The diversity of individual values and its role for organisations in the context of change

Citation for published version (APA):

Document status and date:
Published: 01/01/2007

Document Version:
Publisher’s PDF, also known as Version of Record (includes final page, issue and volume numbers)

Please check the document version of this publication:
• A submitted manuscript is the version of the article upon submission and before peer-review. There can be important differences between the submitted version and the official published version of record. People interested in the research are advised to contact the author for the final version of the publication, or visit the DOI to the publisher’s website.
• The final author version and the galley proof are versions of the publication after peer review.
• The final published version features the final layout of the paper including the volume, issue and page numbers.

Link to publication

General rights
Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

• Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
• You may not further distribute the material or use it for any profit-making activity or commercial gain
• You may freely distribute the URL identifying the publication in the public portal.

If the publication is distributed under the terms of Article 25fa of the Dutch Copyright Act, indicated by the “Taverne” license above, please follow below link for the End User Agreement:
www.tue.nl/taverne

Take down policy
If you believe that this document breaches copyright please contact us at:
openaccess@tue.nl
providing details and we will investigate your claim.
THE DEPOSIT OF VALUE DIVERSITY AND ITS ROLE FOR ORGANISATIONS IN THE CONTEXT OF CHANGES

Doctorate presented for pre-defence

REBEKKA VEDINA

Tartu 2007
# TABLE OF CONTENTS

INTRODUCTION ............................................................................................................ 3  
List of papers ................................................................................................................ 3  
Relevance of the topic .................................................................................................. 3  
The aim and research tasks ........................................................................................... 5  
Research methodology ................................................................................................. 6  
Originality of the research and its practical merit ........................................................ 6  
Acknowledgements ...................................................................................................... 8

Part 1. THE THEORETICAL BASIS FOR STUDYING INDIVIDUAL VALUES AND VALUE DIVERSITY IN THE CONTEXT OF CHANGES........................................... 9
  1.1. Values in the context of societal and organisational changes .................................. 9  
  1.2. Value diversity in the framework of workforce diversity: consequences for organisations........................................................................................................... 13  
  1.3. Propositions for the empirical analysis.................................................................. 21

Part 2. THE EMPIRICAL STUDY ................................................................................ 27
  2.1. The research process ............................................................................................ 27  
  2.2. Methods used in the research............................................................................... 28

Part 3. PUBLICATIONS ................................................................................................ 30
  Study 1 ........................................................................................................................ 31  
  Study 2 ........................................................................................................................ 49  
  Study 3 ........................................................................................................................ 67  
  Study 4 ........................................................................................................................ 85

Part 4. CONCLUSIONS ................................................................................................. 98
  4.1. Discussion of the research propositions in the framework of workforce diversity .................................................................................................................................... 98  
  4.2. Value diversity in organisations: summary and discussion of the main findings .................................................................................................................................. 103  
  4.3. Implications for managers ................................................................................. 108  
  4.4. Main conclusions at societal, organisational and individual levels................... 112  
  4.5. Contributions to the theory, limitations and suggestions for further research .. 115

REFERENCES ............................................................................................................. 119
INTRODUCTION

List of papers

This dissertation is based on the following original publications, which will be referred in the text by their respective numbers.


2. Vedina, R., Vadi, M. A National identity perspective on collectivistic attitudes and perception of organisational culture. Accepted for publication in Baltic Journal of Management.


Relevance of the topic

Social and economic transformations that took place in the former Soviet block countries have created new challenges for individuals, organisations and societies in general. Changes were and still are required at all levels. For organisations in the societies in transition the need to learn and adapt to rapidly changing task environments calls for the new forms of management practices and organisational policies, reflected in workplace values and culture. The crucial question is thus whether and to what extent people are ready to come along and comply with the large scale changes, how do they view the changes around them and the world in general. These worldviews are reflected in values and beliefs that people hold (Hofstede 2001). Therefore, a profound knowledge is needed for the better understanding of the nature of values, what are the forces that influence the dynamics of their assortment, how are they related to the organisational phenomena and how this knowledge can be utilised in organisations.
In every society there are forces that uphold changes and forces that restrain changes, and transition societies where major changes occurred are not an exception. According to Pejovich (1997), an important persistent factor in Eastern Europe is the “old ethos” embodied in customs and traditions prevailing there, an ethos which is stronger the further to the east one goes. This ethos is “largely devoid of such Western ideas as those expressed in classical liberalism and individualism” and “has a strong bias toward collectivism and egalitarianism” (Ibid.: 248). The clash between this ethos and the values of Western capitalistic culture is a factor that might slow the transition (Ibid.: 249). This assertion is supported by recent findings on the differences between employees in post-socialist and traditional capitalist countries in terms of job satisfaction, commitment to organisation and the attitudes towards societal values (Alas and Rees 2006).

On the one hand, certain circumstances require certain types of values and therefore, value harmonization for achieving the common goals at all levels in a society. On the other hand, when different tasks are required different values might be more appropriate for certain tasks. Hence, studying the effects of value diversity that exist in a society will help to understand in what ways it can be exploited in organisations and what new potentials it can bring for organisations. This is especially relevant in the context of both general societal and organisational changes.

The overall changing nature of work and the workforce is not a feature only of the societies in transition. It has been recognized in general already in the last century and much attention has been attributed to the increasingly diverse workforce as a major challenge facing managers today (Williams and O’Reilly 1998). This implies increasing value diversity worldwide, especially considering growing immigration on a global scale. The collapse of communism in Central and Eastern Europe have also made this issue very topical in these countries. The remainder of the Soviet time in ex-Soviet countries is a culturally heterogeneous workforce, which further increases the value diversity. Exploring its effects is thus a crucial task for understanding the processes in these societies from the perspective of individuals, organizations and larger society.
Besides value diversity stemming from cultural diversity, these countries and in particular, Estonia, were faced with the necessity of dealing with integration issues. Many enterprises were composed of workers mainly from a minority population in Estonia, that is, Russian-speaking population with little or no cultural connections with the majority population (Estonians), and integrating them into the new social order is a challenge on political, economical and societal level. The present research provides also some ground to deal with this problem at the organisational and society level, which can be used to draw managerial and policy-making implications.

**The aim and research tasks**

This doctorate aims to give an insight to the issue of value diversity on the example of three Baltic countries – Estonia, Latvia and Lithuania and to increase the understanding of the dynamics of the interaction between this individual-level and organisational-level phenomena in the context of large-scale changes at societal and organisational level.

The first research task is to explore the relations between large-scale changes in organisational environment and organisational changes in societies in transition, by this creating a general context for achieving the next research tasks. Study 4 is aimed to fulfil this task and serves in this doctorate as an umbrella study for the main empirical studies.

The second research task is to find out what kind of value diversity is present among the representatives of the same cultural group in three different countries subsequent to the major societal change – regaining the independence, and how it is reflected in organisations. It is attempted in Study 1.

The third research task is to discover what the relationships between individual and organisation-level phenomena are and what the intervening factors in these relationships are (Study 1, Study 2).

The fourth research task is to develop propositions of how value diversity can be utilised in organisations in order to be more successful in the change context (Study 3).
**Research methodology**

This doctorate is mainly based on conceptualisation built upon combining theory development with the quantitative analysis of data. In order to develop a framework for studying different level phenomena the author uses various theoretical elaborations from different areas of management research field, such as psychology, organisational behaviour, organisational change, organisational innovation and social identity theory. The studies presented in this doctorate are explorative in nature.

The methodology for values research is abundant. However, the methods differ due to hitherto existing inconsistency in approaches to what constitutes a value. In this doctorate, individual values are studied according to Rokeach (1973) value inventory, where values are general, somewhat abstract notions, which people consider as important in their lives and use as guides for their behavioural choices. Part of the interpretations of results is built up using the Schwartz’ (1992) elaboration on Rokeach Value Scale. Value diversity is assessed quantitatively by comparisons between the relevant importance attributed to certain values across various social categories of employees in several organisations in three countries – Estonia, Latvia and Lithuania. Thus, for using and comparing data across different cultural contexts/countries the present study can be categorised as cross-cultural.

Survey method was used for gathering the empirical data. Three previously developed scales were applied:

1. Rokeach Value Scale adapted formerly to the languages of the respondents.
2. A questionnaire for measuring collectivistic attitudes worked out at the University of Tartu by Realo, Allik and Vadi (1997).
3. A questionnaire for assessing the orientations of organisational culture developed by Vadi (2000).

**Originality of the research and its practical merit**

The originality of present research derives from combining previous research contemplations and theoretical propositions from different fields, thus enabling to establish connections between individual, organisational and society level phenomena,
and from relating them to human and cultural aspects. Roland (2004) has pointed out that, for instance, before economists have been reluctant to discuss the relationship of social norms and cultural values to economic growth. Instead, recent cutting-edge work in economics has proposed economic growth as a product of the combination of ideas and institutions (Ibid.). Roland (2004) emphasized that ideas are closely related to culture, understood both as values (world-views) and as social norms and suggested that institutions may themselves be viewed as the interaction of fast-moving (political) and slow-moving (cultural) institutions. He claimed that in order to better understand the determinants of economic growth, economists should seek a better understanding of the role of values and norms in shaping both ideas and institutions (Ibid.).

There are plentiful of studies on workforce diversity. However, previous research regarded diversity mainly in terms of age, gender, race or ethnicity, that is, easily observable attributes. Studies on underlying attributes, which are difficult to observe, such as values have been scarce. Yet, previous research has yielded largely inconsistent results and van Knippenberg and Schippers (2007) suggested that the reason is using too simplified approach to diversity. This doctorate attempts to fill this gap by focusing on value diversity among the employees in the post-socialist countries, where studies on values is an under-researched area (Alas and Rees 2006).

Another aspect of originality arises from the specificity of the sample. Russian-speaking population is present in all three Baltic countries – Estonia, Latvia and Lithuania as an ethnic minority that has a similar historical, ethnic and cultural background (see the reasoning in Study 1). This suggests the distinctive set of values and attitudes that Russian-speaking organisational members hold in these countries, thus providing a ground for using it as common variable in a Pan-Baltic study. Hence, it presents a unique type of workforce diversity not present in other countries.

This opportunity also enables us to draw attention to the social category identity – another missing link in workforce diversity studies. It is related to a social group with which an individual may identify him or herself. Most often example of such social category identity is belongingness to a certain organization or organizational group (the organisation or organisational group considered as a social category) (e.g. Tsui et al. 1995), whereas studies on identity related to culture have been rare. Study 2 sheds light
on this topic from the perspective of national identity, which represents a special issue in many ex-Soviet countries. It puts into focus the so far hidden consequences of the attempts to integrate minority populations into the new societies.

In order to highlight the practical relevance of the research several points can be made:
- Studying value diversity helps to understand in what ways values can enrich organisational world and bring forward new potentials.
- Information about employees’ values provides managers with the deeper knowledge of their motivation, which managers can use to increase the successful functioning of organisations according to their needs (for example whether managers wish to reach more cohesiveness or more creativity in organisation).
- This knowledge also helps to specify, what forms of management practices and organisational policies suit better certain types of value diversity and of workforce diversity in general, which can help to increase the competitiveness of the organisation.
- The research should give a better understanding of how to achieve a synergy from value diversity, but also of its potential disadvantages or problems.
- It also provides knowledge of how the organisation, its tasks and its culture are perceived, and how it is related to employees’ values and attitudes. It is especially useful in the context of societal and organisational changes.
- Human resource policies, training and organisational development programs can be adjusted in order to reach the best fitting composition of the personnel for the achievement of the organisational tasks.
- The research provides a wider understanding of the social factors that have an impact on organisational life and on society dynamics in general (e.g. integration issues). This knowledge is also useful for other countries that need to deal with these issues.

Acknowledgements
Part 1. THE THEORETICAL BASIS FOR STUDYING INDIVIDUAL VALUES AND VALUE DIVERSITY IN THE CONTEXT OF CHANGES

1.1. Values in the context of societal and organisational changes

Values are an indispensable part of culture, which is considered to be stable and reluctant to change (Hofstede 2001). In the recent elaboration on the nature of institutional changes Roland (2004) emphasizes the importance of culture as a slow-moving institution for the overall process of change. He claims that the interaction between slow-moving and fast-moving institutions sheds light on why, how, and when institutional change occurs and evinces the difficulty of transplanting institutions into different cultural contexts. However, change is an inevitable feature of life in general, and particularly, in societies in transition (see the discussion in the Study 4). Therefore, in each society there are forces that endorse changes and forces that hold back changes.

Institutions can be regarded as society’s formal rules and cultural norms and values as its informal rules. According to Pejovich’s (1997: 246) interaction thesis, “if society’s formal rules are in harmony with its informal rules <…> it reduces the transaction costs of maintaining and protecting the rules of the social game and frees resources for the production of wealth”. The importance of values for making economic and business performance harmonious was also emphasized by King (1997). Thus, the challenge for transitional societies is reaching a harmony between values present and shared in these societies, and values implicit in the new and/or changing institutions.

Moreover, values influence the behaviour, aims and aspirations of individuals who interact with institutions, and there might be conflict between individuals and institutions (Clark et al. 2002). As societies industrialize and develop economically, similar institutional features emerge: people become modern by incorporating the values implicit in the institutions of industrialized societies into their personal value systems (cf. Schwartz and Sagie 2000). Presumably, these modern values facilitate social and psychological adjustment to the demands of institutions in economically developed
societies, whereas traditional values that would interfere with adjustment are rejected (Yang 1988, cf. Schwartz and Sagie 2000; Hofstede 1997, 2001). This implies a conflict of values in the transition societies also on the level of individuals.

Individual values are defined as “enduring beliefs that a specific mode of conduct or end-state of existence is personally and socially preferable to alternative modes of conduct or end-states” (Rokeach 1969: 160). Rokeach (1969) calls these end-states of existence as *terminal values* and modes of conduct as *instrumental values*. Schwartz’ (1992) classification of values provides us with a useful tool for determining, what values should support changes and what values tend to make a person resist them. It employs two dimensions – *Openness to change* vs. *Conservation* and *Self-enhancement* vs. *Self-transcendence* – along which value types are divided according to the motivation that underlies each of them. One may predict that such Openness to change motivational types of values as Stimulation and Self-direction should be change-endorsing and Conservation values consisting of Security, Conformity and Tradition types of values should be change-opposing. Schwartz and Sagie (2000) themselves have found that the importance attributed to Self-direction and Stimulation, but also to Universalism and Benevolence (Self-transcendence types of values) was associated with the higher level of socioeconomic development. Since highly developed countries have undergone relatively more changes on all levels in their societies, this finding partially confirms the above mentioned prediction. Schwartz and Sagie (2000) suggested that the importance of values that emphasize independent thought, innovation and change, and a belief in equality should be greater at higher levels of socioeconomic development.

Nevertheless, the study of Schwartz value types among Estonian students has illustrated (Niit 2002) that the preference for certain values may change with the changing standards of living. For example, it was found that values *creativity* and *varied life*, which are related to openness to change, have considerably lost their importance in the period between 1992 and 1999. This may indicate that when the economic conditions improve and there are more sources of achieving variety in life as in today's Estonia, these values become relatively less important. Hence, although Security values were found to be less important in highly developed countries (Schwartz and Sagie 2000), in Estonian society the preference may appear for preservation and enhancement of the welfare of the people with whom one is in frequent personal contact. This implies that
though values may change over time, the direction of change is not always straightforward and it may not at all times correspond with the overall changes in the society. It also entails that there are other factors at play.

On the institutional level the actors of change are organisations (see the discussion on the relationships between societal changes and changes in the behaviour and functioning of organisations in Study 4). In dealing with complexity and change the challenge for management is to institute an organisational order and organisational culture supportive of change. Organisational culture as a set of shared beliefs, values and behaviours (Schein 1997) stabilises individual behaviour and provides people with indications about what is successful and unsuccessful behaviour in the organisation (De Witte and Van Muijen 1999). King (1997: 262) emphasized that besides interrelated cultural norms, rules and values, a work environment is important for harmonious economic and business performance, while Bluedon (2000) considers attempts to shift organisational culture toward values and beliefs of the new economic order as a great challenge for post-soviet organisations. Figure 1 illustrates the interrelations and relative standing of the concepts of values of individuals and organisational culture in a larger societal context, which are used in this dissertation as the building blocks of the baseline framework.

Figure 1. The building blocks of the baseline framework.
Values and beliefs of individuals acquired in society’s certain cultural context are brought in and socialized in organisations where these individuals work. By rewarding certain values may be endorsed and others disapproved in the organisation, and it has an effect also at the society level. Katz and Kahn comment on such inter-relation of values: “The behaviour of people in organisations is still the behaviour of individuals, but it has a different set of determinants than behaviour outside organisational roles” (Katz & Kahn 1966: 391). Individual values, therefore, can be seen as a link between society and organisation, and it is necessary to focus on both levels with an aim to clarify what organisational members' values are and how they affect their organisation.

Since organisational change implies collective contribution and cooperation between its members (Alas and Sharifi 2002), their values that reflect collectivism are also essential for organisation. According to Morris et al. (1993), the level individualism/collectivism is a meaningful dimension of culture and it impacts upon organisational outcomes. Hofstede (2001) assert that the level of individualism/collectivism prevalent in a given society strongly influences the nature of the relationship between workers and their organisations, both descriptively and prescriptively, that is, affecting the actual as well as preferred arrangements in commerce and industry. However, at the country level Hofstede (1997: 76) found what Morris et al. (1993) discovered within firms: too much of either individualism or collectivism tends to slow economic growth.

Values, attitudes, social norms and rules are in constant interaction on the same as well as between different societal levels. Therefore, for determining relationships which are important in organisations, one needs to consider the interactions of cultural elements on different levels.

Values are acquired early in life, mainly in the family and in the neighbourhood, and later at school, in a certain society’s cultural context and can vary widely across different cultures (Hofstede 2001, Gabriel 1999). It has been argued that the fundamental determinant of values and behaviour within the organization is national culture (Mead 1994: 147). With each different national culture comes a fresh set of values, and with each fresh set of values comes the question of how they can be integrated within the organization, or how far their differentiation is to be tolerated or even welcomed (Griseri 1998: 56). This question is further complicated by the tendency
of values to be relatively stable and change little during adulthood (Bardi and Schwartz 2003; Hofstede 2001). Thus, in a multicultural society these sets of values may be quite diverse, what is another possible reason for the above referred conflict of values.

From the perspective of organisations in the context of large societal, political and economical transformations, the challenges that differing sets of values represent today have their roots not only in the changes that take place in their societies, but also in the increasingly diverse workforce on the global level, which amplifies the mixture of differing values in organisations.

Moreover, each person holds numerous values with varying degrees of importance (Bardi and Schwartz 2003). A particular value may be very important to one person but unimportant to another (Ibid.). In developing further the conceptualization of values, Schwartz (1992-1996) concludes that attitudes and behaviour are guided not by the priority given to a single value, but by trade-offs among competing values that are implicit simultaneously in a behaviour or attitude. This complicates further the attempt of harmonization of values with each other and with the appearing new formal rules in the society. For that reason, examining the effects of value diversity on societal and organisational processes is useful in studying the dynamics of transformations. The present doctorate focuses on the diversity of values in the framework of workforce diversity in the next sections.

1.2. Value diversity in the framework of workforce diversity: consequences for organisations

While clash of values as an obstacle for change and development has earlier been in focus mainly with regard to intercultural communication and cross-cultural cooperative activities, i.e. in non-routine encounters for many organizations, the need to deal with it in everyday work activities has appeared as topical for managers and researchers only quite recently. That is, in the late 1980s, when research started to deal with the changing nature of work and the increasingly diverse workforce in general (Sessa and Jackson 1995, Williams and O’Reilly 1998). The diversity research has become extensive when practitioners and scholars started to pay more attention to the variety in age, gender,
race, ethnicity, nationality, sexual orientation, physical abilities, social class etc. among the employees (Ferdman 1995, Tsui, Egan and Xin 1995). Among the reasons for the growing workforce diversity researchers name the shift from manufacturing to service and information economies (Jackson and Alvarez 1992), globalization (Schneider and Northcraft 1999, Bechtoldt et al. 2007), and population changes such as migration, including migration of professionals and environmental refugees (Triandis 1995).

Van Knippenberg and Schippers (2007: 519) define diversity as “a characteristic of a social grouping (i.e., group, organization, society) that reflects the degree to which there are objective or subjective differences between people within the group (without presuming that group members are necessarily aware of objective differences or that subjective differences are strongly related to more objective differences)”.

Researchers mainly consider diversity when there is a certain attribute that can be used to distinguish people from other people (Williams and O’Reilly 1998). Organisational members themselves often use as the basis of such categorization such readily detectable attribute that became salient or was made salient in the given situation, although in other circumstances or when people get to know each other better this attribute might not be the most salient and a most important marker of diversity (Williams and O’Reilly 1998). Most diversity research has focused on the diversity of easily detectable demographic characteristics such as age, gender, race and ethnicity, which are apparent after only a brief exposure to an individual (e.g. Pelled 1996, Tsui, Egan & O’Reilly 1992) and did not look at the other possible types of diversity, which may have differing or moderating impact. Yet, many researchers have called for the better conceptualisation of diversity for estimating the effects of workforce diversity (Williams and O’Reilly 1998, van Knippenberg and Schippers 2007).

According to Williams and O’Reilly (1998) different phenomena must be taken into consideration: contextual aspects (e.g. task and organizational characteristics), types of diversity (e.g. informational and demographic), and intervening variables (e.g. communication and conflict). Developing further this suggestion, Jehn et al.’s (1999) distinguish between three types of workgroup diversity: social category, informational and value diversity (see the central larger triangle on Figure 2). In this doctorate value diversity is also regarded as a category of workgroup diversity.
Figure 2. Value diversity in the framework of workforce diversity.

Value diversity can be considered as using an attribute that is situated on the deeper levels of human conscience and thus, is less observable, which becomes evident only after getting to know a person well (Jackson et al. 1995, cf. van Knippenberg and Schippers 2007). Schein (1992) in his systematisation of the interactions between values and other “hidden” elements of culture has well explained the way values impact the behaviour of individuals: on the deepest level of consciousness there are basic assumptions, which are taken for granted and treated as nonnegotiable; on the next level basic assumptions manifest themselves in espoused values, attitudes and beliefs and ultimately, in behavioural norms and observed everyday behaviour. Starting with the same set of basic assumptions, the greater the number of potentially divergent factors within the cultural unit (e.g. ethnicity, language, religion, etc.), the more one can expect variety in espoused values and attitudes, and observed behaviour (Schein 1992: 16). Therefore, the impact of values may have a more lasting though less traceable effect, which is more difficult to detect and to map out.

Furthermore, values influence individual’s behaviour within and organisations and expectations of others’ behaviour (Mead 1994). O’Reilly et al. (1991) have shown that new employees whose individual values differed from the mean values of others in their work groups or small organisations were less satisfied, demonstrated lower
organisational commitment, and were more likely to quit. At the same time, Jehn and Mannix (2001) reported that greater a priori (perceived) consensus on work values led to effective patterns of task conflict and lower level of relationship conflict over time.

This reflects such phenomenon as value consensus, which is defined as the agreement among individual members of a society concerning the importance they attribute to different types of values (Schwartz and Sagie 2000). Since value diversity is regarded in general as reflecting the variety of values *per se* without paying attention to people's agreement on the importance of these values, the author of this doctorate considers it useful to include value consensus as another essential aspect of value diversity in the framework of workforce diversity.

According to Schwartz and Sagie (2000), value consensus is a basis for social order and stability. They proposed that in more developed societies there is a high value consensus, whereas in less developed societies it is lower. Furthermore, they hypothesized and proved that, with development, there is increased importance of universalism, benevolence, self-direction, stimulation, and hedonism values that leads to greater consensus on these value types. Conversely, with development there is decreased importance of security, conformity, tradition, and power values that leads to greater consensus on these value types (Schwartz and Sagie 2000).

The other two categories of workforce diversity considered in this doctorate are social category diversity and informational diversity (Jehn et al. 1999). What is important in social categorization perspective is that differences between work group members may engender the classification of others as either ingroup/similar or outgroup/dissimilar and these categorizations may disrupt group process (van Knippenberg and Schippers 2007). Social category diversity can in its turn be divided into three types: 1) diversity of generic demographic attributes, which are easily detectable (age, gender, race), 2) background attributes (education, experience, tenure), and 3) hitherto vaguely defined diversity, which is based on people’s self-categorization (e.g. social identity, cultural identity, ethnic identity). Figure 2 illustrates these three types of diversity in the larger framework of workforce diversity.
Social identity is important, because it influences group interaction (e.g. Tajfel & Turner 1986; cf. Jehn et al. 1999). More than an objective characteristic of a group, diversity is a subjective phenomenon, created by group members themselves who on the basis of their different social identities categorize others as similar or dissimilar: “A group is diverse if it is composed of individuals who differ on a characteristic on which they base their own social identity” (D’Reilly, Williams and Barsade, 1998, p. 186).

Heterogeneity of functional background was found to be associated with innovation (e.g. Ancona and Caldwell 1992, Wiersema and Bantel 1992; cf. Tsui, Egan and Xin 1995). The author of this doctorate sees the diversity of background attributes as closely related to and to large extent overlapping with informational diversity. The latter reflects differences in knowledge, expertise, and perspectives that may help work groups reach higher quality and more creative and innovative outcomes (van Knippenberg and Schippers 2007). Informational diversity is more task- or job-related (Jehn et al. 1999) and therefore, should be examined in the specific situations. Therefore, it is not in the focus of this doctorate, the focal point of which is value diversity and its outcomes for organisations.

Many researchers focus on diversity within specific teams, e.g. top management teams and therefore workforce diversity often is referred to more narrowly as work team diversity. For instance, Sessa and Jackson (1995) state that diversity within a decision-making team is recognized as important primarily because it is associated with differences in the perspectives, attitudes, skills, and abilities of team members. “Differences in experiences and perspectives lead team members to approach problems and decisions drawing on different information, from different angles, and with different attitudes. Therefore teams composed of people with diverse backgrounds and characteristics are expected to produce a wider variety of ideas, alternatives, and solutions – and thus perform better – than teams compose of people who are similar in terms of demographic characteristics.” (Sessa and Jackson 1995: 140)

Empirical evidence from both laboratory and field settings indicates that team composition is related to longer term team consequences such as performance of individuals within the team (e.g. Nemeth 1992) and the team as a whole on some tasks (e.g. Jackson 1992). There is also evidence that management team diversity predicts
organizational outcomes, including innovation and strategic direction (see for references Sessa and Jackson 1995: 140).

