Convergence in Entrepreneurial Leadership Style: Evidence from Russia

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Entrepreneurs are known for increasing societal wealth and access to that wealth. Importantly, global wealth is likely to become increasingly dependent upon the development of successful entreprenurships in transition economies such as the BRIC countries (Brazil, Russia, India, and China), which have been predicted to become substantial contributors to the global economy and its GDP.1 Entrepreneurial leadership has been identified as important to this process and has been described as "the ability to influence others to manage resources strategically in order to emphasize both opportunity-seeking and advantage-seeking behaviors."2 Although some common trends and common threads have been analyzed between entrepreneurship and leadership,3 limited attention has been devoted to entrepreneurial leadership itself.4 Further, some researchers have called for studies to gain insights into whether various entrepreneurial characteristics are similar across cultures,3 thereby supporting a convergence hypothesis.6

To address these issues, we analyzed responses from highly successful Russian entrepreneurs to understand their leadership styles. We sought to determine whether they had adopted an open style similar to that of U.S. entrepreneurs or had retained the controlling Soviet-era leadership style. The former would lend support to a convergence theory of entrepreneurial leadership style. We grounded our study in the leadership literature, focusing primarily on transformational and transactional leadership7 as well as the democratic-autocratic-situational framework.8 Transactional or autocratic leadership has been seen as the predominant style in Russia throughout the Soviet period and beyond, while transformational or democratic leadership has been prominent in the U.S.

Based on the Soviet-era managerial style that continues to predominate in Russian business generally,9 it might seem logical that Russian entrepreneurs would continue to exhibit that transactional style. This conclusion is consistent
with institutional theory, which emphasizes the embeddedness of informal cultural-cognitive institutions, especially in transition economies. Our results show that the exemplary entrepreneurs we studied overwhelmingly exhibited an open or transformational leadership style generally attributed to U.S. entrepreneurs. Such strong evidence of that style is consistent with the idea that a relatively open, authoritative leadership style characterizes the direction in which Russian management should be moving, and the results of another study suggested that such a change was already occurring. Authoritative leaders have been described as providing a clear vision, empowering and fully involving employees by giving meaning to work, fostering a sense of ownership, openness and team work, and also exercising discipline and control by setting clear boundaries, giving support, and creating a sense of security. The vast majority of our exemplary Russian entrepreneurs seem to have responded early to such a trend, indicating their ability to rise above any of the culturally embedded values and systems that remain as vestiges of the Soviet period. In summary, the dominant leadership style of these exemplary Russian entrepreneurs adds support to a theory of convergence, which holds that entrepreneurial leadership styles may be similar across countries and cultures.

Our research is based upon multiple case analysis using content analysis methodology. We analyzed questionnaires and interviews from 130 participants in the annual Ernst & Young Russian Entrepreneur of the Year Competition from its initial year, 2003, through 2007 inclusively. In analyzing the entrepreneurs’ responses, we identified three leadership styles—open, controlling, and balanced—and classified each entrepreneur according to one predominant style. These fit well with accepted leadership style theories, specifically democratic-autocratic-situational and the transformational-transactional distinction. We found that the great majority of these entrepreneurs displayed an open leadership style, with a balanced style being the second most frequent, and a controlling style the least.

**Contributions to Entrepreneurial Leadership Theory and Practice**

Our research provides evidence of convergence in entrepreneurial leadership. We highlight similarities in leadership style between our exemplary Russian entrepreneurs and those of U.S. entrepreneurs as the latter are described in the literature. Our findings give support to the conclusions of two major studies, which found that entrepreneurs across countries share a common culture and entrepreneurial cognitions. Our research thus adds to the literature on cross-cultural entrepreneurship in direct response to the call for typologies
of international entrepreneurs that can capture similarities and differences. In the process, our study adds to the literature on entrepreneurial leadership style in the context of international entrepreneurship, especially to the relatively sparse work on entrepreneurship in transition economies. One recent major study, for instance, concluded that between 1996 and 2006, less than three percent of articles in the top two entrepreneurship journals addressed that topic. And research on entrepreneurial leadership has been noted as being especially important in the study of leadership, and has been seen as even more promising than such research in larger and more established organizations. The results of our study on convergence of entrepreneurial leadership also support U.S.-based theory that entrepreneurs in volatile environments often lead organic entrepreneurialships.

The similarities of these successful Russian entrepreneurs to American entrepreneurs demonstrates that the former have moved far beyond the leadership practices of the Soviet-era Red Executive. This greatly improves the prospect of U.S. entrepreneurs partnering with these exemplary Russian counterparts with whom they share a predominantly open leadership style, since it is generally easier to work effectively with those who share common characteristics and views. This is consistent with the recommendation that entering new markets, particularly emerging economies, is best done with a trustworthy and capable local partner. Additionally, these exemplary Russian entrepreneurs could work with U.S. businesses, serving as boundary spanners or intermediaries with other Russian business people whose characteristics and leadership styles may be less similar to U.S. counterparts.

**Entrepreneurial Leadership in Russia: An Emerging Economy**

Emerging economies have been seen as the foundation of the global growth engine in the future, and the GDP of the BRICs alone has been forecasted to exceed that of the original G6 industrialized nations of the United States, Japan, Germany, the United Kingdom, France, and Italy by 2050, compared with only 15 percent in 2006. That growth, however, will be dependent not only on enlightened policies and strong, legitimate formal institutions, but also on the development of a climate supportive of entrepreneurship. It is unlikely that the old state-owned institutions will provide such growth, but more so it will be up to new entrepreneurial businesses to provide needed goods and services domestically, as well as to work with foreign firms at home and abroad.

