

## **Economic transformation and the impact of cultural values on the future of the former communist world**

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### **ABSTRACT**

This paper is an original research study that provides a better understanding of the cultural values of eleven former communist countries previously part of the old Soviet Union, or its sphere of influence, and how these values have driven the future direction of their economy and society. The current study can help to understand the reason that small groups have gained and held so much power and control in these countries. There is a varying level of success throughout the world as former communist and planned economies move toward a more market oriented economic system. The different degrees of success in achieving a thriving market economy implies that culture and cultural values are very important factors in the transformation of an economy and these factors are discussed in this paper. The former communist world was not a homogeneous group but rather unique nations with equally unique cultural values. This study has shown that while all the nations are in the process of continuing reforms, cultural values will push those changes toward a very socialist mentality making it difficult for Western values to take hold as these countries try to transform into market oriented economies.

Keywords: Economic transformation, cultural values, cultural dimensions, reforming economies, emerging economies, former communist nations.

## **INTRODUCTION**

As the first significant economic recession came to be felt by the nations that encompassed the former Soviet Empire, one must closely examine the underlying cultural dimensions of these former communist societies to better understand the potential changes for the future. The assumption has been that, over the last 30 years, as these nations converted to some form of capitalism and free market economies that the institutions would also be changing so as to create the very fabric of a free market economy. Is this actually true or are events only deceiving us to believe that the people have the values necessary to continue, even in difficult times, a free market economy?

During the Cold War, the propaganda from both the capitalist world and the communist world portrayed each in very different realities. It was difficult to distinguish fact from fiction during this era. The breakup of the Soviet Union and the fall of the iron curtain provided researchers the ability to examine former communist nations up close and allowed for more candid responses. Right after the breakup of the Soviet Union researchers had the opportunity to study the culture and cultural values of the former communist nations. Researchers were able to observe the transformation of the former communist nations, while the reform and reorganization of their society was in its infancy. The unique historical event provided an unprecedented study of former communist countries prior to the people of these nations becoming directly prejudiced against, affected from, or disturbed by the constant influences of democracy and capitalism. It is critical to understand the underlying cultural values that existed during the years after the breakup. The authors' survey results from that period identify important cultural values critical to understanding the underlying influences and behaviors that in the future will enhance or detract from the social, political, and economic system that will evolve, and therefore, determine the success or failure of each nation's economic transformation.

The period from 1991-2000 was an era of dynamic change in almost every former communist nation. These events, and their influence upon the populace, will never be repeated. The ability to study in depth the people during this time period was a unique event in history. This original research study conducted by the authors provides a better appreciation and understanding of the cultural values of these countries and how these values have driven the future direction of their economy and the society. The stress of economic decline, and perhaps even depression, will certainly have an impact upon their political will. The question becomes, what form will that social and economic reality take in the future?

The 1990's will be remembered as the time when the Soviet Union collapsed, and with it the vestiges of communism. However, one may look to the future and ask perhaps if this is an accurate portrayal of that era. Perhaps one might suggest that the time frame of such a conclusion is much too short to be accurate. The authoritarian nature of the ruling elite during the communist era hid the underlying cultural values of the people. If one is to foresee the future then perhaps one can ask one final question, did communism occur because of the authoritarian nature of the rulers or did the rulers become authoritarian because of the underlying cultural values of their society? It is a question that could not be answered during the communist era. It is a question that perhaps can now be answered.

## **THE STUDY**

The fall of the communist world in 1991 created a unique opportunity to begin the first research examination of most of the communist nations' cultural values using the survey instrument of Hofstede. The original research done for the study in this paper was conducted firsthand by the authors over a nine-year period (from 1995-2005) in Armenia, Belarus, Bulgaria, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Russia, and Ukraine. The authors administered the research survey in the eleven countries of the study and chose similar factories in each country so as to best exemplify a homogeneous sample.

The level of difficulty in conducting the research ranged from almost impossible (Bulgaria and Romania) to moderately difficult. Because such research was regarded under communism as a false science, people were often reluctant to participate. It took the agreement of the local factory management as to the purpose, reason, and need for such research to convince them to encourage their workers to participate and that all answers were anonymous. Under these conditions the study was able to be concluded.

## LITERATURE REVIEW

It is important to understand a country's cultural values and the differences that exist when studying the economic transformation of any society. Hofstede and Bond (1988) postulated that organizational theory is universal and therefore should apply in different settings. However, Morey and Luthans (1984) pointed out that organizational theory is biased toward the norms established by American researchers that are unique to the United States and therefore the organizational theory needs to be adapted to fit a specific country's cultural values. Boyacigiller and Adler (1991) also suggested that organizational theories are valid and appropriate, regardless of the political or economic setting and aside from the legal or historical context. Therefore, the transformation of a political or economic system should be successful given a fundamental awareness and knowledge of all cultural values.

