

## **Organisational leadership in transforming economies: leadership, management and national culture in selected countries of Central and Eastern Europe**

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*The paper presents the results of a survey of managers in seven countries of CEE, focusing on leadership and management, the degree of deference subordinates display towards senior managers, work and leisure, and ethical issues. In discussing the findings of the survey particular attention will be paid to similarities and differences revealed by the responses of the managers in the various countries.*

*Der Artikel zeigt die Ergebnisse einer Umfrage unter Managers in sieben Ländern Ostmitteleuropas im Bereich von Führung und Management, dem Ausmaß an Achtung Untergebener gegenüber Vorgesetzten, Arbeit und Freizeit und ethischen Belangen auf. Bei der Diskussion der Befunde wird besondere Aufmerksamkeit auf Gemeinsamkeiten und Unterschiede in den Antworten der Manager aus den verschiedenen Ländern gelegt.*

*Key words: Organisational leadership / Central and Eastern Europe / management / national culture*

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## Introduction

There has been considerable interest in the management and leadership of economic organisations in the transforming economies of Central and Eastern Europe (CEE) since the collapse of the command economies in 1989. A certain interest had existed before the system change (see, for example, Granick (1975) and Kiezun (1991)). The possibility, however, of undertaking on-the-ground research into institutions and organisations of the command economies had been heavily circumscribed. Nevertheless, clear and detailed pictures emerged, both of the 'ideal' model upon which the system was based and of day-to-day practice with all its distortions (Kornai, 1992).

Whilst the premises upon which national economic systems and their constituent institutions had been developed, were largely similar, there were still considerable national differences in the implementation of the underlying principles. One major distinction was between the command economies of CEE and the self-management system practised in the former Yugoslavia. Even within those economies of CEE which were closely linked to the Soviet Union, actual practices differed between countries, reflecting different responses at the national and organisational levels. These differences were the result of a combination of factors, including the particular relationship with the USSR, the degree of local autonomy, the structure of the national economy, attitudes to centralisation and decentralisation, etc. These differences, moreover, varied over time. As argued by the proponents of 'path dependency' (Stark, 1992), the countries of CEE after 1989 had differing historical legacies and embarked on transformation from different starting points.

## Management

The events of 1989 and the early 1990s caused a mushrooming of interest in the economic transformation of CEE. In this, considerable attention was focused on company transformation and the role played by managers within this. At this point it is appropriate to give some thought to the distinction between management and leadership. Whilst management refers to a social category of individuals concerned with the administration of economic assets and the implementation of policies and procedures, leadership is concerned first and foremost with the strategic direction of organisations (whatever their scope). The two terms are not mutually exclusive in that leadership without management may be short lived and management without leadership may become no more than passive administration. It can also be argued that leadership and management are also inter-related hierarchically in that the higher a manager's position in the organisational hierarchy, the greater the expectation that he or she will demonstrate leadership skills. According to Kotter (1990), managers focus on execution and control, while leaders deal with vision and planning. Moreover, although the same individual can display both

leadership and management skills, it is imperative to acknowledge the difference between the two roles.

It is nonetheless indisputable that the system change had an enormous impact on management and caused managers numerous difficulties. Within national economies there was massive disruption brought about by the system change and involving processes such as the privatisation of formerly state-owned assets. Macroeconomic instability, lasting varying periods of time in the individual countries, became the norm. The legacy of the former system, moreover, continued to be very influential, for instance, in the form of inherited economic structures and government bureaucracy. In some countries these difficulties became embedded in a culture of corruption which militated against the establishment of new democratic institutions. More specifically, companies were often faced with changing and declining demand for their goods and fierce competition from western companies. In all this change, managers, used to the stability and routine of the former system, were relatively inexperienced and needed time to adapt.

Managers' difficulties were, furthermore, compounded by external causes. In the global context of production over-capacity, there was only limited credibility in and demand for goods from CEE. This situation was exacerbated by the collapse of COMECON which had been the primary market for CEE exports, although individual countries responded with different degrees of success to the need to re-orientate their trade. The need to use hard currency and other restrictions of international trade also added to the pressures being faced by companies in CEE. Moreover, foreign competitors were exploiting the system change not only to enter the CEE markets and acquire economic assets but also to close down capacities that were regarded as potential competitors (Edwards/Lawrence, 1994).