As noted earlier, little has been published on entrepreneurship in emerging economies, and much of what has been published deals with obstacles to entrepreneurship. Those impediments are normally described as weaknesses in the formal legitimate institutional environment, coupled with greedy bureaucracies that lead to bribery and corruption when entrepreneurs and other business people attempt to start or grow their businesses. One typical result is that the
level of entrepreneurship in Russia lags far behind that of the U.S. and other Western nations, due to the hostile maze entrepreneurs are forced to navigate. Yet these entrepreneurs and others in various emerging economies have been able to move ahead, in part by relying on informal institutions—especially their networks, which they use to circumvent the many obstacles they face. Additionally, many entrepreneurs like the successful ones in our study display entrepreneurial characteristics such as opportunity recognition and creation. Russian entrepreneurs, as noted earlier, have also displayed entrepreneurial cognition similar to that of U.S. entrepreneurs, as well as other entrepreneurial characteristics generally found in entrepreneurs elsewhere. So in spite of an environment for entrepreneurship that is generally seen as even more hostile than that of other emerging economies, entrepreneurship in Russia has been developing, although possibly not to the extent of the other BRIC countries.

Legitimate entrepreneurship in Russia is a relatively recent phenomenon. A limited amount of entrepreneurship was evident in Russia under the tsars, but became illegal in the late 1920s, a few years after the communists came into power. Entrepreneurship during the Soviet period existed primarily in the black market, which was an important contribution to the economy up through the 1980s. However, Lenin’s New Economic Policy of 1921 that briefly allowed the formation of small private companies and entrepreneurships was rescinded in 1929 during Stalin’s rule when it was seen as being contrary to communist doctrine. Business and entrepreneurship, in fact, had a thoroughly negative connotation during that period, and referred primarily to those engaged in black market activities.

Regarding leadership, Russians were conditioned to accept and even admire strong leaders who were expected to have all the answers and provide the paternalistic environment that took care of many personal needs of workers and their families. Leaders thus were expected to know more than subordinates, a characteristic reflective of a transactional leadership style. A typical technique was top-down decision making through a strict hierarchy that left little room for others to engage in innovative or creative thinking or actions.

The privatization program in the early 1990s saw the creation of private companies that replaced former state-owned enterprises, but those leaders, with their controlling styles, remained, except for the oligarch entrepreneurs who built their empires by taking over many of the major enterprises by the late 1990s. The oligarchs proved to be successful in building their companies, but most of them also appear to have retained a controlling leadership style. At the same time, surveys indicated that Russian entrepreneurs’ main concerns were government regulations, oppressive taxation, the chaotic political situation, and lack of financing. During much of the 1990s and even into the 2000s, entrepreneurs as well as other business people still felt the stigma attached to private enterprise and capitalism instilled in Russians under communism that proved detrimental to the development of entrepreneurship. This situation had changed according to a major 2005 national survey about Russian entrepreneurship conducted by the Russian Institute of Public Planning and the Russian
Public Opinion and Market Research organization. A major finding was that 90 percent of non-entrepreneurs surveyed reported their attitude toward small and medium-sized business to be either good or mostly good. But even though their reputations had improved dramatically, entrepreneurs still faced many obstacles, and a 2007 report noted that less than five percent of the Russian population was engaged in owner-managed businesses, as opposed to nearly 15 percent in the U.S. The successful entrepreneurs in our study developed their companies and leadership styles within this turbulent environment.

Given this context, we sought to determine the nature of the leadership style of these entrepreneurs in such challenging circumstances. We wanted to see if they exhibited a style similar to the open style of U.S. entrepreneurs, a finding that would add support to a theory of entrepreneurial convergence. The highly successful entrepreneurs were finalists in the first five years of Ernst & Young’s Entrepreneur of the Year competition in Russia. We refer to them as exemplary Russian entrepreneurs. They came from a broad range of industries and cities, and more than 90 percent were founders or co founders and/or owners. The vast majority of the companies were start-ups rather than privatized state enterprises, and ranged in size from $10 million to more than $1 billion in annual revenues.

To gain insights into their leadership styles, we drew upon the leadership literature, focusing primarily on transformational and transactional leadership, as well as authoritative style, and the democratic, autocratic, and situational frameworks. One definition of entrepreneurial leadership focuses on the ability to lead others toward the organization’s goal of managing resources strategically by utilizing both opportunity-seeking and advantage-seeking behaviors. A related definition is “leadership that creates visionary scenarios that are used to assemble and mobilize a ‘supporting cast’ of participants who become committed by the vision to the discovery and exploitation of strategic value creation.”

Transformational leadership, viewed as a multifaceted meta-construct, has been found in many studies to have a positive impact on employees’ attitudes, motivation, and performance. Transformational leaders are seen as encouraging organizational members to anticipate and adapt to environmental change. This leadership style emphasizes team work and communication, and has generally been identified with U.S. managers and sometimes with Western European and Japanese managers seeking employee inclusion in important decisions through such practices as delegation of authority. The style embodies what Rousseau describes as a relational contract.

