

COMPETITION AND COOPERATION: MANAGERIAL VALUES AND SOCIAL CAPITAL ON THE BALTIC RIM

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VALUES IN AN INTERNATIONAL CONTEXT

As international competition and changes in cooperation and conflict increase in the early twenty-first century, successes in business require more than the infusion of new investments. At a time when change is driven by new technologies and their applications, development of human resources and the strengthening of relationships based on mutual trust and related values have become of paramount importance.

This is especially true in the Baltic States, now in their twelfth year of post-Soviet economic and societal transition. Domestic economic progress in the Baltic regions arguably depends not only on attracting investment capital, but also on the development of cooperative economic, political, and social relationships around the Baltic Rim. Most of all, it depends on larger numbers of entrepreneurial, better-prepared, pragmatic managers within each Baltic nation.

Much is at stake. Recently, the number of entrepreneurs in Estonia was reported to be 20 per 1,000 population, 15 in Lithuania, and 10 in Latvia. The cumulative impact of market-oriented business schools appears to be small, even in the late 1990s. The low number of entrepreneurs and the large number of lacunae, with respect to business knowledge, should be considered major factors in limiting Baltic economic development.

In light of Porter's (2001) call to advance competition in the larger region around the Baltic Rim, it is time to take a broader look at change in the East Baltic. In this paper we suggest that one of the keys to change in the Baltic States is the social capital in each country.

This paper presents preliminary findings, from a comparative study of managerial values on the Baltic Rim, that can begin to shed light on the nature and distribution of social capital in the countries of this region. The objectives of our larger research program, from which this paper's findings represent a short extract, are to review the formation of values and other cultural aspects as factors in the Baltic transition; to track value changes in the three Baltic states in the last decade; and to compare values held by management students in the Baltic republics and in several other Baltic Rim countries. Earlier papers, including our most recent (King, Barnowe, Pauna & Kruminis, 2000), have focused chiefly upon values in the Baltic States themselves. This paper adds comparative data from Sweden, Norway and Poland, and attempts to clarify the implications of different value patterns for building and making use of social capital.

RESEARCH METHODS

Samples

This research has focused chiefly upon the values of advanced undergraduate students in selected schools of business and economics. These students represent a new generation of business leaders in the Baltic countries. They are rapidly replacing older managers, particularly in private enterprises and public institutions associated with international trade. Institutions from which this study's samples were drawn are known to use American textbooks and instructional materials, in English or in translation. All schools had at least some visiting faculty members from the West. Survey information was gathered from students enrolled in required senior courses. Countries, academic institutions, and sample sizes were as follows:

Estonia: 65 undergraduates from the private Estonian Business School (EBS) in Tallinn, an institution with more than 3,000 students. Surveyed in spring 2002.

Latvia: 101 undergraduates from Stockholm School of Economics in Riga (SSER). SSER is a small, very selective school enrolling Estonian, Latvian, Lithuanian and Russian students, who are often characterized as middle-class strivers, and with faculty largely from schools in the West. Surveyed in 2000.

Lithuania: 99 undergraduates from Vytautas Magnus University in Kaunas. This institution was reestablished in the early 1990s and is linked most closely with American sources of faculty and support.

Poland: 86 undergraduates in business and economics at three institutions in Poznan: the Academy of Economics, the Poznan School of Management and Banking, and the Adam Mickiewicz University. Surveyed in 2000.

Sweden: 83 undergraduates from Stockholm School of Economics, a leading institution in Sweden. Surveyed in 2000.

Norway: 131 undergraduates from the Norwegian School of Management's Ekeberg campus. Surveyed in 1993. (At the time, this institution was the private Oslo Business School.)

Measures

Hofstede's (1980) questionnaire was used to assess the importance of different job features, beliefs concerning several topics related to social capital, and perceptions concerning managerial style. This instrument has been widely used in making international comparisons. This paper focuses on responses to individual items rather than computed national values scores. Survey information was supplemented by observations and discussions. Interviews with students and other informants in business, public administration and academic institutions were held mostly in Latvia.

England's (1975) Personal Values Questionnaire, described in our last published report (King, et al., 2000), was also used in our surveys during the last decade. The detailed data collected there are not included in this report, but they are one source of general background information we considered.

