a fire brigade. His subordinates considered his strength "inhuman". Sergei Grigorievich Rudnik took over a chemical factory with no materials, no fuel and no customers; and managed to keep his plant open and to secure his workers existence. Finally, a factory director named Anisimov was nominated in the Pravda contest for using every resource available,

⁹⁴Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

⁹⁵Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

⁹⁶Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

⁹⁷Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

keeping his factory alive and to keep his workers from being thrown out onto the streets.⁹⁸

From repairing their existing factories to finding customers and money, "effective" leaders had the ability to keep a plant afloat in the face of adversity. Yet, directors were not considered great just because they revived a factories production level. Most commonly, an excellent leader was a "good" manager, with the ability to keep a factory or collective alive, and a "good" communist, demonstrating fatherly concern for the welfare of his subordinates.⁹⁹

Positive relations with workers were necessary to be considered a very "effective" leader. Those who were simply directive in saving a factory or collective were simply "good" Soviet directors. Subordinates liked managers who revived or maintained plants to give life back to the workers, as opposed to the state. For example, Andeev was considered by his workers as "their leader, their truthful friend, and their best comrade" who cared for the needs of his workers.¹⁰⁰ A manager by the name of Korshunov was revered in the same way. He was best known for diving off a barge and saving the life of a drowning worker. One worker claimed, "These are his qualities. He [Korshunov] loves his workers, he takes pride in them, cares about them as if he were their own father."¹⁰¹ One director, Korolev, showed his care differently by installing

⁹⁸Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

⁹⁹Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

¹⁰⁰Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

¹⁰¹Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

electricity, a bathhouse, a barbershop, and a boot repair shop. Whether a leader improved the physical conditions of and around the factory or became involved in the lives of his subordinates, Russian workers praised managers who acted and lived as if they were workers themselves.

"Effective" leaders in Russia interacted with all levels of subordinates, working directly with them to create a positive relationships with them. This direct contact between all levels of the hierarchy is considered a fundamental aspect of the Soviet management system and has far reaching effects. "On the positive side, it boosts morale, improves a leader's picture of what actually goes on in the organization and greatly enhances vertical integration in the organization."¹⁰² Unfortunately, this practice can hinder lateral communication. However, it is generally a positive aspect of the management system. "Even the general director of the enterprise is a walk-around, face-to-face manager, a task master and parent figure whose presence is felt everywhere, from the executive suite to the production floor."¹⁰³

The most "effective" leaders in the Soviet Union believed that they were in the same class as their subordinates. Those leaders, who "spoke the workers' language" and were considered one of them, received much praise from their subordinates. For example, Fedor Gorbashov, director of a linen-weaving mill, was praised for acting

¹⁰²Vlachoutsicos, Charalambos and Lawrence, Paul. "What we don't know about Soviet Management". Harvard Business Review. November-December, 1990. P. 52.

¹⁰³Vlachoutsicos, Charalambos and Lawrence, Paul. "What we don't know about Soviet Management". Harvard Business Review. November-December, 1990. P. 53.

like a worker even though he was a director. One subordinate explained, "This is our brother, our native director, our brother-worker, not an engineer. We had specialists, but things were worse with them. With our director, things go better, we are all fed, and the factory produces more."¹⁰⁴ Similarly, Dmitri Dudarev excelled as a director because of his accessibility: "he had no separate office, any worker could come up to him,...he listened to each one attentively."¹⁰⁵

Good directors had roots among their workers, understanding their needs. From material support, like food and clothing, to psychological support, like encouragement and praise, good directors were generous to their subordinates. This type of generosity was necessary in the Soviet Union. Leaders perceived their subordinate's biggest concern to be "help on personal problems. Based on what is known about the Soviet economy, housing, and food problems of the Russian worker, perhaps this is not surprising."¹⁰⁶ As leaders provide subordinates with support in many ways, "They develop direct bonds of loyalty with employees at all levels."¹⁰⁷

Alexander Sergeovich Gorian, plant manager of a large engine manufacturing plant in Moscow, is a good example of a leader who shows concern for his employees at all levels. He knows most of the

¹⁰⁴Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

¹⁰⁵Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

¹⁰⁶Silverthorne, Colin P. "Work Motivation in the United States, Russia and the Republic of China: A comparison". Journal of Applied Social Psychology., 1992. P. 1637.