While the difficulties facing companies and managers certainly appeared overwhelming, they also offered considerable opportunities to individuals willing to take risks and, in some cases, stretch the limits of the law. This opportunity-seizing behaviour manifested itself in a number of ways, including spontaneous privatisation, new business formation and corporate restructuring. Such behaviour was generally complemented by substantial acquisition of new knowledge and skills.

The influence of the former system was, furthermore, not exclusively negative (see Hoffmann et al, 1996) and Newman (1998) has argued that pre-1990 experiences contributed to the development of top leadership skills in Czechoslovakia. Of particular significance were turnkey business experience, direct customer contact and experience in competitive markets.

The impact of the system change on managers can be exemplified by reference to country-based typologies of managers. For example, Hoffmann et al's (1996)

typology of Czech managers comprises four archetypes: manager-entrepreneur, manager-professional, manager-passenger and manager-speculator. Hoffmann et al also comment that after 1989 between a quarter and a third of managers relinquished their positions because of their political past, incompetence or because they were of retirement age. Moreover, the ability to cope with the challenge of the new market system was not overtly related to the age of individual managers for even older managers were seen to be responding positively to the new operating environment. Throughout CEE managers' responses to the system change were complex and diverse. For example, it was not uncommon for former communist party cadres and members of the nomenklatura to become active and successful in the new business environment. The speed with which some communist party members accepted and applied the tenets of the market economy, earned them the name of 'wrynecks' (or turncoats) (Edwards/Lawrence, 1994).

Dobák (2003) has, moreover, given a chronological interpretation of the transformation of Hungarian managers since the system change. Before 1989 Hungarian managers had been 'Janus-faced' as they sought to cope with both bureaucratic and market mechanisms in the context of a 'guided market economy'. In the subsequent period between 1990 and 1993 managers were largely preoccupied with company survival and privatisation. In this period market mechanisms became dominant. There was also a substantial influx of foreign capital, including owners and managers.

The period between 1994 and 1999 saw a continuation of the developments of the previous period. This was accompanied by heavy politicisation of executives in the remaining state-owned companies. At the same time there was a general and considerable rejuvenation of the managerial group. These younger managers were conversant with the latest managerial knowledge and skills. By the year 2000 Hungary functioned on the whole as a typical market economy.

One factor that is especially clear, however, is that system change increased the challenges for and burdens on managers. As Lang (1998) has commented, managers suffered from role overload. Based on Marr's (1994) application of Mintzberg's (1973) managerial roles to different economic systems, it is argued that managers experiencing transformation have to perform a greater number of roles than managers in a planned economy. Moreover, the intensity with which they need to carry out these roles is greater than that of managers in established market economies. System change and managerial inexperience thus combine to create extraordinary demands and pressures on managers in transforming economies. It is not surprising therefore that a large number of the existing managers decided to give up their positions. It is moreover very interesting that many established managers remained in their enterprises to oversee and participate in the process of adaptation to the new circumstances or, even when leaving their enterprises, founded new businesses. Whilst such behaviour was

driven in part by economic necessity, there were also other motivations such as a wish to succeed and feelings of commitment to enterprise workers and the local community (see, for instance, Bögel et al (1997), Domanski (1997) and Clark and Soulsby (1999) for examples from Hungary, Poland and the Czech Republic respectively).

## **National culture**

Lang (1998) also explored the relationship between national culture and management behaviour. National culture has been one of the factors contributing to the diversity of experiences and outcomes in the countries of CEE. Substantial national differences in terms of culture undoubtedly exist and these differences can be explored in relation to countries' and nations' historical experiences. In this process history and myth become inextricably entwined. Nonetheless, in spite of its diffuseness, the concept of culture is a powerful one and has been used to explain national differences in management culture (see, for example, Schneider/Barsoux (1997) and Warner/Joynt (2002)).

According to Schneider and Barsoux, culture operates at three levels. First, there are artifacts and behaviour which can be observed. Second come beliefs and values which are susceptible to investigation through interviews and surveys and, third, there are underlying assumptions regarding relationships with other individuals and the external environment. These underlying assumptions are interlinked in the overall construct of individual cultures and necessitate inference and interpretation in order to be grasped.