In the recent years there is a large amount of research done for exploring the effects of workforce diversity. It is seen both as a challenge and as an opportunity for organisations (Chemers et al. 1995, Williams and O’Reilly 1998). Yet, the review of forty years of diversity research by Williams and O’Reilly (1998) as well as the more recent review covering years 1997-2005 by van Knippenberg and Schippers (2007) concluded that there are no consistent main effects of diversity on organizational performance. Table 1 presents a short overview of the effects attributed to workforce diversity according to different aspects in focus.
Table 1. Effects of different aspects of workforce diversity

<table>
<thead>
<tr>
<th>Diversity aspect under focus</th>
<th>Effects in organisations</th>
<th>Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Knowledge and resource perspective:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- the diversity of information, backgrounds and values;</td>
<td>is necessary to make things happen and to produce effective organisational action;</td>
<td>Jackson 1992;</td>
</tr>
<tr>
<td>- diversity of knowledge that different individuals possess;</td>
<td>is an important source and facet of organisational innovation;</td>
<td>Souder, Jenssen 1999;</td>
</tr>
<tr>
<td>- availability of multiple resources and skills;</td>
<td>causes members of diverse groups to be more innovative and creative in problem-solving than members of homogeneous groups;</td>
<td>Earley, Mosakowski 2000; Rink, Ellemers, in press;</td>
</tr>
<tr>
<td><strong>Value perspective:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- presence of diverse viewpoints and perspectives on the task;</td>
<td>impact the creation of knowledge and the discovery of insight;</td>
<td>Damon 1991, Levien, Resnick 1993, Nonaka, Takeuchi 1995; Möller, Svahn 2004;</td>
</tr>
<tr>
<td>- value differences between team- and network members;</td>
<td>are beneficial to innovation performance;</td>
<td></td>
</tr>
<tr>
<td>- mix and complementarities of cultural values;</td>
<td>- complementary values are best suited for innovation processes;</td>
<td>Hauser 1998;</td>
</tr>
<tr>
<td></td>
<td>- would be extremely helpful in fostering the success of new product development;</td>
<td>Nakata, Sivakumar 1996;</td>
</tr>
<tr>
<td><strong>Cultural background perspective:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- ideas, knowledge, and skills of different cultures;</td>
<td>enhances the potential for creative synthesis;</td>
<td>Diamond 1997, cf. Swann et al. 2004;</td>
</tr>
<tr>
<td>- contact between workers from diverse backgrounds;</td>
<td>leads to the development of novel solutions to the tasks at hand;</td>
<td>Jehn et al. 1999, Watson, et al. 1993;</td>
</tr>
<tr>
<td><strong>Social category perspective:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- existence of minority views in organizations;</td>
<td>- minority views can stimulate consideration of non-obvious alternatives;</td>
<td>Nemeth 1986;</td>
</tr>
<tr>
<td></td>
<td>- interaction with persistent minority viewpoints stimulates creative thought processes;</td>
<td>Nemeth 1986;</td>
</tr>
<tr>
<td>- presence of social category differences (e.g. in gender or ethnic background);</td>
<td>is likely to create uncertainty;</td>
<td>Rink, Ellemers 2007;</td>
</tr>
<tr>
<td><strong>Similarity perspective:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- similarity in values and demographics</td>
<td>as the basis for maintaining effective work environments; people prefer similarity in their interactions;</td>
<td>Byrne’s (1971) similarity attraction theory, Chatman’s (1991) theory of selection, Van Maanen and Schein’s (1979) theory of socialization; O’Reilly et al. 1989; Wagner et al. 1984;</td>
</tr>
<tr>
<td></td>
<td>- is related to higher group cohesion, lower turnover;</td>
<td></td>
</tr>
<tr>
<td>- common cultural values;</td>
<td>make mutual understanding and knowledge transfer much easier;</td>
<td>Flynn, Chatman 2001;</td>
</tr>
</tbody>
</table>
- cohesion; is important for attainment of organizational goals and harmony, and is necessary to implement creative ideas;  
- uniformity; may result in decreases in innovation, in the detection of error, or in the willingness or ability to adapt to changing circumstances;  

**Demographic perspective:**
- demographic, surface-level diversity
  - undermines group creativity and innovation because it undermines, in general, group cohesion and thereby the processes and performance requiring high levels of cohesiveness;  
  - can also mean diversity of perspectives and ideas for creativity, innovation and performance;  
  - members of diverse groups display less attachment to each other, show less commitment to their respective organizations;  
    - communicate less with one another;  
    - miss work more often;  
    - experience more conflict;  
    - take more time to reach decisions;  

**Collectivism perspective:**
- diverse groups that developed a collectivistic culture outperformed groups that developed an individualistic culture;  

Biggiero 2001;  
Nemeth, Staw 1989;  
Chemers et al. 1995;  
Such dissimilar findings reflect the variety in approaches researchers take to study workforce diversity. Williams and O’Reilly (1998) have concluded that diversity research has largely been guided by two research traditions: the social categorization perspective (complemented by interpersonal similarity/attraction perspective) and the information/decision-making perspective. However, van Knippenberg and Schippers (2007) alert that these cannot be considered as well-articulated theoretical perspectives in diversity research since often they represent a more loosely defined emphasis on either the preference to work with similar others or the value of diverse information, knowledge, and perspectives.

In a comprehensive review of diversity literature, Milliken and Martins (1996: 403) concluded that “diversity appears to be a double-edged sword, increasing the opportunity for creativity as well as the likelihood that group members will be dissatisfied and fail to identify with the group”. Below the propositions are made for the empirical analysis of the consequences of the workforce, and specifically, of value diversity in organisations.

1.3. Propositions for the empirical analysis

The societal, economical, political and structural changes that took place in the transition countries demanded fast adapting to the new circumstances, which is a challenge for individuals of varying age, experience, information obtained etc., as well as to organisations (Alas 2004). Moreover, in the countries that regained their independence after the break-up of the Soviet Union, there are large populations of differing cultural backgrounds. In each of the three Baltic countries – Estonia, Latvia and Lithuania – there are two major populations with the different cultural background: that of people of the ethnic majority (Estonians, Latvians, Lithuanians) and people of mainly Russian cultural background and whose mother tongue is Russian. The representatives of the latter population are usually referred to as Russian-speakers (see the reasoning in Studies 1 and 2).

Such society’s composition forms a ground for cultural diversity, which Cox (1993) defines as “the representation, in one social system, of people with distinctly different group affiliations of cultural significance” (p. 6). The cultural significance is a
conception that was not attributed any special official policy attention in the Soviet Union (Lewis and Rowland 1977, Silver 1974). While the official rhetoric recognised the existence of different cultural groups in the USSR, in reality Soviet authorities worked unremittingly to cultivate Russian cultural presence in all the Union republics in order to homogenise their population in cultural as well as social status terms (Ibid.). Therefore, the transition processes, which started in the early 1990s have brought forward the relevance of cultural diversity from formerly nearly an absent notion. In a sense, variety among people became what is now considered workforce diversity. For organisations in these countries the subculture of Russian-speaking population provides another important source of value diversity.

Summing up these two matters, the outcome of the major changes on society’s level is the unique mixture of the workforce these societies. This corollary is shown by the thick arrow in the research model on Figure 3. By presenting the overview of changes in transition societies and in organisations based on different approaches, Study 4 serves as the narrative describing the societal context for the Studies 1, 2 and 3.

Values stem from one’s national culture, which provides an integrative perspective and meaning to situations, guides people in their actions, in their understanding and interpretation of the world around them, and directs their attentions and orientations (Smit 2001, Hofstede 2001, Gabriel 1999). The cultural background of the Russian-speaking minority populations is related to the same historical, political and ethnic roots, thus the initial set of their values should be similar. Jehn et al. (1997) argued that because values are a guide for behavioural choices, group members who share similar values are also more likely to agree about group actions such as goals, tasks, and procedures. Moreover, because values can act as perceptual filters (Ibid.), members with similar values are more likely to prioritize and interpret group problems and events in similar ways. This gives the basis for constructing the following proposition.

*Proposition 1 (P1):* Employees with the same cultural background, i.e. Russian-speakers in Estonia, Latvia and Lithuania have a similar set of individual values and attribute a similar weight to certain aspects of organisational culture.
Another indicator of preferred modes of behaviour is attitudes, which are regarded as the expression of values as well as functions of values (Abraham 1998). In organizations, attitudes determine the nature of the relationship between workers and their workplace, which is in turn strongly influenced by the level of individualism and collectivism prevalent in a given society (Hofstede 2001: 235–40). Collectivistic attitudes differ in terms of their focus on the individual or group as the object of interest (Realo 2002). According to Hui (1988, cf. Realo 2002), individualistic and collectivistic tendencies are specific to the target groups and largely depend on how important such target groups appear to be to the person (for example, spouse, parents, friends, co-workers). It was also found that collectivist orientation is a predictor of organizational commitment (Jackson 2001, Parkes et al. 2001), and that the concept of collectivism can explain differences in cooperative behaviour (Vedina et al. 2006). Following the assumption that Russian-speakers have a similar cultural background Proposition 2a is set as follows.

**Proposition 2a** (P2a): Employees with the same cultural background, i.e. Russian-speakers in Estonia, Latvia and Lithuania have a similar set of collectivistic attitudes, which is reflected in their perception of organisational culture.

Collectivism influences organisational culture through the dominant culture of the society in which the organisation operates (Vadi et al. 2002). Cultural dimensions of individualism and collectivism can either interfere with or modulate the organisational culture through different channels (Vadi et al. 2002). Harrison and his colleagues (1998) predicted that similarity in attitudes may facilitate communication and reduce role conflict, because people have similar conceptualisations of their organisations. Since attitudes are target-specific and individual values are more general and applied in broad contexts, the next proposition is formulated as follows.

**Proposition 2b** (P2b): Collectivistic attitudes of the employees with the same cultural background, i.e. Russian-speakers in Estonia, Latvia and Lithuania have an intervening effect on the relationship between their individual values and perception of organisational culture.
Rink and Ellemers (2007) argue that for employees to evaluate their differences in a positive way, self-categorisation and in particular, social identity processes are of help. For the reasons referred to above during the Soviet era Russian-speaking population with any ethnic origin could consider itself as a majority population of the Soviet Union. After regaining independence in Estonia, Latvia and Lithuania these countries have chosen a nation state building approach (e.g. Nyiri 2003), i.e. Russian-speakers became a minority population in each of these Baltic countries and in order to become citizens, had to go through the process of naturalization. It implies that this should have had an impact on their self-categorisation process. Coping with the new circumstances in a society that itself experiences turbulence times due to large-scale changes demands a certain approach. Following the previous propositions it can be suggested that this approach should be common among Russian-speaking population due to their alleged similar value orientations.

Proposition 3 (P3): Employees with the same cultural background, i.e. Russian-speakers in Estonia, Latvia and Lithuania have a similar approach to self-categorisation with respect to the society and with respect to their organisations.

From Table 1 one can read that workforce diversity was found positively connected mostly with organisational innovation, innovative processes and innovation performance. Value diversity can thus be positively related to the propensity to innovate (in this doctorate referred to as innovativeness). Culturally heterogeneous societies should promote differing views and as a result, innovativeness. Moreover, subcultures can enhance one another’s effects on innovativeness (Hauser 1998). The last proposition is set as follows.

Proposition 4 (P4): Value diversity stemming from the different cultural backgrounds of the employees is positively related to organisational innovativeness.

These propositions are indicated in the research model on Figure 3, each placed between the conceptual phenomena it is connecting, and tested in the Studies presented below in this doctorate.
Notes: P1, P2, P3, P4 – research propositions; S1, S2, S3, S4 – studies referred to in this doctorate.

**Figure 3.** Research model: The proposed relationships between value diversity and organizational phenomena in societal and organisational context
Part 2. THE EMPIRICAL STUDY

2.1. The research process

The research originated from the knowledge provided from the previous research and theory that people’s values stem from their cultural background and that they differ across different cultures. The existence of the same cultural group of people living in different countries is a good occasion to check this assertion. Therefore, large Russian-speaking populations in the three Baltic countries – Estonia, Latvia and Lithuania – that have the same cultural background provide a unique opportunity for studying their values and value diversity from a comparative perspective.

This gave the idea of replicating the study of Vadi et al. (2002) on values, collectivistic attitudes and organisational culture orientations and gathering the data from the other two countries. The potential partners from two universities in Lithuania and Latvia were found and contacted in autumn 2002 and 2003, respectively, and methodology explained and handed over. This resulted in 516 additionally filled questionnaires.

Concurrently, the literature study started concerning national and organisational culture, collectivism, values and attitudes, which together with the analysis of the first parts of the data resulted in the first publications in 2003-2004, which were also presented at several conferences. The results were analysed according to second and third research tasks, which resulted in the Studies 1 and 2, the former finalised by 2005 and the latter by 2007.

In September 2004 the author was granted a six-months European Commission’s Marie Curie fellowship to participate in European Doctoral School on the Economics of Technological and Institutional Changes (EDS-ETIC). There author received a profound intensive doctoral training in the innovation field and became acquainted with the different approaches to organisational innovation. A number of writings on this topic was collected and studied and the theoretical grounds established for proposing the relationships between values and value diversity and different aspects of organisational innovation. This process continued in 2005-2006 at the Eindhoven Centre for
Innovation Studies in the Netherlands in the position of visiting doctoral student, where Study 3 was written in order to fulfil the *fourth research task*.

In 2006-2007 the author participated in co-editing the special issue “Dynamics around and within organisations” of Trames, a Journal of Humanities and Social Sciences. During this process the author has got an insight into the dynamics of various societal and organisational changes in transition societies. Its outcome is the overview of the relations between large-scale changes in organisational environment and organisational changes in Study 4, which is aimed to fulfil the *first research task*.

### 2.2. Methods used in the research

In order to study individual values, Rokeach (1973) methodology was applied. The respondents were given a list of 18 terminal and 18 instrumental values. For each list the respondent was asked to rank the values according to how important each of them was to him or her. He/she had to place a “1” next to the value that was most important to him/her, a “2” next to the second most important one and so on. (Vadi 2002) To find the main terminal and instrumental values, the ranking order was then analysed. It is necessary to note here that the importance of values is determined by the decreasing mean value because of the ranking technique of the questionnaire. Correlations between the values and orientations of organisational culture were performed using the values of Spearman’s Correlation Coefficients on condition that $\rho \geq |0.10|$ at the significance level $p \leq 0.05$. Due to the ranking technique of the value statements, the questionnaire correlations were interpreted in the opposite way – a negative correlation signifying the same trend and a positive correlation the opposite trend between the aspects analysed.

The RUSCOL Likert-type 5-point scale (Realo et al. 1997) was used to measure collectivistic attitudes. The scale consists of 24 items, which measure three subtypes of collectivism: Familism (further also marked as COL1), Companionship (marked as COL2), and Patriotism (marked as COL3). Each respondent was asked to rank the statements depending on to what extent he/she agreed or disagreed with each of them. One-way ANOVA was then performed in order to uncover the variations between the Estonian, Latvian and Lithuanian samples. The differences in mean values are important at the significance level $p \leq 0.05$. To find the correlations between collectivistic...
attitudes and the perception of organisational culture, Pearson’s Correlation Analysis was conducted.

For the purpose of studying the perception of organisational culture, an instrument developed by Vadi (2000) was used. The organisational culture questionnaire (OCQ) consists of 43 items measured by Likert-type 10-point scale, 16 of which form two scales: eight items with substantial and unique loadings measuring task orientation of organisational culture, and the other eight measuring relationship orientation (Vadi et al. 2002). The respondents were asked to rank the statements about their organisation, depending on to what extent they agreed or disagreed with each of them.

To check for the effects of social category diversity the analysis of a number of demographic variables was conducted

Study 1 focuses on finding commonalities in individual values, collectivistic attitudes and perception of organisational culture among employees belonging to the Russian-speaking population in Estonia, Latvian and Lithuanian organisations.

Study 2 concentrates on the specific relationships found during the analysis of the data used in Study 1 in order to explain these relationships from the social category diversity perspective.

Study 3 focuses on the differences in individual values between employees of Estonian ethnic origin and Russian-speaking employees in Estonian organisations.

The emergence of value diversity concept on the societal and organisational arena is related to the major changes that have taken place in the societies in focus. Study 4 provides a context for the Studies 1, 2 and 3 by presenting the overview of the changes in transition societies and in organisations.
Part 3. PUBLICATIONS
Study 1

Interactions of cultural elements: Estonian organisations in the pan-Baltic mirror

Rebekka Vedina, Maaja Vadi, Elina Tolmats

*The society is the mirror in which one catches sight of oneself*
*(Adam Smith 1759)*

Introduction

One of the ways to understand the determinants of socioeconomic development in a society is looking at its actors, namely, organisations, from a comparative perspective. The functioning of organisations depends on the society’s formal and informal rules and when these are compared to other societies, they can provide an important insight into organisational performance. When a society’s formal and informal rules are in harmony, the transaction costs of maintaining and protecting the social game are reduced and resources freed for the production of wealth (Pejovich 1997; cf. Tomer 2002). The informal rules in a society reflect its social norms and cultural values. As Roland (2004) has pointed out, a better understanding of the role of the values and norms that shape ideas and institutions in a society is essential for better understanding the determinants of economic growth.

Several scholars have associated economic development with the adjustment of people’s value systems: people become modern by incorporating the values implicit in the institutions of industrialised societies into their personal value systems (cf. Schwartz & Sagie 2000). Presumably, these modern values facilitate social and psychological adjustment to the demands of institutions in economically developed societies, whereas the traditional values that would interfere with adjustment are rejected (Yang 1988, cf. Schwartz & Sagie 2000). However, cultures tend to be stable and reluctant to change and when they do change, they transform slowly (Hofstede 2001). This implies a conflict of values in transition societies. Indeed, Pejovich (1997) has concluded that the transition in Eastern Europe can be slowed down by the clash between its customs and traditions which are “largely devoid of such Western ideas as those expressed in classical liberalism and individualism” and “have a strong bias towards collectivism and egalitarianism”, and the values of Western capitalistic cultures (cf. Tomer 2002: 434). As the World Values Survey has shown, although Estonia is one of the few countries in the world with the lowest traditional orientation towards authority, religion and prevailing world views, its values emphasise economic and physical security that entail survival and materialistic values as opposed to self-expression values, what was also found in the other ex-Soviet block countries (Inglehart & Baker 2000). Coping with this controversy in values is a challenge not only for each individual, but for a society as a whole.

Similarly to individuals, most organisations bear the diverse consequences of culture in our modern globalising world. On the one hand, they operate in societies where certain
values and norms prevail, affecting the actual as well as preferred arrangements in commerce and industry, technology, organisational structure, organisational functions and activities (Hofstede 2001; Fink & Mayrhofer 2001; Matsumoto 1996). On the other hand, they consist of individuals each having a set of values obtained in a certain cultural context. These values and norms crucially affect the orientations and attitudes of employees towards both their work and employers (Gabriel 1999). Hence, values can be seen as a link between society and organisations.

The success of an organisation as a whole depends on the collective contribution of all members, not on the performance of some remarkable individuals (Jacobs 1981). The cooperation between individuals, groups, and organisations is a vital issue for any social entity and largely depends on their cultural background. As Aycan (2000: 11) has put it: the real issue is not whether but to what extent and in what ways culture influences individual and group phenomena in organisations. In order to disentangle the cultural and non-cultural factors that influence organisational structure and practices, she argues for comparative studies that would allow us to estimate both the direct and indirect impact of culture.

The purpose of the current study is to portray the cultural background of Estonian organisations in the context of three Baltic States, using their common ethnic minority as a basis for comparison. All three Baltic States – Estonia, Latvia and Lithuania – have Russian-speaking minority populations that have a similar historical, political and ethnic background. This similarity stems from the analogous socio-political situation of Russian-speakers in the Soviet Union: after the incorporation of these republics into the Soviet Union, Soviet authorities worked unremittingly to cultivate Russian cultural presence in all the Union republics by setting up industries and military bases as well as administrative and political bodies, the major workforce of which was made up by the speakers of Russian transferred with their families from central parts of Russia and other Soviet republics. The common legacy of these populations in the Baltic States from the Soviet period is the shift from perceiving themselves as the majority in the Soviet Union to becoming a minority in the independent republics (Runblom 2002).

The Russian-speaking minority in the Baltic States represents a special ethnic identity (Linz & Stepan 1996; Laitin 1998: 33, 295), although the relative sizes as well as ethnic roots of the populations belonging to it are somewhat different. The proportions of Russian-speaking populations in the Baltic States are as follows: Estonia – 32%, Latvia – 40%, Lithuania – 9.5% (Baltic Economic Stats 2004). Besides people of Russian nationality, Belorussians and Ukrainians are also included in this group (corresponding to 1-3.9% of the total population) (Baltic Media Book 2001). This approach is explained by Linz and Stepan (1996) who assert that since identities are in fact socially constructed and constantly changing, the Russian-speaking population, whether from the Ukraine, Belarus, Russia, or some other CIS republic, are actually developing a new diaspora identity of the “Russian-speaking minority” which is based on linguistic as well as socio-political grounds. Indeed, in the Russophone diaspora many people identify themselves as “Russian-speaking” rather than as “Russians” (Linz & Stepan 1996; Laitin 1998: 33, 295).

This unique self-perception suggests a distinctive set of values and attitudes held by the Russian-speaking minority in the three Baltic States, which is shared by these populations and as such can serve as a common variable in analysing the country-of-
residence effect and in highlighting the specific traits of interactions of cultural elements in Estonian organisations. In the following sections the theoretical perspectives on the elements of culture are presented, a survey of the values and attitudes of Russian-speaking employees is described and analysed, and finally, conclusions are drawn and discussed.

Theoretical perspectives on the elements of culture

Interactions of cultural elements in a society

Values, attitudes, social norms and rules are the manifestations of culture, which is shaped differently at different levels, such as society, organisation, or a group of individuals. Among the manifestation levels of culture, at the deepest level of consciousness are basic assumptions, which are taken for granted and treated as nonnegotiable (Schein 1997: 16). At the next level basic assumptions manifest themselves in espoused values, attitudes and beliefs and ultimately, in norms of conduct and observed everyday behaviour. Starting with the same set of basic assumptions, the greater the number of potentially divergent factors within the cultural unit (e.g. ethnicity, language, religion, etc.), the more one can expect variety in espoused values and attitudes, and observed behaviour.

These cultural elements are in constant interaction both at each separate level and between different societal levels. For example, the values and beliefs of individuals acquired in a society’s certain cultural context are brought into and socialised in organisations where these individuals work. At the same time, work does not only take place in workplaces and is not always rewarded only with payment; it is also a large part of people’s domestic lives, as well as of the voluntary sector (Gabriel 1999). By rewarding certain values may be endorsed and others disapproved, which has its effect at the level of society. Therefore, to determine the relationships that are important in organisations, one needs to consider the interaction of cultural elements at different levels.

When a society is homogeneous, its national culture is considered as the main source of basic assumptions, values, attitudes and beliefs. For example, Mead (1994) argues that national culture is the essential determinant of values and behaviour within the organisation. With each different national culture comes a fresh set of values, and with each fresh set of values comes the question of how they can be integrated within the organisation, or how far their differentiation is to be tolerated or even welcomed (Griseri 1998). From the perspective of Estonian organisations, the subculture of the Russian-speaking population provides another significant source of cultural elements. If we link these issues together, we can give some explanations to the functioning of organisations in Estonia and intangible aspects, such as individual values, attitudes and organisational culture, could serve as a lens for the examination of these issues.

Individual values

As Gabriel (1999) claims, values are an essential part of any culture and they can vary widely across different cultures. Similarities and differences in value orientations can be one source of overall and financial growth, or of conflict, frustration, and organisational
stumbling (Matsumoto 1996: 113). Therefore, values are important in making economic and business performance harmonious, and this performance depends on interrelated values and a work environment that fit the tasks (King 1997).

According to Hofstede (1997), values are acquired early in life, mainly in the family and in the neighbourhood, and later at school. Mead (1994) claims that values determine how individuals interpret the context of events that surround them; what they select as imperative in the context, what needs to be explained and what can be taken as routine, and what can be edited out of consciousness as insignificant. Rokeach and Regan (1980), in their turn, determine a value as a conception of desirable means and end-state actions that are employed as standards or criteria of actions.

Rokeach (1969) has identified two fundamental types of values: terminal and instrumental. Terminal values reflect wants and desires that people wish to fulfil during their life (Vadi 2000); these are self-sufficient end-states of existence that people strive to achieve and they are pursued for their own sake (Meglino, Ravlin 1998). Instrumental values are values that support people to choose a proper behaviour (Rokeach 1973) – these are modes of behaviour rather than states of existence (Meglino, Ravlin 1998).

Smith et al. (2002) have asserted that the attraction of values as the basis for conceptualising culture is that they can be expressed in a decontextualised manner. Respondents can be asked to report their values without the need to specify what actions might be entailed by adherence to these values in particular circumstances. Individual reports of values can then be used as indirect indicators of the cultural values that prevail across the many contexts to which people are exposed during their life within a society (Schwartz 1999). In the present survey individual values are studied on the basis of Rokeach’s (1969) classification of terminal and instrumental values.

Collectivistic attitudes

Another indicator of preferred modes of behaviour is attitudes which are regarded as the expression of values as well as functions of values (cfr. Abraham 1998). In organisations, attitudes determine the nature of the relationship between workers and their workplace, which is in turn strongly influenced by the level of individualism and collectivism prevalent in a given society (Hofstede 2001). Indeed, several studies have shown that the collectivistic attitudes of members of an organisation are related to the strength of the emotional and cognitive ties with the organisation. For example, Love, Macy and Rea (2002) discovered that the sense of community at work and workers’ level of collectivism are positively associated with certain organisational behaviour types directed to one’s co-workers, e.g. helping a co-worker with a work problem. This is in line with Moorman and Blakely’s (1995) finding that employees who held collectivistic values or norms also endorsed items related to interpersonal helping, individual initiative and loyal boosterism (cf. Love et al. 2002).