¹⁰⁷Vlachoutsicos, Charalambos and Lawrence, Paul. "Joint Ventures in Russia: Put the locals in charge". Harvard Business Review. January-February, 1993. P. 44.

2,000 people who work for him by their names. He also posts open office hours so individuals employees can voice their complaints or concerns. Although he is generally concerned about his employees first, Gorian must be directive at times. "Mr. Gorian's style is direct, confrontational and humorous - a blend of charisma and autocracy."¹⁰⁸

Most effective Soviet managers, like Gorian, were directive when necessary. "Red directors also had to raise worker productivity by reducing unexcused absences and restoring shop-floor discipline."¹⁰⁹ Yet, this directiveness was never taken at the expense of a relationship. For example, one director "raised discipline not through punishment, but through example, because he was "one of them."¹¹⁰ An established positive relationship allowed leaders to be directive and productive. For example, a Russian director named Volkov "also introduced strict labor discipline, but his workers accepted this; they knew that ultimately he defended their interests..."¹¹¹ However, considering the task less important than relationships, Soviet directors "perceive themselves as less likely to engage in exploitive power behaviors and as more rigid in their evaluations of ethical situations."¹¹²

¹⁰⁸The New York Times. September 30, 1990.

¹⁰⁹Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

¹¹⁰Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

¹¹¹Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412.

¹¹²Kaufmann, Patrick J.; Welsh, Dianne H.B.; Bushmarin, Nicholas V. "Locus of control and entrepreneurship in the Russian Republic". Entrepreneurship: Theory and Practice. September, 1995. P. 43.

Productivity and discipline could only raise together in the subordinates trusted and respected their leader. Due to a lack of a performance based pay system, workers were motivated by the director only. Therefore, those leaders who gained the trust and respect of their subordinates and were supportive, relations-oriented, humble managers and directors usually elicit high production performance, as well as subordinate satisfaction; and therefore, they are considered "effective".

Russia

The change of the economic system has created transformation in every aspect of enterprise, from leadership, to production, to followership. Paul Lawrence and Charalambos Vlachoutsicos, management scholars who have studied the Soviet system throughout the reform period, explain, "we cannot sufficiently emphasize how fundamental and all-encompassing this process of change is."¹¹³ "The downfall of state-controlled, centrally planned industries meant that competition and supply and demand were the new economic watchwords."¹¹⁴ These new concepts required the attention of organizational leadership; and subordinates are receiving less of the focus of their leaders. "To succeed as a Russian manager today, connections alone are not enough. Managers must possess the specific skills needed to compete in the open market."¹¹⁵

¹¹³Behind the Factory Walls. Edited by Paul R. Lawrence and Charalambos A. Vlachoutsicos. Boston, MA: Harvard Business School Press, 1990. P. 287.

¹¹⁴Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. P. 35.

¹¹⁵Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. P. 35.

A new playing field exists in Russia, industry is now driven by competition, efficiency, innovation and marketing. Leaders feel the change most immediately, as they find themselves in a position of responsibility, "being forced to compete in a competitive, market-driven environment."¹¹⁶ With the drastic reforms of the surrounding environment, leaders of enterprises must learn to change just as quickly. One manager explains, "managers must be retooled, re-educated to help them understand and do different things..."¹¹⁷

The most obvious change in leader behavior under the new economic system lies in the responsibility and ownership which leaders are taking. "State-owned enterprises used to be responsible for the welfare of their employees. This meant providing apartments and utilities, as well as running schools, hospitals and holiday camps."¹¹⁸ Yet, now managers and their subordinates are responsible for the formerly state-owned enterprise. Leaders are no longer responsible for the welfare of their subordinates outside the factory or collective; they are now responsible to the bottom line, profit, and shareholders.