The complexity of the relationship between culture and organisations, in particular organisational effectiveness, has been discussed by many authors, including Punnett (1999). Individuals within organisations are 'carriers' not only of their respective national culture but are also influenced by professional and corporate values and in some cases by membership of specific sub-cultures. Clearly, the beliefs and values individuals espouse will influence their attitudes and behaviours. Managers, too, will be influenced in this way and possibly, in the turbulent environment of transformation, reflect more consciously on how they think and what they do.

While one can regard culture as being an inseparable component of managerial and organisational existence, it is also important to consider the general impact culture may have on managers' thoughts and actions. It has been argued elsewhere (Edwards, 2002) that culture represents both a resource for and a constraint on social and economic development. In this respect culture may be both functional and dysfunctional. Culture plays a functional role when it contributes to the achievement of desired goals. In contrast, it is dysfunctional when it fails to serve the interests, needs or aims of a particular system or organisation or interferes with their achievement. The interaction of cultural



resources and constraints results in negotiated outcomes which may be either positive or negative. This negotiation of outcomes is, moreover, a continuous process.

## Issues

1. The post-1989 system change in CEE had an enormous impact on the nature of managerial work. It freed managers from the constraints of the political system and granted top managers in particular considerable discretion and autonomy. Especially, company autonomy made it increasingly important for top managers to demonstrate strategic awareness and leadership qualities.
2. The command economy was based on issuing instructions and their corresponding fulfilment. In this context managers were largely 'order takers'. In comparison the market economy expects managers, at least in theory, to be risk takers and pursue innovation. The stereotypical chain of command image of the former system is replaced by an image of dynamic interaction between and within organisations.
3. Because of the overheavy workload of managers, managers will spend most of their time at or dealing with work, to the detriment of leisure and family time. Pressure of work, but also personal ambitions, will dominate.
4. The transformation changed not only political and economic systems but also provided the opportunity for ethically questionable behaviour. The moral order of the former system, however imperfect, collapsed. At the same time the system change brought with it demands for a new moral order in social and economic life. These ethical demands are also part and parcel of the transformation affecting managers.

## Aims and method

These issues were explored by analysing the responses of 167 managers in seven countries of Central and Eastern Europe (Edwards/Lawrence, 2000; Edwards, 2002) to a range of propositions related to the above issues. In the survey managers were asked to respond to a series of statements, using a 5-point Likert scale, with 5 indicating strong agreement and 1 strong disagreement. The CEE countries included in the survey were Croatia, the Czech Republic, Estonia, Hungary, Poland, Romania and Slovenia.

The countries can be regarded as culturally diverse from a number of perspectives. Whilst the Czech Republic, Hungary, Poland and Romania had become Soviet satellites after 1945, Estonia had been a constituent republic of the Soviet Union. These countries had implemented in various guises the Soviet model of the command economy. In contrast, Croatia and Slovenia had been

constituent republics of the Yugoslav Federation which had developed workers' self-management of the economy. Historically, the countries in the survey had wholly or partially been part of either the Austro-Hungarian or Russian empires. Currently, five of the countries are included in the first wave of CEE countries to join the European Union, whilst the other two, Croatia and Romania, have expressed a wish to accede. The group of countries also display linguistic and religious diversity between and, to a certain extent, within each other.

Analysis of the data involved both descriptive and analytical techniques (the latter using Scheffé's method for multiple comparisons (Romano, 1977)). The aims of the questionnaire was to gauge managers' views on the above-mentioned issues and also to identify the degree to which the managers in the various countries expressed similar or different views. The propositions were grouped under four headings: (1) leadership and management (5 propositions); (2) managerial deference, relating to managers' discretion and autonomy (9 propositions); (3) work and leisure (5 propositions); and (4) ethics (5 propositions).

The survey was distributed to relatively young managers, with an average age of 41. Even though the respondents had varying lengths of service and experience as managers, their experience of the former system was at most limited and the transformation had represented their most recent experience. They can also be regarded as belonging to the pool from which future top managers will emerge. Furthermore, they were all studying on MBA programmes, the nature of which tends to disseminate an Anglo-American perspective on business and management and mitigates against the influence of individual national cultures (Edwards/Lee, 1999).

## Findings

The statistical results of the responses to the 24 propositions discussed in this article are presented in Tables 1-4.