Caveats

Interpretations of the results of research into personal values is made difficult by widely divergent and imprecise value constructs within and across cultures (King et al. 2000), as well as by possible changes over time in the importance and meaning of value constructs. As discussed below, qualitative data, from observations and interviews, are especially helpful in making sense of survey findings. Sample sizes in this research preclude making sweeping generalizations about the values of the larger population in any of the Baltic Rim countries. The findings reported below are best seen as representing the values of a future generation of managers at a particular time and stage of their personal development.

In a sense, this brief report suggests the need to explore further for particular answers to more specific questions. Thus, surveys of public opinion and other sources indicate most members of the Russophone minority in Latvia distrust government at the higher levels of administration. On the other hand, trust is higher among the better educated of the younger generation.

Moreover, institutional factors, such as lack of corruption and strong law enforcement, may best explain variations in behavioral patterns among the major types of firms (Peng, 2000).

SURVEY FINDINGS

Beliefs Related to Social Capital

Five items from Hofstede's (1980) instrument, shown in Table 1, address important aspects of social capital. The most important of these, according to Fukuyama (1995), is trust. Norwegian, Estonian, and Swedish respondents were more sanguine about whether other people could be trusted than were respondents in Latvia, Lithuania, or Poland. Polish

respondents were particularly wary about the trustworthiness of others. The remaining items, in the order listed in the table, refer to general beliefs about people and organizations, perceptions about organizational climate, and intentions concerning employment.

Respondents in Sweden were much less likely than any other subsample to endorse the traditional autocratic belief (termed "Theory X" by McGregor, 1957) that "Quite a few workers inherently dislike work and will avoid it if they can." Fully 50 percent disagreed with this statement (i.e., they endorsed McGregor's "Theory Y"). They were followed, in increasing order of agreement with this statement, by respondents in Latvia, Lithuania, Norway, Estonia, and Poland. A majority of Estonian and Polish respondents held more traditional Theory X beliefs about workers.

Respondents in Sweden also stood apart in their infrequent endorsement of the statement "An enterprise's or organization's rules should not be broken—even when the worker thinks it is in the organization's best interests." Rules were far more important to respondents in Estonia, Latvia, Poland, Norway, and Lithuania (where a solid majority agreed or strongly agreed with this statement).

Subordinates were seen as least frequently afraid to express disagreement with their superiors by respondents in Estonia, followed by those in Sweden, Norway, Latvia, Lithuania and Poland. Even in the latter two countries, only a minority of students see subordinates as frequently fearful about expressing dissent.

Finally, the last row of Table 1 shows that small, but possibly significant, minorities of respondents in each country intend to remain with their present or first employer for no more than two years. More than a quarter of students in the Latvian sample so indicated, while just one in seven respondents in the Swedish sample shared the intention to change jobs within two years.

TABLE 1
General Beliefs Related to Social Capital
[Values in %]

Item	Norway	Sweden	Estonia	Latvia	Lithuania	Poland
	N=131	N=83	N=65	N=101	N=99	N=86
Most people can be trusted*	56	48	53	39	38	32
Workers dislike/ avoid work*	48	26	52	38	44	57
Rules should not be broken*	46	23	39	41	60	44
Subordinates fear expressing disagreement with superior**	31	28	16	33	44	46
Intend to work for enterprise for two years or less	19	16	20	28	25	23

* Percent who agree or strongly agree with statement.

** Percent who say frequently or very frequently (5-point scale).

Managerial Style

Table 2 shows responses to Hofstede's (1980) items regarding managerial style. Hofstede's instrument presents four brief descriptions of how different managers make decisions and asks respondents two questions: which manager they would prefer to work under, and to which manager their present superior most closely corresponds. Two patterns are clearly visible in Table 2, regardless of national sample.

First, a majority of respondents in each country prefer management styles that tend toward consultative or participative patterns. In the former, the manager solicits inputs from subordinates and takes those inputs into account in making a decision. In the latter, subordinates are asked to take part in making a decision, and the manager accepts majority rule.

TABLE 2
Preferred and Presently Experienced Managerial Style
[Values in %]

Managerial Style	Norway	Sweden	Estonia	Latvia	Lithuania	Poland
Preferred:						
Directs	3	0	3	7	4	3
Explains	16	9	18	14	30	17
Consults	57	74	45	58	46	37
Participative	24	17	34	22	20	42
Now experienced:						
Directs	21	19	19	16	24	22
Explains	39	36	38	44	36	28
Consults	30	33	27	30	30	26
Participative	10	12	16	10	11	25

Total exceeds 100% due to rounding off.