The transformational style is in stark contrast to a transactional style in which authority and accountability reside in the leader who exhibits a controlling, top-down approach. Russian leadership has generally been associated with the transactional style since Russian and Soviet leaders historically have exhibited strong, commanding, and authoritarian characteristics, creating dependency and even generating fear among subordinates.
Entrepreneurial Convergence Theory

Some entrepreneurship researchers have emphasized that the strength of embedded cultural influences and informal institutions in transition economies could likely lead to divergence from, rather than convergence toward, a uniform global view of entrepreneurship across cultures. Such a view is embedded in institutional theory, which one recent study noted was a preferred theory for analyzing entrepreneurship in emerging economies. Accordingly, the pervasiveness of local culture with its generalized values and entrepreneurial norms within that culture may strongly inhibit universal values and norms. Institutional theory thus could support an argument against convergence, seeing Russian entrepreneurs as perpetuating the traditional Russian leadership style rather than breaking from it. Culture has been emphasized as an important contextual factor affecting entrepreneurship, and based substantially on this premise, entrepreneurship in emerging economies has been considered as being distinctive. Considering the context for entrepreneurship in Russia, the weakness of legitimate formal institutions is generally recognized, as is the reliance of entrepreneurs on informal cultural-cognitive institutions. Such conditions are in contrast to the much more positive characteristics of both formal and informal institutions in the U.S. that are seen as being highly supportive of entrepreneurship.

A perspective of growing importance, however, is that a common entrepreneurial culture may be developing because of the increasingly similar conditions in the global business environment and the similar types of issues that entrepreneurs around the world face. The general concept of convergence has its foundation in globalization and implies that countries, industries, and firms would converge toward a homogeneous organizational pattern. Convergence has been proposed for industrialized countries as well as for developing ones, including post-socialist economies. An important implication of a theory of entrepreneurial convergence is that it supports an argument that even in the face of such obstacles as those noted above, successful Russian entrepreneurs would reject the traditional Russian leadership style and adopt a more open, Western style. An example can be found in the words of one of our entrepreneurs, a 33-year-old part-owner and board chairman of a transportation service in the Moscow area. In describing his style, he noted, “An entrepreneur is a professional at a high level, capable of creating something new every day. The team should be self-organized; everybody should understand the importance of their work as a part of the firm’s overall success.”

Despite limited comparative research on entrepreneurship across cultures, some studies have provided a foundation for entrepreneurial convergence theory. Two multi-country studies, for instance, focusing on entrepreneurial cognition, concluded that such cognition was similar across geographical and cultural boundaries, supporting a universal culture of entrepreneurship. Another multi-country study noted the similarity of characteristics among entrepreneurs regardless of culture, while another major study found
evidence of the etic or universal appeal of the construct of entrepreneurial leadership across 62 cultures. Commonalities among entrepreneurs in different countries, as well as the differences between entrepreneurs and others in their respective countries, have also been noted in periodic Global Entrepreneurship Monitor (GEM) studies. All of these studies provide support to a convergence view of entrepreneurship.

Specific to Russian entrepreneurs, a recent study noted that many aspects of their entrepreneurial cognition were similar to those of U.S. entrepreneurs, and substantially different from Russian non-entrepreneurs. That study, like ours, was conducted among successful Russian entrepreneurs. Other studies have compared Russian entrepreneurs with those in the U.S., finding commonalities between them. On a broader scale, one important study found that Russian entrepreneurs possess many characteristics typically attributed to entrepreneurs elsewhere, finding them “ambitious, independent, motivated, alert to new business opportunities, and possessed of key core competencies.” A Russian study mentioned above also emphasized differences between Russian entrepreneurs and non-entrepreneurs. Differences between entrepreneurs and others in their own countries are seen in various studies as evidence of support for an entrepreneurial convergence theory.

Our study seeks to build upon all these works and provide additional support for a convergence theory of entrepreneurship. Such a result would also indicate that the exemplary Russian entrepreneurs in our study had rejected the former Soviet leadership style often described as controlling and autocratic, which most post-Soviet Russian managers still embrace.

**Results**

**Varying Leadership Styles, but an Open Style Dominates**

As described in the Methodology appendix, we categorized the entrepreneurs into three leadership style categories—open, balanced, and controlling. Although each entrepreneur had a dominant style, we recognize that they may not possess one pure style, consistent with the findings of prominent researchers in the leadership field. This view is consistent as well with another major study, which concluded that entrepreneurial leaders may exhibit both transformational and transactional leadership characteristics and behaviors.

Two-thirds of the entrepreneurs we studied displayed an open leadership style, which we see as being similar to the primary style found historically among U.S. entrepreneurs, while 25 percent evidenced a balanced style, and eight percent a controlling one. Those exhibiting an open style increased from 63 percent in 2003 to 79 percent in 2007. Figure 1 presents a year-to-year comparison of the percentage of entrepreneurs classified within each leadership style. The three styles, with illustrative characteristics, are described below, and representative individuals are profiled in four sidebars, two illustrating the majority open style, and one each the balanced and controlling styles.
Open Leadership Style

We found the predominantly open leadership style of these exemplary Russian entrepreneurs to be consistent with findings of other research in the leadership literature. A study of successful R&D entrepreneurs and company performance found that a democratic style was the most effective, and it was characterized by a moderate level of need for power and a moderate or high need for achievement as well as a high need for affiliation. In a study of authentic leadership among entrepreneurs, capacities such as optimism, resilience, and hope, along with future orientation and ethical climate were found to be positively correlated. Overall, we saw the open style as being consistent with the characteristics of transformational leadership—educating, inspiring, energizing, and exuding charisma. Transformational leadership also encourages creativity, develops self-functioning structures, helps raise employees to a higher level, creates an environment where employees do not fear speaking out or failing, promotes freedom of spirit, informality, friendship, democracy, delegation, decision making and responsibility, and sometimes shared ownership. The style “elevates the follower’s level of maturity and ideals as well as concerns for achievement, self-actualization, and the well-being of others, the organization, and society.” These are illustrative of the characteristics we found among the entrepreneurs we identified as having an open leadership style.

