

Study On Leadership In Estonia 2025



TARTU ÜLIKOOL



Level Lab



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Authors: Maaja Vadi, Anne Reino, Merle Raun, Tauno Õunapuu, Krista Jaakson, Delis Lauringson.

University of Tartu study team members: Helen Ader, Kadri Adrat, Annely Allik, Meelis Annus, Aleksandr Dedjulja, Helina Jõesaar, Kristjan Kirsimäe, Lovise Harriette Koppel, Marika Käggo, Argo Luide, Vello Luts, Andres Madissoo, Maris Mägi, Reedik Mägi, Anu Nemvalts, Lea Pauts, Andres Poom, Marti Pungits, Ingrid Puusepp, Katrin Puusepp, Emma Leen Reino, Heldin Rikk, Dane Tall, Kaire Valge, Andre Veskioja, and Jaanus Värk.

LevelLab OÜ study team member: Brigita Mass.

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Study background

Every five years, a survey of Estonian management is conducted, and this report summarizes some of the most interesting results. The study provides an overview of how Estonian companies are managed and how managers are adapting in an era of socio-political turbulence, rapid technological change (including AI), changing forms of work, and pressure to act sustainably and responsibly.

The study employed a mixed methods approach. Its backbone is a questionnaire survey with a representative sample of firms regarding size, sector, and location (436 managers). A separate survey was conducted on leadership competence development (247 managers). Additionally, focus group interviews were conducted with 40 private-sector managers in Tallinn, Tartu, Pärnu, and Narva, which are regional centers in Estonia. The findings of this study are also compared with the results of previous studies conducted in 2015, 2015, and 2021. To illustrate the findings, we present quotes from those focus group interviews.

What can Estonia be proud of?

1. Leadership has become more inclusive and human-centric

Longitudinal survey data spanning the past decade reveal a profound shift in Estonia's leadership culture — one the country can be genuinely proud of. A decade ago, developmental and supportive leadership was considered largely peripheral; by 2025, it has risen to become the third most influential driver of employee motivation (Figure 1). At the same time, the data reveals that the single most important motivational factor in 2025 is a friendly and cohesive team, ranking above salary, flexible work arrangements, and even leadership culture. This underscores that the shift toward more inclusive leadership is reflected not only in managerial practices, but in the everyday interpersonal climate experienced by employees. Taking together, these changes point to a broader transformation in what motivates employees.

More broadly, motivation factors have shifted away from purely material incentives toward psychosocial and values-based considerations. Competitive salaries and non-monetary benefits remain relevant, but they carry less weight than in previous survey waves. At the same time, new forms of long-term alignment are emerging: the growing use of share ownership and employee options schemes signal a deeper organizational commitment to long-term shared success. Company reputation and social purpose have also gained importance as source of employee motivation.