Furthermore, it was found that collectivist orientation is a predictor of organisational commitment (Wang et al. 2002; Parkes et al. 2001; Boyacigiller & Adler 1991; Angle & Lawson 1993; Clugston et al. 2000) and that the concept of collectivism can explain differences in cooperative behaviour (Chatman & Barsade 1995; Wagner 1995; Chen et
al. 1998). Thus, pertaining literature appears to support the notion that in-group attachment for the collectivist may be translated into workgroup attachment at work.

Collectivistic attitudes differ in terms of their focus on the individual or group as the object of interest. According to Hui (1988), individualistic and collectivistic tendencies are specific to the target groups and largely depend on how important such target groups appear to be to the person (e.g. spouse, parents, friends, co-workers) (cf. Realo 2002). In order to differentiate the collective attitudes, it is necessary to answer the question – collective in relation to what or to whom? Realo, Allik, and Vadi (1997) found that collectivism can be regarded as a hierarchical construct where there are three levels of relationships: family-related, friends- (peers) related, and society-related collectivism.

Family-related collectivism (Familism) implies a person’s dedication to his/her family, putting its interests higher than one’s personal aspirations. Family security, honouring parents and elderly people, respect for traditions and reciprocation of favours serve as guiding principles in a familist’s life. Peer-related collectivism (Companionship) can be described by close relations between an individual and his/her neighbours, friends, or co-workers. Society-related collectivism (Patriotism) means dedication to serving one’s nation by surrendering one’s personal comforts to those of the latter. Patriots are always ready to sacrifice themselves defending their nation against enemies. (Vadi et al. 2002)

Application of the hierarchical model of collectivism allows us to study how the different domains of collectivism are interrelated with the intangible aspects of an organisation, i.e. organisational culture. Besides interdependence at individual and organisational levels, collectivistic attitudes are formed and transferred through the dominant culture of the society in which the organisation operates (Vadi et al. 2002). Therefore, collectivistic attitudes that stem from such cultural context are of importance when studying the levels of connections between collectivism and organisational culture.

Perception of organisational culture

The concept of organisational culture enables us to highlight the importance of certain actions in an organisation and to explain them. The common part of many different definitions of organisational culture is that it is a set of shared beliefs, values, and behaviours (Schein 1997; Hofstede 1997, 2001). Organisational culture studies, as a rule, focus on how the organisation regulates, controls, and influences the behaviour of its members through its values, language (jargon), rituals, and customs. One of the most important functions of organisational culture is stabilising individual behaviour: it provides people with indications about what is successful and unsuccessful behaviour in the organisation (De Witte & van Muijen 1999). Hence, the perception of organisational culture comes into question.

It is possible to distinguish between two main orientations of organisational culture: task and relationship orientations. Task orientation reveals general attitudes towards organisational tasks, in other words, it reflects the extent to which all members are willing to support the achievement of common goals (Schein 1997; Harrison 1995; Vadi et al. 2002). Relationship orientation, on the other hand, reveals interpersonal relationships between organisational members, i.e. it indicates belongingness – people
assist one another in work-related problems and discuss all the important topics with one another (Vadi et al. 2002).

Both organisational culture orientations are equally important (Schein 1997: 371). Yet there are some controversial points of view with regard to which orientation is more suitable for a certain environment. For example, Schein (1997: 371) claims that in a stable environment it is safe to be completely task-oriented, and in a complex, turbulent environment, in which technological and other forms of interdependence are high, one needs to value relationships in order to achieve the level of trust and communication that will make joint problem-solving and implementation of solutions possible. On the other hand, Harrison (1995: 157) points out that task-oriented culture’s greatest strength is dealing with a complex and changing environment, and that the person-oriented organisation, too, is well adapted to dealing with complexity and change. It is difficult to affirm what type of environmental characteristics breed a certain type of organisational culture. But it is possible to draw conclusions about the type of culture on the basis of predominant orientations of organisational culture. The latter will show the strength of supportiveness and perception of organisational members, and whether the task or the relationships are being in favour.

**Empirical study**

**Sample**
A study of individual values, collectivistic attitudes and perception of organisational culture was conducted among 664 Russian-speaking employees in Estonia (in 1996-2001), 313 in Latvia, and 203 in Lithuania in 2003 in the textile industry, service, trading and energy sectors. The average age of respondents was 38.7 years ($SD=9.27$) for Estonia, 27.8 years ($SD=8.61$) for Latvia and 40.9 years ($SD=8.48$) for Lithuania. The same Russian-language version of questionnaires was used for surveying speakers of Russian in Estonia, Latvia and Lithuania.

**Method**
In order to study individual values, Rokeach’s methodology was applied. The respondents were given a list of 18 terminal and 18 instrumental values. For each list the respondent was asked to rank the values according to how important each of them was to him or her. He/she had to place a “1” next to the value that was most important to him/her, a “2” next to the second most important one and so on. (Vadi 2002) To find the main terminal and instrumental values, the ranking order was then analysed. It is necessary to note here that the importance of values is determined by the decreasing mean value because of the ranking technique of the questionnaire. Correlations between the values and orientations of organisational culture were performed using the values of Spearman’s Correlation Coefficients on condition that $\rho \geq |0.10|$ at the significance level $p \leq 0.05$. Due to the ranking technique of the value statements, the questionnaire correlations were interpreted in the opposite way – a negative correlation signifying the same trend and a positive correlation the opposite trend between the aspects analysed.

*In order to collect data in Estonia, Latvia and Lithuania a network of researchers was developed and cooperation was started. Besides the University of Tartu, Vytautas Magnus University in Lithuania and University of Latvia collaborated in the project. Hereby we acknowledge the cooperation effort taken by Dr. Irene Bakanauskiene and Dr. Nijole Petkevičiūte from Lithuania, Prof. Erika Sumilo and BA student Aiga Stabulniece from Latvia.
The RUSCOL Likert-type 5-point scale (Realo et al. 1997**) was used to measure collectivistic attitudes. The scale consists of 24 items, which measure three subtypes of collectivism: Familism (further also marked as COL1), Companionship (marked as COL2), and Patriotism (marked as COL3). Each respondent was asked to rank the statements depending on to what extent he/she agreed or disagreed with each of them. One-way ANOVA was then performed in order to uncover the variations between the Estonian, Latvian and Lithuanian samples. The differences in mean values are important at the significance level \( p \leq 0.05 \). To find the correlations between collectivistic attitudes and the perception of organisational culture, Pearson’s Correlation Analysis was conducted.

For the purpose of studying the perception of organisational culture, an instrument developed by Vadi (2000) was used. The organisational culture questionnaire (OCQ) consists of 43 items measured by Likert-type 10-point scale, 16 of which form two scales: eight items with substantial and unique loadings measuring task orientation of organisational culture, and the other eight measuring relationship orientation (Vadi et al. 2002). The respondents were asked to rank the statements about their organisation, depending on to what extent they agreed or disagreed with each of them.

**Results**

The five most important terminal and instrumental values of the Russian-speaking members of Estonian, Latvian and Lithuanian organisations were found. Table 1 presents the comparison of the results. An analysis of the most important terminal values shows that such terminal values as *family security*, *self-respect*, *wisdom* and *a sense of accomplishment* are similar in all three samples. In addition, members of Estonian and Lithuanian organisations share the terminal value *the world at peace*.

<table>
<thead>
<tr>
<th>Terminal values</th>
<th>RusEst (M)</th>
<th>RusLat* (M)</th>
<th>RusLit (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family security</td>
<td>4.60</td>
<td>7.03</td>
<td>6.67</td>
</tr>
<tr>
<td>A sense of accomplishment</td>
<td>6.92</td>
<td>6.35</td>
<td>7.34</td>
</tr>
<tr>
<td>Self-respect</td>
<td>6.56</td>
<td>5.91</td>
<td>7.68</td>
</tr>
<tr>
<td>Wisdom</td>
<td>6.16</td>
<td>6.42</td>
<td>7.88</td>
</tr>
<tr>
<td>A world at peace</td>
<td>7.67</td>
<td>-</td>
<td>6.80</td>
</tr>
<tr>
<td>Mature love</td>
<td>-</td>
<td>6.94</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Instrumental values</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Imaginative</td>
<td>7.35</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loving</td>
<td>7.60</td>
<td>-</td>
<td>7.37</td>
</tr>
<tr>
<td>Logical</td>
<td>7.76</td>
<td>7.89</td>
<td>-</td>
</tr>
<tr>
<td>Responsible</td>
<td>7.97</td>
<td>5.68</td>
<td>7.31</td>
</tr>
<tr>
<td>Courageous</td>
<td>8.20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Honest</td>
<td>-</td>
<td>5.76</td>
<td>4.01</td>
</tr>
<tr>
<td>Ambitious</td>
<td>-</td>
<td>7.48</td>
<td>-</td>
</tr>
<tr>
<td>Helpful</td>
<td>-</td>
<td>8.20</td>
<td>-</td>
</tr>
<tr>
<td>Forgiving</td>
<td>-</td>
<td>-</td>
<td>6.86</td>
</tr>
<tr>
<td>Clean</td>
<td>-</td>
<td>-</td>
<td>8.12</td>
</tr>
</tbody>
</table>

Notes: RusEst - Russian-speakers in Estonia; RusLat - Russian-speakers in Latvia; RusLit - Russian-speakers in Lithuania. * Terminal values of the older than 30 years old Russian-speaking.

**Grateful acknowledgment is given to Anu Realo and prof. Jüri Allik from the Department of Psychology, University of Tartu, for allowing us to use their method of measuring collectivistic attitudes.**
speakers in Latvian organisations; mean values are calculated on the basis of ranking technique from 1 (the most important value) to 18 (the less important value).

The only similarity between the Estonian, Latvian and Lithuanian samples concerning instrumental values is that they all share the value responsible (see Table 1). There are also similarities between the instrumental values in the Estonian and Latvian samples with respect to the value logical, and between the instrumental values in the Estonian and Lithuanian samples with respect to the value loving. Russian-speakers in Latvia and Lithuania share the instrumental value honest. No more similarities could be detected among the speakers of Russian in Estonian, Latvian and Lithuanian organisations with respect to the most important instrumental values.

The mean values of the three RUSCOL Subscales are shown in Table 2. One-way ANOVA indicated significant differences between the Russian-speaking minorities in Estonia, Latvia and Lithuania on the Familism and Companionship subscales (F(2,1164)=164.792 and F(2,1163)=122.249, respectively, both significant at 0.00 level), and smaller yet significant differences on the Patriotism subscale (F(2,1164)=56.517). Russian-speakers in Estonia scored highest on the Familism and Patriotism, and lowest on the Companionship subscale. Speakers of Russian in Latvia scored lowest on Familism and Patriotism, whereas their counterparts in Lithuania scored highest on Companionship.

Table 2. The Mean Values and Standard Deviations of the RUSCOL Subscales

<table>
<thead>
<tr>
<th></th>
<th>Familism</th>
<th></th>
<th>Companionship</th>
<th></th>
<th>Patriotism</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>n</td>
<td>SD</td>
<td>M</td>
<td>N</td>
<td>SD</td>
</tr>
<tr>
<td>RusEst</td>
<td>3.34</td>
<td>651</td>
<td>0.47</td>
<td>1.41</td>
<td>650</td>
<td>0.55</td>
</tr>
<tr>
<td>RusLat</td>
<td>2.63</td>
<td>313</td>
<td>0.70</td>
<td>1.59</td>
<td>313</td>
<td>0.50</td>
</tr>
<tr>
<td>RusLit</td>
<td>2.94</td>
<td>201</td>
<td>0.68</td>
<td>2.07</td>
<td>201</td>
<td>0.49</td>
</tr>
</tbody>
</table>

Notes: RusEst - Russian-speakers in Estonia; RusLat - Russian-speakers in Latvia; RusLit - Russian-speakers in Lithuania; Mean scores of importance ratings: 0 (absolute disagreement with the assertion) … 4 (absolute agreement with the assertion).

In order to find the relationships between three RUSCOL and two Organisational Culture subscales, Pearson’s Correlation was conducted. Russian-speaking members of organisations in Estonia and Latvia have similar correlations between Familism and relationship orientation of organisational culture. In the Lithuanian sample, Companionship attitudes are significantly correlated with both organisational culture subscales. However, there is no such correlation in the other two samples. An interesting finding is that Patriotism is positively correlated with relationship orientation of organisational culture in all three samples. Moreover, it is also correlated with task orientation in the Latvian sample (see Table 3).

At the same time, according to correlation analysis of the relationships between organisational culture orientations and individual values among the Russian-speaking members of organisations in Estonia, Latvia and Lithuania, these connections are different in all three samples. There was only one similarity among the Russian-speakers in Estonia and Lithuania where the terminal value a sense of accomplishment has a positive relationship with task orientation of organisational culture.
The detected differences in collectivistic attitudes and in their relationships with organisational culture orientations suggest that they can be considered as national contextual variables. In order to check for their possible connections with the relationships between individual values and organisational culture orientations, a two-level correlation analysis was performed according to the suggestion by Huang and van de Vliert (2003). We correlated the scores of the 3 types of collectivistic attitudes with the size of the correlation coefficients between individual values and organisational culture orientations. Spearman’s correlation analysis was made and the results can be seen in Table 3.

Table 3. Significant correlations between cultural elements

<table>
<thead>
<tr>
<th>Most important terminal values</th>
<th>Task orientation of OC</th>
<th>Relationship orientation of OC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+ Estonia, Lithuania</td>
<td>+ Estonia</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A sense of accomplishment</td>
<td>+</td>
<td>+ Lithuania</td>
</tr>
<tr>
<td>A world at peace</td>
<td>+</td>
<td>+ Lithuania</td>
</tr>
<tr>
<td>Family security</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Self-respect</td>
<td>+</td>
<td>+ Latvia</td>
</tr>
<tr>
<td>Wisdom</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>A world at peace</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Ambitious</td>
<td>+</td>
<td>+ Lithuania</td>
</tr>
<tr>
<td>Broadminded</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Clean</td>
<td>+</td>
<td>+ Latvia</td>
</tr>
<tr>
<td>Cheerful</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Obedient</td>
<td>+</td>
<td>+ Lithuania</td>
</tr>
<tr>
<td>Forgiving</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Helpful</td>
<td>+</td>
<td>+ Lithuania</td>
</tr>
<tr>
<td>Imaginative</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loving</td>
<td>+</td>
<td>+ Lithuania</td>
</tr>
<tr>
<td>Responsible</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Familism</td>
<td>+</td>
<td>+ Estonia, Latvia, Lithuania</td>
</tr>
<tr>
<td>Companionship</td>
<td>+</td>
<td>+ Estonia</td>
</tr>
<tr>
<td>Patriotism</td>
<td>+</td>
<td>+ Lithuania</td>
</tr>
<tr>
<td>Collectivistic attitudes</td>
<td>+</td>
<td>+ Latvia</td>
</tr>
</tbody>
</table>

Notes: OC – organisational culture; + and mean positive correlations, - and mean negative correlations ($\rho \geq 0.10$; $\rho \leq 0.05$); Spearman’s rho is used for all correlation analyses, except correlations between collectivistic attitudes and organisational culture, where Pearson correlation was used (1-tailed).

Table 3 indicates that Familism and Patriotism are correlated mainly with the relationships between terminal values and task orientation of organisational culture, whereas Companionship is mainly related to the links between instrumental values and relationship orientation of organisational culture.

This finding suggests that those employees who value highly their family’s and society’s interests tend to relate their most important basic values (and their achievement) to the organisation employing them and to fulfilling its goals. Or it can mean that on the contrary, those who link (the achievement of) the basic values with the organisations employing them and to fulfilling its goals, tend to put their family’s and society’s interests above their own. For instance, those for whom the importance of self-respect contradicts achievement of organisational goals tend to put their family’s and society’s interests above their own. At the same time, those who place higher value on a
world at peace perceive their organisations as less task-oriented. However, putting one’s family’s and society’s interests above one’s own has a negative effect on that relationship. In contrast, for those employees who value the interests of their peers and friends more highly, this attitude reveals itself in a stronger perception of their organisation’s relationship orientation.

Conclusions and discussion

Our study has confirmed the prevalent approach to culture, according to which the variance of elements of culture at its deepest levels, i.e. the basic values are lower among people with a similar cultural background, while the variance of other elements is higher. The sets of most important terminal individual values are alike for the Russian-speaking populations in Estonia, Latvia and Lithuania, whereas the most important instrumental values as well as collectivistic attitudes vary considerably, which is also reflected by the perceptions of organisational culture in these countries. Hence these basic values can be seen as a mirror for capturing the impact of society in the three Baltic states on people’s understanding of the means for achieving these end-states of existence.

The impact of different societal levels and interactions of individual values, collectivistic attitudes and perceptions of organisational culture validated by the present study are generalised and illustrated in Figure 1, which serves as an emblematic frame for the abovementioned mirror. Grey areas in the figure mark the societal levels and culture manifestation levels under consideration, whose interrelationships were found by the current study. One-way arrows represent causal relationships, while two-way arrows symbolise mutual relationships.

![Figure 1. Interactions of cultural elements](image-url)

Figure 1 shows that the country of residence – that is, Estonia for Estonian organisations – affects the preferred modes of behaviour in an organisation and the perception of organisational culture more strongly than does the subculture of Russian-speaking
organisational members. However, the existence of this subculture and its influence is confirmed by the identity of the end-states of existence or terminal values among its members. Besides the country-of-residence effect, organisational culture and, consequently, its perception are also influenced by the organisations themselves.

**Implications for organisations**

The organisational context of instrumental values emphasises the patterns of behaviour that people consider right and tend to implement in their workplace. The variance in the most important instrumental values found by the current survey indicates that they are more related to shared daily practices learnt in the organisations than to the employees’ cultural background. For Estonian organisations it means that it is possible to guide organisational members’ behavioural intentions by means of organisational culture, notwithstanding the origin of the workforce. However, the identity and stability of their basic (terminal) values implies that such actions should be approached with caution for the danger of causing a cognitive dissonance among organisational members.

Among the most important instrumental values found in the present survey ambitious, courageous, imaginative and logical are considered to be individualistic, whereas forgiving, helpful, honest, loving and responsible are thought to be collectivistic (Abraham 1998). Compared to the other two samples, the number of collectivistic instrumental values of Russian-speaking members of Estonian organisations is slightly lower than the number of individualistic values. However, among people of Estonian nationality, the content of such a set is different, balancing between collectivistic and individualistic orientations (see Tables 4 and 5 in Appendix, and Abraham 1998 for the categorisation of collectivistic and individualistic instrumental values). This implies that in organisations consisting of employees with different cultural backgrounds, the motivating forces for shared daily practices might be based on both collectivistic and individualistic tendencies. From the managerial point of view, this is quite an encouraging result, since according to Morris et al. (1993) individualism and collectivism were found to influence organisational outcomes: too much of either individualism or collectivism tends to slow the growth process.

Furthermore, collectivistic attitudes towards friends and peers were found to be related to the links between instrumental values and relationship orientation of organisational culture. In the Estonian sample, a negative relationship was revealed between these attitudes and the positive connection linking the instrumental value responsible and relationship orientation. One can suggest that if the workforce values being responsible, the importance of relations in the organisation is strengthened, however, this connection should be an adjunct to avoiding to place friends’ and peers’ interests higher than one’s own. Hence supporting this value in an organisation is quite advantageous.

However, it should be noted that research into the relationship between attitudes and behaviours consistently shows that the measures of general attitudes seldom predict specific behaviours, and that attitude measures predict behaviour only to the extent to which the situation does not limit the freedom of behaving in the manner suggested by the attitude. One can conclude that attitudes predict behavioural intentions better than they predict behaviour. (Organ and Bateman 1991; cf. Yorks & Sauquet 2003)
The analysis of the interactions of cultural elements in Estonian organisations leads us to the following conclusions:

- the three Baltic states cannot be regarded as a homogeneous cultural context, contrary to what is often surmised by multinational companies when establishing their regional headquarters in one of these countries;
- Estonian organisations are relatively more relationship- than task-oriented;
- their members attribute twice as much importance to their family needs and family security than to social relations (with peers, friends and neighbours) – a fact that actually strengthens their perception of the organisation as relationship-oriented;
- organisational members’ attitudes to society/nation are quite high, which is also related to a stronger perception of relationship orientation in an organisation;
- organisational members have relatively low collectivistic attitudes towards their peers, friends and neighbours - a phenomenon that might weaken the link between such an instrumental value as being responsible and the relationship orientation of organisational culture.

In the present study all three samples are comparatively more relationship- than task-oriented. There have not been many surveys conducted to explore organisational culture orientations in Estonian, Latvian and Lithuanian organisations. Nonetheless Mockaitis’ (2002b) survey on values for leadership revealed that Estonian nationals scored higher than Lithuanian nationals on preferences for a relationship orientation. Another research on leadership orientations revealed that in general, Estonian managers (leaders) have more concern for task than for people (Andrèn et al. 1994). In the light of such a small number of studies, however, it is difficult to conclude what kinds of orientations of organisational culture prevail in Estonian, Latvian and Lithuanian organisations.

In a wider scope, R. Harrison (1995) notes that there seem to be increasing pressures from the members of modern organisations to move towards relationship orientation. Also van Muijen and Koopman (1994) emphasise in the light of environmental change that it is no longer sufficient for leaders to be task-oriented. It shows the increasing emphasis on the cognitive-emotional elements of organisational life expressed in interactions between people who are involved in organisational activities. This makes it possible to develop warm relationships between people working in the organisation and creates the conditions for forming well-functioning teams, gaining synergy also from ethnical diversity. For a transition country like Estonia, where many organisations are in need of new forms of management practices and organisational policies reflected in workplace values and culture, this issue is of crucial importance.

**Implications for socioeconomic development**

Yang (1988; cf. Schwartz & Sagie 2000) asserted that societal institutions directly linked with economic growth are inducing “specific functional adaptations” towards more individualistic structures in society, while other institutions, such as family relationships, show much less change. These statements imply the importance of individualism and collectivism for socioeconomic development in society at different levels of reference. In his study, Hofstede (2001) demonstrated the existence of a positive link between the country-level individualism score and wealth (GNP per capita), but a negative relationship with economic growth (rate of change in GNP) among the twenty two richest countries in his research, and suggested that for wealthier
countries, individualism impedes economic growth. This finding is similar to the one by Franke et al. (1991) (cf. Morris et al. 1993). On the contrary, in Diener et al.’s study individualism and GDP per capita were found to be positively related to the subjective well-being of nations as well as to each other (Diener et al. 1995). On the basis of these contrasting findings we can suggest that while some individualistic attitudes found in Estonian organisations should be associated with economic growth, there are also other cultural factors at play.

The similarity of terminal values reflects the high values consensus among the Russian-speaking minorities in Estonia, Latvia and Lithuania, thus confirming Schwartz and Sagie’s (2000) suggestion that the changes in socioeconomic development that have happened in these countries during the last decade have not brought along a change in basic values. On the other hand, compared to the set of the most important terminal values of people of Estonian nationality found in previous studies (see Appendix), one can notice that only three values match the results of the present study: family security, a sense of accomplishment and self-respect. This might imply that the value consensus in Estonian society as a whole is far from the optimal level, as according to Schwartz and Sagie (2000) is also the level of socioeconomic development. So the lower level of value consensus in Estonia might be an impeding factor for development.

Our study additionally revealed that the five most important terminal values can be classified according to Schwartz’s categorisation into security and universalism value types, while the types of instrumental values are benevolence, self-direction, stimulation and security. The importance attributed to universalism, benevolence, self-direction and stimulation were found by Schwartz and Sagie (2000) to be associated with the higher level of socioeconomic development. This implies that the present values in Estonia as well as Latvia and Lithuania tend to be supportive of growth.

However, security was found by Schwartz and Sagie (2000) to be less important in highly developed countries. This finding is consistent with that of Inglehart and Baker (2000) who claimed that the shift from industrial to service economies goes together with a shift in value priorities from an emphasis on material objects and economic and physical security towards an increasing emphasis on self-expression, subjective well-being, environmental protection and quality of life. The high importance of security values found among Estonians and the Russian-speaking minority living in Estonia might impede this process. Therefore, providing people with economic and physical security will help them cross the threshold of a post-materialistic society and thus speed up the transition process.
References


Vadi, M. (2000). Organisational culture and values and the relations between them (on the example of Estonia) (Organisatsioonikultuur ja väärtused ning nendevahelised seosed (Eesti näitel)). Dissertationes Rerum Oeconomicarum. Tartu University Press (in Estonian).