Economies that are transforming their societies from the old communist system to a more market oriented system are still going through a difficult adjustment period. It is essential to understand their cultural values and compare them across cultures to help in this process. As stated by van de Vijver and Leung (1997), it is important to have adequate sampling to do the study across cultures and the methodology is certainly critical to the success of any research. The study done for this paper took place over a nine-year period; it was done on site using the highly respected Hofstede VSM 94 Cultural Dimension survey that has been used in more than three hundred research projects. Prior papers (Furnham, Kirkcaldy, and Lynn, 1994; Schwartz, 1999) indicated a clustering of cultural values dominated the unique societies of the former communist nations. The current study affirms the establishment of a communist pattern in the cultural values of these countries.

Economic theories are clearly tied to consumer behavior and the behavior of individual firms and businesses, but seldom are the theories tied to cultural values. A better understanding of how culture should be included in economic theory, the transformation of economies, and economic development is needed (Hezel, 2009). In many former communist countries, large portions of the country are controlled by an ethnic minority (Banfield, 1958; Putnam, 1993; Landes, 1998). The current study can help to understand the reason these small groups have so much power and control in these countries. There have been a large number of economic studies concentrating on monetary policy, fiscal policy, business conditions, and market structure and how these factors either promote or deter economic success or failure. However, few studies include the impact of culture and cultural values in their analysis. There have been various levels of success throughout the world as former communist and planned economies move to a more market economy. The different degrees of success in achieving a thriving market economy implies that culture and cultural values are a very important factor in the transformation of an economy. According to M. Weber, "Social attitudes and values certainly will have an important say concerning which economies will be successful and which will fail" (Weber, 1978).

## CULTURAL VALUES

The seminal study by Hofstede (1984) originally classified cultural values into four dimensions. Hoppe's (1990) replication of Hofstede's study provided strong support for Hofstede's results. Over 61 replications of Hofstede's study have provided substantial evidence for Hofstede's findings (Sondergaard, 1994). A long term cultural value and a short

term cultural value were identified by Bond (1987) which he called Confucian dynamism and is included as part of the Hofstede cultural dimensions.

The Hofstede VSM 94 Cultural Dimension survey was used for this study. The Hofstede definitions of Power distance (PD), Individualism/collectivism (IND), Masculinity (MAS), Uncertainty avoidance (UA), and Long-term orientation (LTO) are stated here (Hofstede, 1984, 2001; Bond,1987):

- PD: "Measuring the degree of inequality in society" as seen or felt by the worker.
- IND: "Individualism pertains to societies in which ties between individuals are loose," whereas collectivism refers to "societies in which people from birth onwards are integrated into strong, cohesive in-groups."
- MAS: refers to "societies in which social gender roles are clearly distinct," whereas femininity is referring to "societies in which social gender roles overlap."
- UA: "The (in)tolerance of ambiguity in society."
- LTO: "Fostering of virtues oriented towards future rewards, in particular perseverance and thrift."

### **THE HOFSTEDE VSM 94 CULTURAL DIMENSION RESULTS FROM THE AUTHORS' STUDY**

In the appendix, Table 1 presents the results of the survey from the authors' original research done for this study. As the results indicate, there is a wide divergence in scores for the Individualism and Masculinity dimension while having a more moderate separation on the other scores. The wide divergence of scores that exist for Individualism and Masculinity points to one very important fact that is often overlooked when discussing the communist world. There is incredible diversity of the people who populate these nations that are located in the middle of Europe all the way to Central Asia. That these people did not have a variety of cultural values would be shocking. Thus, the relevance and the need for this kind of study is clear, to better analyze each nation as to its past, its present, and its future.

### **COMMUNISM**

The values that communism sought to integrate into its societies were based upon several meaningful traits. Foremost among those was the value of the group, collectivism, and the community. From this, everything else flowed into the social, political and economic life of the citizens. The ability to establish an authoritarian form of rule only added to this sense of community. The individual was to toil for the benefit of the state and thus the communist world, in theory, was a society of low Individualism. The ruling class was elite and everyone had to do what he/she was told because it was the doctrine of Lenin and Marx. This established a high level of Power Distance between the ruling elite and the citizens. So, while the community was living in a state of equality in economic and social terms, the political elite were above them so as to preserve the nation in the communist image. To accomplish this task the government created a complete lifetime welfare state that allowed its citizens to understand completely how their place in society would progress. Everyone knew the rules and how to live within the confines of the communist mentality toward the society. Everyone had a guaranteed job, housing, free education, medical care, and an economic certainty. This established a very Feminine dimension as defined by Hofstede. Everyone was working toward creating a utopian state in the future that would not need the political aspect in theory as everyone would understand his/her role and position. This was a very long term orientation.