Second, a majority in each country also reports experiencing the different styles. The directive-authoritative manager makes decisions unilaterally and communicates firmly the expectation that they will be carried out. In other cases, decisions are also made authoritatively, but are explained to subordinates, and subordinates are invited to ask questions. There are differences from country to country (for example, 91 percent of respondents in Sweden prefer consultative/ participative management, compared to 66 percent in Lithuania), but both proportions represent substantial majorities.

TABLE 3
Importance of Features in Ideal Job

Rank	Norway	Sweden	Estonia	Latvia	Lithuania
1	Opportunity for advancement	Challenging tasks	Good working relationship with direct superior	Opportunity for advancement	Opportunity for high earnings
2	Variety and adventure on job	Opportunity for advancement	Sufficient time for personal/family life	Opportunity for high earnings	Opportunity for advancement
3	Good working relationship with direct superior	Variety and adventure on job	Work with people who cooperate well	Challenging tasks	Good working relationship with direct superior
4	Good physical working conditions	Work with people who cooperate well	Opportunity for high earnings	Sufficient time for personal/family life	Security of employment
5	Freedom to adopt own approach to job	Good working relationship with direct superior	Challenging tasks	Work with people who cooperate well	Work with people who cooperate well
6	Work with people who cooperate well	Sufficient time for personal/family life	Good physical working conditions	Good working relationship with direct superior	Good physical working conditions
7	Opportunity for high earnings	Make real contribution to success of organization	Opportunity for advancement	Make real contribution to success of organization	Sufficient time for personal/family life
8	Challenging tasks	Opportunity for high earnings	Make real contribution to success of organization	Variety and adventure on job	Make real contribution to success of organization
9	Make real contribution to success of organization	Live in desirable area	Freedom to adopt own approach to job	Good physical working conditions	Challenging tasks
10	Be consulted by superior re decisions	Good physical working conditions	Work in prestigious, successful organization	Freedom to adopt own approach to job	Well-defined job, clear requirements
11	Sufficient time for personal/family life	Freedom to adopt own approach to job	Live in desirable area	Security of employment	Variety and adventure on job
12	Security of employment	Be consulted by superior re decisions	Security of employment	Live in desirable area	Freedom to adopt own approach to job
13	Live in desirable area	Opportunity to help other people	Variety and adventure on job	Well-defined job, clear requirements	Work in prestigious, successful organization
14	Opportunity to help other people	Security of employment	Be consulted by superior re decisions	Work in prestigious, successful organization	Live in desirable area
15	Well-defined job, clear requirements	Work in prestigious, successful organization	Opportunity to help other people	Be consulted by superior re his/her decisions	Have little tension and stress on job
16	Work in prestigious, successful organization	Well-defined job, clear requirements	Well-defined job, clear requirements	Opportunity to help other people	Be consulted by superior re decisions
17	Have little tension and stress on job	Have little tension and stress on job	Have little tension and stress on job	Have little tension and stress on job	Opportunity to help other people
18	Serve my country	Serve my country	Serve my country	Serve my country	Serve my country

Features of Ideal Jobs

Table 3 shows comparative importance hierarchies of eighteen features of an ideal job. This table affords a visual picture of similarities and differences between respondents from relatively affluent, market-oriented countries in the left two columns of the table (Norway and Sweden), and those in the four right-hand columns made by respondents in Estonia, Latvia,

Lithuania and Poland, countries undergoing transition since 1990 from economies that had been dominated for decades by central planning. Several similarities and distinctive differences can be seen.

Similarities

Respondents shared perceptions about the importance of job features at both ends of the importance spectrum. Each subsample rated the opportunity for advancement, the importance of working with people who cooperate well, and the importance of having a good working relationship with one's immediate superior highly (in the upper half or top third of the eighteen job features). Working in a prestigious, successful organization was of less importance (bottom half of the table) for each country sampled.

Even more striking agreement is seen at the very bottom of the table: every country sampled rated the importance, in an ideal job, of serving one's country dead last. Agreement was similar with respect to the importance (low) of having little tension or stress on the job, and of having (in one's job) the opportunity to help other people.

Contrasts

Respondents from Norway and Sweden rated the importance of having variety and adventure on the job very highly, while respondents from the other countries rated this job feature in the middle (Latvia, Lithuania) or bottom third (Estonia, Poland). The opportunity for high earnings was rated highly important by respondents in Lithuania, Latvia, Poland, and Estonia, but as a middle-third job feature by those in Sweden and Norway. Security of employment was highly important to respondents in Lithuania and Poland, but of moderate to low importance by respondents in Latvia, Estonia, Norway, and Sweden. Having challenging tasks was highly important to respondents in Sweden, Latvia and Estonia, and of middle-tier importance to those in Norway, Poland and Lithuania.