### Leadership and management

The first group of propositions (see Table 1) addressed the nature of management and leadership and the relationship between the two. Overall, there was slight disagreement with the proposition that management is essentially about the operation of systems and standard operating procedures. The Romanian and Estonian respondents were more supportive of the proposition than their counterparts from the other countries.

There was stronger and consistent agreement with the proposition that above all the manager needs powers of persuasion. There was similarly strong overall

agreement with the proposition that common sense is a greater virtue than impressive qualifications, although the spread of the responses was wider.

The two propositions relating specifically to leadership also elicited a relatively wide range of responses. Overall the respondents tended to agree with the proposition that above all the manager needs power of leadership. However, the response to the proposition that management and leadership are coterminous was bipolar in that the Croatian respondents disagreed strongly, whilst all the other respondents supported the proposition. Support for the proposition was particularly pronounced from the Czech and Polish respondents and least pronounced from the Slovenian group.

*Table 1. Results of the responses to the propositions on leadership and management*

No	Proposition	Sample mean	Sample standard deviation	Highest group score	Lowest group score
1	Management is essentially about the operation of systems and standard operating procedures.	2.83	1.14	3.37 (ro)	2.21 (cz)
2	Above all the manager needs powers of persuasion.	3.78	0.98	4.32 (hr)	3.44 (ee)
3	<b>Common sense is a greater virtue than impressive qualifications.</b>	<b>3.74</b>	<b>1.13</b>	<b>4.64 (hr)</b>	<b>3.29 (ro)</b>
4	<b>Above all the manager needs powers of leadership.</b>	<b>3.93</b>	<b>1.04</b>	<b>4.56 (hr)</b>	<b>3.51 (pl)</b>
5	<b>Management and leadership are coterminous.</b>	<b>3.42</b>	<b>1.35</b>	<b>4.42 (pl)</b>	<b>1.64 (hr)</b>

Key: cz: Czech Republic / ee: Estonia / hr: Croatia / hu: Hungary / pl: Poland / ro: Romania / si: Slovenia

Bold indicates a proposition where the difference between at least two groups is statistically significant at the 5 per cent level.

## Managerial deference

The responses (see Table 2) indicated a general rebuttal of the concept of managerial deference and portrayed the respondents' view of managers as assertive individuals. Respondents tended to agree with the proposition that a manager should constantly challenge how things are done rather than deferring to hierarchy and precedent. They also tended to disagree with the proposition that managers' access to senior management should be restricted to their line manager. Furthermore, the proposition that managers should not introduce innovatory working practices unless formally approved by senior management, did not receive general support, the strongest disagreement being expressed by the Czech respondents.

However, the respondents also appeared aware of the possible consequences of such attitudes, with some groups tending slightly to agree and some slightly to



disagree with the proposition that a manager who frequently challenges how things are done is less likely to be promoted. The Estonian respondents gave the strongest support of the groups to the proposition, with the Croatian respondents giving the least support.

Two propositions dealt with more general aspects of the superior-subordinate relationship. The proposition that questioning a decision made by management on ethical grounds is unacceptable practice was generally rejected. There was, moreover, strong agreement with the proposition that a refusal of a request should be accompanied by an explanation, not an apology.

*Table 2. Results of the responses to the propositions on managerial deference*

No	Proposition	Sample mean	Sample standard deviation	Highest group score	Lowest group score
1	A manager should constantly challenge how things are done rather than deferring to hierarchy and precedent.	3.88	1.00	4.32 (hr)	3.45 (si)
2	Managers' access to senior management should be restricted their line manager.	2.33	0.97	2.64 (cz)	2.06 (pl)
3	Managers should not introduce innovatory working practices unless formally approved by senior management.	4.27	1.29	4.63 (hr)	3.57 (cz)
4	A manager who frequently challenges how things are done is less likely to be promoted.	2.92	1.12	3.41 (ee)	2.36 (hr)
5	<b>Innovation and risk taking is the preserve of senior management.</b>	<b>3.03</b>	<b>1.33</b>	<b>4.24 (hr)</b>	<b>2.21 (pl)</b>
6	<b>Line managers are not encouraged to innovate and take risks.</b>	<b>2.84</b>	<b>1.10</b>	<b>3.52 (hr)</b>	<b>2.33 (ro)</b>
7	<b>Ideas generated by informal groupings of managers may be ignored because such groupings are not considered legitimate.</b>	<b>2.36</b>	<b>1.11</b>	<b>3.52 (hr)</b>	<b>1.70 (ro)</b>
8	Questioning a decision made by management on ethical grounds is unacceptable practice.	2.59	1.14	3.00 (hr)	1.92 (cz)
9	A refusal of a request should be accompanied by an explanation, not an apology.	4.39	0.73	4.70 (ro)	4.00 (cz)