Thus, if one were to put together the traits in cultural value terms for the ideal communist nation it would appear to be the following: Low IND, High PD, Low MAS, and a

long LTO. This establishes the format that one may examine regarding how each nation fits the communist ideal cultural value system.

## **ANALYSIS OF THE NATIONS INCLUDED IN THE AUTHORS' STUDY**

### **Russia**

Russia was the center of authoritarian power and the largest and most influential nation of the former communist world. However, one must remember that over a long and varied history Russia has controlled many of these nations several times without communism as the central ideal. Thus, one cannot be swayed to think that only the desire for expansion and control was at the center of the Soviet Union Empire.

The long history of Russian authoritarian rule certainly allowed numerous dictatorships to continue over more than 1000 years of history. That the introduction of communism in the 1917 Revolution resulted in another dictatorship is not surprising. However, one must also know that even under Stalin, there was an elected legislative branch made up of two chambers, though all were under the communist party banner. These elections were, in fact, democratic as they involved many viewpoints, but all had to be communist party members. This point is important because the Cold War created the mentality that there was only one viewpoint in the political elite of Russia, which was certainly not true. This needs to be mentioned because to understand the cultural values of Russia and the link to the future one must also know the reality of the past not stated rhetoric or propaganda.

From Table 1, the cultural values for Russia are; IND = 31, PD = 40, UA = 102, MAS = 6, and LTO = 36. Russia cultural value scores indicated a low IND, a moderate PD, a very high UA, a very low MAS score, and a moderate LTO score.

The context of each cultural value is now examined. First, to compare the ideals of communism to Russian cultural values, the PD score and the LTO score stand out as interesting. The low IND score provides either a long historical community value stemming from authoritarian rule or a transformation during the communist era. One may never know which is correct as this is similar to the well know paradox, "which came first the chicken or the egg" mentality. That the people were very community oriented is evident from this low score. This certainly would provide communist ideology with a fertile mentality from which the nation could be transformed. The people appear to have agreed with the values of communism that promoted the community effort, the social safety net, the security of the present and future, and a one for all society. It would have been easy for Lenin and Stalin to preach this principal to a waiting audience.

This brings the discussion to the point of the authoritarian ruler and how time after time this was what Russia created. To repeat once again, more than 1000 years of such ruling elites have come and gone with few democratic inclinations ever being seen. Thus, one must ask why. The answer is contained in the combination of the IND score and the UA score. The UA score is among the highest in the world, perhaps surprising. But one must understand that this reflects a certainty toward the future rather than a fear of the future (Hofstede, 1984, 2001). This score indicates a nation that desires certainty, which is very much true with Russian society. These scores are also indicative of the desire of the people to maintain a community driven society, as well as an authoritative ruling class. The Russian people have a high uncertainty avoidance level, and therefore will follow what is put before them as long as they know what is expected. A high uncertainty avoidance score is a common characteristic that is present and thread throughout other communist nations. The results of the research conducted by the authors confirm and support the high UA cultural value characteristic of the former communist nations in this study.

The very low score for MAS to some may be surprising, but when one lives within the Russian society almost every facet was based upon what have been defined as Feminine

values. One saw this in the workplace that was designed as if it were a small city. The manager of the factory was not a manager of production, but rather he/she was a manager of all that the workers needed in their lives. The Russian factory was responsible for the education, transport, medical, housing, and vacation resorts for the workers. Because of the remote nature of the cities across eleven-time zones, the centralization model that was introduced during the many five-year plans that sought to industrialize the nation created factory cities. This became a very democratic institution as the unions controlled the workers and had equal footing with the management in the decision making processes. Factory managers were responsible to the workers for their well-being. This presents an image very different than the West understood and perhaps even today does not understand. This brings the PD value score into perspective.

Most outside the communist world would say that Russian society should have a very large PD value system, as indicated by the estimated PD value for Russia by Hofstede (2013). It has been a persistent characteristic assumed about former socialist and communist countries that they are collectivist societies and therefore everyone is simply working for the collective (Allen, Bartlett, and Colegrove, 1967). Nothing could be farther from the truth. It was a centrally planned nation but that does not necessarily mean that it was a high PD nation as well.