Viktor Korovin, who became plant general director at Uralmash, maker of oil rigs, steel foundries, and earth movers, explains this phenomenon, "They [managers] are behaving like owners now, which means when they invest their own money they

¹¹⁶Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. P. 35.

¹¹⁷Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. P. 35.

¹¹⁸"Putting Russia Right". The Economist. April 8, 1995. Survey P. 21.

want return on it."¹¹⁹ Ownership has changed the perspective of leadership of Russian enterprise.

Under the new system, a young breed of successful business leaders is emerging to meet these new responsibilities. "Managers in private companies tended to be younger and more proactive, flexible, entrepreneurial, and market-oriented than their state-run counterparts."¹²⁰ Chairman of Inkombank, Vladimir V. Vinogradov, explains, "Younger people are better able to adapt to fast-changing conditions."¹²¹ Furthermore, characteristics of these young Russian managers include: "order givers, quick to act, sales background, problem-solvers, risk-takers, externally-oriented, consumer-oriented, pay for performance, use promotional tools."¹²²

Business leaders in Russia who have remained successful in the face of this drastic change share certain skills. Technical business skills, such as knowledge of the plant's operation and production line, and conceptual skills, such as the ability to solve problems and effectively plan, have emerged as the most important skills in free-market Russia. Interpersonal skills, such as making connections and contacts, while important, are not as highly valued in the capitalist environment. As monitoring and measuring progress and

¹¹⁹"Restructure or die". The Economist. April 8, 1995. Survey P. 9.

¹²⁰Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. P. 35.

¹²¹Galuszka, Peter and Kranz, Patricia. "Russia's New Capitalism". Business Week. October 10, 1994. P. 76.

¹²²Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. P. 35.

profitability become essential, drive, persistence, and creativity are more characteristic of "effective" leaders.¹²³

A common characteristic found in entrepreneurial leaders of this new era is an internal locus of control. Those emerging as business leaders in Russia "did locate control internally, and this perception of personal control dominated the control they felt coming from powerful others or from chance."¹²⁴ Although this corresponds with the new concepts related to ownership, this was quite a surprise considering "Russian students were more likely to attach control to powerful others and to chance when compared to students from historically democratic countries."¹²⁵ Therefore, emerging Russian leadership feels a new sense of freedom and control under the capitalist system, although older citizens still reflect on the power of the "Communist Party". In Kaufmann, Welsh and Bushmarin's study, these entrepreneurs, with an internal locus of control, also showed many of the characteristics listed above necessary to lead in enterprise; such as risk-taking, flexible, and aggressive. For example, Juri Oiemets, a former manager of a computer software state-enterprise, "is typical of a whole new post-Soviet generation of

¹²³Longenecker, Clinton O. and Popovski, Sergei. "Managerial trials of privatization: retooling Russian managers". Business Horizons. November, 1994. P. 35.

¹²⁴Kaufmann, Patrick J.; Welsh, Diane H. B.; and Bushmarin, Nicolas V. "Locus of control and entrepreneurship in the Russian Republic". Entrepreneurship: Theory and Practice. September, 1995. P. 43.

¹²⁵Kaufmann, Patrick J.; Welsh, Diane H. B.; and Bushmarin, Nicolas V. "Locus of control and entrepreneurship in the Russian Republic". Entrepreneurship: Theory and Practice. September, 1995. P. 43.

wheeler-dealers: young, aggressive and, according to the complaint, not to scrupulous."¹²⁶

In the past, managers could have complete disregard for quality and still succeed as leaders. Therefore, these leaders were more concerned with the quality of their subordinate relations. Yet, under the new economic system, promotion is based on performance, profits and the "bottom line". This changes the focus of leaders energies. Yet, subordinates understand this. For example, "after privatization, employees and managers together typically ended up with a 51% stake in their companies."¹²⁷ Therefore, subordinates often feel a sense of ownership and responsibility as well. Allowing subordinates to have a stake in the enterprise sparks motivation. "Shareholders and managers have been empowered."¹²⁸

In a Harvard research study, this concept of improved motivation was tested and proved. When Russian workers were provided with extrinsic rewards contingent on their performance, they "were seen to 'shape their actions to increase these rewards."¹²⁹ Therefore, this motivation technique proved to be an effective leadership behavior under the capitalist system; yet, under communism, this technique did not exist because all workers received the same rewards, regardless of performance. In the new

¹²⁶Klebnikov, Paul and Linden, Dana Wechsler. "So Sue Me". Forbes. August 1, 1994. P. 91.