## Table 4. Importance of terminal values held by Estonians in comparison with Latvians and Lithuanians

<table>
<thead>
<tr>
<th>Terminal values</th>
<th>Importance in Estonia</th>
<th>Importance in Latvia</th>
<th>Importance in Lithuania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family security</td>
<td>Highly important</td>
<td>Highly important</td>
<td>Highly important</td>
</tr>
<tr>
<td>Inner harmony</td>
<td>Highly important</td>
<td>Less important</td>
<td>Less important</td>
</tr>
<tr>
<td>An exciting life</td>
<td>Important</td>
<td>Important</td>
<td>Important</td>
</tr>
<tr>
<td>A sense of accomplishment</td>
<td>Important</td>
<td>Important</td>
<td>Important</td>
</tr>
<tr>
<td>Self-respect</td>
<td>Important</td>
<td>Important</td>
<td>Important</td>
</tr>
<tr>
<td>Social recognition</td>
<td>Important</td>
<td>Important</td>
<td>Controversial results</td>
</tr>
<tr>
<td>Freedom</td>
<td>Rather important</td>
<td>Rather important</td>
<td>Rather important</td>
</tr>
<tr>
<td>Mature love</td>
<td>Rather important</td>
<td>Rather important</td>
<td>Rather important</td>
</tr>
<tr>
<td>Equality</td>
<td>Less important</td>
<td>Important</td>
<td>Less important</td>
</tr>
<tr>
<td>National security</td>
<td>Less important</td>
<td>Less important</td>
<td>Highly important</td>
</tr>
<tr>
<td>True friendship</td>
<td>Less important</td>
<td>Less important</td>
<td>Less important</td>
</tr>
</tbody>
</table>


## Table 5. Importance of instrumental values held by Estonians in comparison with Latvians and Lithuanians

<table>
<thead>
<tr>
<th>Instrumental values</th>
<th>Importance in Estonia</th>
<th>Importance in Latvia and Lithuania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambitious</td>
<td>Highly important</td>
<td>Highly important in Lithuania</td>
</tr>
<tr>
<td>Responsible</td>
<td>Highly important</td>
<td>No evidence</td>
</tr>
<tr>
<td>Honest</td>
<td>Highly important</td>
<td>Highly important in Latvia and Lithuania</td>
</tr>
<tr>
<td>Imaginative</td>
<td>Highly important</td>
<td>No evidence</td>
</tr>
<tr>
<td>Forgiving</td>
<td>Important</td>
<td>Important in Latvia</td>
</tr>
<tr>
<td>Helpful</td>
<td>Important</td>
<td>Important in Latvia</td>
</tr>
<tr>
<td>Independent</td>
<td>Important</td>
<td>No evidence</td>
</tr>
</tbody>
</table>

Study 2

A National Identity Perspective on Collectivistic Attitudes and Perception of Organisational Culture

Rebekka Vedina, Maaja Vadi

Purpose
To explore the relationships between collectivistic attitudes and organisational culture perception among Russian-speaking employees in Estonia, Latvia and Lithuania, and to explain the findings from the national identity perspective.

Methodology
The study applies a survey method and uses the original scales developed at the University of Tartu. Collectivistic attitudes of individuals are grouped according to three levels of relationships, namely, relationships with family, peers (including co-workers), or society. Collectivistic attitudes are measured on 5-point Likert-type scale. Perceptions of organisational culture are measured alongside the task and relationship orientations on 10-point Likert-type scale.

Findings
Collectivistic attitudes towards one’s nation are found to be related to the perception of one’s organisational culture on both orientations. We find that differences in the strength of these relationships in the Latvian sample are associated with the self-reported nationality of the respondents and we suggest similar tendencies in the Lithuanian sample. We propose that collectivistic attitudes of respondents basing the construction of their national identity on ethnic and linguistic grounds could have stronger positive connections with organisational culture than those of respondents, whose national identity formation was based on citizenship and assimilation.

Research implications and limitations
Positive emotional connection with society and nation provides ground for supporting organisational tasks and relationships. National identity construction can further influence these relations. Limitations: the proposed relationships are hypothetical and are limited to the Latvian sample.

Practical implications
In organisations, human resource strategies should be formulated that support developing or retaining one’s sense of national or within-group identity, which will facilitate maintaining strong ties with the organisation.

Originality/value
This paper provides insight for managers, academics and students on the role of identity construction in revealing employee attachment to their organisation.

Keywords: collectivistic attitudes, organisational culture, minority, national identity, Russian-speakers
Introduction

The question of what attitudes and values determine the relations of employees to their organisation has been under a lot of consideration. The concept of collectivism has been suggested as one important predictor of such connections. Several studies have shown that collectivistic attitudes of members of an organisation are related to the strength of the emotional and cognitive ties with the organisation. For example, Love et al. (2002) discovered that sense of community at work and worker’s level of collectivism are positively associated with certain organisational behaviour types directed to one’s co-workers, e.g. helping a co-worker with work-related problems. This finding is in line with Moorman & Blakely’s (1995) judgment that employees who held collectivistic values or norms also endorsed interpersonal helping, individual initiative and loyal boosterism. Furthermore, it was found that collectivist orientation is a predictor of organisational commitment (Wang et al. 2002; Parkes et al. 2001; Boyacigiller & Adler 1991; Angle & Lawson 1993; Clugston et al. 2000) and that the concept of collectivism can explain differences in cooperative behaviour (Chatman & Barsade 1995; Wagner 1995; Chen et al. 1998). Thus, the literature appears to support the notion that in-group attachment for the collectivist may be translated into workgroup attachment at work.

Previous research has also shown that levels of collectivism of individuals are culture-based (Hofstede 1997, 2001; Triandis 1995; Earley & Gibson 1998, to name a few). Culture not only influences the bases of an individual's psychological attachment to an organisation, culture also influences which objects become the focus of an individual's attachment (Bochner & Hesketh 1994). Individual behaviour in organisations stems largely from such connections while organisations themselves accommodate the values and attitudes of their members so that they can function effectively within them (Schwartz 1994). On the other hand, the behaviour of organisational members is stabilized by organisational culture, which provides people with indications about what is successful and non-successful behaviour in the organisation (De Witte & van Muijen 1999). Hence, it is important to observe perceptions of organisational culture when studying the determinants of workgroup attachment and behaviour. Indeed, previous studies have proved that collectivistic attitudes of individuals are related to organisational culture (Vadi 2001; Vadi et al. 2002, Vedina et al. 2006).

On the basis of the above discussion one can presume that in organisations consisting of individuals belonging to the same cultural group and allegedly sharing similar collectivistic attitudes organisational members should relate to their organisations in the same way. To test this proposition, a survey was organized in the three Baltic republics – Estonia, Latvia and Lithuania among their Russian-speaking minority populations that have a similar cultural and historical background. This similarity stems form analogous socio-political situation of Russian-speakers in the Soviet Union, where Russian was used as the main language of communication in most public matters and where Russian cultural presence was to be extended to all Soviet republics.

The common legacy of Russian-speakers from the Soviet era today is the change in perception of themselves as a majority population of the Soviet Union to minority populations in the independent republics. According to social identity theory such change implies change in one’s national identity and has an impact on individual’s level of identification with his or her nation. There is evidence in recent research that the level of identification is also related with people’s collectivistic orientations: those,
whose identification is lower, take a more individualist stance toward the group they are members of; in contrast, high identifiers are more willing than low identifiers to work for the group, give priority to group goals, conform to group standards and norms and be attentive to needs of other group members (Jetten et al. 2006, McAuliffe et al. 2003; for more references see Jetten et al. 2002). Therefore, the changes in perception bring along new challenges and influence people’s life on different levels, including their every-day work life and the relations with and within the organisations.

The objective of the study is to explore the relationships between collectivistic attitudes and organisational culture perception among Russian-speaking minority populations in Estonia, Latvia and Lithuania, and to explain the findings from the national identity perspective. The study described in this paper has shown that indeed, there are certain differences in national identities of Russian-speaking respondents, which might have a moderating effect on the links between collectivistic attitudes and organizational culture perception. Due to certain data limitations these differences are best explained on the example of Russian-speakers in Latvia. Therefore, while the first part of the paper presents the theoretical foundations behind the collectivistic attitudes and organisational culture constructs, the methodology used and the findings for all three countries for comparison reasons, the second section focuses on the national identity formation among the Russian-speaking population of the Baltic republics in general and of Latvia in particular. The third section discusses the findings from the national identity perspective, and the last section presents managerial and policy implications.

Collectivistic attitudes and organisational culture in Estonia, Latvia and Lithuania

An individual’s collectivistic orientation reflects how highly he/she values being loyal to a social group, working hard for group goals, and sacrificing personal benefits for group interests (Triandis 1995). A social group may be a family, a community, a nation, or an employment organisation. Therefore, collectivistic tendencies are target group specific, depending largely on how important the target group is to the person (e.g. spouse, parents, friends, co-workers). In order to distinguish between collectivistic attitudes, it is necessary to answer the question – collective in relation to what or to whom? Realo et al. (1997) have found that collectivism can be regarded as a hierarchical construct involving three levels of relationships: those with family, friends (peers), and society. Family related collectivism (Familism) implies dedication of one’s life to the family, putting its interests higher that one’s personal aspirations. Family security, honoring parents and elderly people, respect for traditions and reciprocation of favours serve as guiding principles in a familist’s life. Peer-related collectivism (Companionship) can be described by close relations between an individual and his/her neighbours, friends, or co-workers. Society-related collectivism (Patriotism) means dedication to serve one’s nation by surrendering one’s personal comforts to those of the latter. Patriots are in principle ready to sacrifice themselves to defend their nation against its enemies. (Vadi et al. 2002)

The RUSCOL Likert-type 5-point scale offers an instrument to measure these collectivistic attitudes (Realo et al. 1997). The scale consists of 24 items, which measure three subtypes of collectivism: Familism, Companionship and Patriotism. Example items are: “Children should not be an embarrassment to their parents”, “The opinions of friends should not interfere with one’s decisions” and “If required by the interests of the state, individuals must surrender their own comforts”. The respondents
are asked to rank the statements according to their agreement or disagreement (1 – “strongly disagree”, 5 – “strongly agree”).

This hierarchical model of collectivism allows us to study how different domains of collectivism are related to organisational culture and to differences in its perception. Organisational culture can be measured along different dimensions. According to Harrison (1995), the two major organisational culture dimensions are the relationship and task orientation. The relationship orientation of organisational culture reflects interpersonal relationships between organisational members, i.e. it indicates belongingness in an organisation when people assist each other in work-related problems and discuss all the important topics with each other (Vadi et al. 2002). Task orientation reflects general attitudes towards organisational tasks, i.e. the extent to which all members are willing to support the achievement of common goals (Schein 1997; Harrison 1995).

An instrument developed by Vadi (2000) was used to study organisational culture (OC) orientations. The organisational culture questionnaire (OCQ) consists of 16 items measured by Likert-type 10-point scale, forming two scales. First scale consists of eight items with substantial and unique loadings measuring Task orientation of organisational culture, for example “(In our organisation) people are acknowledged for their good work” and “… everyone has a freedom of activity” (Vadi 2000). Other eight items like “(In our organisation) people know about each other’s personal lives” and “… people help each other in work-related issues” measure Relationship orientation (Ibid.). Respondents are asked to rank the statements about their organisation according to what extent they agree or disagree with each statement (1 – “strongly disagree”, 10 – “strongly agree”).

The Russian language version of questionnaires was used for a survey among Russian-speakers in the three Baltic countries. In Estonia the research was carried out in 1996-2001 (Vadi et al. 2002), and in Latvia and Lithuania in 2003*. The respondents represented employees of organisations operating in such areas as light industry, service and trade in Estonia and Latvia, and utilities in Lithuania, all with majoritarian Russian-speaking workforce. The number of respondents was 664 in Estonia, 313 in Latvia, and 203 in Lithuania, with the average age 38.7 years (SD=9.27), 27.8 years (SD=8.61), and 40.9 years (SD=8.48), respectively. One-way ANOVA was performed for uncovering the differences between samples. The differences in mean values were important at the significance level \( p < .01 \). For finding the correlations between collectivistic attitudes and perception of organisational culture we conducted a Pearson Correlation Analysis.

The mean values of the two OCQ subscales are shown in Table I. According to mean analysis it is possible to conclude that organisational culture in all three samples is perceived as relationship oriented. One-way ANOVA shows that there are significant differences between Russian-speakers in Estonia, Latvia and Lithuania in their organisational culture orientations, the latter ones scoring higher on both subscales: for task orientation, \( F(3,1144) = 61.954 \), and for relationship orientation, \( F(3,1147) = 19.136 \), all significant at .000 level.

* Hereby we acknowledge the cooperation effort taken by Dr. Irene Bakanauskiene and Dr. Nijole Petkevičiute from Lithuanina, Prof. Erika Sumilo and BA student Aiga Stabulniece from Latvia.
Table I. The Mean Values and Standard Deviations of the Organisational Culture Subscales

<table>
<thead>
<tr>
<th></th>
<th>Task orientation of OC</th>
<th></th>
<th>Relationship orientation of OC</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M$</td>
<td>$n$</td>
<td>$SD$</td>
<td>$M$</td>
</tr>
<tr>
<td>RUSEST$^1$</td>
<td>4.37</td>
<td>630</td>
<td>1.76</td>
<td>6.71</td>
</tr>
<tr>
<td>RUSLIT$^2$</td>
<td>5.53</td>
<td>202</td>
<td>1.48</td>
<td>7.45</td>
</tr>
<tr>
<td>RUSLAT$^3$</td>
<td>5.77</td>
<td>313</td>
<td>1.43</td>
<td>6.49</td>
</tr>
</tbody>
</table>

Notes: OC – organisational culture; $^1$ - Russian-speakers in Estonia, $^2$ - Russian-speakers in Lithuania, $^3$ - Russian-speakers in Latvia, $M$ – mean (on a scale from 1 to 10), $n$ – sub-sample size (excluding missing variables), $SD$ – standard deviation

The mean values of the three RUSCOL Subscales are exhibited in Table II. One-way ANOVA shows significant differences between Russian-speakers in Estonia, Latvia and Lithuania in all subscales ($F(3,1164) = 110.198$ for Familism, $F(3,1163) = 83.259$ for Companionship, and $F(3,1164) = 38.325$ for Patriotism, all significant at .000 level).

Table II. The Mean Values and Standard Deviations of the RUSCOL Subscales

<table>
<thead>
<tr>
<th></th>
<th>Familism</th>
<th>Companionship</th>
<th>Patriotism</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M$</td>
<td>$n$</td>
<td>$SD$</td>
</tr>
<tr>
<td>RUSEST$^1$</td>
<td>3.34</td>
<td>651</td>
<td>0.47</td>
</tr>
<tr>
<td>RUSLIT$^2$</td>
<td>2.94</td>
<td>201</td>
<td>0.68</td>
</tr>
<tr>
<td>RUSLAT$^3$</td>
<td>2.63</td>
<td>313</td>
<td>0.70</td>
</tr>
</tbody>
</table>

Notes: $^1$ - Russian-speakers in Estonia, $^2$ - Russian-speakers in Lithuania, $^3$ - Russian-speakers in Latvia, $M$ – mean (on a scale from 1 to 5), $n$ – sub-sample size (excluding missing variables), $SD$ – standard deviation

However, when the means of the Patriotism subscale are analysed separately, there are no considerable differences between the Estonian and Lithuanian samples. It may mean that these samples are more similar in their attitudes towards society, while in the Latvian sample these collectivistic attitudes are notably lower. To check for possible explanations we included a demographic variable to the analysis – Respondents’ self-reported nationality, which is considered in this paper as manifestation of national identity. While in Lithuanian sample it was rather poorly reported upon (109 respondents or 54% reported their nationality as whether Russian, Ukrainian and Belorussian, 6 respondents as Poles (3%), 4 respondents as Lithuanians (2%), and 84 respondents (41%) did not indicate their nationality), the Latvian sample was clearly divided into two major groups: “Russian” (105 out of 313) and “Latvian” (208 out of 313). However, since this item was incorporated in the questionnaire several years after the data in Estonia has been gathered, we cannot use national identity as an explanation factor in analyzing this sample and present the data on Estonia merely for comparison reasons.

We conducted one-way ANOVA to test for differences between the two groups in each sample. One rather weak divergence in collectivistic attitudes occurred at Companionship level in the Latvian sample, where respondents who reported their nationality as Russian scored higher than those who reported their nationality as Latvian ($F(1,312) = 5.134, p < .05$). In Lithuanian sample there was also difference in Companionship between those who reported their nationality as Russian and those who did not indicate their nationality ($F(1,190)=8.419, p < .01$) and in Familism ($F(1,190)=7.712, p < .01$).
Moreover, Pearson Correlation analysis, conducted in order to find relationships between three RUSCOL and two OCQ subscales, revealed more significant differences in the correlation between Patriotism and both orientations of organisational culture in Latvian sample and in the correlation between Companionship and both OC orientations in Lithuanian sample. In Latvian sample the coefficients for respondents who reported themselves as Russians were considerably higher than for those who reported themselves as Latvians (see Tables III and IV). In Lithuanian sample such ratio (respondents who reported themselves as Russians, Ukrainians or Belorussians scoring higher as compared to respondents who did not indicate their nationality) held only for Companionship level, the remaining differences in correlation coefficients were minor.

Table III. The Pearson Correlations between the RUSCOL and OC task orientation subscale among the Russian-speakers in Estonia, Lithuania and Latvia

<table>
<thead>
<tr>
<th>Task orientation of OC</th>
<th>RUSEST</th>
<th>RUSLIT1</th>
<th>RUSLIT2</th>
<th>RUSLAT1</th>
<th>RUSLAT2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Familism</td>
<td>-0.06</td>
<td>0.01</td>
<td>0.09</td>
<td>-0.04</td>
<td>-0.08</td>
</tr>
<tr>
<td>Companionship</td>
<td>0.01</td>
<td>0.30**</td>
<td>0.08</td>
<td>0.07</td>
<td>0.00</td>
</tr>
<tr>
<td>Patriotism</td>
<td>0.12</td>
<td>0.12</td>
<td>0.21</td>
<td>0.25*</td>
<td>0.14*</td>
</tr>
</tbody>
</table>

Notes: OC – organisational culture; RUSEST - Russian-speakers in Estonia, RUSLIT1 - Russian-speakers in Lithuania who reported their nationality as Russian, Ukrainian or Belorussian, RUSLIT2 - Russian-speakers in Lithuania who did not report their nationality, RUSLAT1 - Russian-speakers in Latvia who reported their nationality as Russian, RUSLAT2 - Russian-speakers in Latvia who reported their nationality as Latvian; * Correlation is significant at the 0.05 level (2-tailed); ** Correlation is significant at the 0.01 level (2-tailed)

Table IV. The Pearson Correlations between the RUSCOL and OC relationship orientation subscale among the Russian-speakers in Estonia, Lithuania and Latvia

<table>
<thead>
<tr>
<th>Relationship orientation of OC</th>
<th>RUSEST</th>
<th>RUSLIT1</th>
<th>RUSLIT2</th>
<th>RUSLAT1</th>
<th>RUSLAT2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Familism</td>
<td>0.14*</td>
<td>-0.08</td>
<td>0.13</td>
<td>0.26**</td>
<td>0.07</td>
</tr>
<tr>
<td>Companionship</td>
<td>0.02</td>
<td>0.27**</td>
<td>0.10</td>
<td>0.11</td>
<td>0.05</td>
</tr>
<tr>
<td>Patriotism</td>
<td>0.17*</td>
<td>0.23*</td>
<td>0.27*</td>
<td>0.27**</td>
<td>0.19**</td>
</tr>
</tbody>
</table>

Notes: OC – organisational culture; RUSEST - Russian-speakers in Estonia, RUSLIT1 - Russian-speakers in Lithuania who reported their nationality as Russian, Ukrainian or Belorussian, RUSLIT2 - Russian-speakers in Lithuania who did not report their nationality, RUSLAT1 - Russian-speakers in Latvia who reported their nationality as Russian, RUSLAT2 - Russian-speakers in Latvia who reported their nationality as Latvian; * Correlation is significant at the 0.05 level (2-tailed); ** Correlation is significant at the 0.01 level (2-tailed)

An interesting finding that is similar to the findings from the Estonian sample was that in the first Latvian sub-sample (respondents who reported themselves as Russians) a positive correlation existed between Familism and relationship orientation. A remarkable finding is that correlations between Patriotism and relationship orientation are quite high in the samples of all three countries. However, only in the Latvian sample was such correlation found for task orientation of organisational culture.

On the basis of these findings one may conclude that the question of nationality is important for the perception of oneself, one’s society and one’s organisation, and its possible underlying reasons are related to the question on how national identity is formed. Indeed, it has been claimed in the literature that social identity, cultural
antecedents and values are the main factors that influence the way the members of an organisation give sense to the organisational context and that different social experiences can encourage the perception and establishment of subtle and detailed group distinctions (Hurtado et al. 1993: 133, cf. Ferdman 1995: 44-45). The next section discusses national identity formation among the Russian-speaking population of the Baltic republics.

National identity formation among Russian-speakers in the Baltic republics

It has been stated that Russian-speakers in the post-Soviet republics are still facing a radical crisis of identity (e.g. Laitin 1998: ix). According to social identity theorists, social identity is part of an individual's self-concept, which derives from the knowledge of one's membership of a social group together with the value and emotional significance attached to that membership (cf. Chen et al. 1998). National or ethnic identity is thus based on the value attached to the membership of one or another national group. For Russian-speakers in the Baltic republics it is a rather complicated issue.

First, using the term “Russian-speakers” itself suggests that the identity is based on linguistic grounds. Indeed, although the relative sizes as well as ethnic roots of members of these populations are quite different, Russian language as the first (native) language remain the common factor. The share of the Russian-speaking population in the Baltic republics is as follows: Lithuania – 9.5%, Latvia – 40%, Estonia – 32% (Baltic Economic Stats 2004). Besides people of Russian nationality, Belorussians and Ukrainians are also included in this group, corresponding to 1-3.9% of the total population (Baltic Media Book 2001). Such categorization is explained by Linz & Stepan (1996) by asserting that since identities are in fact socially constructed and constantly changing, Russian-speaking populations, whether originary from Ukraine, Belarus, Russia, or other ex-Soviet republics, are actually developing a new diaspora identity of a “Russian-speaking minority” based on linguistic as well as socio-political grounds. Indeed, in Russophone diaspora many people identify themselves as “Russian-speaking” rather than as “Russians” (Linz & Stepan 1996; Laitin 1998: 33, 295).

The socio-political ground is the second factor indicating the specificity of this identity formation. After the incorporation of the Baltic republics into the USSR in the 1940s, Soviet authorities worked unremittingly to cultivate a Russian cultural presence in all the Union republics by setting up industries and military bases as well as administrative and political bodies (see e.g. Nagle et al. 2000). Their major workforce was constituted by workers with different, yet mostly Russian ethnic backgrounds transferred with their families from central parts of Russia and other Soviet republics. That means they were not voluntary immigrants as much as they were colonists (Kennedy & Stukuls 1998). Russian-speaking immigrants were then the majority because they were an extension of the politically and linguistically dominant Russian majority in the USSR. After Estonia, Latvia and Lithuania regained their independence in 1991, some Russian speakers left these countries with their families, but most stayed on with the intention of integrating into the new societies that were yet to emerge. Their social and economical situation today may vary, but due to the new citizenship policies (see the explanation below), the nationality issue is still a problem as of today for many of them, which creates difficulties to define their national identity.
The citizenship issue, i.e. the initial inclusiveness of citizenship policies is closely tied with national identity formation (Nørgaard et al. 1999: 157). Estonia and Latvia have adopted exclusionary citizenship policies granting citizenship to individuals belonging to minority populations through naturalization, while Lithuania alone has chosen an inclusive approach, giving citizenship to all persons residing there before July 1991 (Lind 2003; Nørgaard et al. 1999: 157). In fact, Lithuania enacted a special law protecting national minorities (1989), which guarantees minority rights to schools, newspapers, organisations, religious congregations, etc. (Runblom 2002). Russian-speakers in Lithuania have also been granted citizenship automatically, as well as all according civil rights by a special law (The Russian… 1999). This is in stark contrast with the situation in Estonia and Latvia, where a large part of the Russian-speaking community don’t have Estonian or Latvian citizenship.

The anxiety connected with the construction of national identity may also be brought along by other formal requirements, for example the reification of passport identities, i.e. mandatory identification of ethnicity determined by the state based in the ethnicity of the parents that was abolished in Estonia but initially persisted in Latvia (Laitin 1998: 193, Nyiri 2003). Another difference between Estonian and Latvian principles of citizenship was the initial lack of formal guidelines needed for naturalization process in Latvia until 1994; therefore the vast majority of Russian-speakers there could not even start the process of naturalization until that year, which caused an additional concern that has not subsided yet. Nevertheless, restrictions were imposed on the rights of non-citizens, such as the right to occupy state office and other job restrictions (cf. Laitin 1998: 96). Thus, according to Nagle et al. (2000), citizenship became an issue of immediate economic survival and future economic, educational, residential, cultural, and political opportunity.

The process of naturalization in Latvia was started in the beginning of 1990-s and is still being reinforced (Laitin 1998: 96; Latvia… 2002). Latvia’s approach to nation state building can be considered as an ethnic approach, where there are differences in the possibilities to obtain citizenship: the ethnic majority population obtains it automatically (given that an individual or his/her closest relatives were Latvian residents at the time of annexation by the Soviet Union in 1940 (Nyiri 2003)) while the rest of the population has to prove that it is trustworthy to be granted citizenship (Kolströ 1996). This implies that the minority groups are considered as second-rank residents and not the equal of the majority population (Ibid.; Nørgaard et al. 1999: 161). Moreover, according to Nagle et al. (2000: 5) in ex-Soviet republics and in other countries of Eastern Europe a clear popular expectation persisted that the dominant ethnic elite would purposefully disadvantage and perhaps even expel ethnic minorities from long-standing places of work and residence. Therefore, the findings by Austers (2002) in Latvia, which show that representatives of Russian-speaking minority group are more attentive and sensitive to the ethnic majority group across different evaluative attributes, than vice versa, are not surprising.

In social identity theory such negative differentiation of populations is referred to as identity threat. Threat is usually defined as threat to the value of a group identity (Tajfel & Turner 1979; cf. Jetten et al. 2002). According to previous research findings negative differentiation of one’s group of the same ethnic cultural background from the larger outgroup is usually related with a low identification with this ethnic ingroup (see references in Simon et al. 1995, Jetten et al. 2002). Therefore, in case of the identity
threat it is not uncommon for people to want to leave their group in order to enhance their social identity (Tajfel & Turner 1979; cf. Warner et al. 2007). Members of groups with low status, for example, might seek to escape that group and to migrate to a group with higher status, particularly if the status hierarchy appears stable, legitimate (Boen & Vanbeselaere 2001; cf. Warner et al. 2007), and/or the person does not identify strongly with their group (Ellemers et al. 1997). In case of Russian-speakers in Latvia such escape may take a form of assimilation with Latvians, a group with the higher status. In fact, many Russian-speakers in Latvia appeared to be willing to assimilate (Laitin 1998: 356).