The communist society must be portrayed as a series of layers each having its own PD layer. The people lived in remote locations, often never seeing or knowing Moscow and the central authority. They lived in a community that originated in their factory. This factory was responsible for every facet of their lives. Trade unions controlled every worker in the nation, and had very strong power that significantly contrasted with the communist elite power structure. To be a factory manager one had to be a communist but to be a trade union leader one did not have to be a communist. The trade union controlled the workplace and the manager was responsible to the workers to make sure the workers lives' were the best possible. It was a very different model of life than was known in the West. It also was a very democratic model as the workers voted and had a say in what happened. One can almost see the manager of the factory as the mayor of the city rather than as a manager. While no one voted for managers, as they were appointed from Moscow or the regional headquarters, if they were not popular and cooperative with the union, they would not have been able to maintain their power for long. It is a form of moderate to low PD that once understood portrays very well the cultural value score that the authors' survey indicated.

Russia, from the time of the 1917 Revolution, sought to become a modern industrial nation. In 1917, the rule of the Czar had created a nation of serfdom with little industry. The transformation toward a large industrial power was certainly paid with a dear price of forced labor. However, the results cannot be denied. This contributes to the moderate level of LTO. One must understand that when one is undergoing transformation there needs to be both short and long term goals. Because Russia was coming from a total rural nation into an industrial nation that then faced World War and another rebuilding, one can see the influence of the shorter term that survival requires. This is one explanation for this value score. There is a duality of needs forcing both a short term and long term horizon from the people.

The Russian empire had much of the communist ideology contained within its cultural values. It is not surprising that the nation allowed communism to evolve. It is also not surprising that a dictatorship was created. Perhaps it is more surprising that democracy came after 1991, but also this must be tempered by the movement toward Putin rule that has eliminated opposition. Russia's cultural value index supports the reappearance of a democratic form of authoritarianism. The people support strong rulers, and in fact, do not like weak rulers, as evidenced by Boris Yeltsin toward the end of his era. At first he was strong and decisive but then, over time, Yeltsin became very unpopular and a very weak ruler. Yeltsin hand-picked Vladimir Putin as his successor. In many ways Putin was the complete opposite of Yeltsin. Yeltsin was a big man, loud, impetuous, a heavy drinker, among other things. Putin was short, athletic, non-drinker, calculating, and self-controlled.

Once Putin became president in 2000 he consolidated power and has created a dictatorship of democracy.

From 1950 until the early 1970's, the Russian and Soviet Bloc economies had economic stability and rapid growth. However, hard economic times occurred from the 1970's to the middle of the 1980's as the consumer society was evolving without any changes in the production and distribution system. This began a movement toward change that resulted in General Secretary Mikhail Gorbachev introducing Perestroika in 1985 to improve the Soviet System. The political and economic reforms of Perestroika were combined with a policy of openness known as Glasnost. Both Perestroika and Glasnost were initiated to help improve and modernize the Soviet system, but the reforms were part of what led to the demise of the Soviet Union. Clearly, the communist block in 1985 was significantly different than what it had been in 1950. By 1991 the former communist bloc countries declared independence and rejected communist rule. However, their cultural values were still entrenched within their societies. These values are not easily changed as they are institutionalized in every society.

## Ukraine

From Table 1, the cultural values for Ukraine are; IND = 27, PD = 48, UA = 93, MAS = 0, and LTO = 50. Ukraine is perhaps among the more fascinating because of the historical context. The nation has always sought its own identity but has usually been subjugated to the needs and desires of its huge Russian neighbor. To this day, resentment, bitterness, and anger toward Russia is clearly evident in Ukraine. Even the way the country is referred to in the Western press reminds Ukrainian people of its Soviet past. In Soviet times, it was called the Ukraine, now it is properly referred to as Ukraine, a nation in its own right. Ambassador William Taylor (ambassador to Ukraine from 2006 to 2009) is quoted in Time magazine (Steinmetz, 2014) as saying, "Ukraine is a country. The Ukraine is the way the Russians referred to that part of the country during Soviet times. Now that it is a country, a nation, and a recognized state, it is just Ukraine. And it is incorrect to refer to the Ukraine, even though a lot of people do it."