DISCUSSION

As reported in our earlier publications, the values of managers around the Baltic Rim and elsewhere tend to be, to use England's classification, pragmatic or moralistic, or represent a mix of these work values (King et al., 2000). Early findings suggested that Estonian managers are the most pragmatic in the Baltic States, that many Latvian samples include moralistic bureaucrats, and that Lithuanians are much influenced by community values. Increased internationalization of trade on the Baltic Rim seems likely to place a greater emphasis on the importance of mutual trust and cooperation in the Baltic States.

Although many commonalities and similarities in value are apparent, the degrees of affluence and of personal choices available in the more advanced countries should be taken into account in the interpretation of expressed values. Students in Sweden and Norway have more choices and are further supported by commitments of their societies to provide life-long learning opportunities. Polish students are likely to be greatly influenced by rising opportunities and standards of living. In the Baltic States, the dynamic is different. Lower domestic incomes, the visible affluence of neighbors, and relatively undeveloped competition are factors favoring more rapid development. The promise of increased international economic relationships is likely to be especially appealing to the younger generation.

Qualitative comments from key informants in the Baltic States remind us that surveys address a limited range of relevant issues. For example, survey responses do not reveal the Estonians' drive to seek new opportunities, nor convey the Latvians' distaste for aggressive retailing or distrust of the government, nor explain the strengths of community ties in Lithuania. In the Baltic States, cautious attitudes toward new ideas and strangers, as well as the personal reluctance to accept innovations and change, can be attributed to passive values that evolved during long periods of alien overlordship and foreign occupation.

Students reflected, to some degree, American value patterns. Values across the six countries included in this study are not homogeneous, but reflect the harmonizing influences of educational materials, favored theories and frameworks that have become normative in business education, and the ease of communications through many media, perhaps most notably the Internet.

Attractiveness of opportunities around the Baltic Rim was suggested further by a variety of past and present cultural, economic and business ties. Moves toward mutual cooperation have been strengthened by kindred values and physical proximity. An important aspect has been the greater availability of national and regional niches and high market share options (Akhter, 1995) on the Baltic Rim.

WINDS OF CHANGE IN THE BALTIC STATES

In 2002, the Baltic States face the dual challenge of internal and external change. Despite difficult antecedent circumstances (Neimanis, 2000), they made substantial progress toward their transition to civil societies and market economies in the previous decade. All have become new members of the WTO. They were invited to join NATO late in 2002. They completed negotiations with the EU in 2002, in order to accede to full membership in 2004. Although poor by EU standards, they have recently enjoyed economic growth rates above those experienced in the EU.

The transition of the Baltic States, however, is far from complete. Many unresolved issues remain concerning public policy and practice in guiding and supporting economic development, in the optimal roles of entrepreneurs, and the need to suppress corruption. The prospective engagement of the Baltic States in closer cooperation with their western neighbors presents a new wave of further debates, actions, and expanded international relationships.

Difficulties in building these were abundant. A potential stasis in work values at first weakened traditional, pragmatic mindsets, and seems to have made many Baltic managers and other leaders uncertain and less decisive. As transition has progressed, confused managerial values have become more purposeful and pragmatic in Estonia, and more community oriented in Lithuania. In Latvia, attitudes about changing Soviet managerial values, structures and procedures have been effectively delayed by Soviet-style managers of the second industrial revolution. They, together with powerful bureaucrats, have maintained their own visions of centralized efficiencies and moralistic notions that have little in common with the freedom of markets and civil liberties. Where values have not been enforced in education and at work, social capital has been expended and not replaced. The ethic of social responsibility has been undermined by several factors, mostly by corruption and ineffective public services.

Although change has been considered suspect, progress is still expected in all three Baltic States. In the best of all possible worlds, national identities would be preserved in a spirit of tolerance, individual freedoms and social equities would be protected, and economic progress would combine local interests with the benefits of international collaboration. Economic interdependence would be increasingly compatible with cultural independence and other social factors.