Assimilation implies a change in ethnic identity (Lind 2003). A possible manifestation of such change was found in the present survey: two-thirds of the sample in Latvia reported their nationality as Latvian. That is despite the common univocal understanding of “Latvian” as ethnic group name in both Russian and Latvian languages (Austers 2002) and the fact that in Russian language word “национальность” (referred to as “nationality” in this paper) that was used in the questionnaire means “ethnic nationality”, or belongingness to people - i.e. national ethos - of the same linguistical, territorial, economical and cultural affinity (Russian Language Dictionary 1983). At the same time, although “Russian-speakingness” is a common concept and in a way a recently constructed identity, it cannot be considered as nationality itself (Laitin 1998: 265). Therefore, when answering nationality questions, a Russian-speaker faces a dilemma; whether to follow the German tradition (influential in Eastern Europe), which reflects the emphasis that an individual lays to his/her ethnicity, native language and cultural heritage; or to follow the French (Western) tradition of identifying nationality with citizenship (for a discussion see Hint 1999). As reported by the Latvian colleague who collected the data for this study, answering “Latvian” in the survey was largely related to the Western tradition. However, in the light of the political and social situation described above, it can also be regarded as an overt demonstration of the desire to assimilate and construct another identity without necessarily basing it on the inner perception of one’s ethnic identity.

41% of Lithuanian respondents use slightly different approach by neither choosing “Lithuanian” as a basis of their national identity nor identifying themselves with their ethnicity when answering the question of nationality. We can assume that granting citizenship to all residents, as is the case in Lithuania, results in the lack of need for assimilation for Russian-speakers, as in Latvian case. Yet, for some people it might be insufficient as a basis for constructing their national identity, which results in differences in relating one’s attitudes with perception of organisational culture. The fact that 41% of respondents in the Lithuanian sample did not report their nationality may also be an indicator of difficulties these people face in constructing their national identity.

Discussion of the results from the national identity perspective

Due to the stance of the larger outgroup in Latvia (Latvians), which is in many terms privileged two-thirds of our study respondents who belong to an ethnic group in Latvia (allegedly ethnically Russians, Ukrainians or Belorussians) and 41% of respondents in Lithuania have demonstrated the willingness to not identify themselves with this ingroup. The difference in the approach to national identity construction is reflected in
the relationships between various individual and organisational phenomena in the samples in the three Baltic republics.

As Lange and Westin (1985, cf. Austers 2002) and Liebkind (1992, cf. Ibid.) claim, ethnic identity needs to be negotiated, that is, people present themselves to others wanting them to accept this presentation, which in turn is confronted with self-presentation of the others. This assumption may explain on the one hand, the comparatively weaker collectivistic attitudes towards peers among the respondents in the Latvian sample (since many of them – every third – do not have the same approach to constructing national identity); on the other hand, it may explain weaker correlations between attitudes towards society and organisational culture orientations of the respondents who reported their nationality as Latvian, as compared to their counterparts – those respondents in the Latvian sample who reported their nationality as Russians.

Jetten et al. (2002) argue that differences found between high and low identifiers bear a resemblance to the distinctions between collectivists and individualists and suggested that those who identify highly with their national identity endorse more collectivism than those whose commitment is lower. In the present study collectivistic attitudes towards peers and co-workers, or Companionship, were found to be positively related to both organisational culture orientations in Lithuanian sub-sample of respondents who reported their ethnicity when answering the question of nationality. That is, those who sustain close relations with friends, neighbours and co-workers are more likely to have a higher level of belongingness to an organisation as well as to support organisational goals more strongly.

Such relationship was not found in the other Lithuanian sub-sample (those who did not indicate their nationality) or in Estonian and Latvian samples, and at least in the former and the latter case we explain this finding by respondents’ lower identification with the group of the same ethnic origin resulting in identity shift through assimilation (in the case of Latvia). Our proposition is that in case of identity threat the links between collectivistic attitudes towards peers and co-workers and perception of organisational culture become weaker or even disappear and it is more difficult for managers to create a basis for connecting individual and organisational phenomena.

Collectivistic attitudes towards family were positively related to relationship orientation in Estonian and the first Latvian sub-sample (RUSLAT1). This finding implies that employees who are dedicated to their families will more likely dedicate themselves to hold good interpersonal relationships with their co-workers, help each other in work-related problems and have a higher level of organisational commitment. Based on the division of respondents in the Latvian sample according to different identity construction, our proposition is that for those who identify themselves less with their ethnic cultural group, the links between their attachment to family and perception of organisational culture become stronger.

The only pattern in the relationships between collectivistic attitudes and perceptions of organisational culture that holds for Estonian, Latvian and Lithuanian samples is the connection of Patriotism with the relationship orientation of organisational culture. This finding implies that having a positive emotional connection with one’s society and nation provides a ground for supporting one’s organisational tasks and relationships, and this connection is further strengthened by respondent’s national identity based on
positive ethnic identity. In the current study this is revealed by the fact that among those respondents who reported their nationality as Russian the connections between collectivistic attitudes towards society and both organisational culture orientations are remarkably stronger.

On the other hand, the process of creating a solid identity group for Russian-speakers is continuing (Laitin 1998: 357). Identification as a member of the Russian-speaking population is an alternative to assimilation (as a Latvian) and can provide a basis for creating a stronger sense of identity and attachment to the respective national group. We can conclude that developing a national identity based on ethnic and linguistic grounds rather than politically determined purposes leads to the construction of stronger identity and thus stronger ties to other members of the same group on all levels – family, peers and society. This in turn results in stronger positive relationships with organisational culture.

Managerial and policy implications

This survey has shown very different patterns of relationships between collectivistic attitudes and perception of organisational culture among Russian-speaking populations in the three Baltic republics. Although the Russian-speakers in these countries have a common cultural heritage, which is reflected in their core values (see e.g. Vedina et al. 2006), significant differences in their collectivistic attitudes and organisational culture orientations per se imply a high importance of the environment they live in. One can conclude that different cultural contexts have a different impact on employees’ perceptions of organisational culture with presumably similar cultural background. This finding is in accordance with Schein’s (1984) statement that organisations exist in a parent culture, and much of what is found in them derives from the assumptions of the parent culture. Also according to the observations made by Hofstede et al. (1990) there may be different organisational cultures in organisations of the same or similar national cultures (cf. Lau & Ngo 1996). Hence, organisational culture is a unique phenomenon and is perceived according to the specific environment. This assumption is crucial for organisations that experience multicultural interactions.

Bochner and Hesketh (1994) asserted that differences in employees' attitudes can be predicted on the basis of cultural dimensions even within a homogeneous work setting within one country. The survey presented in this article shows that national identity construction can further influence the relationship between collectivistic attitudes and organisational culture within the same work group. The shift in identity construction caused by identity threat can jeopardize the sense of belongingness of an individual to the organisation as well as willingness to support organisational goals. We can further extend this assumption by Jetten et al.’s (2002) suggestion that in case of low commitment to a group in organisations it is likely that not all employees care as much for the welfare of their company as managers hope when they stimulate a collectivist company culture.

In case of a threat to the value of a group identity, responses to it are different for low and high identifiers: highly identified group members are more likely to defend the integrity of the group when threatened than low identified group members are (Branscombe et al. 1993, cf. Jetten et al. 2002). Furthermore, Jetten et al. (2002) have found that when under threat, high identifiers are also more likely to embrace salient
group norms and act in accordance with these norms than low identifiers. From a managerial point of view it is important to avoid appearing of such threat among employees and to support their positive social identity.

The socio-political situation in a society has a considerable impact on the relationships with the environment and on national identity formation. As Nagle et al. (2000) proposed in their discussion on ethnic nationalism in Eastern Europe and the former Soviet Union, the origins of identity conflict today are rooted in relationship-constructs that may be unique to the region and influenced by regional political history. Ethnicity-based approach to national state building in the ex-Soviet Baltic republics is not exceptional. Politically and public-supported purposeful segregation of different inhabitant groups and exclusive ethnic citizenship are prevalent in other Eastern European and Central European countries, too (see e.g. Stullerova 2002, Nagle et al. 2000, Mujkic 2007). We can draw parallels here with the situation in the regions - now separate ethnically based political entities - of the former Yugoslavia. Serbia’s aim was a hegemony in the Yugoslav federation (Poirot Jr. 1997), and after disintegration Serbs were faced with a need of changing their self-perception as a majority population to minority populations in the newly independent countries (for instance, in Croatia), just like Russian-speakers in the Baltic republics. In Slovakia, just like in Latvia, a particular ethnic group is declared as the “nation-forming” one (Nyiri 2003). Since the institutional structure in Balkan countries is being constructed based even more rigidly on ethnic principles (Nyiri 2003), we can expect a lower level of collectivistic attitudes there, including patriotism among representatives of the excluded ethnic groups. As Mujkic (2007: 113) asserts, “(Political) Representation that depends exclusively on ethnic affiliation discourages civic initiative”. Jetten et al.’s (2002) finding that those who identify highly with their national identity are more likely to act in accordance with the dominant societal normative orientation is essential for creation of populations socially active and loyal to their societies.

Laitin (1998: 190) argued that Russian-speakers in post-Soviet countries have various degrees of self-consciousness, inventing new categories of identity to help them make sense of who they are. This issue is complicated by other factors influencing the choice of identity for Russian-speakers in the Baltic republics, such as political and media influence from Russia. However, one can conclude that given the similar cultural background of the employees, their collectivistic attitudes and organisational culture orientations largely depend on nation-building policies in their countries. There are clear policy implications at the political level: loosening the constraints on creating a strong national identity will nurture individuals’ sense of belongingness, which in turn will be reflected at the organisational level. There are also implications for organisations: human resource strategies should be formulated that support retaining one’s national identity and creating strong in-group identities. This facilitates maintaining strong ties with the organisation.

There are several limitations to this study. First, we did not define the concept of respondents’ self-reported “nationality” in the questionnaire, i.e. whether we meant ethnic auto-identity (as we initially assumed), belonging to a certain nation, or belonging to a certain nation involving an according citizenship. This shortcoming does not let us clearly distinguish the grounds that respondents actually use to construct their national identity, making the proposed relationships hypothetical. Second, these relationships are restricted to the Latvian and only partially to Lithuanian sample. If the
study were repeated in Estonia, we would expect similar results, the social and political situation of Russian-speakers being more comparable to the one in Latvia than to the one in Lithuania. A third limitation is an average time gap of about 4 to 5 years of data collection. Although national identity construction is a slow process, one would expect that its manifestations might have changed in the intervening time. Yet, this limitation has little impact for this paper, given our main results are driven mainly by Latvian data. Further research should examine more closely the dynamics of identity construction among minority populations and measure its actual effect on workplace attitudes and behaviour.
References


Vadi, M. (2000). Organisatsioonikultuur ja väärtused ning nendevahelised seosed (Eesti näitel) (Organisational culture and values and the relations between them (on the example of Estonia)). *Dissertationes Rerum Oeconomicarum*. Tartu University Press (in Estonian).


Study 3

Value diversity for innovativeness in the multicultural society of Estonia

Rebekka Vedina, Gerhard Fink, Maaja Vadi

Introduction

In this chapter we investigate into the potential effects that cultural similarities and differences between the two major cultural groups, ethnic Estonians and people belonging to the Russian-speaking community, might have on the inclination to innovate. We study, whether the required capabilities, based on instrumental and terminal values, are available in Estonia; whether these values are equally distributed within and between these groups, or whether more intense cooperation between Estonians and Russian-speakers would be required to invest complementary values into new hybrid corporate cultures that yet have to emerge in order to foster innovation. This is an important issue, since Estonian actual performance in innovation is rather disappointing. Relative private sector innovation expenditure amounts to only 22 per cent of the EU average (Republic of Estonia 2005, p.23). In the year 2000, in Estonia the innovation expenditures of companies as a percentage of turnovers amounted to 1.43 per cent (EU average was 2.15 per cent, ibid. p.31). The rather poor performance in Estonian innovation is in obvious contrast to the observation that Estonia is doing pretty well in various rankings about economic freedom and factors alike, which are supposed to determine international competitiveness or usage of new technologies by the population. In this chapter, we try to explain this contrast by going beyond the visible and easily grasped features, which form the basis of these kinds of competitiveness rankings, and provide research into the less obvious, but possibly more important cultural factors. These cultural factors are at the core of our analysis.

Belief in market mechanisms and denial of the role of government in the beginning of 1990s lead to the radical implementation of market mechanisms in public policy (Kattel 2004) what has had surprisingly negative effects on the development of entrepreneurship. After Estonian economic reform enterprises had to adapt themselves to new economic conditions and re-orientate themselves to Western markets (Ratso 2005). State aid to small and medium enterprises was concentrated on training courses and consulting support only. In order to survive new entrepreneurs tried to take advantage of the only available short-term competitive edge, namely cheap labour and resources (Kattel 2004). Consequently, international subcontracting had become a popular means to survive, especially in such sectors as clothing, machinery, metalwork and textiles (Dana 2005, p. 288), much more than e.g. among Bulgarian or Polish enterprises (Elenurm 2004). While the inflow of technological knowledge from abroad is a positive feature, the flipside is potential outflow of a substantial part of the revenues, insufficient domestic technological innovation and only weak development of entrepreneurship. Although there is an innovation potential in Estonia and some remarkable high-tech innovation can be identified, e.g. Internet voice communication development by Skype, there is still need to deepen the capabilities to induce and implement innovations at corporate levels.
Estonian entrepreneurs lack innovative inputs (Kurik et al. 2002, Innovation policy profile: Estonia 2001). For development of entrepreneurship awareness of the importance of innovation and innovative ideas are in urgent need (see the discussion of the link between entrepreneurship and innovation by Groen, Wakkee and Heerink in this book). Understanding and acceptance of the concepts of innovation and innovativeness are rather poor. Innovation is a notion imported from abroad. The public and many key persons (policy makers, top managers, entrepreneurs, investors, and media) have difficulties to associate with this term the same meaning as it does have in the West. Being difficult to grasp, innovation is considered someone else's responsibility (Kalvet et al. 2005). If at all, innovation is conceptualized as a rather radical, one-time fast success tool, as e.g. new products or R&D derived basic innovations. Incremental innovation in processes and organizational innovations are rather neglected (Ibid.).

Interestingly, such public attitude coexists with the quite optimistic assessments reported by Estonian executives on the openness to foreign ideas in Estonian society (which is similar to the one reported in Iceland, Ireland, the Netherlands, Hungary, the Slovak Republic and Portugal; IMD 2005) and on flexibility and adaptability of people when faced with new challenges. For example, Swedish companies often test ideas first in Estonia, since Estonians tend toward industriousness and are perceived as having a heartier appetite for change than even the forward-thinking Swedes (Levine 2004). Another potential indicator of the generally positive attitude to the novel trends of the modern world is the broadband internet access. In 2004, Estonia ranked 6th among EU25 on broadband internet access among enterprises of more than 10 employees (68 per cent) after Denmark (80 per cent), Sweden (75 per cent), Spain (71 per cent) and Belgium (70 per cent). The EU25 average was 52 per cent.

Various rankings indicate that general conditions are relatively favourable for entrepreneurship and innovation. Economic freedom is high. According to the survey conducted by Wall Street Journal and the Heritage Foundation, Estonia has the 7th place in the Index of Economic Freedom 2006, and according to the World Bank Group it ranks 16th in the ease of doing business among 155 economies (Doing Business... 2006). The World Economic Forum (2005) ranks Estonia among the top 20 countries, and in the “The Lisbon review” survey Estonia is ranked as the most competitive new EU member state (Ratso 2005). With EU membership, political stability and ideological legitimacy was established. Why then is entrepreneurship and innovation lagging?

Besides these general trends in Estonian society certain demographic factors play a particular role in its development processes. Miettinen (2004) considers demographic crisis – negative growth of population together with the shortage of both highly qualified white collar and blue collar workers - as one of the major problems for the development of entrepreneurship in Estonia (of all employed some 90 per cent are employees and 10 per cent entrepreneurs). As he points out, the liberal and open economic policy in Estonia together with the neglect or deficient social policy has created growing inequality between regions, occupations and genders, and it calls rather for one's own initiative and will to be responsible for one's own future (Ibid.). Together with the failure of the state to hedge the entrepreneurial risks this may result in the lower levels of taking those risks, i.e. the lower levels of entrepreneurship and innovation.
Furthermore, since regaining independence in 1991, an important feature of Estonia is the culturally heterogeneous workforce, which is a remainder of the Soviet time. Many big enterprises employed mainly workers from a minority population in Estonia (i.e. Russian-speakers) with little or no cultural connections with the majority population (Estonians). Since most of these large corporations were economically not viable and closed down, integrating people of these two distinct cultural backgrounds into the new social order is a major challenge for society and policy makers.

Given that persistent split in the society, differences in values is an important part of the Estonian social system: these differences define and mediate the relations between the population groups and play a role in structuring the interactions between entrepreneurs (see Sijde, Kirwan and Groen in this book referring to Parson 1964). Therefore, when approaching the issues of cooperation and innovation in entrepreneurship, it is important to take into consideration the value diversity prevailing in the Estonian society. Are diverse values an obstacle for cooperation? To the contrary! Following Triandis (1995, pp. 11-12) we would argue that differences in values could be an asset for emerging new enterprises. Based on this view we pursue the following research questions: What are the specific values salient among the representatives of the two major cultural groups? To what extent are both groups equipped with values, which could influence innovativeness?

This chapter is organized as follows: after this introduction, the next section focuses on the concept of values and the potential consequences of value diversity for innovativeness. The third section summarizes insights into cultural diversity in Estonia: the Russian-speaking community and Estonians. An empirical study on values (following Rokeach 1973) follows in the fourth section. We highlight similarities and complementarities in the value profiles of Estonians and the Russian-speaking minority. In the final sections, the possible impact of cultural values on innovativeness among the representatives of majority and minority populations in Estonia is discussed and implications are drawn for managers.

**Values, which foster innovativeness and cooperation**

Values are an indispensable implicit part of any culture, be it group, organizational, professional, sector or national culture. Each value relates to a specific basic assumption and in turn has an influence on attitudes, modes of behaviour, and norms. In entrepreneurship, specific sets of values are important for providing the ground for innovation and cultural diversity can be a potential competitive advantage for an enterprise (see Ulijn, Frankort and Uhlaner in this book). In any cooperation, adequately combined values will attain potentially better results.

Mairesse and Mohnen (2002) in their study of seven European countries have compared the expected and observed innovation intensity (measured by the share of innovative products in total sales). They have found that there are differences between the expected innovation (propensity to innovate estimated with ex ante defined explanatory variables) and observed actual innovation in EU countries. This unexplained residual they called innovativeness. We would expect that cultural factors, which were not included in their model, could explain these variances in the observed innovation intensity.
Indeed, the process of innovation, be it product, process, or organizational innovation, requires diverse skills in an organization. Following Damanpour (1991), Flynn and Chatman (2001) and Nakata and Sivakumar (1996), to name a few, we consider the innovation process to consist of two phases: (1) initiation, or the generation of new ideas; and (2) implementation, or the actual introduction of the change. From a cultural perspective, there is a clear distinction between initiation and implementation of innovation. Different values play different roles in each phase. Ulijn et al. (2004) proposed that the Dutch might be better equipped to initiate innovations and commercialize them, whereas the Germans are the better implementers and manufacturers. Nakata and Sivakumar (1996) claimed that in the initiation phase, individualistic culture promotes the ability to generate ideas and test the product concept, and collectivistic culture would promote the implementation phase through emphasis on interdependence, cooperation and unified purpose. On the organizational level, it is therefore crucial to combine human resources equipped with different values to promote best the innovation process. This brings us to the question of value diversity versus value uniformity and their importance for innovation.

Schein (1993) had argued that diverse but connected group cultures are desirable for an innovative organizational culture. Hauser (1998) asserted that diversity in values leads to a more profound problem perception and definition as well as likely acceptance of a chosen solution. In addition to differences in cultural values, diversity of knowledge is an important source and facet of organizational innovation (Souder and Jenssen 1999). Knowledge based minority views can stimulate consideration of non-obvious alternatives and interaction with persistent minority viewpoints stimulates creative thought processes (Nemeth 1986). Hence, value diversity is a crucial asset in innovation initiation phase.

Realization of the innovative solution, in its turn, is supported by complementary knowledge together with a common focus (Hauser 1998). Cohesion is important for attainment of organizational goals, and harmony is necessary to implement creative ideas (Flynn and Chatman 2001, p.273). Cohesion and harmony should be therefore emphasized during the innovation implementation phase. However, one should not forget that strongly coherent groups tolerate less deviation. If cohesion turns into uniformity, it may result in a decrease in innovation and in reduced willingness or ability to adapt to changing circumstances. (Nemeth and Staw 1989 p. 175, Nemeth 1997).

In the psychological literature on team performance, we found yet another example on the importance of similarity and difference: 'Neumann et al. (1999, p. 28-45) investigated into the effectiveness of different strategies for using personality tests (Big Five) to select members for work teams. Their research question was whether 'team personality elevation' (= the average level of a given trait within a team) and 'team personality diversity' (= the variability or differences in personality traits found within a team) predict performance of teams. They found that high levels of agreeableness, conscientiousness and openness to experience, but also 'team personality diversity' of extroversion and emotional stability were valid predictors of team performance. Therefore, according to their findings the appropriate team selection strategy would be to select candidates, who are highly agreeable and open to new experience, but differ with respect to extroversion and emotional stability.' (Fink et al. 2004, p. 25).
Hence, the success of innovation projects depends on cooperation between individuals with different values. The innovative productivity of collaboration comes from the differentness of the individuals in a group, not their sameness (Nakata and Sivakumar 1996; Zien and Buckler 1997). Diverse subcultures of different departments, often referred to as professional cultures (see Ulijn and Weggeman 2001), can be complementary and enhance one another’s effects on innovativeness. Therefore, complementary values are well suited for stimulating innovation processes (Hauser 1998).

In the literature, we found a few articles dealing with values of importance for initiation and implementation of innovation. Using the Rokeach (1973) value inventory, Fagenson (1993) found that important instrumental values for initiation are honest, ambitious, capable, independent, courageous, imaginative, and logical; and most important values for implementation are the terminal values true friendship, wisdom, salvation, and pleasure (Fagenson 1993). Based on Schwartz’s (1992) value inventory, similar values were later again found in the work of Voss (2002; Table 13.1).

Table 13.1. Values of importance for initiation and implementation of innovation

<table>
<thead>
<tr>
<th>Variables</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fagenson (1993)</td>
</tr>
<tr>
<td>Values for initiation</td>
<td></td>
</tr>
<tr>
<td>Terminal values</td>
<td></td>
</tr>
<tr>
<td>self-respect</td>
<td>true friendship</td>
</tr>
<tr>
<td>freedom</td>
<td>wisdom</td>
</tr>
<tr>
<td>a sense of accomplishment</td>
<td>salvation</td>
</tr>
<tr>
<td>a world at peace</td>
<td>pleasure</td>
</tr>
<tr>
<td>an exciting life</td>
<td></td>
</tr>
<tr>
<td>Instrumental values</td>
<td></td>
</tr>
<tr>
<td>honest</td>
<td>loving/compassionate</td>
</tr>
<tr>
<td>ambitious</td>
<td>forgiving</td>
</tr>
<tr>
<td>capable</td>
<td>helpful</td>
</tr>
<tr>
<td>independent</td>
<td>self-controlled</td>
</tr>
<tr>
<td>courageous</td>
<td></td>
</tr>
<tr>
<td>imaginative</td>
<td></td>
</tr>
<tr>
<td>logical</td>
<td></td>
</tr>
<tr>
<td>Terminal values</td>
<td></td>
</tr>
<tr>
<td>freedom</td>
<td>mature love</td>
</tr>
<tr>
<td>social order</td>
<td>pleasure true</td>
</tr>
<tr>
<td>social power</td>
<td>friendship</td>
</tr>
<tr>
<td>respect for tradition</td>
<td>sense of belonging</td>
</tr>
<tr>
<td>a varied life</td>
<td>wisdom</td>
</tr>
<tr>
<td>reciprocation of favours</td>
<td>a varied life</td>
</tr>
<tr>
<td>unity with nature</td>
<td></td>
</tr>
<tr>
<td>Instrumental values</td>
<td></td>
</tr>
<tr>
<td>ambitious</td>
<td>daring</td>
</tr>
<tr>
<td>curious</td>
<td>influential</td>
</tr>
<tr>
<td>protecting the environment</td>
<td></td>
</tr>
</tbody>
</table>

In the literature, we found a few articles dealing with values of importance for initiation and implementation of innovation. Using the Rokeach (1973) value inventory, Fagenson (1993) found that important instrumental values for initiation are honest, ambitious, capable, independent, courageous, imaginative, and logical; and most important values for implementation are the terminal values true friendship, wisdom, salvation, and pleasure (Fagenson 1993). Based on Schwartz’s (1992) value inventory, similar values were later again found in the work of Voss (2002; Table 13.1).
Cultural diversity in Estonia: the Russian-speaking community and Estonians

Different cultural backgrounds and historical influences are the reasons why diversity emerged in Estonia. For centuries, Estonia has been either under Danish, German, Swedish or Russian rule, what has had an important impact on the Estonian national character. After 22 years of independence during 1918-1940, as a consequence of the Hitler-Stalin pact Estonia was forcibly incorporated into the USSR and was under Soviet control until 1991.

Today, there are two major cultural groups – Estonians and Russian-speakers, i.e. speakers of Estonian or Russian as a native (first) language, accounting for 68 per cent and 30 per cent, respectively. The Russian-speaking population has its own identity based on linguistic and socio-political grounds (cf. Vedina, Vadi and Tolmats 2006). During the Soviet time, from different parts of Russia and other Soviet republics many families with different ethnic backgrounds had been relocated to Estonia. The use of Russian as the main language of communication in most public matters and self-perception as of belonging to a majority population of the Soviet Union was what they had in common. After Estonia regained its independence in 1991, some Russian-speakers with their families left the country, while the larger part stayed on with an endeavour to integrate into the new society yet to emerge. Their social and economical situation today may vary, while speaking Russian as a mother tongue together with the shift in self-perception as of becoming a minority of the independent republic remain as common factors of their identity (Ibid.).