An interesting historical note, was the role of a Ukrainian-born leader in the early years of the Soviet Union. Leon Trotsky, born in Ukraine, was one of the original leaders of the 1917 Russian revolution, one of the original Politburo members, and founding leader of the Red Army. In the 1920's, Trotsky opposed Stalin's policies, was expelled from the Communist Party, exiled to Kazakhstan, then banished from the Soviet Union, and assassinated in Mexico on Stalin's orders (Patenaude, 2011). Ukrainian influence in the Kremlin included Nikita Khrushchev. Khrushchev ruled Ukraine from 1938 to 1949 and was the Soviet leader from 1953 to 1964. Khrushchev understood the different regions and ethnic groups that existed within the borders of Ukraine and the Soviet leader unsuccessfully tried to eliminate these differences (Kuromiya, 2005). Khrushchev had strong ties to Ukraine and installed many Ukrainians into important positions in the Soviet Communist Party, which included Leonid Brezhnev and Oleksiy Kyrychenko. Leonid Brezhnev was the leader of the Soviet Union from 1964 to 1982 and was born in what is now present day Ukraine. Kyrychenko was from Ukraine, Khrushchev made him the Second Secretary of the Central Committee. Once in Moscow, it seems, Ukrainians that were empowered by Khrushchev totally ignored their Ukrainian heritage (Prymost, 2017).

The cultural mentality in Ukraine has been directed toward Europe rather than Russia, but it appears that history intervenes and places much stress upon the nation. Today, the situation in Ukraine is really no different than it was in the past. Ukraine's mindset and mentality are still focused on Europe. Ukraine has focused on Europe and wants to enter the EU. Ethnic Russians populate almost half of Ukraine. Russian military forces occupy and control Southern Crimea and this part of Ukraine has a Russian population that is larger than average. Thus, it is a nation with a dual personality. For the last 20 years the need to import

Russian oil and gas to survive has been the basis for constant conflict where Russia tries to place its heavy hand upon the Ukrainian people. The recent desire to become a part of NATO and the EU has placed further stress upon the political, economic, and social structures of Ukraine's society. What are the underlying cultural values of Ukrainian society and how are they influencing events?

First, in light of the communist ideology traits, Ukraine, just as Russia, is very much in line with the communalist mentality. In fact, Ukraine has an even lower IND score indicating an even greater desire for a community rather than individual focus. Ukraine in actuality scores among the lowest of any nation in the IND value.

The moderate to low PD value is a surprise because most researchers predicted there would be a high PD value. But as was explained in the Russian discussion, the society is like a layer of an onion with power distributed within each layer creating a much lower PD value than expected.

The MAS value of zero is much in line with the communist ideology and supportive of an economic model based upon tradition, family values, workplace conditions, and a sense of community. Once again this is in agreement with the communist ideology and supportive of such a philosophy.

The UA score is very high, and the high UA is evidence that the nation desires stability and certainty in life. This certainty is based upon known events that must transpire to create a certain future. The desire to avoid uncertain outcomes is not indicative of a free market economy. It is also in line with a government that is powerful and certain as to what it wants to accomplish. Ukraine has had several governments that have fallen when they failed to deliver on this mentality. Once the people could not see where the nation was headed, the government has fallen. The Russian influence to create uncertainty is also involved, as Russia understands that the people of Ukraine desire a strong rule and will promote those who portray such a leadership viewpoint. That half the nation is Russian also creates uncertainty that is unwelcome in the political arena. Ukraine is faced with many conflicts that are in disagreement with the high UA score.

The higher score for LTO perhaps is based upon much of Ukrainian history. The people are always patient for a good future that never seems to come. Ukraine's entry into the European Union was promised by 2012. However, Ukraine has still not been fully admitted to the EU due to the economic crisis, Russian influence, and Russian occupation of the Crimea. The people are patient for change, but when they realize that the change is not possible, the influence of the high UA score could be a precursor to a forceful dynamic change that will be discussed later.

In summary, Ukraine, just like Russia, has the cultural values that are in agreement with communist ideology. Just as their nation is being influenced by Russia, the desire to prevent a return to Russian domination is only held by one half the nation. The current turmoil in the economies of Europe are coming at a very bad time for Ukraine as it tries to sort out who it is as a nation and where the future is going to take it.

### **The Baltics: Latvia and Lithuania**

It is always dangerous to lump nations together that have a rich historical past. The reason to do this for the Baltics is that they are integrated into the European Union as a group. While each nation brings to the economic table different strengths and weaknesses, Latvia and Lithuania are both vital regions for Russian control and domination. Their small size and proximity to Russia has always threatened their independence and time after time they have lost their sovereignty to Russian control. Today's history appears to be creating, once again, deep-rooted conditions and circumstances for a much larger Russian influence and this time by the unintended consequences of economic policy. Before discussing the cultural values of the Baltics, their history must certainly be appreciated and briefly reviewed.