¹²⁷"Das Kapital revisited". The Economist. April 8, 1995. Survey P. 15.

¹²⁸Galuszka, Peter and Kranz, Patricia. "Russia's New Capitalism". Business Week. October 10, 1994. P. 69.

¹²⁹Welsh, Diane B.; Luthans, Fred; and Sommer, Steven M. "Managing Russian Factory Workers: the impact of U.S.-based behavioral and participative techniques". Academy of Management Journal. Vol. 36 1993. P. 60.

system, workers are motivated by the performance based system, which incorporated bonuses, stock value, or pay increases.

In accordance with testing the effects of extrinsic rewards, this study also tested the impact of behavioral management, which provided intrinsic rewards, on Russian subordinates. These intrinsic rewards included trained supervisors administering "social rewards (praise and recognition) and feedback when their workers performed identified functional behaviors". Their relationship-oriented leadership behaviors raised the levels of subordinate motivation. Although this type of behavior management was used under communism by "effective" leaders, the impact of this "relations" behavior was just as great in increasing the motivation and satisfaction of subordinates. The extrinsic rewards behavioral technique and the behavioral management technique are U.S. human resource management theories and techniques which are capitalist by origin. These are also new and effective leadership behaviors which Russian leaders use to increase the motivation of their subordinates under the new economic system.

Case Analysis

Using Hersey and Blanchard's "situational leadership theory" as a template, the analysis of this case will consider follower "maturity" as the "situational moderator variable". Yet, the concept of maturity must be altered to address a macro-level situational determinant, like an economic system. For example, maturity level in this analysis, like Hersey and Blanchard, includes two components, job maturity and psychological maturity. Yet, from the perspective of this macro-level analysis, followers' knowledge and psychological

readiness to perform roles within an economic system determine the subordinates level of maturity.

Altering the "situational moderator variable" to fit this application of Hersey and Blanchard's model is a technique used by scholars in adapting this theory to their studies. For example, in "Situational leadership: A modification of Hersey and Blanchard's model", O. M. Irgens creates her own situational leadership theory using many aspects of Hersey and Blanchard's original model. Like this analysis, Irgens model alters Hersey and Blanchard's concept of the "situational moderator variable". Instead of considering subordinate maturity level as the basis for the appropriate leadership behavior, Irgens addresses follower qualifications as the determining variable.¹³⁰ This adapted theory provides an example of following and modifying a theory of leadership.

In the researcher's applied situational leadership theory, which incorporates a macro orientation, maturity measures the knowledge level and psychological readiness of subordinates in an economic system. After the inception of communism, follower's maturity levels rose, as they became more knowledgeable of their roles and more psychologically ready to perform them. By the latter half of the 20th century, communist workers were most likely at their highest maturity levels. Even under Hersey and Blanchard's definition of maturity, Soviet subordinates would most likely be considered mature. Working in the same factory for life, and

¹³⁰Irgens, O. M. "Situational leadership: A modification of Hersey and Blanchard's Model". Leadership and Organizational Development Journal. 1995.

growing up in the communist environment, subordinates were well prepared to understand and perform their roles.

With mature subordinates, Soviet managers/directors displayed more relationship-oriented behavior than task-oriented behavior. Although task behavior was an aspect of leadership in the Soviet Union, "effective" leaders raised levels of production and subordinate satisfaction by using relationship-oriented behaviors. While subordinates under communism were not as concerned with production as they were about feeding, housing, and providing clothing for their families, they worked to increase production for the community of the factory. Leaders who acted as if they were part of the community gained the love and respect of their subordinates. Gaining this love and respect was contingent on a leader's concern for follower welfare, ability to revive production, and interaction with all levels of subordinates. Directors, leaders, and managers were considered "effective" if they displayed concern for their relationships with employees. Therefore, relationship behavior, defined by Yukl as "opening channels of communication, providing socioemotional support, and giving 'psychological stokes'", emerged as the most commonly cited behaviors of "effective" leaders. An increase in this behavior produced more satisfaction and organizational loyalty from their subordinates, which indirectly lead to improved production through worker motivation and effort.