A group of propositions referred to risk-taking and innovation. There was a wide range of responses to the proposition that innovation and risk-taking is the preserve of senior management, with the Croatian respondents agreeing most strongly and the Polish least so. This spread of views was repeated in the responses to the proposition that line managers are not encouraged to innovate and take risks. This was rejected slightly overall, with the strongest rejection coming from the Romanian managers, whilst among the groups the Croatian managers gave the strongest, albeit slight, support for the proposition.

A wide difference of opinion was also indicated by the responses to the proposition that ideas generated by informal groupings of managers may be ignored because such groupings are not considered legitimate. Only the Croatian respondents gave some support to this proposition which was rejected by all other groups.

## Work and leisure

The respondents (see Table 3) tended to agree with a number of propositions referring to the relationship with work and leisure. There was relatively strong agreement, although with some spread of responses, with the proposition that for the senior manager work will inevitably invade leisure time. There was also support for the proposition that senior managers value their work time more highly than their leisure time.

Views differed, however, with regard to the proposition that nobody ever climbed the corporate ladder without putting work first. The Croatian respondents gave the strongest support among the groups to the proposition, while the Hungarian managers rejected it most strongly.

The respondents tended to agree with the proposition that the current demands on managers' time lead to serious disruption of their home lives. However, they also agreed with the proposition that managers owe it to themselves and their families to strike a sensible balance between the demands of work and home. This view was particularly strongly supported by the Polish managers.

*Table 3. Results of the responses to the propositions on work and leisure*

No	Proposition	Sample mean	Sample standard deviation	Highest group score	Lowest group score
1	<b>For the senior manager work will inevitably invade leisure time.</b>	<b>3.99</b>	<b>1.02</b>	<b>4.56 (hr)</b>	<b>3.31 (hu)</b>
2	Senior managers value their work time more highly than their leisure time.	3.54	1.05	3.77 (ro)	3.28 (hu)
3	Nobody ever climbed the corporate ladder without putting work first.	3.46	1.27	3.92 (hr)	2.57 (hu)
4	The current demands on managers' time lead to serious disruptions of their home lives.	3.70	1.05	4.08 (hr)	3.50 (cz, si)
5	<b>Managers owe it to themselves and their families to strike a sensible balance between the demands of work and home.</b>	<b>4.27</b>	<b>0.78</b>	<b>4.63 (pl)</b>	<b>3.57 (hu)</b>

## Ethics

The responses to propositions relating to ethics (see Table 4) reflected a range of views. All groups disagreed with the proposition that unofficial use of a company's resources is basically acceptable. They also disagreed with the proposition that as long as managers operate within the law they should not concern themselves with ethical issues.

Responses to other propositions indicated both agreement and disagreement, albeit slight in some instances, depending on the group of managers. The proposition that it is the role of senior management to determine the boundaries of ethical behaviour for their subordinate managers was most strongly rejected by Hungarian managers, with Slovenian managers giving overall weak support to it. Furthermore, the proposition that undisclosed gifts to third parties are acceptable if they are necessary to secure an important contract was, overall, neither accepted nor rejected. It was most clearly rejected by Estonian managers, with the Croatian managers expressing the most evident support. A similar response was obtained with regard to the proposition that loyalty to one's company should always take precedence over personal integrity and this proposition elicited both support and rejection, depending on the particular group.