In 1991, the Soviet Union recognized the independence of the Baltic states of Estonia, Latvia, and Lithuania. When the nations of the Baltics became independent, very quickly they sought to integrate themselves into Europe. While Estonia was oriented more to Scandinavia and even Russia, both Latvia and Lithuania desired to see themselves as European in both culture and economics. The problem was that Latvia had become a very popular destination for Russian immigration. The higher quality of life in Latvia was an inducement for those that were able to move there while retaining their Russian roots. The problem was exacerbated when, after they became independent, they would not allow the Russian natives to have local passports. Conflict between ethnic Russian people living there and the local Latvian people quickly arose. Russian immigrants living there felt like outsiders in their own country. Few of them wished to return to Russia as they preferred to remain in Latvia. This same phenomenon also took place in the Baltic countries of Lithuania and Estonia. To this day, this has not been resolved while this large Russian population still lives within the borders of each nation. Lithuania has the fewest, while Latvia and Estonia have large successful and active populations that are Russian.

As the 1991-2000 period evolved, the Baltic nations wanted to integrate into Europe and thus instead of maintaining their own currency, they decided to overvalue it to connect to the Euro. Thus, while having low wage states, they established prices based upon the Euro. When loans were offered to both business development and to buy housing, eager borrowers lined up. These loans were in denominated in Euros and amounted to huge subsidies to the nation. Because they overvalued their own currency as to the value of the local economies, once the recession hit suddenly the reality of this foolish decision was established. Suddenly the local economy devalued their currency and the wages back to reality. The Euro denominated loans were now several times more than their previous value and the borrowers could not pay these loans. Unemployment hit these nations as their fragile economies were built upon a false premise of value. The nations faced non-performing loans, loan defaults, huge lowering of real estate values, high unemployment, and a loss of national pride.

The historical context just given is important for providing the basis for an examination of the underlying cultural values of the nations of the Baltics. Perhaps more than any other region of the former Soviet Union, these people fought the hardest to gain their independence. So what are the cultural values and how do they compare to the communist ideology?

From Table 1, the cultural values for Lithuania are: IND = 8, PD = 30, UA = 94, MAS = 8, and LTO = 23. The first major point to emphasize is that Lithuania is a mostly homogeneous non-Russian population. Lithuania also has among the world's lowest IND score. The IND value is so low as to establish a total lack of individual effort, in terms of cultural values, and indicates a nearly complete collectiveness or group orientation. Entrepreneurship is important in establishing new companies and reforming the economy. Having this low value certainly does not provide confidence that the nation will endure economic hardship very well.

Combining with the high UA value score and the very low MAS score Lithuania, perhaps more than any other nation, has the typical standard profiled communist values. This is a startling statement to make but the cultural ideology of the nation fosters this belief. There is a very low PD value while the LTO is also very short. Patience will not be evident as the nation deals with a future economic crisis.

However, the Lithuanian people very much detest Russia and any contact with them. So while the nation holds the cultural values of communism, the nation wishes to make a new direction. What will that be?

From Table 1, the cultural values for Latvia are: IND = 23, PD = 35, UA = 99, MAS = 26, and LTO = 16. Focusing on the Latvian cultural values and comparing them to the standard communist values, some interesting results are found. Historically the Baltic nations have had periods of domination and periods of independence. The Baltics have been invaded, occupied, and annexed by more powerful and aggressive countries throughout their

history. For example, with the 1939 Nazi-Soviet Nonaggression Pact, Hitler and Stalin agreed the Baltic States were reserved for Soviet control and domination.

The economies and resources of each nation are small and difficult to sustain economic development. Latvia has experienced the same economic collapse as Lithuania and Estonia. The economy was much stronger, but that only inflated prices more and created a false sense of economic well-being. Today, the economy is in a free fall toward a very uncertain future. The IND value score is higher than Lithuania, but still very low by world standards. The PD score and the LTO score are much the same as Lithuania is but the MAS score is higher, but once again still very low by world standards.

What does this mean for Latvia? Their cultural values are very much in line with communism. While the economy has created many new companies and entrepreneurial efforts, most of the people have not benefited because of low wages and high Euro dominated pricing. Now with the economic downturn, small and medium sized business efforts are failing. What does this hold for the future? It is very uncertain remembering that there are many Russians still living in the country.

In summary, the two Baltic nations surveyed are among the best fit for the cultural values of the ideology of communism with perhaps the most antagonistic opinion of Russian influence. However, one must be quick to point out that communism is not a unique model to only Russia. It is an ideology that grew up in Europe.

## **Poland**

Prior to 1991, the complete demise of the Soviet Union and the collapse of communism seemed extremely unlikely. However, the Solidarity movement that took place in Poland led to the end of communist rule in 1989, shortly thereafter Hungary, Bulgaria, and Czechoslovakia peacefully ended communist rule. The Berlin Wall fell in 1989 ending communism in East Germany. Romania followed in a violent overthrow of the communist dictator Nicolae Ceausescu.