These two major cultures are influential in the business environment in Estonia. We assume that differences in their values have an impact on their behaviour and interactions, and therefore on innovativeness and on the innovation processes.

Jerschina and Górniak (1997) studied participation in the transformation processes among the minorities and majorities in Estonia, Latvia and Lithuania. They distinguished conductors of change, passive experts, active citizens and silent citizens. In the period of transition, the largest group in these societies was silent citizens (49 per cent). 12 per cent were conductors of change, 12 per cent passive experts and 26 per cent active citizens. Differences between national minorities and majorities are remarkable. While there were no differences found between minorities and majorities in Latvia or Lithuania, in Estonia the minorities (mainly Russian-speakers) are much more passive. Their behaviour differs strongly from that of the national majority (Jerschina and Górniak 1997).

Passivity is mostly ascribed to 'communist heritage'. Rightly so, albeit the presumptions are utterly wrong that the observed behaviour had become a sort of 'national cultural value' under socialism. 'Passivity' is not a value, what can be easily clarified if reference is made to the literature on values (Kluckhohn and Strodtbeck 1961; Hofstede 2001; House et al. 2004; quote from Fink and Lehmann 2006, forthcoming). Passivity is a typical cultural shock syndrome, which is emerging due to a severe lack of orientation (Fink and Feichtinger 1998, Fink and Holden 2002). The significant difference in the passivity between Russian-speakers and Estonians possibly can be attributed to a much more severe collective culture shock of the Russian-speakers. At the time of the investigation Russian-speakers very likely felt more disoriented than Estonians.
In many companies the legacy of the 'communist period' is still present, like lack of skills, management techniques, and competence. Interpersonal relationships enjoy high esteem. Strong inertia in the thinking among the older generation results in a polarization of mindsets between generations (Vadi and Roots 2006, Pärna 2004) and makes change difficult.

In earlier research, the following core values of Estonian people were identified: patience, Scandinavian individualism, honesty, nationalism, Western orientation, adaptability and flexibility, as well as in such manifestations as silent protest, shyness and moderation, peacefulness, communication as information instead of small talk, closeness to nature (Nurmi and Üksvärav 1994). Estonians are considered to be quite individualistic (Vadi and Meri 2005; Jürgenson 2005; Hofstede 2001, p. 502).

In various domains of social relationships, Russian-speakers in Estonia display more collectivistic attitudes toward family, peers, society and in interpersonal relations within organizations by which they are employed (Vadi et al. 2002). Russian speakers can be therefore perceived to be more cooperation oriented.

Estonians have mostly been Lutherans, while people of Russian origin are predominantly Orthodox. For example, before the First World War, one million Estonians were Lutherans. The Lutheran Church retained some of its influence on Estonians during the period of Soviet occupation (Stricker 2001). Thus, it is likely that Estonians, more than Russian-speakers, have internalized the principle introduced by the Protestant Reformation that one’s calling in life is hard work in fulfilling earthly duties. Protestant work ethic was seen as the source of such personal qualities as industry, self-discipline, asceticism and individualism (Dose 1997; Furnham 1984; Ryan 2000 and Weber [1904] 1930).

However, preferred values may change with the changing standards of living. In a recent study of Schwartz’s value types among Estonian students, Niit (2002) has illustrated that the values creativity and varied life, which are related to openness to change, have considerably lost in their importance between 1992 and 1999. This may indicate that in Estonia improved economic conditions and more sources of achieving variety in life make these values become relatively less important. Hence, a preference emerged for preservation and enhancement of the welfare of the people with whom one is in frequent personal contact. Benevolence values of Estonians are likely to gain in importance.

**Hypothetical impact of cultural values on innovativeness in Estonia**

In the light of previous research, we pursue the research question whether we can identify sufficient differentness (diversity) among the dominating Estonian sub-cultures and also sufficient cohesion, or potential for harmony, which are necessary ingredients for successful innovativeness in a given society?

Following Fagenson (1993) we look at the sources of such differences and similarities by studying individual values as suggested by Rokeach (1973). Accordingly, in a first step we distinguish between instrumental and terminal values. Instrumental values represent modes of behaviour (Meglino and Ravlin 1998, p. 352) that people choose as proper (Rokeach 1973, p. 8). Terminal values reflect wants and desires that people wish
to fulfil during their life (Vadi 2000), or self-sufficient end-states of existence that people strive to achieve and pursue for their own sake (Meglino and Ravlin 1998, p. 351).

The sample consisted of 340 Estonian (age M=33.6, SD=9.23) and 664 Russian-speaking employees (age M=38.7, SD=9.27) in 16 different organizations operating in various areas such as processing industry, service, and information technology in 1996-2001.

The ranking of instrumental values is not much similar between Estonians and Russian speakers. Pearson’s correlation coefficient (-1 ≤ r ≤ 1) is 0.48 between the final ranks and 0.57 between the means of the individual rankings (columns M in Table 13.2). R² is only 0.33. By contrast, the ranking of terminal values is relatively similar between Estonians and Russian speakers. Pearson’s correlation coefficient (-1 ≤ r ≤ 1) is 0.82 between the final ranks and 0.85 between the means of the individual rankings (columns M in Table 13.3). R² is 0.72.

When we compare the top six instrumental values for Estonians and Russian-speakers, we find similarity and difference. Three values are ranked similarly high in both groups: responsible, loving and logical, while value honest is more important for Estonians. Two values are different in each group: among Estonians intellectual and capable rank high, and among the Russian-speaker imaginative and courageous rank high (Table 13.2).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Instrumental value</th>
<th>M</th>
<th>SD</th>
<th>Instrumental value</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>honest</td>
<td>4.45</td>
<td>3.97</td>
<td>imaginative</td>
<td>7.36</td>
<td>4.85</td>
</tr>
<tr>
<td>2</td>
<td>responsible</td>
<td>6.13</td>
<td>3.78</td>
<td>loving</td>
<td>7.61</td>
<td>4.93</td>
</tr>
<tr>
<td>3</td>
<td>intellectual</td>
<td>6.92</td>
<td>4.57</td>
<td>logical</td>
<td>7.78</td>
<td>5.17</td>
</tr>
<tr>
<td>4</td>
<td>loving</td>
<td>7.50</td>
<td>4.99</td>
<td>responsible</td>
<td>7.97</td>
<td>5.14</td>
</tr>
<tr>
<td>5</td>
<td>logical</td>
<td>9.01</td>
<td>4.57</td>
<td>courageous</td>
<td>8.20</td>
<td>5.12</td>
</tr>
<tr>
<td>6</td>
<td>capable</td>
<td>9.16</td>
<td>4.84</td>
<td>honest</td>
<td>8.85</td>
<td>5.50</td>
</tr>
<tr>
<td>7</td>
<td>helpful</td>
<td>9.33</td>
<td>4.96</td>
<td>polite</td>
<td>8.94</td>
<td>4.35</td>
</tr>
<tr>
<td>8</td>
<td>broadminded</td>
<td>9.50</td>
<td>5.24</td>
<td>self-controlled</td>
<td>9.09</td>
<td>4.39</td>
</tr>
<tr>
<td>9</td>
<td>self-controlled</td>
<td>9.53</td>
<td>4.75</td>
<td>intellectual</td>
<td>9.23</td>
<td>4.56</td>
</tr>
<tr>
<td>10</td>
<td>courageous</td>
<td>9.66</td>
<td>4.61</td>
<td>forgiving</td>
<td>9.25</td>
<td>5.07</td>
</tr>
<tr>
<td>11</td>
<td>cheerful</td>
<td>9.75</td>
<td>4.65</td>
<td>cheerful</td>
<td>9.99</td>
<td>5.24</td>
</tr>
<tr>
<td>12</td>
<td>independent</td>
<td>9.83</td>
<td>5.13</td>
<td>independent</td>
<td>10.00</td>
<td>4.91</td>
</tr>
<tr>
<td>13</td>
<td>clean</td>
<td>10.10</td>
<td>4.61</td>
<td>obedient</td>
<td>10.56</td>
<td>5.24</td>
</tr>
<tr>
<td>14</td>
<td>polite</td>
<td>10.15</td>
<td>4.30</td>
<td>broadminded</td>
<td>10.61</td>
<td>4.75</td>
</tr>
<tr>
<td>15</td>
<td>forgiving</td>
<td>10.20</td>
<td>4.96</td>
<td>helpful</td>
<td>10.86</td>
<td>5.61</td>
</tr>
<tr>
<td>16</td>
<td>imaginative</td>
<td>10.81</td>
<td>4.76</td>
<td>clean</td>
<td>11.14</td>
<td>4.88</td>
</tr>
<tr>
<td>17</td>
<td>ambitious</td>
<td>11.93</td>
<td>4.61</td>
<td>capable</td>
<td>11.16</td>
<td>4.66</td>
</tr>
<tr>
<td>18</td>
<td>obedient</td>
<td>16.37</td>
<td>2.90</td>
<td>ambitious</td>
<td>12.20</td>
<td>5.45</td>
</tr>
</tbody>
</table>

Note: Due to the ranking technique, the smaller the mean, the higher is the importance of a value.

Source: own research
When we compare the top six terminal values for Estonians and Russian-speakers, we find stronger similarity and less difference. Five values rank similarly high in both groups: family security, wisdom, self-respect and happiness. One value is different among the top six in each cultural group. A sense of accomplishment seems to be more important to Estonians than to Russian-speakers. There is a larger difference for a world at peace, which ranks 5 among Russian speakers, but only 14 among Estonians (Table 13.3).

Table 13.3. Ranking of Rokeach terminal values among Estonians and Russian-speakers in Estonia

<table>
<thead>
<tr>
<th>Rank</th>
<th>Estonians, n=340</th>
<th>M</th>
<th>SD</th>
<th>Russian-speakers, n=649</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>family security</td>
<td>4.72</td>
<td>3.47</td>
<td>family security</td>
<td>4.60</td>
<td>3.78</td>
</tr>
<tr>
<td>2</td>
<td>a sense of accomplishment</td>
<td>4.96</td>
<td>3.57</td>
<td>wisdom</td>
<td>6.15</td>
<td>4.32</td>
</tr>
<tr>
<td>3</td>
<td>wisdom</td>
<td>6.07</td>
<td>4.08</td>
<td>self-respect</td>
<td>6.56</td>
<td>3.98</td>
</tr>
<tr>
<td>4</td>
<td>inner harmony</td>
<td>6.11</td>
<td>4.24</td>
<td>a sense of accomplishment</td>
<td>6.92</td>
<td>4.08</td>
</tr>
<tr>
<td>5</td>
<td>self-respect</td>
<td>6.41</td>
<td>3.90</td>
<td>a world at peace</td>
<td>7.68</td>
<td>5.93</td>
</tr>
<tr>
<td>6</td>
<td>happiness</td>
<td>6.82</td>
<td>4.12</td>
<td>happiness</td>
<td>8.17</td>
<td>4.22</td>
</tr>
<tr>
<td>7</td>
<td>mature love</td>
<td>6.84</td>
<td>3.91</td>
<td>inner harmony</td>
<td>8.47</td>
<td>4.60</td>
</tr>
<tr>
<td>8</td>
<td>true friendship</td>
<td>8.40</td>
<td>3.55</td>
<td>true friendship</td>
<td>9.15</td>
<td>3.94</td>
</tr>
<tr>
<td>9</td>
<td>freedom</td>
<td>8.43</td>
<td>4.02</td>
<td>freedom</td>
<td>9.18</td>
<td>4.40</td>
</tr>
<tr>
<td>10</td>
<td>social recognition</td>
<td>10.90</td>
<td>4.33</td>
<td>an exciting life</td>
<td>9.37</td>
<td>4.76</td>
</tr>
<tr>
<td>11</td>
<td>an exciting life</td>
<td>11.16</td>
<td>4.09</td>
<td>national security</td>
<td>9.51</td>
<td>5.49</td>
</tr>
<tr>
<td>12</td>
<td>national security</td>
<td>11.30</td>
<td>4.75</td>
<td>mature love</td>
<td>9.85</td>
<td>4.48</td>
</tr>
<tr>
<td>13</td>
<td>equality</td>
<td>14.64</td>
<td>3.49</td>
<td>a comfortable life</td>
<td>10.82</td>
<td>5.13</td>
</tr>
<tr>
<td>14</td>
<td>a world at peace</td>
<td>11.41</td>
<td>5.39</td>
<td>a world of beauty</td>
<td>11.48</td>
<td>3.86</td>
</tr>
<tr>
<td>15</td>
<td>a comfortable life</td>
<td>11.69</td>
<td>4.11</td>
<td>equality</td>
<td>11.63</td>
<td>4.59</td>
</tr>
<tr>
<td>16</td>
<td>a world of beauty</td>
<td>11.72</td>
<td>3.29</td>
<td>social recognition</td>
<td>12.25</td>
<td>4.10</td>
</tr>
<tr>
<td>17</td>
<td>pleasure</td>
<td>12.96</td>
<td>3.84</td>
<td>pleasure</td>
<td>13.77</td>
<td>4.27</td>
</tr>
<tr>
<td>18</td>
<td>salvation</td>
<td>16.17</td>
<td>3.37</td>
<td>salvation</td>
<td>15.15</td>
<td>3.79</td>
</tr>
</tbody>
</table>

Note: Due to the ranking technique, the smaller the mean, the higher is the importance of a value.
Source: own research

Thus, in this first step of our brief analysis we can find similarity and difference between Russian speakers and Estonians. Similarity and difference could constitute a basis for efficient teams with connected, but also diverse values, as Schein (1993) had indicated. A necessary condition for successful innovation would be that Estonians and Russian-speakers highly rank values, which are important for initiation and implementation of innovations. In addition, a sufficient number of those values should be similar and others complementary.

We can show how a combination of Estonians’ values and Russian-speakers’ values would help to come closer to the ideal situation as indicated by Fagenson (1993). Among the values for initiation of innovation, both groups have a remarkable set of values in common. The instrumental values honest and logical, and the terminal values self-respect and a sense of accomplishment rank high in both groups. The instrumental value independent, and the terminal values freedom and an exciting life rank middle in both groups. Complementarities could help to foster innovativeness. In a team, Russian-speakers could bring in high instrumental values courageous and imaginative and a high terminal value a world at peace. Estonians could bring in a high instrumental value.
capable. Only for the lack of ambitious so far there seems to be no help. This instrumental value ranks lowest in both groups. (Table 13.4).

Table 13.4. Values for initiation of innovation among Estonians and Russian speakers

<table>
<thead>
<tr>
<th>Values as found by Fagenson (1993)</th>
<th>Estonians Rank of value out of 18</th>
<th>Russian-speakers Rank of value out of 18</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Instrumental values</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>honest</td>
<td>1</td>
<td>6</td>
<td>both high</td>
</tr>
<tr>
<td>ambitious</td>
<td>17</td>
<td>18</td>
<td>both very low</td>
</tr>
<tr>
<td>capable</td>
<td>6</td>
<td>17</td>
<td>complementary (Estonians high)</td>
</tr>
<tr>
<td>independent</td>
<td>12</td>
<td>12</td>
<td>both middle</td>
</tr>
<tr>
<td>courageous</td>
<td>10</td>
<td>5</td>
<td>complementary (Russian-speakers high)</td>
</tr>
<tr>
<td>imaginative</td>
<td>16</td>
<td>1</td>
<td>Complementary (Russian-speakers high)</td>
</tr>
<tr>
<td>logical</td>
<td>5</td>
<td>3</td>
<td>both high</td>
</tr>
<tr>
<td><strong>Terminal values</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>self-respect</td>
<td>5</td>
<td>3</td>
<td>both high</td>
</tr>
<tr>
<td>freedom</td>
<td>9</td>
<td>9</td>
<td>both middle</td>
</tr>
<tr>
<td>a sense of accomplishment</td>
<td>2</td>
<td>4</td>
<td>both high</td>
</tr>
<tr>
<td>a world at peace</td>
<td>14</td>
<td>5</td>
<td>Complementary (Russian-speakers high)</td>
</tr>
<tr>
<td>an exciting life</td>
<td>11</td>
<td>10</td>
<td>both middle</td>
</tr>
</tbody>
</table>

Source: own research

Among the values for implementation of innovation, again, both groups have a remarkable set of values in common: The instrumental value loving/compassionate and the terminal value wisdom rank very high in both groups. The instrumental value self-controlled and the terminal values true friendship rank middle in both groups. Complementarities could help to foster innovativeness. In a team, Russian-speakers could bring in a somewhat higher instrumental value forgiving, and Estonians could bring in a higher instrumental value helpful. The terminal values pleasure and salvation ranks lowest in both groups. (Table 13.5).

Table 13.5. Values for implementation of innovation among Estonians and Russian-speakers

<table>
<thead>
<tr>
<th>Values as found by Fagenson (1993)</th>
<th>Estonians Rank of value out of 18</th>
<th>Russian-speakers Rank of value out of 18</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Instrumental values</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>loving/compassionate</td>
<td>4</td>
<td>2</td>
<td>both very high</td>
</tr>
</tbody>
</table>
The values of Russian-speakers with their instrumental values courageous, and imaginative, and the terminal value a world at peace could prove strongly supportive in the initiation phase of innovation process: Referring to the instrumental value capable, Estonians could reasonably contribute to the initiation phase, too. For implementation, the instrumental values forgiving of the Russian-speakers, and helpful of the Estonians may foster the capabilities of cooperating groups. Thus, we conclude, that well designed cooperation among Russian-speakers and Estonians may enhance the innovative capabilities in Estonia. However, there are two major conditions:

- Appropriate selection of staff who disposes of the appropriate values.
- In the team formation process, staff has to be made aware of their communalities and important differences in their values and attitudes.

**Discussion**

This book chapter is intended to bring to the readers’ attention that the relation between values and innovation is worth further study. We have generated some applicable empirical data from the perspective of the Estonian society. However, more needs to be done to understand how these values influence the emergence of organizations and their culture, and how these organizations become sustainable and innovative.

The study has shown that the impact of national culture on innovativeness is multidimensional. Its possible effects on innovation would stem from the composition of different cultural groups living in Estonia, their common and diverse individual values, and from managerial support. The presence of these complementary group cultures is important to combine advantages in the early stages of innovation with those in the later ones.

The set of the most important terminal values is similar for majority and minority populations in Estonia, what means that they share the same end goals in life, what should make the cooperation easier. There is more variety in instrumental values, meaning that the desired ways to achieve the end goals are somewhat different among these two populations. Therefore, joint effects of cooperation among Estonians and Russian speakers will depend on the organizational setting. If in an integrative effort those values prevail, which are conducive to innovation, the outcome could be positive. However, there is not guarantee for that.
Uljin et al. (in this book) have found that the more individualistic the person is, the lower his or her acceptance of partner dissimilarity. Leaving aside issues in communication, which may arise from different languages, the rather individualistic Estonians might favour to cooperate with those who have just moderately different values. The more collectivistic Russian-speakers possibly could be more willing to accept dissimilar partners, depending of course also on the perceived size of their in-group. Thus, there is a risk: in a joint effort of Estonians and Russian-speakers only those values might prevail, which are dominant in both groups. In that case cooperation would not enhance, but rather reduce innovativeness. Therefore, in an integrative effort, values of both groups need to be carefully managed in order to enhance those values, which are conducive to innovation.

Due to the collective cultural shock, Russian-speakers have been largely passive in the transformation process, but the value of being courageous enjoys high esteem. It remains unclear whether there is a lasting hidden paradox in the way the minorities behave and feel. As long as passive behaviour prevails, opportunities are lost for organizations. If the focus in the society would change from competition to cooperation, risk tolerance might increase, what would alleviate the difficult task of new business creation. However, it is of utmost importance to manage the emerging values of new organizations in order to strengthen those values, which foster innovation.

Limitations of this study are several. So far, we are not directly controlling the relations between the cultural values and the innovation process. The perceived relations among national culture, innovativeness, and cooperativeness need further study. Could other variables interfere? For instance, could organizational culture overrule the effects of the identified value inventory? Further research is needed to establish and study the links between individual values, individualistic and collectivistic attitudes, and the results of the innovation process, and thus on the development of entrepreneurship.

The similar analysis would prove to be helpful in other countries with large minority populations with more collectivistic background. For instance, today many European countries (e.g. Germany, France) face difficulties with integrating such populations in their societies and organizations. The present research provides some ideas and a ground how to turn the diversity into an advantage.

Implications for managers and new business development

Previous research has emphasized that integrated pluralistic cultures prove best suited for innovation. In entrepreneurship, the role of individuals in developing innovations and creating new businesses is crucial. Value diversity is a main asset in entrepreneurship for promoting innovativeness and cooperativeness. The knowledge and awareness of one's own values and the partner's values, too, can be an important asset for establishing the partnerships and accessing the international markets. However, there is a risk. Value diversity can also express itself in different perceptions of organizational tasks and missions; suppressing different values will reduce and will not enhance the innovation potentials. The differences in values are best seen and also have the strongest impact during crisis times or some critical incidents, what may have a strong effect on cooperation (see e.g. the description of tension episodes in Groen, Wakkee and Heerink's chapter in this book, or reference to solving the conflict between
academic entrepreneurs who lack necessary business skills and their experienced business partners in chapter by Sijde, Kirwan and Groen in this book).

There is a large innovation potential in the Estonian society. The prevailing diversity of values between Russian-speakers and Estonians could prove to be an important resource in the process of creating and implementing new ideas. Society, as represented by the government, should acknowledge that improving innovativeness implies a need for cooperation across Estonian subcultures.

Consequently, the management of such a diverse resource requires cultural sensitivity and a clear aim: the creation of corporate cultures conducive to persisting innovation. The synergy of innovation will stem from the purposeful management of diversity. Representatives of both Estonian and Russian-speaking populations successfully could play different roles in initiation and implementation of innovation. Our value inventory could serve as guide for selecting the right staff: people who dispose of the appropriate different values, which complement each other.

Organizational culture should be promoted that stresses teamwork, participation and yet divergent thinking. Managers and staff need to learn how to cooperate without giving up the fruitful components of their diversity. Team mangers should be capable to establish functioning communication between diverse groups. They should make work-group members aware of the cultural and attitudinal differences, encourage and reward cooperation across cultures.

**Box 1. Managerial implications – to broaden the value repertoire for innovation**

| Diverse values among different subgroups in Estonian could significantly contribute to foster innovativeness. |
| For initiation of innovation among Estonians and Russian speakers those persons need to be selected, who show above average high esteem for being honest, capable, independent, courageous, imaginative and logical. |
| For implementation of innovation among Estonians and Russian speakers those persons need to be selected, who are loving/compassionate, forgiving, helpful and self-controlled. |
| Since several of these values rank differently in both groups, in a team formation process staff need to be made aware that not so much the common values, but the different values are a major resource of innovativeness. Suppressing different values would reduce chances to succeed on the market. |

These insights, we believe, help us to understand the emergence of foreign owned state of the art high tech enterprises in Estonia. Many foreign companies have realized the innovation potential by locating their engineering and R&D departments in Estonia. The large Swedish bank SEB recently had moved most of its code-programming operations to Estonia. The major R&D centre of Skype, the world’s fastest-growing service for Internet voice communication, is located in Tallinn, too.

Referring to the Estonian Action Plan for Growth and Jobs, we find that injecting capital and managerial knowledge will not suffice. Managing cultural commonness and diversity, not by unifying cultures, but by taking different values of different people as a major resource, will help Estonian enterprises to become successful in the global arena.
Acknowledgements

This chapter has been prepared with the support of the Estonian Science Foundation grant project No. 5527 and of Andreas and Dr. Elmerice Traks Scholarship provided to the main author by the Estonian Relief Committee (USA). The main author also wishes to acknowledge the help of Eindhoven Centre for Innovation Studies of the Eindhoven University of Technology (The Netherlands) with preparing this chapter during her stay there.
References


IMD World Competitiveness Yearbook (2005).


Jürgenson, A. (2005), 'Culture’s effect on organizational behaviour in Miecys concern in the Baltic states (based on Hofstede’s dimensions)', Master project, University of Tartu (in Estonian).

Kalvet, T., R. Kattel, K. Küünarpuu, D. Vaarik, K. Rahu and E. Ojamets (2005), 'Innovation and Estonian opinion leaders. Pre-research for finding out the relevant needs of the state Innovation Awareness Programme target groups', Tallinn: Centre of Political Studies PRAXIS and Hill & Knowlton Eesti AS (in Estonian).


Vadi, M. and Riin Meri (2005), Estonian culture in the framework of the Hofstede's dimensions model (case of hotel industry), Trames, 9 (3), 268-284


Study 4

Changes around and within organizations: Manifestations and consequences

Preface to the special issue of TRAMES**

Maaja Vadi, Rebekka Vedina

1. Introduction

By definition, the environment provides the context in which the organization operates. If we accept the view that an organization is in constant relationship with its environment, it follows that macro-structural changes of society affect the behaviour of the organization and its members. In the last decades, the dramatically changed environment has played a crucial role in the organisational developments in the former Eastern-bloc countries. Transition to the democratic society in these countries provides context for unpacking the impact of dynamic environment and speculate how this affects the organizations. This is an important issue also because in parallel with the transition period, a globally interesting period witnessed several emerging industries based on knowledge and more intensive use of human capital.

The political decisions made in the last century led to the formation of some new states which, having disappeared in World War II emerged again in the 1990s. In many countries it can be argued that fifty years of communist ideology and practice have had a marked effect upon organizations and their members, which in consequence appear to be unable to adapt to the current environmental conditions of western corporatism. The communist way, born with the Russian October Revolution in 1917, brought with it a set of clearly articulated human values and behaviours based mainly on principles of socialist realism.

The year 1991 marked the beginning of a large-scale transition at cultural, individual, institutional and societal levels in the Soviet-bloc countries. Environmental factors have so intensively affected the functioning of organizations in the former East-bloc countries that it is appropriate to refer to the transition. Hood, Vahlne, and Kilis (1997) suggested the following: 'Transition' has become a key word in contemporary thinking about the series of complex changes taking place in the post-socialist world…Emerging market mechanisms increasingly pervade the economy and society, and it is time to carefully consider how economic actors and social groups not just adapt to a new economic environment, but also struggle to form the new rules of the game' (Hood et al. 1997:1).