*Table 4. Results of the responses to the propositions on ethics*

No	Proposition	Sample mean	Sample standard deviation	Highest group score	Lowest group score
1	Unofficial use of a company's resources by managers is basically acceptable.	2.01	1.12	2.56 (hr)	1.51 (ee)
2	So long as managers operate within the law they should not concern themselves with ethical issues.	2.39	1.20	3.00 (si)	2.05 (hu)
3	It is the role of senior management to determine the boundaries of ethical behaviour for their subordinate managers.	2.84	1.17	3.31 (si)	2.35 (hu)
4	<b>Undisclosed gifts to third parties are acceptable if they are necessary to secure an important contract.</b>	<b>3.05</b>	<b>1.26</b>	<b>3.80 (hr)</b>	<b>2.28 (ee)</b>
5	<b>Loyalty to one's company should always take precedence over personal integrity.</b>	<b>3.15</b>	<b>1.23</b>	<b>4.10 (ee)</b>	<b>2.15 (hu)</b>

## Analysis

The statistical analysis of the responses indicated the degree to which the respondents agreed or disagreed with the individual propositions. It also indicated the extent to which there were differences between the groups that were statistically significant. Of the 24 variables presented in this article, there were ten propositions in which the response of at least one group was

significantly different in terms of the statistics from those of at least one other group. In many cases, moreover, these statistical differences related to more than one group.

With regard to leadership and management, the respective groups (apart from the Croatian managers) did not discriminate between leadership and management. Not surprisingly, there was a general recognition that managers also need leadership skills.

The groups of respondents, moreover, tended to show only limited deference. They portrayed managers as willing to challenge authority, take risks and introduce innovations. They recorded a clear awareness to take on responsibilities. At the same time they also seemed aware of the possible consequences of such behaviour, especially with regard to promotion. They also recognised the importance of approval from their superiors for their actions.

The responses to the propositions on work and leisure confirmed the substantial demands made on them by their work activities. Work tended to dominate their time. However, they also tended to accept responsibility for achieving a balance between work and leisure and, more specifically, for fulfilling their responsibilities towards their families.

Managers were thus clearly aware of ethical issues in spite of some differences of opinion between the groups. They distinguished between legal and ethical behaviour. Respondents, moreover, tended to accept that they were personally responsible for their own actions. Nevertheless, such responses did not exclude some support for dubious practices.

## Conclusions

The survey results give some support to the notion that national culture has some influence on managerial attitudes and behaviour. This influence, however, is diffuse and variable. The impact of national culture on the respondents is, moreover, likely to have been mitigated by their positions and their participation in MBA programmes. The incidence of statistically significant differences between the respective groups is consequently particularly interesting.

The respondents did not discriminate clearly between leadership and management, although they recognised that managers need leadership qualities, the responses, therefore, may reflect difficulties of a linguistic nature (Jankowicz, 1994) rather than issues of substance.

The respondents gave a portrayal of managers that was clearly different from Kornai's description of individuals in leading positions in the former system as displaying 'servility and a heads' down mentality' (Kornai, 1992, 121). In comparison the respondents were supportive of risk-taking and innovation.

The survey confirmed Lang's (1998) contention of managerial overload in the period of transformation. The burden of work was generally portrayed as substantial and managers were aware of the pressures on time for family and leisure.

With regard to ethical issues a more muddled picture emerged with support both for ethical behaviour and dubious practices. There has been considerable concern for unethical business behaviour in CEE (see, for example, Županov (1998) for Croatia; Gasparski (1999) for Poland; and Pučko (2000) for Slovenia). Without doubt much work needs to be done to eradicate unethical practices. However, it is also important not to assume that unethical practices are solely a consequence of the system change. According to Transparency International's (2000) Corruption Perceptions Index the situation in the countries included in the survey was more or less similar to the position in some EU countries, for example, Italy (see Table 5). Only Croatia and Romania were ranked considerably lower than Italy.

*Table 5. Year 2000 Corruption Perceptions Index: Survey countries and Italy*

Country	Ranking
Estonia	27
Slovenia	28 =
Hungary	32 =
Italy	39 =
Czech Republic	42
Poland	43 =
Croatia	51
Romania	68

Source: Transparency International 2000

The survey responses of CEE managers provide some insight into the tremendous changes that have taken place in management since the system change. Managers, even middle managers, have greater autonomy and discretion and consider using them. This would appear a sound basis for the development of leadership rather than purely managerial skills. While the system change has facilitated the dissemination of predominantly standard management knowledge and skills, the survey responses also reveal that managers in different countries comment on ways that are statistically



significantly different, on issues relating to management attitudes and practice, thus supporting views on the importance of national culture.

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