Instead, private discussions and public debates in the Baltic republics have been framed by contrasting values and much distrust. Economic development depends on substantial injections of capital into the private sector and public infrastructure, on rejuvenation of human resources, and on the rebuilding of social capital and mutual trust. The latter is still weak, due to perceived differences in ethical norms in societies around the Baltic Rim. Put in other terms, there is a strong need for international investments, improved knowledge and skills, and the gradual abatement of corruption. Building closer working relationships with Nordic countries is also a factor in improving public acceptance of entrepreneurs and efficiencies in the private sector. In other words, progress in the region depends on values that favor more economic interchange and cooperation.

In their own way, managers and other leaders in these countries continue to refine odd mixtures of inconsistent policies and practices that marked the transition processes of the last decade. Prospects of greater international engagements have alternated with expressions of earlier isolation and concepts of self-sufficiency. Other ideas brought new changes with them. It was reluctantly recognized that NATO membership was incompatible with truly independent defense, but did carry with it the NATO shield. Even the planning for accession to the EU has accelerated the transition to more open, yet more intricate, international economic relationships. This acceleration has signaled fundamental changes in the function of entrepreneurs, governments, and the roles of individuals and societies (Yergin & Stanislaw, 2002). It points to the emergence of a new environment and new processes of competition and cooperation beyond the confines of the Baltic States themselves.

REGIONAL COOPERATION

The idea of a Baltic trade association was last implemented successfully by the Hanseatic League. Before World War II, rulers of the individual Baltic States wanted to preserve maximal independence. Efforts at economic cooperation failed. More recently, effective cooperation among the Nordic countries encouraged new expectations about an emerging trading block around the Baltic Rim. There was at least one serious proposal for creating a Baltic States' customs union (Spica, 2001). Similarity of economic activities in the Baltic republics suggested that international cooperation be expanded beyond the three Baltic States to the larger region on the Baltic Rim. For this purpose, our surveys in Poland to the south, and in Norway and Sweden to the west, provide measures of managerial compatibility in this area.

At a time when very tough trade negotiations are taking place between the United States and the EU, a symbiotic business and government cooperation to foster international trade has been suggested by Michael Porter (2001). In a presentation made at the Baltic Development Forum Annual Meeting in St. Petersburg, he urged the establishment of a Baltic Rim Competitiveness Council. This council could sponsor functional task forces, coordinate private and public policies, and work with industry groups to develop regional cluster strategies. The basis of prospective benefits is greater productivity and competitive ability, as well as cooperation on levels of business and social interaction.

A great strength of Porter's proposal is clearly the flexible approach to task formulation and the avoidance of supranational bureaucratic structures. It suggests an unlimited agenda to increase competitive capabilities on the Baltic Rim, within and beyond the EU. This kind of focused cooperation offers benefits to all participants, and promises greater success in capturing a larger share of internal and external markets. Although Porter's agenda does not specifically include attempts to improve work values, it does suggest increased formal and informal learning in the whole region. From the perspective of this study, it raises questions about attitudes and convictions that would increase competition as a capability based on personal achievement and entrepreneurship. Considering the present managerial and economic weaknesses of Baltic entrepreneurs, it is also important to strengthen their work values.

Managerial styles, however, are not likely to become uniform in all industries. Mutual networks on the Silicon Valley model to support new enterprises in new industries and services are already emerging in many places. Values and managerial styles in these industries build on a diversity of cultures, knowledge and experience (Barnowe & King, 1997). Internationalization facilitates processes that spread ideas, goods and services, people, and skills across national borders (Hitt, et al. 2001).

VALUE RELATED TRANSFORMATIONAL TASKS

The role of values in transformation processes was pointed out long ago by Niccolo Machiavelli in *The Prince*:

The innovator makes enemies of all those who prospered under the old order, and only lukewarm support is forthcoming from those who would prosper under the new... because men are generally incredulous never really trusting new things unless they have tested them by experience...

Decisions to make unavoidable changes are more easily made than the successful implementation of these decisions. Traditional investments must be made and managed, albeit in a more demanding financial environment. There is now a much more complicated need for broader education and training for new skills. The paramount task in all Baltic Rim countries is to strengthen those values that most directly support cooperative progress and the more competitive capabilities suggested by Porter. Indeed, this task is so urgent and so substantial that it calls for whole societies to teach and to learn, to experiment and to experience, and to believe and trust the engagements to change. Transformation remains too important to be left to entrepreneurs, governments, academics, or other agents alone to change individual attitudes and public opinion.