Following the demise of communism and genesis of free-market reforms in the Russia, the maturity level of subordinates fell to a low point as subordinates' job maturity and psychological maturity changed. Task maturity was relatively static because the

task relevant skills and technical knowledge level required was basically the same. Subordinates remained in their positions after the fall of the Soviet Union unless their factory shut down. Yet, the level of psychological maturity changed a great deal in the wake of reforms. The leader/follower relationship, which incorporated a "social contract", changed as workers produced for the factory or farm, and no longer for the state. Employment was no longer guaranteed and provided by the state. Furthermore, the leadership within a business organization was no longer party oriented. These factors have lowered the psychological maturity level of subordinates as they lose confidence in the permanency of their jobs. From a macro-level perspective, the maturity level of subordinates was low and rising as the Russian economic system slowly transformed to capitalism.

With less mature subordinates, the dominant behavior pattern in Russia under the free-market system was task-oriented. The instillation of the "bottom line" in Russia changed the focus of Russian managers from relationships to the task at hand. Having ownership in the venture, leadership became motivated to increase production, lower costs, and enjoy profits. Feeling like the level of production was under their control (the internal locus of control factor), leaders became "order-givers", oriented to the external-market environment. "Effective" leaders used task behaviors in hopes of staying afloat under the new system.

The relationship-oriented behaviors of leaders in Russia seemed to fall, as directive, task-oriented behaviors increased. Subordinates were expected to take care of their needs with the

income provided by the organization. No longer was the organization in charge of providing housing, education, etc. Yet, a level relationship-oriented behavior was still necessary as leaders needed the respect of their employees to motivate them.

The results of this case study are not consistent with the "situational leadership theory" of Hersey and Blanchard. While Hersey and Blanchard argue that leaders should decrease relations and task behaviors as subordinate maturity increases beyond the moderate level (See Appendix A), Soviet managers did not decrease either. In fact, they seemed to provide high amounts of both. While maturity has taken on a different meaning in light of economic systems throughout this analysis, one would not expect this large of a difference to result from changing the components of maturity.

While Hersey and Blanchard predict that a higher level of relationship-oriented behavior is considered "effective" when subordinates are immature, this was not the case in Russia. Managers in Russia were considered effective if they could provide direction in the times of constant change. Therefore, task behaviors increased as maturity level fell along with the communist system. Although there is no documented decrease in relations behavior, it is obvious that managers focused on the tasks, the level of production, and this new thing called "profit".

In conclusion, Hersey and Blanchard's situational theory of leadership provided a theory to follow in this case study analysis of leadership behaviors in the Soviet Union and Russia. Unfortunately, the findings of this case study do not support Hersey and Blanchard's conclusions. However, this may be do to the different criteria used to

measure subordinate maturity. Exposure to the economic system determined maturity level in this study, and may have been a determinant inapplicable to their theory. Yet, the findings were convincing; Soviet managers seemed to use more relationship-oriented behaviors while Russian managers seemed to show more task-oriented behaviors.

Directions for Future Leadership Study

Although this analysis incorporated the "situational leader theory" of Hersey and Blanchard, results suggest that other theories may apply. As stated before, most contingency theories of leadership are applicable because they take the situation, or environment into account; and an economic system can be considered an aspect of the situation. For example, Fiedler's LPC contingency model of leadership may apply because the change of the economic system would influence "situational favorability". Under the new system, the situation is most likely unfavorable to most. According to Fiedler, unfavorable situation would benefit the relationship-oriented leader because leaders with high LPC scores are most effective in unfavorable situations.