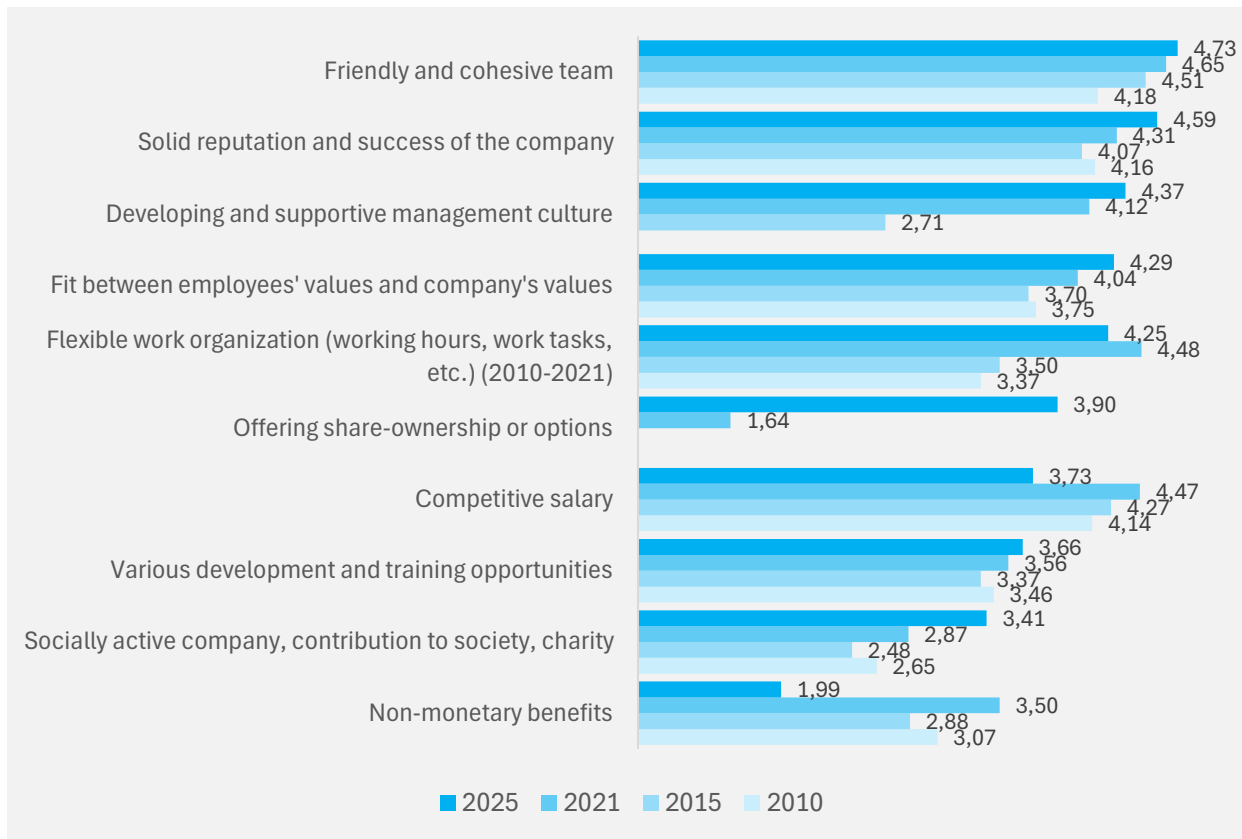


Figure 1. Importance of motivating factors. Note: 1 – Not important ... 5 – Very important

Flexible working arrangements, while less prominent than during the exceptional circumstances of the Covid-19 period, remain significantly more valued than they were in the 2010–2015 era — reflecting a lasting recalibration of employee expectations.

Nearly half of Estonian firms now conduct regular employee well-being and psychosocial risk assessments. Higher-performing companies — measured by the average value added per employee in 2022-2024 — go further still, actively investing in psychosocial risk mitigation, health and safety improvements, employee training, and in some cases, access to professional psychological counselling.

The prevailing managerial attitude toward inclusion and teamwork is strongly positive. Middle managers are frequently involved in goal-setting processes and in shaping the strategies to achieve them — an indicator of distributed leadership in practice.

"I introduced a coaching style, so that the manager would be there for the people. I have one-on-one meetings, and I have [general] meetings, and I can create value in both." (manufacturing company manager)

Estonia's workplaces are also undergoing a structural shift toward greater flexibility (Figure 2).

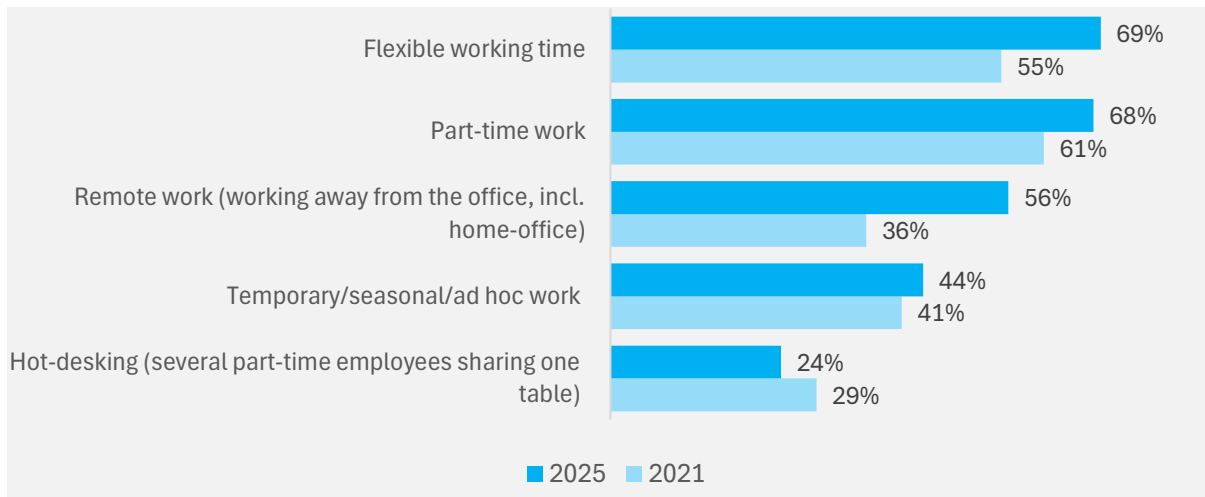


Figure 2. Usage of flexible work arrangements (share of firms)

Remote work, flexible working hours, and part-time arrangements have become firmly embedded in common practice by 2025. More radical models of work organization such as reduced working hours, job sharing, and fully virtual teams remain the exception rather than the norm, suggesting room for further evolution in how work is organized.