Looking at the panorama of industries and separate enterprises, labor unions, NGOs and government agencies, major differences between Baltic Rim countries remain apparent:

In Sweden, a very stable economic and political system favors an almost leisurely development of policies. To a large degree postindustrial, Sweden does not need an overhaul of established managerial and other values. With ample capital and human resources, larger companies, such as ABB and the major banks, allow a high degree of managerial decentralization, and encourage direct investments and joint ventures in the Baltic States. The main tasks are to look for and exploit new investment opportunities, to learn to work in different cultures, and to help build social capital in partner organizations. Except for coming technological innovations, most transformations are already complete, and future tasks represent mostly extensions of existing operations. Aspirations and values held in the Baltic area are encouragingly similar to those found in Sweden, and the orientation of future managers in the Baltic States seems to lie in the Swedish direction.

In Norway, values may be considered more entrepreneurial. They reflect values of a country where traditional work values have been shaped in smaller, family oriented organizations. New oil wealth, as well as remarkably high achievements in education and applied research, has placed Norwegian entrepreneurs and institutions in situations similar to those in Sweden.

In Poland, much of the economy still derives from the system introduced under Soviet influence, from ties to the former East Germany, and relatively new ideas from market economies in the West. By most statistical indicators, Poland is making impressive progress in its transition. Our findings, however, reflect the persistence of concerns related to earnings, job security, and even the trustworthiness of other people. The former should do little to impede progress. Reservations about whether others can be trusted may make cooperation with other people—and with partners in strategic alliances—more challenging.

New challenges remain the greatest in the Baltic States. Three types of values seem most important:

- Values helpful to the management of traditional industries. A company based on extractive or forest-based industries could take traditional steps to make appropriate investments to raise productivity. A national railway system could seek new customers for long-haul transit service. Here, however, many smaller tasks remain large in their totality. It is time to gradually change management attitudes from an autocratic, top-down style to at least a more open management process. It can eventually move to more cooperative and participatory patterns.
- Values characteristic of the working communities of smaller, innovative, and aggressive entrepreneurs. In such settings, distinctive work values emerge to facilitate the creativity and innovation that require well-integrated human resources and social capital. Although the practical benefits derived from these enterprises are obvious, the dynamics of the creation and use of this, often intangible, capital are not well understood in Baltic societies, especially at the top levels of political leadership and in the more traditional academic circles, which are often preoccupied with the mere transfer of technical knowledge.
- Values conducive to mutual support by leaders in the private and public sectors should be cultivated to gain international competitive advantages. The desired capability should be built around the well-known factors of comparative advantage, as well as larger market opportunities (Akhter, 1995) presented by the Baltic Rim. Fortunately, this hard-to-develop ability has been effectively demonstrated in the Nordic countries, as exemplified by such companies as ABB and SAS.

In short, the Baltic States today are well positioned to take advantage of Porter's regional development proposal. The more they invest in appropriate value change and application, the more they are likely to become efficient, effective and otherwise competitive, first in the Baltic Rim and later in the EU. This *approchement* would make it possible to work with more mutual understanding in blazing new trails. Thus in the Baltic States, where value systems appear to be a mixture of Baltic pragmatic traditions with those of the West and Russia, the potential benefits are huge.

CONCLUSIONS

As demonstrated in our decade of studies of managerial values in the Baltic States, the success of any country's transition to a system of democratic economic and social relationships is closely related to favorable personal value systems and to related public support. Slow adoption of values congruent with democratic economic and social relationships, in combination with low levels of public support, can cripple progress toward successful transition. Future developments, especially those linked to new intellectually demanding industries and services, will depend on further adaptation of personal values to new environments.

The replenishment and building of social capital is critically important to such development. High individual achievement, a strong work ethic, and pragmatic management continue to be major factors in the formation and growth of new companies.

The building and replenishment of social capital has become even more important to the expansion of business relationships within the Baltic States and in new interregional relationships on the Baltic Rim. Pervasive mutual trust and new forms of cooperation within the Baltic societies and in new cross-border relationships at all levels of interaction (Berg & Filtenborg, 2002) require new managerial attitudes and skills to be successful.

The most important factor in future development is suggested by economist R.E. Lucas (2002) with reference to ideas expressed by another Nobel laureate, the writer V.S. Naipaul. They both write that "million mutinies" must take place as individuals and their families engage in actions to improve their personal lives. This engagement is at the heart of making a successful transition to societies where most people help themselves and each other in order to be competitive. Such a great wave of individual actions requires strong core values and new attitudes about work, education, and opportunity.

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