The open, transformational style of the vast majority of our exemplary entrepreneurs is also consistent with a study that found that Russian entrepreneurs in general had significantly higher transformational leadership behavior than Russian managers. That author noted, “Transformational leadership in new ventures can be expected to encourage the kind of bold and unconventional thinking that can lead to successful introduction of new products, processes, and development of new knowledge.” This conclusion is consistent with important findings in leadership research that transformational leadership
is more satisfying to followers and more effective than transactional leadership. Such a style is also similar to the authoritative style that has been noted as a likely direction for Russian management in the future. As the country has transitioned toward a market economy, the vast majority of our successful entrepreneurs have become exemplars of this type of leadership style, which is new and even revolutionary within Russia. Two detailed profiles of entrepreneurs exhibiting this style are provided in Sidebars 1 and 2.

All of this is in stark contrast to the old Soviet management style of command and control in that centralized economy. As one entrepreneur with an open style, the 34-year-old head of a Moscow beer, soft drinks, and mineral water company, put it in 2004, “When employees make decisions together, you don’t have to persuade them—it’s their decisions.” This illustrates the view that an open and inclusive leadership style helps create a self-functioning organization that is focused on success. A 38-year-old Moscow advertising and marketing entrepreneur noted in 2007 that he had created a talent management system for high-potential employees, including international development opportunities. A St. Petersburg fast-food entrepreneur, age 33, noted in 2006 that employees were partners in his business, “We always had a position of partnership, I never work alone and always involve a lot of people.” A young founder of a Moscow marketing research firm, who was a participant in 2005 at the age of 26, expressed the essence of the concept, “There is a warm atmosphere in the company. Everybody remembers and values that during the 1998 economic crisis, no one was fired and salaries were not cut.” She added, “All employees consider themselves coauthors in creating this unique company.” Collectively, these examples illustrate the openness exhibited by most of our exemplary entrepreneurs, in stark contrast to the highly controlling style of the Soviet period.

Effective Style for Growth in Dynamic Environments

Operating in a highly uncertain environment, like most entrepreneurs, those we studied faced a situation of limited resources, lack of reputation, a limited customer base, and other such limitations. Most importantly, they operated in a highly volatile environment, which has been seen as positively correlated with entrepreneurship and entrepreneurial leadership behavior and performance. Volatile environments are common for entrepreneurs, and one study linked CEO leadership attributes to profitability in uncertain environments. A study of over 1,000 entrepreneurs from 17 countries, mostly developed ones, who were finalists in the Ernst & Young 2000 global competition, found that environmental turbulence was seen as an opportunity for excellence and not an excuse for failure. Such environments are more pervasive in transition economies like Russia which has been described as volatile, turbulent, and even hostile. One comparative study concluded that the environment in Russia is more turbulent than in the United States or other developed countries such as Canada.

The open style we describe as the one most favored by our Russian entrepreneurs is generally seen as producing effective results in such environments,
SIDEBAR 1. Open Leadership Style

One entrepreneur with an open leadership style was the 45-year-old, 2007 participant who headed a company that packaged instant coffee for vendors. He did not have formal business education, having been a professional athlete who competed internationally for a USSR team and coached a U.S. sports team. The company was established in 1993 in Nizhny Novgorod and grew rapidly, attaining the number 2 market position nationally by 2006. The company's growth had been fueled by continuous innovation with new products and process facilities. Regarding his views of being an entrepreneur, he focused on people, understanding them as individuals and treating them fairly. “Money should not be your primary goal, but it is good when you give others an opportunity to make money and to help the community. Our factory is in a residential area and we are helping to improve it.”

In describing his open leadership style, he offered his views on hiring, stating that he focused not only on professional qualifications but also on personal qualities, believing that the individual had to fit with the organizational culture. He noted that the firm's motivation system was based on the principle that individuals should not have the goal to achieve things on their own but to teach others. He tried to create conditions to help employees self-actualize, which he saw as a key to success. He credited his own intuition, friends, and colleagues for helping shape his leadership style, stating that he discussed things and shared opinions, emphasizing that he was not afraid to make unpopular decisions but explained the reasons for them. He viewed the people around him as being a team and stressed the importance of keeping one's word.

Emphasizing his approach to people, he noted, “Building a production system is not a problem, but it will not work without people. And the key is having people work together. Our employees understand everything, but still are not afraid to ask questions.” He added, “Corporate culture is critical for developing committed employees. Our people have fire in their eyes. We give bonuses to our best people and our employees should be proud of their work, and should like what they produce. We have a waiting list of people who want to work here, partly because our employees have the opportunity to increase their pay if the volume increases. And if we have doubled volume, we double pay. One should not be greedy. Greediness is the first step to poverty.”

The company offered a strong benefits package including medical insurance, subsidized lunches, bonuses, and training. This entrepreneur noted, “We have good, honest, and stable relations, and I am glad that when facing problems, employees come and offer solutions. Everyone can improve their part of the job and 90 percent of our employees aspire to do so. And if a lot is coming from the bottom and is supported at the top, this helps move the business forward. Employees should not be afraid to come up with their own ideas since our company is open to change. Work should inspire, and it is interesting to grow and to build.” He continued, “In leading, many factors are involved, such as honesty, ethics, setting priorities, delegating, speed of making decisions, and treating people fairly. Everybody in the company is a little crazy and is a workaholic. Still, people feel that it is interesting to be a part of this organization. The most scary thing in business is to try to be on the cutting edge, but the key is to surround yourself with talented and smart people.”
in contrast to the leadership style of the former Soviet period, which has been analyzed as producing a “dark side” of leadership. Consistent with the open style of our entrepreneurs, a major theory has noted that U.S. entrepreneurs developed organic structures to adapt to their challenging environments, employing particular devices, the first of which was delegating authority to others since adapting was too difficult for top management to deal with alone. In the uncertain and turbulent environment in which they have functioned, the exemplary Russian entrepreneurs in our study expressed both the need to delegate and their willingness to do so. The head of a Rostov-on-Don insurance firm, age 37, expressed these realities in 2006, stating that his key work principles were “democracy, independence in making decisions, delegation, and incentives for development of new projects for employees.” He added that projects suggested and initiated by employees were being developed and that an individual approach was taken toward every employee. In 2005, a Moscow real...
estate executive, age 33, described his company’s approach to delegation. “We have a program called ‘Blue Paint’ that identifies employees who have extraordinary professional qualities, initiative, and an ability to take responsibility in difficult business situations that require non-standard decisions and inventiveness.” Likewise, the 30-year-old chairman of a Moscow-based national chain of mobile communications and portable electronics summed up in 2007 the role of delegation and communication in his company, “The lower the level at which a decision is made and the more initiative we have from below, the better the company works. But the decisions should be good. This is why we need meetings to communicate where we are going….Our corporate culture emphasizes innovation, openness and friendliness, responsibility, and reliability….Give people more responsibilities, and they should not be afraid to make mistakes.”