This introduction explores the dynamics around and within organizations through a lens of the manifestations and consequences of changes in the dynamic environment.

2. Impact of the environment

It is often not an easy task to divide the organization from its environment. For example, Frishammar (2006) proposes the adaptive perspective as a promising
approach, but also admits that one angle is too limited for a conceptualization. It is thus sensible to integrate the qualities of different perspectives in order to overcome this limitation.

Organizational task environment could be characterized in three dimensions—munificence (capacity), complexity (homogeneity-heterogeneity, concentration-dispersion), and dynamism (stability-instability, turbulence) (Dess, Beard 1984). These dimensions may open some aspects of environmental developments in the former Eastern bloc countries. Dess and Beard (1982) refer also to the population ecology paradigm when they analyze the resources for the organizations. According to this treatment, organizations are subjects of natural selection and have to find an appropriate niche in order to retrieve resources. The theory focuses on groups (populations) of organisations instead of individual organisations. The entity forming process is characterized as three consecutive steps: variation, selection, and retention. We take these three elements of population ecology theory for our framework of systematisation and discuss the organizational environment.

An abundance of resources permits organisational growth and stability and thus it leads to the variation in the organisational world. Estonia is an example of how munificence developed plurality in the organisational world. An example of the growth could be drawn from Estonian banking. It was established as a new sector of economy and therefore it would be interesting to look at the munificence in its environment. In a small Estonian city, Haapsalu, there were three independent banks at the beginning of 1991 (Haapsalus juba …, 1991) and yet it appeared that in a few months time another new bank would be opened in this city (Haapsalus jälle…, 1991). According to Sõrg’s data there were 41 operating banks in Estonia in 1992, 22 in 1993, and 24 in 1994 (Sõrg 2003). The data reveal that the role of banks in economy increased more than two-fold (Banks assets, % of GDP).

The aspiration for growth dominated and several companies looked for markets in the neighbouring countries (i.e. Russia, other Baltic countries) in the mid-1990s. An Estonian business newspaper announced in the first issue of 1995: a year of growth and lending is coming (Tulemas on…, 1995). Probably, the peak of this atmosphere was in 1996 and therefore we characterise this period as the ‘golden 1996’, which expresses the belief in quantitative growth and its primary role. This has created the fallacious perception of a good shape of organisations in many cases.

Munificence was an important social source of homogeneity-heterogeneity and concentration-dispersion in the organisational environment and it was regulated by selection. The selection phase was introduced by various means. Herein we elicit two of them – customers and the role of governmental regulations. Buyers and sellers started to acquire new roles and both had to learn how to select and to be selected. Vadi and Suuroja (2006) have put it as follows: “The amount of products increased and retail outlets entered into competition to regain their customer base. The direction and division of power relationships between retailers and customers in the selling process changed.”

Legal regulations can be considered as the second important element of selection. There were no bankruptcies in the former Soviet Union but they were enacted in newly independent Estonia. The first official crash of a company took place at the end of 1992 (Täna hakkab kehtima…, 1992, Esimene teadaolev…, 1992) and 31 companies went bankrupt already in early 1994 (Intervjuu Ettevõttregistri…, 1994). The focus of efficiency management moved from the execution of state-level planned numbers to the organisational level.
In the task environment of organisations it forms the basis of dynamism (i.e. stability-instability and turbulence). The retention phase gave a positive feedback to those who had successfully passed the selection phase, which was concluded by the strongest tool – a financial crisis, which came in November 1997 (Külm duşš..., 1997). The retention phase proves the importance of efficiency. Those who were not able to pass the selection phase went out of business and others were able to stay. The change of environment and organisations took place and here we refer to the economic data because they clearly show that the number of actors has stabilised in the organisational world. Stabilisation of the organisational environment has created a situation where organisational leadership thinks how to stay, perform better, and satisfy their customers’ needs.

The general environment of organisations is shaped by macro-level processes, yet the period of market economy in the former Soviet-bloc countries is too short to enable a systematic approach. Too much has happened during this brief period; therefore it is not easy to find the salient events and trends that could serve as a framework for systematisation. Systematisation in the transition era is a complicated task in regard to all aspects of societal life and human behaviour.

3. Processes in organisations

Hannan and Freeman (1997, 1988) suggest that organisational efficiency results from the excess of some kind of capacity. They say: “In a rapidly changing environment, the definition of excess of capacity is likely to change frequently. What is used today may become excessive tomorrow, and what is excessive today may be crucial tomorrow.” In a similar vein, we argue that transitional society created such an environment for organisations, where the necessary capacity was changing frequently. Namely, this approach assumes that the environment selects the organisations, which are able to survive in populations.

The establishing of organisations was quite impressive in the early 1990, especially considering people’s previous experience and attitudes. In the former Soviet Union, setting up organisations was carefully monitored by the state as they served as tools of controlling individuals and groups. Consequently, people had probably learned to be passive regarding organisations, but the number of new enterprises grew very fast and people’s state of mind indicated that the birth of organisations was a natural part of life.

If the environment is turbulent, organisations have to keep up with the speed of developments. An organisation is a collective creation that consists of people and different kinds of human relations. It constitutes the collective effort of many people who aim to accomplish the tasks, but the outcome depends on how well the organisation can integrate its members. The organisational changes consist of a wide set of factors: people, strategy, structure, technology and those are shortly examined in the following paragraphs.

The change in peoples’ mind was followed by changes in the entire society. Two aspects could be outlined here - the change of mentality and the role of individuals in the transformation of organisations. The lack of knowledge and necessary managerial experience was probably the main reason why outstanding entrepreneurs and salient ideas failed in those days. There was a polarization of mindsets – one group of people coped well with the change of the entire society, while the other retained the old
approach to work. Indeed, the rapid change of mentality characterized people who had entrepreneurial traits and brought new ideas to organisations.

Understanding organisational goals was one of the main issues for many organisations in transitional society. There was often a drastic gap between the objectives of employees and the organisational objectives in everyday practices of transitional societies because in the socialist system, reaching state level planned numbers was the goal, and socialist competition was the movement, which supported the achievements of individuals and groups. In transitional societies the first half of the nineties gave several examples of organisations and organisational members who represented a mix of ‘new’ and ‘old’ type of understanding of organisational task or goals. For example, large enterprises and their remaining parts were affected by the new tendencies but they had retained something from the past and were characterized by the in their former large size and good reputation (Üksvärav 1995).

The planned economy made the organisational goal and task rather vague because it was based on the magnification of results and irrational feedback criterion. This experience did not support the understanding of market economy and its requirements. For example, Liuhto (1991) compared Estonian and Finnish organisations when the transition started in the beginning of nineties and found that the Estonians organisations were production and relationship oriented and had a weak comprehension of costs, while the Finnish organisations showed the opposite results being market and goal oriented and knowing well the principles of cost analysis. It is interesting to mention that the picture has changed after 10 years. Kankaanranta-Jännäri (2006) found that the Estonian organisations were more task oriented than their Finnish counterparts.

The newly founded organisations needed an organisational structure, which would serve as rules for making decisions. More specifically, these decisions would be directed towards relationships between the parts of an organised entity by providing the principles for differentiation and integration, standardisation and locus of decision-making. For example, Vadi and Roots (2006) open various aspects of organisational structure (i.e. differentiation, personnel selection and training) and Vadi and Suuroja (2006) implicate the fundamental changes in personnel selection and training. Thus, we can suppose that the Soviet type human resources practices (Russian term “kadrovaja rabota” – operating in cadres) were gradually replaced by the democratic behaviour patterns. The model of organisational design was taken from the command economy and entrepreneurs supplemented it with personal understanding.

At the first stages of transition, small firms were typical and one person’s ideology ruled the others’ behavioural patterns, social issues of organisations were not discussed and young people were preferred to older employees (Üksvärav 1995). The lack of knowledge and necessary managerial experience about the organisational structure was probably the main reason why outstanding entrepreneurs and salient ideas failed in those days. Namely, in former socialist countries people had an experience with mainly hierarchical and strongly regulated organisations and such an attitude was not appropriate in the new conditions. Nogueira and Raz (2006) have shown by using computer simulation that in dynamic environments loose designs of organisations outperform tight organisational structures.

The firms, which created a strong structure from the very beginning, were unsuccessful (for instance, Vadi 2003); on the other hand, if loose structure was the crucial resource at the very outset of the transition, the ability to create a reasonable structure is crucial at the next stage. A dynamic environment implies a flexible approach to the organisational structure and the transitional society abounded with stories of success and failure in this respect.
In parallel with the transition period, a globally interesting period began that witnessed several emerging industries based on knowledge and more intensive use of human capital. Transitional economy enabled to follow new trends and provide motivation for fast development, and changes of organisations were fixed. These aspects are related to the technology or tools that organisations exploit in their functioning. There was a high variation of technology in the organisational society (Vadi, Roots 2006). Some organisations invested in old technology that did not enable them to compete with the western companies that had started to operate in Estonia, while others were innovative and searched new technologies (see also Vedina, Fink, and Vadi 2007). Banks were at the forefront in the use of new technologies and they disseminated this attitude to the rest of society (e.g. Luštšik 2004).

The concepts of population ecology theory enable us to explain the organisational environment and processes within organisations in the dynamic environment. The design of organisations and their functioning principles varied considerably. The role of entrepreneurs was very important at the initial stage of development, whereas later, when efficiency issues required special heed, managerial competence became a crucial capacity. Some areas had the advantage of starting from zero, while others had to grapple with the mentality and organisational culture that had been produced in the conditions of command economy. Indeed, many organisations started from zero, but society in general remembered the ‘old times’. The previous market economy experience was still alive in Estonia when the transition began. Something similar was mentioned by Martin: “the starting-points for transformation are defined by the experience of both pre-socialist and socialist periods” (Martin 1999). He thought that pre-socialist experience would have a small impact on transformation because the socialist period represented only slightly more than a generation of experience in many Central and East European countries.

4. Manifestations and consequences of changes in transition economies

In order to systematize the topics tackled in the articles, in the following section we switch from the broader population ecology and resource dependence perspectives to a more specific framework for understanding organisational changes, which considers dynamics from the perspective of an organisation. The current articles focus on different aspects of changes around and within organisations. Each article explores the interrelations between certain factors of change on various levels, in various activity domains, sectors, organisations, and using different methods. We show how they complement each other by means of Greenwood and Hinings’ (1996) framework. Their approach follows the logics considered above from the perspective of the organisation, regarding the dynamics in the environment by distinguishing between the dynamics of market and institutional context, and dividing intraorganisational dynamics into precipitating (interest dissatisfaction and value commitments) and enabling dynamics (power dependencies and capacity for action; see the model on Figure 1).
4.1. Market context

The research has shown that market context has a direct effect on firms. It also incorporates changes in other areas of an organisation’s external environments (see references in Uhlenbruck et al. 2003). In transition economies organisations have to reconfigure their resources dramatically and learn to operate successfully in the new context \(\textit{ibid.}\). Many factor inputs are difficult to obtain, therefore the situation on the financial market context is one of the crucial aspects. Financial services stimulate stability and development of other national economy sectors (see article by Kaže et al.). Two articles in this issue describe in detail the development of the banking sector in Estonia and Latvia, and the article by Sander and Kõomägi focuses on another source of financial resources – venture capital.

The market context of the banking sector in Estonia has been very dynamic since the beginning of the transition period. The composition of the market participants and their profit earning strategies has been changing quite dramatically, as described by Liuhto et al. The reasons behind such dynamics were related to the transition peculiarities in the banking market context, as well as to certain regulatory restrictions. The authors also emphasize another important factor of changes – internationalization, i.e. foreign banks’ entry on the market that significantly intensified the competition and triggered certain institutional and organisational changes. Besides Estonian banking sector, Liuhto et al. analyse the impact of foreign bank entry in other transition countries – Croatia, Poland and Romania.

A similar situation on the banking market is in Latvia, where foreign banks (often the same as in Estonia, e.g. Hansabank and SEB) are the major players. As in Estonia, the acquisition of foreign competences, technologies and client servicing models helped banks to adapt quickly to the rapidly growing market demands and provide service quality expected by clients. In the Latvian institutional context of this
sector, the situation is somewhat different, which creates difficulties for the development of the newest kinds of services (e.g. the lack of legislation concerning electronic signature in Latvia restricts the supply of e-services, see Kaže et al.).

In sum, the banking sector in these transition economies has developed towards transparency and effectiveness, which enables to finance organisations in other sectors. However, in new emerging industries young companies may lack credit history and collaterals and have a high level of information asymmetry, which prevents them from using the traditional sources of financing (Sander and Kõomägi). Therefore, venture capital and private equity play a crucial role in financing these companies. The allocation of control rights of venture capitalists are studied in detail in the article by Sander and Kõomägi.

Other forces stimulating market context changes in Estonia and Latvia, as well as in other transition countries were, among others, the rapidly growing Internet penetration and overall customers’ orientation towards innovative technological IT solutions. As Kaže et al. assert, environment has an influence not only on the choice of dominating solutions offered by financial service providers, but also on the preferred choice of those solutions by customers. Moreover, customer demands, priorities and lifestyle are influenced by changes in the external environment arising from the transformation of economical structure. In the banking sector it meant the rapid development of electronic banking, which is the focus of both Liuhto et al. and Kaže et al.’s articles. Also for the IT companies it meant changes in their strategies, scope of activities, stimulated growth and hence caused intraorganisational changes, which are analyzed in the article by Reino et al.

Besides the banking and IT sector, other industries emerge in the transition societies that are based on knowledge and more intensive use of human capital. This puts a pressure on the education system, which also has to be able to adapt quickly to the market demands. Türk and Roolaht emphasise that the quality of education is related to the position of the graduates on the labour market and also to the requirements of possible employers. In order to know the customer interests, universities should monitor more closely their customers’ expectations. The authors look at this issue from the angle of monitoring the outcomes of the adaptation process in public and private universities by comparing their performance appraisal and compensation systems. They assert that since the higher education system is essentially rather conservative, compensation policies develop faster in the private sector, which shows that private universities tend to be more dynamic and adapt faster to changes in the education market. Yet, state budget difficulties in Estonia have called for better management and more efficient motivation of lecturers and researchers in the public higher education institutions (Türk and Roolaht).

4.2. Institutional context

Institutional context reveals its impact in different ways. One aspect of institutional context pressure for change stems from the extent of the establishment of institutional mechanisms. In transition economies, where these mechanisms are not fully established, it creates more alternative ways of organisational change and development, which are considered by Greenwood and Hinings (1996) as a necessary part of change stipulations. Varblane et al. consider the systemic change in the transition (Baltic) countries in the late 1980s as a situation to which organisations have to adapt, in other words, a trigger for intraorganisational change. The examples of such adaptation can be
found in banking and IT sectors (see our references to the articles by Liuhto et al., Kaže et al., Reino et al. in this introduction). However, later on Varblane et al. point out that since the speed of the catching-up process has been high in these countries and a current business model has produced permanent rapid growth and seems to be good enough, it actually creates less external stimulus to change than one might expect in a transition economy. Therefore it is difficult to persuade organisations and other actors of innovation system to initiate change, i.e., there is no or low commitment to change. In the model in Figure 1 this causal link is illustrated by an arrow between institutional context and value commitments, which according to Greenwood and Hinings (1996) are an important component of the precipitating intraorganisational dynamics.

4.3. Intraorganisational dynamics

In explaining intraorganisational dynamics, Greenwood and Hinings (1996) further extend this relationship, claiming that a change can be blocked if organisations with a successful current business model are not committed to change and have a concentrated power structure (elite domination) and/or an active transformational leadership that continuously reaffirms the importance, efficiency and effectiveness of the current archetype. Sufficient conditions for no change become resistance to change by a dominant coalition with a concentrated power structure, regardless of the values held by the non-elite (Greenwood, Hinings 1996: 1046). Value commitment is thus related to power dependencies in organisation.

Power dependencies are also related to the interest dissatisfaction, as can be seen from the article by Sander and Kõomägi. They stress that although venture capitalists obtain voting rights, minority ownership by itself does not provide sufficient protection of their interests. Therefore, venture capitalists increase their influence over the company through the active involvement in supervisory and management boards. This increases the internal complexity of organizations, the role of which is stressed by Greenwood and Hinings: “every organization is a mosaic of groups structured by functional tasks and employment status” (1996: 1033). Functionally differentiated groups are not neutral and indifferent to other groups, and they seek to translate their interest into favourable allocations of scarce and valued organisational resources. Groups use favourable power dependencies to promote their interests (1996: 1037). A potential pressure for change and/or inertia, therefore, is the extent to which groups are dissatisfied with how their interests are accommodated within an organisation. A high measure of dissatisfaction becomes a pressure for change (see references in Greenwood and Hinings 1996: 1035).

The transition economy has brought along a new diversity in organisational forms and a plurality of property rights (Meyer, Peng 2005). In the article by Sander and Kõomägi the institutional context also has an impact on power dependencies: the specificity of the Estonian institutional context is that minority shareholders’ rights are protected relatively well, which allows venture capitalists to have a considerable control over the company and influence the management decisions, including processes of change. As the authors conclude, due to the dynamic nature of venture capital backed companies, additional capital infusions, exercising conversion rights and employee stock options, there might be frequent changes in ownership and board structure. This in turn may lead to other organisational changes.

Dissatisfaction, however, does not provide direction for change. Greenwood and Hinings (1996) emphasize that critically important is the pattern of value
commitments of the groups in the organisation: some support and are committed to the status quo (current archetype, or template-in-use), whereas others prefer an articulated alternative (Ibid. 1035). Value commitments are explored in Reino et al. article, where Competing Values Framework approach is used for discovering the organisational culture type and its dynamics over time. Due to the development of the global and local IT sector environment the organisation under focus had to and was able to adapt quickly to the changing situation. The rapid growth of demand on the market has forced the company to expand its activities, first in Estonia and then internationally, though broadening the activity internationally was not seen as an end in itself (see reference in Reino et al.). Later changes in the institutional context, such as the necessity to certificate quality management according to ISO standards also caused certain organisational changes. However, during the last years there was a shift in organisational values in the organisation under focus: from a small enthusiastically working team it has become a formalized and result-oriented organisation valuing stability. That is notwithstanding the fact that the environment undergoes continuous changes as well. This result is in contradiction with the earlier findings, which showed that organisations with a recent experience of change are more likely to attempt further change (see reference in Greenwood and Hinings 1996: 1040). Such experience should accumulate the capacity for action in organisation, another important aspect of intraorganisational change enabling dynamics.

Capacity for action in Greenwood and Hinings’ approach means the ability to manage the transition process in organisation (Ibid. 1039). According to them, 'radical change cannot occur without the organisation’s having sufficient understanding of the new conceptual destination, its having the skills and competencies required to function in that new destination, and its having the ability to manage how to get to that destination' (Greenwood and Hinings 1996: 1040). Capacity for action embraces both the availability of these skills and resources within an organisation and their mobilization, which is the act of leadership (Ibid.). As mentioned at the beginning, the retention phase after some stabilisation of the organisational environment in Estonia has created a situation where the organisational leadership think how to stay, perform better, and meet their customers’ needs. Reino et al.’s study shows that the capacity for action was high enough in turbulent times, but has decreased during more stable periods.

Besides the capacity for action the supportive power dependencies are necessary for implementing a change (Greenwood, Hinings 1996: 1040). As referred by Reino et al., it was previously found that the power dependencies in the company were shifted, when some employees were left out from the inner circle of the company’s management. This causes interest dissatisfaction that may constitute a potential pressure for change. Again, value commitments are important in such situations, since once they become taken for granted – as is orientation towards stability in a company - they can serve to alleviate expressions of dissatisfaction (Greenwood and Hinings 1996: 1036).

Value commitments and capacity for actions can also be considered as knowledge structures (Greenwood, Hinings 1996: 1046). Change from one archetype to another involves designing new organisational structures and systems, learning new behaviours, and interpreting phenomena in new ways (Ibid. 1046). The learning capacity in organisations is considered very important by Varblane et al. for increasing the learning capacity of the whole society, establishing the interactive learning based system and promoting knowledge in the economy, and thus, for building national innovation systems. The authors emphasize the importance to overcome the path
dependency in thinking, encouraging understanding that learning is necessary, and the need for the increase of importance of planning and practical skills.

When we look at the results of Mets and Torokoff’s study, we see that managers have quite different attitudes towards the appreciation of employees’ initiative, dedication and creativity. Furthermore, there is a difference in the responses of managers and workers, with a much larger number of such interrelated manifestations of the internal organisational climate in the workers’ sample, than among managers. This suggests that there might actually be quite large differences in value commitments first, among managers, and second, between managers and workers. This may indicate some interest dissatisfaction as well. The findings also indicate the still modest distribution of learning organisation behaviour among the companies’ management staff. The authors claim that the managers in these companies are more organisation oriented and trained for their role to behave as team members, whereas the middle managers have not widened their role towards the creation of workers’ teams and team learning. Mets and Torokoff concluded that due to the specific field of the companies under study (production) they cannot be positioned as learning organisations. Therefore, we can assert that in these organisations the potential for action is not high enough for organisational learning, and as such, for organisational change.

However, these conclusions can be extended to other industries in transition economies. A low motivation to create learning capabilities is explained by Varblane et al. by the advantages of being latecomers, which have created short-time success, and by isolation of the companies and their lack of support for key stages in the process. As the authors claim, in a society the ability to generate new knowledge presumes the existence of active learning by all actors of the system, and the organisations need to maintain permanent capability to learn and change if they wish to survive and develop. To create new resources and take advantage of new opportunities, organisations must build up the according dynamic capabilities. To accumulate them, learning is required. In order to learn and profit by knowledge, organisations must develop an adequate absorptive capacity - an ability to recognize valuable new knowledge, integrate it and use it productively, which depends on prior related knowledge. Hence, there exists path-dependence between the existing and new resources of the company (See references in Uhlenbruck et al. 2003). Yet, path dependence might be also problematic. Lock-in situations and neglecting path-dependency are very dangerous, because the proposed action plans may be inadequate and not implementable (Varblane et al.). Moreover, organisations should take into account the frequent change of the necessary capacity caused by transitions in the society.

In short, the considered aspects of change around and within organisations support the Greenwood and Hinings (1996) belief of the critical role of intraorganisational dynamics in accepting or rejecting institutionalized practices. It is particularly obvious in transition economies.

5. Conclusions

Any change implies processes of dynamic nature. Thus, changes around and within organisations open important issues of dynamics in transition societies in general. This is a new experience, which helps to explain organisational change when not only the organisational context, but the whole society is changing. Providing a broader understanding of such changes enhances the field of organisational theories.
Based on the above, we can draw several conclusions for organisations. First, the relationship between the market and institutional context is reciprocal: changes in the former involve changes in the other, and vice versa.

Second, interests and values are an important part of the change process. As Greenwood and Hinings (1996) define it, organisations are heterogeneous entities composed of functionally differentiated groups pursuing goals and promoting interests, and how organisations 'respond' to institutional prescriptions, is a function of these internal dynamics. Here we propose that the changed economic environment emphasises values because they enable to understand the processes of change from organisational and societal point of view. Values are crucial to understanding the 'invisible' component of change (Schöpflin 1997:272). It is our argument that the concept of value enables us to appreciate the trajectory of both micro- and macro-level forces of organisational change within economic transition.

Third, change depends on the managerial competence in the organisation. As different research has shown, the magnitude of the required change may exceed many managers’ and employees’ cognitive abilities. Rapid processes of transition from communist ideology and command economic systems to democracy and market economy resulted in a significant change of managerial qualities and organisational activities in transitional countries.

Fourth, so far change has been considered mainly on its positive side. The rapid transformation of the economy in recent years has been achieved, in part, by matching new economic demands in terms of knowledge and experience with appropriate styles of management. However, in certain conditions not all changes might be necessary. The results of change can be clearly seen and therefore more objectively analyzed form a longer time distance. Looking into the unsuccessful stories of organisational change provides a better knowledge of this phenomenon and is a potential future research direction.

Fifth, organisational changes consist of both dynamic and stable components. According to the population ecology approach, turbulent times are always followed by a period of stability. So far we have looked at the changes around and within organisations in dynamic environments of the transition societies, and these have been continuous. There is however some evidence of emerging stability. Whether the processes in these societies will start to fit more with the traditional approach to organisational changes, is the question that deserves a closer observation in the future.

The dynamics of the process and the transition-related problems vary a lot in Central and East European countries (CEE), but sometimes these were seen as very similar. Gilbert (2001: 411) has said that some early Western analysis of management changes in the countries of CEE tended to approach the topic as though the events of the second half of the twentieth century rendered the whole region culturally homogeneous. We have found that this process is influenced by several organisational and societal factors in organisations. The outcome may depend on the managers’ skills and knowledge of binding these issues together.

Acknowledgements

The work of the editors and the preface are supported by the Estonian Science Foundation in the frame of grant project No 7018.
References


**References from Estonian newspapers**


Part 4. CONCLUSIONS

4.1. Discussion of the research propositions in the framework of workforce diversity

The studies presented in this doctorate have shown that societal changes in ex-Soviet countries have had an effect also on workforce diversity dynamics and the ways it influences its relationships with organisations. Furthermore, these effects differ across societies depending on their institutional and organisational environments.

It was suggested in P1 that Russian-speakers in Estonia, Latvia and Lithuania have a similar set of individual values. This proposition was supported partially: it was found that Russian-speakers in Estonia, Latvia and Lithuania have a similar set of most important terminal values, that is, the end-states of existence they look up for (Table 1 in Study 1). This also reflects the values consensus in relation to these values. However, the sets of most important instrumental values vary among these sub-samples, what means that they see the ways to achieve these end-states of existence differently.

This finding shows that to some extent value diversity is present also among the people of the same cultural background. Whereas the values, which are situated on the deeper level of human conscience and form the basis for other values tend to change less across time and environments, the values that are located on the less deep levels change depending on one’s environment and country of residence. Moreover, this value diversity is reflected in employees’ perception of organisational culture orientations by assessing them higher or lower according to the importance attributed to certain values. Thus, value diversity is related to the diversity in orientations to organisational task support and strength of the belongingness to one’s organisation.