Finally, the data reveals a clear link between ownership engagement and financial performance. In more profitable companies, owners are actively involved in strategic planning at above-average rates, with 86% participating directly in the preparation of strategic plans. Top management involvement in these processes similarly exceeds the broader average, indicating that hands-on leadership at the highest levels is a meaningful differentiator of business success.

2. Leaders keep up with global (technological) changes

As a small, open economy, Estonia is directly affected by global trends and taking them into account is critical to business operations. Compared to five years ago, factors such as cybersecurity, climate change, and demographic changes have become much more salient on managers' radar (Figure 3).

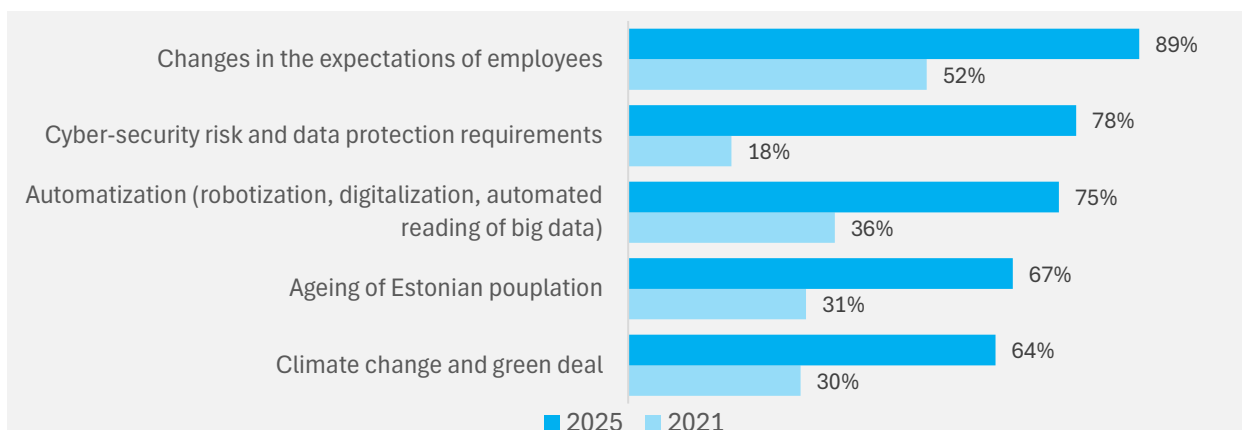


Figure 3. The effect of external factors on firm operations within the next 3-5 years.

The sharpest rise in managerial awareness has been in cybersecurity — driven in large part by high-profile public incidents and, notably, by proactive guidance and knowledge-sharing from Estonia's public sector. This is an area where Estonia's renowned digital governance heritage

continues to deliver tangible value to the private sector.

"But of course the state is still very progressive in this regard — it supports us. This is really a sphere where you could say that things are perhaps the best." (manufacturing company manager)

Higher-performing firms are distinguished not only by what they do, but by how they think. Rather than anchoring decisions to current capabilities, they orient strategy around future needs and their desired direction of development. Vision, mission, and values serve as the guiding framework, while global economic trends and technological innovation are treated as active inputs to strategic thinking. Notably, successful companies demonstrate a willingness to move on from existing products when doing so opens the path to more promising opportunities — a hallmark of genuine strategic agility.

When companies are segmented by average value added per employee, three management practices emerge as clear differentiators of high performance: data-driven management, AI-assisted decision-making, and customer relationship management. Reinforcing the broader shift toward human-centered leadership discussed earlier, better-performing firms also show a somewhat stronger tendency to apply coaching and mentoring practices (Figure 4) — suggesting that people development and analytical sophistication go hand in hand in Estonia's most successful organizations.