The path-goal theory of leadership could also apply to the evidence gathered. The reforms in the economic system would alter the "situational moderator variables", as characteristics of the task and environment changed. As the situational moderator variables changed, the most "effective" style of leadership would change as well. This applies to the situation in Russia where the new capitalist system resulted in a increase in directive behaviors. According to Yukl's analysis of this theory, "when... subordinates are

inexperienced, and there is little formalization of rules...then directive behavior will result in higher subordinate satisfaction and effort."¹³¹ In the communist system, this theory would predict that "when the task is...boring, tedious, and dangerous, supportive leadership leads to increased subordinate effort and satisfaction..."¹³² This case study seems to support the path-goal theory of leadership.

As the examples above suggest, there is a need for a more in-depth look at the impact of the changes in Russia on their leadership. This study only applied one contingency theory to the data gathered. Apparently, many other theories can be applied in a case study of Russia.

Limits of Analysis

Naturally inherent of a case study, this analysis was subject to limitations. The multiple sources of evidence used to provide data were subject to the opinions of the authors. Furthermore, secondary data lacks a direct link between the researcher and the subject. Furthermore, data which incorporated Soviet-produced information, like the Keonker and Welsh, Luthans, and Sommer studies, are highly biased.¹³³ The data was also biased by weight throughout this study. For example, most narratives about effective leadership were

¹³¹Yukl, Gary A. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1989. P. 101.

¹³²Yukl, Gary A. Leadership in Organizations. Englewood Cliffs, NJ: Prentice Hall, Inc., 1989. P. 101.

¹³³Koenker, Diane P. "Factory tales: narratives of industrial relations in the transition to NEP". The Russian Review. July, 1996. P 384-412. & Welsh, Diane B.; Luthans, Fred; and Sommer, Steven M. "Managing Russian Factory Workers: the impact of U.S.-based behavioral and participative techniques". Academy of Management Journal. Vol. 36 1993.

incorporated in the "Communist Era" section, while the "Capitalist Era" section contained few narratives, but many empirical studies.

Beyond the data, this analysis experienced limitations with the assumptions related to the applied derivation of Hersey and Blanchard's "situational leadership theory. For example, other situational determinants exist and most likely had an influence on the situation; and, the resulting leadership behaviors. Also, there was an assumption of homogeneity within the environment of communism and capitalism. The macro analysis of Hersey and Blanchard's theory is limited by its assumptions, as well.

This case study was meant to provide an analysis of leadership in Russia under great economic change. Although this paper does not provide conclusions,

Appendix A

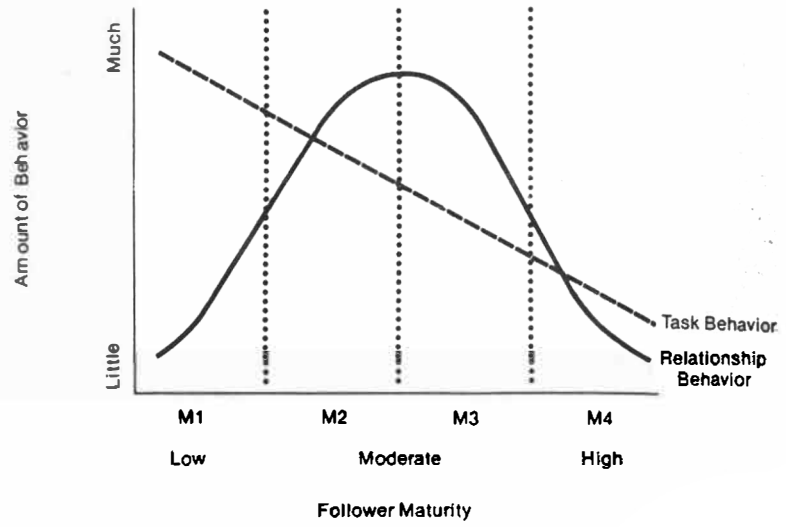


FIGURE 6-5 Behavior Prescriptions in Hersey and Blanchard's Situational Leadership Theory