From Table 1, the cultural values for Poland are: IND = 23, PD = 1, UA = 55, MAS = 27, and LTO = 22. In Poland, the Power Distance value is extremely low (PD=1). This is consistent with the strong union presence in Poland as well as the election of Lech Walesa, the former head and the founder of the Solidarity Trade Union, and the first elected President of Poland. The low PD score in Poland is certainly unexpected, but is evidence of the important role and impact of the trade unions in the life of the Polish people. Unions are there to help the workers and are a form of shared governance. The shared decision making is consistent with the low PD value seen in Poland and is totally consistent with the standard communist value system.

The general perceptions regarding Poland have been that its cultural values would be in line with the communist values profile. However, the results from the authors' study indicate a much different fact for IND, PD, UA and MAS. The cultural value profile shows a very low Individualism score for Poland in the lower moderate region. From the research of this study it is clear that the communist society and cultural values were not clearly understood or appreciated in a true way and why it is imperative to understand the basic cultural values imbedded in every culture and nation in the former communist countries (Allen, Bartlett, and Colegrove, 1967). It has been assumed that the former communist nations would have strong collectivist cultural values since communist society is supposed to be based on a collective system, but the results of this study do not support the conclusion of a strong collectivist cultural in Poland.

## **The Czech Republic and Hungary**

Foremost among the Eastern European nations that sought to create a semi-market economy, even while Russia was dominating the political aspects of the nations, the Czech

Republic and Hungary exhibit the most capitalist cultural values and least communist. It is not surprising that these were the two nations that sought by revolution to overthrow communist domination. In Hungary, more than 3000 people were killed by Soviet troops in the 1956 revolution to overthrow communist rule. Then, in 1966, Hungary introduced reforms that liberalized the economy and permitted more trade with the West as well as relaxed media controls (Kornai, 1996). Attempted 1968 reforms in Czechoslovakia were swiftly and forcefully defeated by the Warsaw Pact invasion.

From Table 1, the cultural values for Hungary are: IND = 80, PD = 46, UA = 82, MAS = 88, and LTO = 50. Hungary has an interesting combination of cultural values that supplies the high IND necessary for successful entrepreneurship, but also has a very high MAS score indicative of a business oriented mentality. It also has a moderate PD value score that is also indicative of a strong worker structure. There is one caveat when comparing Hungary to the standard capitalist value model in that Hungary exhibits a very high UA score. However, this is tempered somewhat by the long term orientation score. Thus, looking at the two scores together indicates that the society desires a known path, but is patient to get there.

From Table 1, the cultural values for the Czech Republic are: IND = 41, PD = 47, UA = 64, MAS = 50, and LTO = 34. The Czech Republic model is similar to the communist value model, but to a much lesser degree. The moderate IND score and the moderate MAS score provide insight into a nation that values more a sense of community and purpose while desiring a more family oriented society. Combine this with a moderate value for UA and this is an example of a society that is willing to create both a market economy with the benefits of a social economy as well. This can be explained by an orientation on three traits toward the community values: IND, MAS, and UA. One sees a different nation from that of Hungary, but also with significantly different values from other former communist nations. It is evident that European influence moderated or expanded the cultural dimensions in the Czech Republic away from an ideology of communism. One must remember that middle Europe is much farther away from Russian influence than are the Baltics which share borders and people with Russia. Very few Russians immigrated to Hungary or the Czech Republic, mitigating their cultural influence.

In summary, the Czech Republic and Hungary are far more oriented toward the West with Hungary being the most capitalistic in its cultural value orientation of any of the former communist nations. The proximity and influence of Western Europe is perhaps an explanation.

### **Bulgaria and Romania**

From Table 1, the cultural values for Bulgaria are: IND = 49, PD = 13, UA = 101, MAS = 46, and LTO = 49. Bulgaria has a typical communist ideology cultural matrix with the exception of PD which is very low for any nation in the world and a moderate level of MAS. The moderate levels of IND, the high levels of UA, and the long term orientation value are all typical of the communist cultural value model. Bulgaria was perhaps the most prosperous of all the nation states of the communist world as it produced much of the armaments. There also was private ownership of property at some levels, a large vacation resort complex along the Black Sea-coast, and a vigorous small, but private entrepreneurial effort that was tolerated.

The most surprising finding for Bulgaria is the very low level of PD. One perhaps can interpolate the trade union influence with the high level of industrial output for Bulgaria. The combination perhaps shows that the influence of unions in the factories was, in fact, very large. The democratic nature of the union-factory relationship is certainly driving the lower than expected levels but also in Bulgaria there must be other factors. This low level is among the lowest of any nation in the world. Only Israel and Austria have lower value scores (Hofstede, 1984, 2001). This perhaps also has ramifications in the political arena for the

future as workers feel equality with authority that might affect the type of government that evolves during the economic stress period.