Such mechanisms as well as open leadership style are clearly necessary in the dynamic Russian environment as companies pursue profitable growth, and research outside Russia has indicated that inclusive transformational leadership is the most effective style in growing entrepreneurships. For instance, one study noted that business growth is highly dependent on the willingness of the top management team or owner to delegate decisions about the growing organization and workforce. Recognizing the same need for delegation to facilitate growth, another study noted that many entrepreneurs with an autocratic management style find it difficult to take their businesses to the next stage of growth.

U.S. entrepreneurs are generally seen as having profitable growth as a central objective, and the relatively long-lived Russian entrepreneurships we studied (average company age was 10 years) have the same goal. For instance, a 41-year-old IT services entrepreneur noted in 2005, “The company was small and fast and took jobs from bigger and slower companies, and even as we grew we tried to stay fast, flexible, and active, reacting quickly to market changes. We delegated to lower-level employees responsibilities for hiring, firing, salaries, bonuses, and organizing jobs.” He went on to describe the value of ideas and creativity on the part of all employees, and that the ones who offered ideas became responsible for carrying them out. Similarly, a 36-year-old Moscow head of an IT systems integration firm, in 2007, credited his firm’s fast and successful growth to a “mutual understanding of the vision of the company’s development.” He added that cohesion had been achieved through a corporate team-building approach focused on shared responsibility that occurred while 15 top managers studied together in an Executive MBA program.

Entrepreneurs with an open leadership style thus demonstrate the essence of transformational and authoritative leadership, and the Russians we studied who exhibited that style were early to realize that as Russia progressed toward a market economy, old managerial paradigms would have to change. As their companies competed in a new and turbulent system, it was important for the companies themselves to stay open to new information and managerial practices. This open leadership style was thus seen as a competitive advantage in attracting talent and building employee loyalty, as well as fostering successful
growth. Recognizing the requirements of the new environment seemed to be a fundamental reason for the increasing percentage of successful entrepreneurs exhibiting an open leadership style.

**Controlling Leadership Style**

Fewer than 10 percent of respondents exhibited a controlling management style which included centralized decision making and military-like discipline, and often selecting a small circle of highly trusted managers who were given more freedom and benefits than others. This style is reflective of the Soviet era, where the centrally planned economy was viewed as an extension of politics, and failure to achieve economic goals could almost be viewed as sabotage. Consequently, strict rules, accompanied by fear and rewards, were used to control discipline. This continues to be a common leadership style in non-entrepreneurial Russian organizations, as well as among a small minority of our successful entrepreneurs. Illustrating his controlling style, the 42-year-old head of a Nizhny Novgorod automotive engineering firm and producer of armored vehicles and automotive engineering said, “My employees have no right to say ‘I cannot.’” Similarly, a 58-year-old male telecom entrepreneur stated in 2007, “During the development of my business I tried different models of management and came to the conclusion that the most effective model is that of very tough authoritarian management for the majority, but giving independence and opportunity to develop and implement new ideas for the most creative, independent, and charismatic employees.” A 2007 participant, the 44-year-old head of a chain of payment terminals, summed up his controlling style by stating, “Life has not changed since I became an entrepreneur. The only thing was that I acquired one quality—to be tough when managing people.” In describing the corporate culture, he added, “We did not go too far from Soviet culture.”

Yet, these controlling-style entrepreneurs have been highly successful. Entrepreneurs with this style exhibit transactional leadership and their management style reflects an approach of “you do this, and I will do that for you in exchange.” As such, they are sometimes willing to utilize positive motivation with those outside their inner circle. One study found a transactional leadership style to sometimes be effective in Russian entrepreneurialships, while the transformational style was found effective in others. Effectiveness might vary by industry, company size, specific types of companies and locations, or among certain workforces. For instance, the controlling-style entrepreneur profiled in Sidebar 3 headed a 20,000 employee agro-industrial holding company in the harsh conditions of Siberia. Overall, however, our study did not detect any such patterns among the successful controlling-style entrepreneurs.