According to P2a, Russian-speakers in Estonia, Latvia and Lithuania would have similar collectivistic attitudes. It was not supported, since collectivistic attitudes across the according samples vary considerably. This variation stems from the differences in the agreement of the respondents with the statements, which express their attitudes in relation to certain target groups – family, peers or society (Table 2 in Study 1). Hence,
the diversity is also present in the level of collectivism among the representatives of one cultural group. While this finding seem to somewhat contradict the previous statements that a certain level of collectivism is shared among the people of the same cultural background, the author of this doctorate believes that by distinguishing the different types of collectivism it actually provides a deeper understanding of this issue.

A variation is also present in the relationships between collectivistic attitudes and perception of organisational culture. However, one relationship is found to be similar in all samples – that between collectivistic attitudes towards society and the relationship orientation of organisational culture (Table IV in Study 2). This suggests that the argumentation on what P3 was grounded was reasonable enough.

P2b hypothesised that collectivistic attitudes of the Russian-speakers in Estonia, Latvia and Lithuania have an intervening effect on the relationships between their individual values and perception of organisational culture. This proposition was to some extent supported, mostly with respect to instrumental values (Table 3 in Study 1). This finding also has implications in organisations and can be categorised as reflecting value diversity concept in the framework of workforce diversity.

P3 stated that Russian-speakers in Estonia, Latvia and Lithuania should have a similar approach to self-categorisation with respect to the society and with respect to their organisation. This proposition was rejected in the Study 2, which found that the connections between employees’ collectivistic attitudes and organisational culture differ with respect to the approach they take to construct their national identity (see Tables III and IV in Study 2). It is suggested in Study 2 that identity threat as a consequence of the changes in society's institutional context, and in particular, citizenship and naturalisation of minorities policies plays an additional role in this process. Since national identity is one type of social identity, it means that when evaluating workforce in terms of its diversity, value diversity should be considered together with social category diversity.

According to P4, value diversity stemming from the different cultural backgrounds of the employees is positively related to organisational innovativeness. This proposition was developed further by studying what constitutes organisational innovativeness and
what values should support its different aspects. The previous data on the values of employees in Estonian organisations was used for constructing more specific hypotheses. Based on the propositions found in the previous research, it was found that employees of one cultural background attribute more importance to values that should support the initiation phase of organisational innovation process, whereas the employees of the other cultural background evaluate higher the values that are important for the implementation phase of organisational innovation process. These values are illustrated as components of value diversity and the hypothesised relations are drawn on Figure 4. The according suggestions for further research are made in Study 3 and below.
Notes: Confirmed propositions are added a sign “+”, not confirmed propositions are added sign “-”; double-ended arrows represent correlations, single-ended arrows represent causal relations; dotted arrows represent hypothesized relationships.

Figure 4. Relationships found in the study and hypothesized relationships between diversity and organizational phenomena
4.2. Value diversity in organisations: summary and discussion of the main findings

Societal changes in Estonia, Latvia and Lithuania has caused the emergence of different types of diversity on both societal and organizational levels. The present research focused on value diversity, while some of the variance of it is related to social category diversity, in particular, a national identity construction issue.

Value diversity in the same cultural group

The remainder of the Soviet Union is a culturally heterogeneous workforce. In all three Baltic countries there is a similar composition of populations, where the largest minority group is Russian-speaking population. Its members consider the same terminal values as most important. Yet, there are differences in most prized instrumental values both among these three minority populations and between minority and majority population in the same country (Estonia). It means that the most important end-states of existence are considered the same, while the desired ways to reach these end-states vary to a great deal. One can suggest that this is the effect of the societal context one lives in, i.e. country of residence effect. Considering that individuals spend most of their days at work, the possibility increases that in this case, organisations also can have an impact on which instrumental values should be regarded as more important.

This value diversity further manifests itself in different collectivistic attitudes and the connections of individual values with the perception of organisational culture. Russian-speakers in Estonia score highest on family-related and society-related attitudes, and these attitudes are also correlated with the relationship orientation of organisational culture. These connections with organisational culture are the only ones present in this sample. At the same time, Russian-speakers in Estonia have the lowest attitudes to peers among the three samples. Drawing a parallel with the collectivistic or individualistic orientation of individual values (Abraham 1998, see Study 1 p. ???), it can be stated that compared to the Latvian and Lithuanian samples, Russian-speakers in the Estonia prize individualistic instrumental values higher than collectivistic values (imaginative and courageous are not included in the set of the most important values in the Latvian and
Lithuanian samples, whereas loving and responsible present in all samples have lower mean ranking in the Estonian sample). The knowledge of whether Estonian society in general provides more individualism than the other two societies is limited; however, there are some studies, which in some measure confirm it (Vadi, Meri 2004; Jürgenson 2005; Hofstede 2001: 502). This may mean that societal context in Estonia contributes to prizing individualistic values with regard to peers also among its minority population members, who otherwise have different cultural background.

Nevertheless, collectivistic attitudes of Russian-speakers moderate the links between the values that they hold and their perception of organizational culture. Collectivistic attitudes towards one’s family and collectivistic attitudes towards society are collates mainly with the relationships between terminal values and task orientation, whereas collectivistic attitudes towards one’s peers are mainly related to the links between instrumental values and relationship orientation of organisational culture. However, these correlations vary in terms of their strength and directions, so no general conclusion can be drawn (see for some explanations in Study 1).

The differences in the relationships between collectivistic attitudes and perception of organisational culture are further related to social category diversity. It stems from the variation in the basis of constructing national identity. The author proposed that collectivistic attitudes of respondents who base the construction of their national identity on ethnic and linguistic grounds could have stronger positive connections with organisational culture than those of respondents, whose national identity formation was based on citizenship and assimilation.

In the classification of both aspects and consequences of diversity into task-related and relations-oriented, Sessa and Jackson (1995) categorized national origin diversity and concomitant to it diversity in values and attitudes as relations-oriented attributes. Notwithstanding the differences in the approach to this social category – Sessa and Jackson (1995) considered national origin as a readily detectable attribute, while the present approach sees national identity as an underlying attribute, which can be detected only by questioning respondents – the present doctorate contributes to this insight by distinguishing, which aspects of national identity create the basis for stronger relationship orientation. Furthermore, by finding that these aspects have an impact also
with regard to the perception of task orientation of organisational culture, this doctorate provides a wider understanding of the possible outcomes of this type of workforce diversity.

Among the task-related mediating states and processes of the dynamics of workforce diversity Sessa and Jackson (1995: 138) mention discovery and creativity as a learning aspect and among task-related long-term consequences they list creativity as a component of personal performance. Creativity is a necessary yet not sufficient prerequisite for organisational innovativeness (Flynn and Chatman 2001, Caldwell and O’Reilly 1995). The Study 3 presented in this doctorate implies that the relations between employees’ cultural background and organisational innovativeness is multidimensional and can be contradictory. It is alleged that its effects stem from the presence of employees of different cultural background and the diversity in their individual values, collectivistic attitudes and organizational task support.

Value diversity in the encounter of employees of different cultural groups

Study 3 focused on the value diversity across two cultural groups in Estonia: Russian-speakers and employees of Estonian ethnicity (referred to as Estonians in Study 3 and furtheron). It was found that instrumental value imaginative is the most important among Russian-speakers (it is third least-important among Estonian respondents), responsible is forth and courageous is fifth most important instrumental value (ninth least important among Estonians). For Estonians, three most important values are honest, responsible and intellectual. Being imaginative is crucial for innovation, and if it is combined with being courageous to take risks, one could suggest that cultural basis for innovation is provided by a large part of the Estonian society. On the other hand, being honest and responsible are important for implementing the innovative ideas, and it is presented relatively stronger in another part.

Values imaginative and courageous are connected to the Openness to change dimension in Schwartz value invention (1992). Honest, responsible and intellectual are related to the Benevolence values. Capable and ambitious, which belong to Achievement values according to Schwartz's terminology, rank last in the Russian-speakers sample. Thus, according to Study 3 Openness to change, which is important for the initiation phase of
innovation is rather more represented among the Russian-speaking population, whereas *Self-transcendence* (represented by Benevolence), which can be intuitively considered as important for cooperation, is more likely to be a characteristic of Estonians. One can conclude that the values of Russian-speakers with their openness to change fit better in the initiation phase of innovation process, whereas more disciplined, responsible and committed Estonians would do well in the implementation phase.

Estonians are also considered to be quite individualistic (Vadi and Meri 2005; Jürgenson 2005; Hofstede 2001, p. 502), while Russian-speakers in Estonia – more collectivistic according to various domains of social relationships – attitudes toward family, peers, society and interpersonal relations in organizations by which they are employed (Vadi et al. 2002) and thus more teamwork and cooperation oriented. At the same time the study of Vadi et al. (2002) has revealed that Russian-speakers perceive organizational culture as less task-oriented than Estonians, implying that their unified organisational purpose support is lower. This entails a possible negative effect on the level of cooperativeness in this sample, and as such, on the implementation phase of innovation process. Based on the above mentioned studies and Study 3 of this doctorate the controversial effects of cultural values and attitudes in the different phases of the process of innovation are proposed and illustrated on Figure 5.
Innovation process is allegorised in the Figure 5 as a joint effort of the members of Estonian and Russian-speaking populations represented by the two rotating gearwheels linked together. For making the innovation process run smoothly they have to interact with each other in a manner, which adds to, not deters the other's rotation direction. However, it can be proposed that the differing individual values and attitudes that exist in these two populations may either hinder or facilitate this process. During the first innovation process phase, initiation, values related to the openness to change act as an interfering force: their higher importance among Russian-speakers should make this process easier, while their lower relative importance of Estonians hypothetically act in the opposite way. In addition, the study of collectivistic attitudes has shown that Russian-speakers value more global things like being patriotic, which is also useful for the initiation phase of innovations. Estonians, in their turn, value more being honest, intellectual and responsible, which is very important for the innovation realisation, i.e. implementation phase.

During the second innovation process phase, that is, implementation, lower importance of the values related to achievement among Russian-speakers impede the process, whereas important values of Estonians related to benevolence may act as a conducive force. In the figure these forces are presented by thick dotted arrows. At the same time, collectivistic and individualistic attitudes as well as organizational task support in these populations have an additional effect on teamwork and cooperativeness, which in turn may have further controversial outcomes during the different phases of innovation process.

The summary of the findings regarding Estonian organisations is as following:
- The set of most important terminal values is similar for majority and minority populations in Estonia. This means, they share the same end goals in life. However, the ways to achieve these goals – instrumental values – differ in their importance.
- Russian-speaking employees perceive Estonian organisations as relatively more individualistic, but more relationship- than task-oriented.
- Russian-speaking employees in Estonian organisations attribute twice as much importance to their family needs and family security than to social relations (peers, friends and neighbours), what however strengthen their relationship orientation of organisational culture.

- Nevertheless, the collectivistic attitudes of Russian-speakers to society/nation are quite high and strengthen their organisational relationship orientation as well.

- The relatively low collectivistic attitudes to peers, friends and neighbours of Russian-speaking employees weakens the link between instrumental value being responsible and the relationship orientation of organisational culture.

- Estonians consider benevolence values as more important, whereas Russian-speakers prefer stimulation values, and this can have differing outcomes in organisational activities. For instance, this can imply that the latter ones tend to be more courageous to start a new project or a new business and to be open to the new ideas, but performing relatively weaker in the routine tasks, whereas the former ones are probably more caring for the smooth running of business and the everyday work as well as for the well-functioning interpersonal relations.

- The fact that Russian-speakers have been passive in the transformation processes found in the study by Jerschina and Górniak (1997) suggest that there is also a hidden paradox in the way the minorities feel and behave. One possible indicator is the much lower mean ranking of the value of being honest among the Russian-speakers in Estonian sample as compared to Latvian and Lithuanian samples (Table 1 in Study 1). It may to some extent undermine the credibility of the other their evaluations and hence take the edge of the argumentations above. Howbeit, one implication is that valuing being courageous if not supported by an organization or other societal factors may still coexist with a passive behaviour, what means lost opportunities for an organization.

### 4.3. Implications for managers

It was suggested above that organisations can influence, which instrumental values should be regarded as more important. It is in line with Alas and Rees’ (2006) suggestion that organisations can exert an influence on societal values. Organisations can do it by supporting and discouraging behaviour of their employees and by stressing the values that are considered crucial for their functioning. This can be done by the help of creating and maintaining the according organisational culture.
The next implication regards relationship orientation of organisational culture that was perceived by the respondents as stronger than task orientation. In the context of changes both orientations are considered important. On the one hand, it was claimed that the person oriented organisation is well adapted to dealing with complexity and change (Harrison 1995: 157), because one needs to value relationships in order to achieve the level of trust and communication that will make joint problem solving and solution implementation possible (Schein 1997: 371). With this regard the organisations with predominantly Russian-speaking employees in Estonia, Latvia and Lithuania have a good potential to deal with societal and organisational changes.

However, it was found that in Estonian organisations Russian-speaking employees have a lower unified organisational purpose support, i.e. task orientation, than their counterparts of Estonian nationality (Vadi et al. 2002), which, according to Harrison (1995) is a disadvantage in dealing with a complex and changing environment. Another study has found that Estonian managers have more concern for task than for people (Andrén et al. 1994). It implies that if managers in Estonia are able to orient themselves more to relationships and to establish management practices and organisational policies, which would increase the task support among their Russian-speaking employees and also relationship orientation among their Estonian counterparts, their organisations will achieve the synergy for dealing better with the changing environment.

It was proposed in this doctorate that culturally heterogeneous Estonian society should promote differing views and as a result, innovativeness. Representatives of both Estonian and Russian-speaking populations play a certain role in different phases of innovation process. The strengths of each group in each phase should be purposefully and carefully combined, brought together and trained to cooperate. At the same time, to take advantage of it, there is a need for creating a supportive climate in organization, which will make use of wide ranging interests. A profuse network of interactions with others needs to be created. As Zien and Buckler (1997) have pointed out, this takes time, conscious reaching out to different people and skills, and a culture that rewards lateral participation.
Estonians consider benevolence values as more important, whereas Russian-speakers prefer stimulation values, and this can have differing outcomes in organisations. For instance, this can imply that the latter ones tend to be more courageous to start a new project or a new business and to be open to the new ideas, but performing relatively weaker in the routine tasks, whereas the former ones are probably more caring for the smooth running of business and the everyday work as well as for the well-functioning interpersonal relations.

Value diversity can thus be regarded as a main asset in organisations for promoting innovativeness and cooperativeness. However, besides the positive impact on innovativeness, value diversity can express itself in the different understanding of organisational tasks and missions. Therefore, an organisational culture should be promoted that stresses teamwork, participation and yet divergent thinking and having awareness and informing work-group members of the cultural and attitudinal differences. It should encourage employees to cooperate and be capable to establish functioning communication between the diverse groups. As previous research has emphasized, integrated pluralistic cultures prove as best suited for innovations.

Hauser (1998) has claimed that the positive effect of non-monoculture depends on the capability to establish functioning communication between the diverse groups and that integrated pluralistic cultures prove as best suited for innovations. Diverse values among different cultural groups in Estonia could significantly contribute to foster innovativeness. In a team formation process staff need to be made aware that not so much the common values, but the different values are a major resource of innovativeness. Suppressing dissimilar values would reduce chances to succeed on the market.

A significant component of the diversity in an organisation is constituted by values stemming from different cultural backgrounds of its members, thus representing cultural differences among them. Ferdman (1995: 41) have emphasised the previous research findings that ignoring or attempting to suppress cultural differences can result in many negative outcomes for organizations, groups and individuals. He suggested that organizational interventions are needed aimed at helping people to understand, accept, and value the cultural differences between groups, with the ultimate goal of reaping the
benefits of cultural diversity. Such views and approaches have also typically meant looking at individuals in the context of their particular groups, and thus being cognizant of and sensitive to their (and our) cultural group memberships (Ibid.).

Ferdman (1995) has also asserted that the concept of cultural identity suggests that simply having some representatives of a particular group may not adequately reflect the full range of diversity. Furthermore, the process of “joining up” may vary depending on individuals’ cultural identities (Ibid.: 56). Ferdman (1995) has called for more attention to the process of how socialization works in relation to where the individuals are, and not just our collective constructions of their groups as a whole. This should be considered in attempts to socialize and incorporate people with different cultural identities into organisations.

This argument also stresses the importance of creating a shared social identity with regard to organisations. Rink and Ellemers (2007) have stated that the participation of individuals in the development of a shared identity facilitates their attachment to the group or organization this refers to. Employees will most likely be alienated from the organization when there is no such possibility for self-activation or collective participation in the formation of a shared identity (Brickson, 2000; Haslam, Powell and Turner 2000, cf. Rink and Ellemers 2007). If members do not feel attached to their organization as a whole, they will tend to engage in competition with other teams, favouring their own team at the expense of these other teams. This tendency will only increase when people feel that their team’s (diversity-based) identity is not accepted by the organization. For this reason – and for diverse teams to function effectively and remain involved with the organization as a whole – it is extremely important that people identify with both their team and their organization and that diversity is embedded at every level of the organization. (Ibid.)

On the other hand, some researchers (Pelled et al., 1999; Tsui et al., 1992) have proposed that identifying individual group members with distinct groups (i.e., "outgroups") may disrupt group dynamics. Here the suggestion by Chatman and her colleagues (Chatman and Flynn 2001, Chatman et al. 1998) can be of help for the managers. They claimed that for countering the potentially negative effects of diversity on performance fostering a collectivistic culture in diverse groups (thus
verifying a social self-view) would reduce the salience of categorical differences among group members.

4.4. Main conclusions at societal, organisational and individual levels

Several conclusions can be made on the basis of present research:

First, increasingly diverse workforce on a global scale brings more diversity into organisations.

Second, value diversity in organisations appears not only due to different personalities or backgrounds, but also because people of different cultural backgrounds come to work together and bring along their beliefs and understandings of the ways things work and should be done, also within an organisation.

Third, this also creates expectations of how value diversity impacts on organisational innovativeness. The issue of workforce diversity is rather underrepresented in the entrepreneurship and innovation studies, although the general trend of the increasing diversity of populations, especially, in the developed countries and, consequently, of the workforce, was pointed out decades earlier (e.g., Triandis 1995: 11-12). This diversity is an inseparable feature of the modern world, and it has advantages in many areas, especially with regard to encouraging and developing entrepreneurship and innovation.

Value diversity creates a large innovation potential in the Estonian society. First, value diversity *per se* is an important component in the process of creating and implementing new ideas. Second, the importance of values related to innovativeness was found to differ in the two main cultural groups, what suggests that their representatives play a different role in the different stages of the innovation process. The presence of complementary group cultures is important to combine advantages in the early stages of innovation with those in the later ones. This also implies that the need for cooperation in general should be acknowledged in the society, and besides representing a challenge of
managing this diversity, successful cooperation between the diverse people will bring along the further advantages at all societal levels.

The case of Estonia can be transmitted and generalized to other countries, where populations with individualistic and collectivistic backgrounds and differing cultural values coexist. For instance, today many European countries face difficulties with integrating large collectivistic populations in their societies and organizations (e.g. in Germany this population accounts for 6 million people). The present research provides some ideas and a ground how to turn it into an advantage. The argument is that a multicultural society can be very innovative upon condition that different cultural groups’ representatives cooperate and combine their strengths.

Fourth, the present research gives an insight in what aspects should be paid attention to when studying social category diversity. Another possible source of this type of workforce diversity is the construction of national identity among the members of minority of populations in a society. This issue is especially topical today in the light of increasing immigration flows into the developed countries, in particular in the Western Europe, when the second generation immigrants are entering into their workforce. They face the challenge of finding out an answer to who they are, how should they categorise themselves with respect to their cultural roots, in relation to their ancestors in a homeland they may have not known or even ever seen, and with the society they were born into. That is, an answer to what should be their approach to constructing social and national identities. If the pressures in a society somehow marginalise certain groups, their members can feel that they have to cognitively separate themselves from the group to be seen positively (see for references Ferdman 1995: 47). Previous evidence also demonstrates that minorities are slightly less committed to the group than non-minorities (Kirchmeyer & Cohen 1992; cf. Sessa and Jackson 1995: 141). Yet, the separation does not completely solve the problem of self-categorisation, and, as the present research have shown, may still cause weaker relationships with one’s organisation and with the society.

The recent turbulences in Estonian society with regard to major misunderstandings among and between its populations have demonstrated the importance of national identity issues for the integration process. Acknowledgment of the existence of these
difficulties, if it will bring along the attempts to deal with them consistently at the level of society should be rewarding at all levels, ease the tensions within individual, between individuals and between individual and organisation(s).

Fifth, research into collectivistic attitudes is useful for that reason, too. Large immigrant populations from less developed countries into more developed countries usually are more collectivistic than people living in their host countries. This is a source of possible clashes of values, misunderstandings and conflicts. Classifying the collectivistic attitudes and their relations with organisational phenomena can help to deal with these issues.

Sixth, individual values of members of Estonian organisations reflect values in accordance to high economic development, which suggests that there is/will be no big conflict between values of people and changes connected with economic growth. However, the high importance of security values in this society, as well as in its Baltic neighbours might impede this process. Alas and Rees (2006) have found that a closer relationship between job-related attitudes and attitudes toward social values exists in post-socialist countries than in the case in the traditional capitalist countries. They hypothesized that while traditional capitalist countries have well-established societal values and these values are immune to what is taking place in organisations, in post-socialist countries new societal values are emerging as societal transformations take hold, and organisations can exert an influence on these values.

Schwartz and Sagie (2000) have proposed that within a society people of differing socio-cultural backgrounds gradually develop similar value systems and that this is the case even for marginalized groups in developed as compared to less developed nations. If certain values and attitudes that impede the development, as for example family and national security relinquish their actuality and importance relatively to the other, change promoting values, the differences across different cultural populations with respect to these values may diminish. This will help the individuals, society and organisations in dealing with changes and complex environments.

However, the diversity in other values is a good source of a synergy for coping better in these processes. In line with Ragins’ (1995) proposition that effective management of
diversity requires significant and inclusive change in cultural, structural and behavioural domains, the main message of this doctorate is that although diversity in the Estonian and other ex-soviet countries’ context as a topical issue as a consequence of changes at the larger societal level and cannot be ignored, it also functions as a factor that facilitates further changes.

**4.5. Contributions to the theory, limitations and suggestions for further research**

The present research contributes to the theory of individual values by finding that distinguishing between terminal and instrumental values (Rokeach 1969) is a useful tool for studying values not only across cultures, but also among the people with the same cultural background. It was found that while they have the same set of most important terminal values, their instrumental values differ to a large extent and may be subject to societal context and possibly to organisational context influences.

Distinguishing between the target groups for measuring people’s collectivistic attitudes that was earlier recommended by Realo et al. (1997) has proven to be practical in studying collectivism also among the representatives of the same cultural group. It has resulted in the similar finding as mentioned above – that societal context can impact the variety of collectivistic attitudes of people of the same cultural background. This gives an additional insight to the studies of cultural differences where collectivism is one of the main dimensions of these differences.

From this perspective the present research is also a contribution to value diversity research field, and consequently, to the theory of workforce diversity. The research on value diversity as a component of workforce diversity has been very scarce up until today. For example, value diversity was estimated by asking the respondents whether and to what extent they perceive that value diversity is present in their organisations (Jehn et al. 1999), and not by studying which values are present and considered important among the employees and then evaluating to what extent they objectively differ.
Another contribution is proposing the effects of value diversity on organisational innovativeness. These two different research areas have been rarely examined together to find their interrelationships. One example is the study of Fagenson (1993) based on Rokeach (1969) value inventory, who found the different value sets as typical and salient characteristics of entrepreneurs and of administrators. Voss (2002) in his doctoral dissertation further developed this research using Schwartz’ (1992) value inventory and has found similar results. However, no research to the author knowledge has been done for distinguishing values among all level employees within organisations and for finding what effects this can have on organisational processes, in particular, innovation process.

The first limitation of the study is related to the time gap of about 4 to 5 years of data collection and the composition of samples. … The second limitation of this study is leaving the innovation process itself out of scope and not directly controlling the relations between its outcomes and the cultural values. It is not clear whether the outlined relations between national culture, innovativeness and cooperativeness are as suggested and whether the other interfering variables as for instance organizational structure and culture are relatively stronger to overrule such effects. A further research is needed to study and establish more carefully the link between the individual values as well as individualistic and collectivistic attitudes and the results of the innovation process, and thus on the development of entrepreneurship.

As Sessa and Jackson (1995) point out, much of the literature on workforce diversity has implicitly assumed that different types of diversity are more or less equal in their consequences. The present research shows that it is not so and sheds the light on some aspects of diversity that may have an unexpected impact. Future research should gain a deeper knowledge on the dynamics of diversity in organizations and in society in general.

Van Knippenberg and Schippers (2007) have pointed out that the field of workforce diversity research has been dominated by studies focusing on “main effects,” testing relationships between dimensions of diversity and outcomes without taking potentially moderating variables into account. A suggestion for further research is to include
various organizational aspects and interaction and interpersonal factors (e.g. conflicts) in the studies in order to account for the value diversity effects adequately.

A possible contribution to acculturation theory is also made. Ferdman (1995) have brought attention to the fact that in acculturation theory cultures are viewed in a unitary and relatively objective fashion as being separate from their members and as somewhat static. Thus, for example, Berry (1993) writes about cultural transmission in the context of “two cultures in contact (A and B).” (cf. Ibid.: 49). Ferdman (1995) points out that it is possible that each of these cultures may appear quite different to different individuals, whether or not they are original members of the groups. He also mentions that there might be a great deal of individual variation in the way in which individuals subjectively construct the cultures (i.e. what cultures are understood to be).

Austers (2002) has found that there are differences in the way how representatives of the majority and minority population groups stereotype and view the members of their own and the other culture on the example of a study in Latvia. If we explain it as a consequence of an identity threat and consequent feelings as second-rank citizens among the members of minority populations, then a suggestion for further research is to incorporate the concept of identity threat and the mutual vision of other cultures in the acculturation models.
REFERENCES


Damanpour 1991