From Table 1, the cultural values for Romania are: IND = 41, PD = 47, UA = 64, MAS = 50, and LTO = 34. The Romanian cultural value model is similar to most other former communist nations in all categories except the middle index for IND. However, once again we find that the PD value is low instead of the expected very high value as the literature had predicted. Romania was a nation ruled by the most authoritarian ruler of all the former communist nations. This rule created extreme poverty and a huge police presence. One could perhaps compare this culture to that of today's North Korea as one ruled by the figurehead and kept in power by a police state. The cultural value model for Romania does not support such a society in that the PD is not high nor is the IND value extremely low. The cultural value results for Romania make it very clear that power, authority, and control were maintained with a heavy hand by a former dictator and not the desire of the Romania people to have a strong and decisive leader. That the nation was among the first to overthrow the communist dictator is not surprising. The low value economy that was left has yet to grow to a large degree, but the people have been quick to desire to adopt European methods so as to integrate into the EU.

### **Armenia**

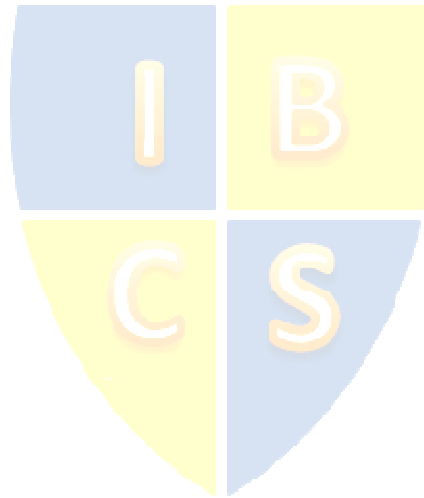
From Table 1, the cultural values for Armenia are: IND = 18, PD = 13, UA = 90, MAS = 34, and LTO = 18. The Armenian cultural value model is comparable in some respects to Lithuania, but at the same time there are a few differences. Both nations are traditionally Catholic which might explain some of this similarity even though they have geographically diverse populations. For Armenia in particular the low cultural value scores are very similar in their alignment. The very low IND score is once again indicative of a collective society with little individualism shown. That creates a non-entrepreneurial environment that is difficult to transition from a planned economy to a market economy. The loss of the social safety net will be felt and difficult to replace. The location in the Caucasus with so much ethnic conflict does not bode well for a nation that is Catholic, unlike its neighbors, and is not oriented to a market mentality.

The low PD is seen once again in combination with the high UA score that perhaps creates an environment that is seeking security and structure. Add to that the low MAS score and one sees a nation seeking an identity that is collective. Perhaps repeated wars and conflicts with its neighbors has had a large influence upon these values since Armenia has maintained a strong common enemy mentality. It is also interesting that the very short time orientation value provides a short fuse for political and economic reforms. Perhaps it is also indicative of a nation having to live for today without the ability to organize and plan for tomorrow.

### **SUMMARY**

The communist world was and still is not a homogeneous group but rather unique nations with equally unique cultural values while also containing many similar traits. The low Individualism value for all the studied nations except Hungary indicates a socialist oriented society that is community rather than individually oriented. Similarly, the very high Uncertainty Avoidance scores are in line with being inside a society that was planned for an individual's lifetime. Each person knew what was needed to attain a particular result, which incidentally hindered the reforms that were required for the transformation to a market based or capitalistic system. The market based system demanded they make a life for themselves rather than a life organized by the state and this was extremely difficult given the cultural values of the people in the former communist nations. With the exception of Hungary, the very low values for Masculinity are in line with a collective oriented state. This study by the

authors has shown, that while all the nations are in the process of continuing reforms, cultural values will push those changes toward a very socialist mentality. It will be difficult for Western values to take hold with perhaps a more probable return to some form of authoritarian rule and society. At best these nations will have much conflict as to the direction that is not similar to the former value system.



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**APPENDIX****Table 1**

Cultural Values of Former communist Nation Factory Workers; results from Study done by the authors

Country	IND	PD	UA	MAS	LTO
Armenia	18	13	90	34	18
Belarus	58	44	100	-3	22
Bulgaria	49	13	101	46	49
The Czech Republic	41	47	64	50	34
Hungary	80	46	82	88	50
Latvia	23	25	99	26	16
Lithuania	8	30	94	8	23
Poland	23	1	55	27	22
Romania	49	33	73	24	28
Russia	31	40	102	6	36
Ukraine	27	48	93	0	50
Means	37	31	87	28	32