**Balanced Leadership Style**

About one quarter of the entrepreneurs we studied exhibited a balanced leadership style, having elements of both open and controlling styles, similar to contingency or situational leadership. Such leadership is at times democratic, while at others authoritarian. Balanced leaders may consider employee input,
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but most decisions are made at the top. Such leaders usually spell out clear goals and provide incentives to motivate employees and foster creativity, but also employ strict guiding policies and procedures and closely monitor results. These entrepreneurs typically employ both positive and negative motivation. The 38-year-old head of a Chelyabinsk investments and consulting firm described his style in 2005, “I use the carrot and stick approach, and of course, my charisma.” Similarly, the 50-year-old female head of a Moscow medical services firm explained in 2006, “Our collective is a family in which I was like the mother for most employees. But with the growth of the company and creation of new departments, I have had to use an authoritarian managerial style as well.” Interestingly, many of the balanced-style entrepreneurs were in the process of moving from a controlling style to a more open one. For instance, the 48-year-old

**SIDEBAR 3. Controlling Leadership Style**

One of the relatively small number of entrepreneurs with a controlling leadership style is a 2007 competition participant, the 41-year-old cofounder and head of a leading agro-industrial business holding company started in 1995. Headquartered in the Krasnoyarsk region of Siberia, by 2007 the company had 20,000 employees, was the largest poultry producer in the region, and operated 48 hypermarkets, 30 small stores, and a construction company, as well as its own bank.

This entrepreneur stated that “entrepreneurship is life . . . I cannot live any other way” and that “business gives me energy—I have no time for other hobbies.” He stated that he does not take risks without reason, and that risk should be justified, saying, “I’m afraid of many things, but still make decisions quickly, after assessing the situation and realizing how much risk I can take.” He added, “My family plays an important role, and the key is receiving understanding and support from them.”

His father, who was a factory director in Soviet times, appeared to be the role model for his controlling leadership style. The entrepreneur emphasized the very important advice he received from his father, which was to take responsibility for decisions, all of which should be written down in order to control their implementation. He noted that key decisions are all the responsibility of the entrepreneur himself. He described himself as having “something from God to make people follow me. I believe you either have it or not. It is not possible to develop this quality.” Still, he described the key success factor within the corporate culture to be the work of the entrepreneur and his team. He noted that he leads his 40- to 50-member team by personal example and has good contact with them. He greets workers personally with a handshake and takes part in the work of the team. He noted that an important part of culture is the promotion of charismatic people. He believed that his most difficult challenge was people because of the Russian mentality and Russian character; saying, “It is difficult to put people into a mold, to force them to act in accordance with procedures, so my basic approach is using the carrot and stick. I personally try to encourage and punish them as needed.” Whether it be the industry, the company’s location, or the type of work force, or possibly the individual himself, his controlling leadership style had evidently been effective over the company’s 12 years of success.
Vladivostok-based head of a retail operation reflected in 2007 on what he would have done differently in retrospect, “Making all the decisions myself was a mistake. I would delegate more, and would start preparing professional managers earlier on.”

We categorized entrepreneurs as having a balanced leadership style when they mentioned they routinely employed techniques from both open and controlling styles, and also when they evidenced that they had evolved to a more open style from a purely controlling one. Balanced leadership employs both carrot and stick motivation, but is more flexible than a controlling style. Also, it may well represent an adaptive management style since many of the balanced-style entrepreneurs indicated that they had changed to a more open style after starting with a controlling style and learning that it was not very effective.

**Conclusion**

This study has demonstrated that a virtual revolution in leadership style has been occurring among some entrepreneurs in Russia, specifically
the exemplary entrepreneurs who participated in the Ernst & Young annual competitions from 2003 to 2007. Our results add support to an entrepreneurial convergence theory, since the vast majority of these Russian entrepreneurs exhibited an open style similar to U.S. entrepreneurs, a result likely due to the effects of the globalization of business. Examples of such openness can be found in the words of many of our successful entrepreneurs. For example, a 57-year-old general director with more than half ownership of a furniture manufacturing plant expressed his values on entrepreneurship, stating, “An entrepreneur is a person on the edge of creating new ideas and who is capable of turning disadvantages into advantages.” He added, “It is not possible to force people to do good work; you need to help them understand the advantages of good work by involving them and giving them opportunities to take initiative.”

Implications

Implications for Entrepreneurship in Other Emerging Economies

As seems to have occurred in Russia among the successful entrepreneurs we studied, convergence of entrepreneurial leadership may well be occurring in other emerging and transition economies where entrepreneurs also operate in very dynamic and challenging environments. Entrepreneurs in these countries, similar to Russians, are likely to have deep-seated values stemming from traditional informal institutions where legitimate formal institutions are weak. Yet, in these transitioning situations, as in Russia, there is likely to be a cadre of exemplary entrepreneurs who have adapted relatively quickly to their emerging market environments, and who could be exhibiting an open leadership style.

For instance, they might be similar to the general director and part-owner of a rapidly growing fast-food chain featuring traditional Russian cuisine. He reported in 2006 that the business had doubled annually during the five years since its founding in 2001 when he was 28 years old. He attributed much of his success to an open leadership style, stating, “We always had a position of partnership. I never work alone, and always involve a lot of people. And it’s my view that only in partnership can one achieve a lot—one person is not enough.” A similar perspective was shared by the majority owner and chairman of the board of a major Moscow marketing and advertising agency, who stated, “I never make decisions alone—I spread responsibilities.” In 2007, at age 38, he reflected on what the company had become since its founding in 1994, “I have a feeling of being a creator, since within 10 years we managed to create a whole industry from scratch.” He elaborated on his view of entrepreneurship, “First of all, an entrepreneur is an integrator of the best human qualities. One should have this ability to help others open themselves up. Second, an entrepreneur is a transformer of the economy.”

If the exemplary Russian entrepreneurs in our study were able to break out of traditional, institutionally influenced molds, there is reason to believe it is also happening or can happen in other transition environments such as other countries of the former Soviet Union, Eastern and Central Europe, China, India,
and Brazil. The globalization of business has facilitated this process as has the rapid spread of technology, acceptance of business education from developed countries, extensive foreign travel, and instant communication such as through e-mails and cell phones. Additionally, businesses and their practices are often reported in the local news in transition economies, and the potential for learning new systems and even embracing new values is certainly feasible, as our exemplary Russian entrepreneurs have demonstrated.

**Implications for Doing Business with Russia and Other Emerging Economies**

Exemplary Russian entrepreneurs could make excellent partners for U.S. entrepreneurs and other business people seeking to enter Russia, which has been one of the world’s fastest growing markets and economies. One important study recommended that particularly when entering new markets in emerging economies, it is best to do so with a trustworthy and capable local partner.94 Additionally, another important study concluded that a universal culture of entrepreneurship can serve as a common framework for practitioners, as well as researchers and policy makers.95 Specifically, our reasoning is based on the open and transformational leadership style of these potential partners who have undergone careful screening in the annual Ernst & Young Entrepreneur of the Year competitions. As noted earlier, they may well be representative of successful entrepreneurs in other emerging economies, including those who have participated in the Ernst & Young and similar competitions.

Additionally, these exemplary Russian entrepreneurs have been highly successful and have amassed a wealth of experience and accomplishments at relatively young ages. An attractive partner for American companies, for instance, might be the founder, primary owner, and president of a national chain of mobile communication and portable electronics, who in 2007 was only 30 years old and had started the company in 1995 while still in his teens. In expressing his open leadership philosophy, he stated, “We motivate employees to work first of all as a team and not for personal success. Since we are a big company, we hold interregional meetings twice a year so employees get to know one another and exchange information to develop horizontal connections. I believe that employees should not look to managers for decisions, and that the lower the level at which decisions are made and the more initiative we have from below, the better the company works.” Drawing upon the expertise, experience, and exceptional local knowledge of such partners would require far less learning on the part of U.S. businesses, and as such would provide them with a valuable resource when entering this emerging market.

The number of these exemplary entrepreneurs increases every year, and there are undoubtedly other entrepreneurial partnership opportunities beyond this particular group for U.S. entrepreneurs and executives to pursue, both in Russia and other emerging economies. Additionally, these exemplary Russian entrepreneurs could serve as boundary spanners between U.S. and other Russian business people whose characteristics and leadership styles may be less
similar to U.S. counterparts than those of our exemplary entrepreneurs. It may well be a propitious time for Americans to take advantage of this revolution in Russian entrepreneurial leadership.

**Implications for Entrepreneurship in Russia**

As a transition economy whose GDP is overly dependent on energy and other natural resources, Russia will increasingly need successful entrepreneurs to help diversify the economy and create other sources of national wealth. Effective entrepreneurs will be required to accomplish this, and the successful entrepreneurs we studied have proven track records. Thus, the predominant leadership style they employed in achieving their success is of marked importance to the country’s economic growth and sustainability, and the same should be true for other emerging economies.

The vast majority of the exemplary Russian entrepreneurs we studied were found to be similar to U.S. entrepreneurs in their open leadership style, one which the literature has noted as being conducive to business growth and employee motivation, involvement and satisfaction, as well as being particularly valuable in volatile and changing business environments. Some Russian employees have been found to prefer that style of leadership. Such a preference seems to have been the response of managers joining one of our entrepreneurs’ banks after their institutions were acquired, and was clearly related to the entrepreneur’s open leadership style. In his own words, the chairman of the board and part-owner of a major Novosibirsk bank stated, “We do not have turnover, and after all the acquisitions we managed to keep the management of those banks. You should treat people sincerely and help them when they need it, and build their trust so everybody can make better decisions.”

The success of such entrepreneurs could well have a multiplier effect among other Russian entrepreneurs who may not be as far advanced on the leadership learning curve as those we analyzed. Yet, one important study found that Russian entrepreneurs in general possess numerous characteristics typically attributed to entrepreneurs elsewhere, signifying the potential for their successful transition to an open or transformational leadership style. Thus the entrepreneurs we studied, with their involvement in the highly visible Ernst & Young Entrepreneur of the Year competition, could well become role models for other Russian entrepreneurs, and could also be representative of such successful entrepreneurs in other emerging economies.

**APPENDIX**

**Methodology**

**Multiple Case Analysis**

Our research is based upon multiple case analysis using content analysis methodology, which provides rich in-depth information from open-ended
responses. The data consisted of questionnaires and interviews from participants in the Ernst & Young Russian Entrepreneur Competition for the years 2003 through 2007 inclusively. Described below are the competition, the translation process from Russian into English, and the method we utilized to categorize the content analysis of leadership style.

**Ernst & Young's Russian Entrepreneur of the Year Competition**

Ernst & Young's Entrepreneur of the Year competition is held in 50 countries with the purpose of recognizing entrepreneurs whose ingenuity, hard work, and perseverance have created and sustained successful, growing business ventures. Eligible entrepreneurs are owners or managers of private or public companies who are primarily responsible for recent company performance or are active members of top management. According to Andrey Pozhalov, director of the Russian Entrepreneur of the Year program, "Participants in Russia have distinguished themselves not only through the expertise achieved through their hard work, but also for their strategic vision, leadership, and proactive approach to their businesses. They follow the principles of openness and transparency in their work, they do responsible business, they give substantial attention to corporate governance issues, training and development of their staff, raising the competitive advantage of Russian goods and services, and continuous personal development."  

In Russia, as in other countries, independent judging panels of the applications are composed of well-respected citizens in their communities. The focal Russian entrepreneurs were participants in the first five years of the Ernst & Young Russian Entrepreneur of the Year competition, 2003 to 2007, with the annual winner entered into the World Entrepreneur of the Year competition. Each applicant submitted a lengthy questionnaire responding to primarily open-ended questions. Ernst & Young staff screened applicants and then conducted personal interviews with each eligible applicant to explore their qualifications and achievements in more depth. The company then transcribed the interviews to complete the application package. Two caveats should be kept in mind in interpreting the results of our analysis of this group. First, these entrepreneurs are not necessarily typical of other Russian entrepreneurs since they were identified by Ernst & Young for Russian Entrepreneur of the Year. Second, the information may reflect a positive self-report bias.

**Research Team**

Ernst & Young provided the questionnaires and interviews to our three-person, bilingual and bicultural research team. Two of the authors are fluent in Russian and English, one being a native English speaker, the other a native Russian speaker. The third, a native English speaker, has extensive experience in Russian management similar to the other coauthors. The native English-speakers have published extensively on Russian management, and the native Russian-speaking author has an MBA and substantial business experience with Russian and U.S. firms in Ukraine.
Translation

After eliminating several duplicate applications from multiyear participants, the final sample included 130 entrepreneurs (26 in 2003, 24 in 2004, 33 in 2005, 17 in 2006, and 30 in 2007). The vast majority of questions were open-ended, and factual information was provided for such data as age, gender, years with the company, and the year the business was founded. The native Russian-speaking author translated material relevant to the research topic from the questionnaires and interviews into English to ensure understanding by the native English-speaking authors, as well as to provide quotes to be included in this article. The translations were then reviewed for accuracy by the bilingual native English-speaking author. Thus, to ensure translation accuracy, we combined the perspectives of cultural “insiders” and “outsiders,” following recommended procedures to draw upon the combined skills of the bilingual and bicultural members of our research team.

Leadership Style Categories

Using content analysis, we developed three leadership style categories. These were based upon the entrepreneurs’ responses as well as on accepted leadership style theories, specifically autocratic-democratic-situational and transactional-transformational. We discussed these beforehand, and the native Russian speaker was guided by these theories in developing the three leadership style categories for the entrepreneurs. The three categories we felt best represented their responses are open, controlling, and balanced leadership styles. We selected those terms rather than ones in the Western literature in order to avoid preconceived categories and their specific definitions and connotations.

The native Russian-speaking author reviewed the Russian questionnaires and interviews several times to uncover all statements for the entrepreneurs that provided insights into their leadership style. There was no direct question in either document referring to leadership style. The primary questions that provided insights dealt with management style (provided many direct statements about leadership style), personal background information (such as statements about upbringing), relationship with employees (such as company policies, motivation, and training), corporate culture (provided strong insights into leadership style), support for personnel (such as mentoring and support for creativity), orientation to success (for instance, whether success was seen as personal or a shared achievement), key values (such as attitudes toward work and ethical orientation), style of influence (how they persuaded others to perform), and origins of the business (how it got started and grew). Additionally, any answers to other questions that provided insights into leadership style were included. The answers to all of these questions provided the information to create a composite of each entrepreneur’s leadership style.

The first two authors instructed the two coders in the criteria to use for categorizing the three leadership styles. The primary coder, the native Russian-speaking co-author, then classified the entrepreneurs into one of the categories based upon the content of their answers to the questions mentioned above, and those results are reported in this article. As a check on the reliability of that
coding, a second native Russian speaker, who had an MBA and was the marketing director of a U.S. biotech firm, coded 20 percent of the questionnaires. The 26 questionnaires were randomly selected, while insuring that all years were proportionally included. As evidence that the sample was representative of the total of 130 questionnaires, a comparison of the first coder’s findings in the sample versus the total database was 69 percent vs. 66 percent open style, 27 percent vs. 25 percent balanced style, and 4 percent vs. 9 percent controlling style.

The two coders were in agreement 81 percent of the time in the sample coding, with the second coder finding 77 percent open style versus 69 percent by the first coder, 23 versus 27 percent balanced style, and zero versus 4 percent controlling style. We consider this overall level of agreement between the two coders, as well as the high percentage of respondents that each rated as having an open style, to corroborate our primary conclusion that an open leadership style predominated among these successful entrepreneurs. We report the more conservative results obtained by the primary coder for the entire database. An additional element of conservatism in our reporting is that even when some entrepreneurs displayed an evolution culminating in an open leadership style, they were still classified as having a balanced style if they had demonstrated a controlling style earlier in their careers. In summary, even our reporting of the more conservative results indicates that an open leadership style was the predominant style among these entrepreneurs.

Notes


27. Wilson and Purushothaman, op. cit.


30. Puffer, McCarthy, and Boisot, op. cit.


42. Puffer and McCarthy (2001), op. cit.
44. Ireland, Hitt, and Sirmon, op. cit.
49. Bruton, Ahlstrom, and Obloj, op. cit.
53. Puffer, McCarthy, and Boisot, op. cit.; Batjargal, op. cit.
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56. Mitchell, Smith, Seawright, and Morse, op. cit.


67. Tullar, op. cit.

68. Golenkova and Igitkhanian, op. cit.


73. Kets de Vries (1977), op. cit.

74. Jensen and Luthans, op. cit.
77. Ardichvili, op. cit.
78. Avolio and Bass, op. cit.
90. Elenkov, op. cit.
91. Fiedler, op. cit.
93. Puffer, McCarthy, and Boisot, op. cit.
94. Li, Eden, Hitt, and Ireland, op. cit.
95. Mitchell, Smith, Morse, Seawright, Peredo, and McKenzie, op. cit.
96. Fey, Adaeva, and Vitkovskaia, op. cit.
97. Tullar, op. cit.
98. Yin, op. cit.
99. Miles and Huberman, op. cit.; Strauss and Corbin, op. cit.
102. Miles and Huberman, op. cit.; Strauss and Corbin, op. cit.