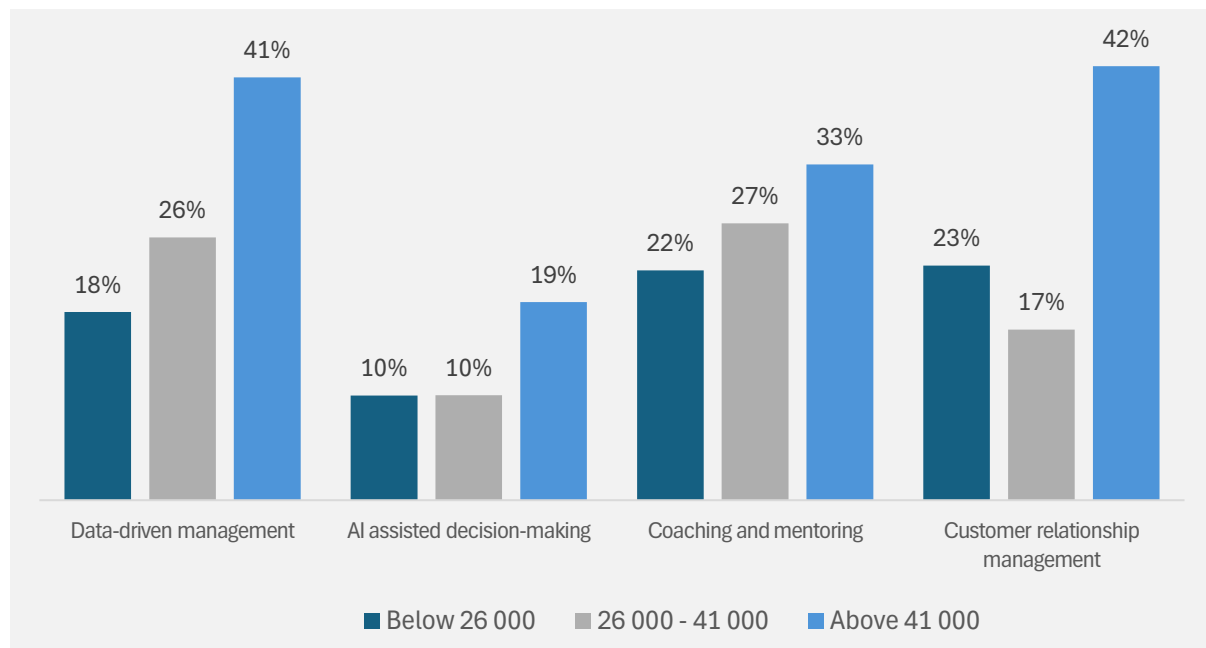


Figure 4. Usage of management techniques by average value-added per employee (share of respondents).

Digitalization and the adoption of AI are broadly viewed with optimism among Estonian managers, though enthusiasm is tempered by an awareness of the new challenges these technologies introduce — most notably around data protection requirements and intellectual property rights. While AI has not yet been widely deployed to interpret large-scale datasets, including sensor, measurement, and laboratory data, it is increasingly recognized as a significant opportunity. For some managers, AI represents more than an efficiency tool — it offers a structural solution to some of Estonia's most pressing economic challenges:

"Artificial intelligence is no longer a distant future, but an indispensable strategic tool that offers solutions to a systemic problem of the Estonian economy — a declining human resource resulting from the aging population and the changed work expectations of younger generations." (manufacturing company manager)

Across the board, managers acknowledge the need for more comprehensive data management solutions that enable better-informed decision making. Appetite for AI grows in line with organizational scale — larger companies naturally generate more use cases. Companies operating within international groups or corporations benefit from an additional advantage: access to group-level support, knowledge, and infrastructure that smaller, resource-constrained local firms are often unable to match.

The final global trend shaping Estonia's business environment is climate change and the corporate response to the green transition. Interviews reveal that managers broadly understand the objectives of the green agenda and accept the need for more environmentally sustainable practices. However, their assessments of policy implementation are notably critical. Overregulation, ambiguity, and excessive bureaucracy are recurring concerns, creating uncertainty that complicates long-term planning. Criticism is directed particularly at the domestic translation of EU-level directives, which are sometimes perceived as disproportionately strict and economically unjustified. From an analytical perspective, this pattern may partly reflect features of Estonia's cultural context, including a strong tradition of rule compliance, procedural thoroughness, and a preference for formal clarity in regulatory practice.

"Fortunately, it is increasingly being said that we have gone a little too far, and fortunately, there is more and more down-to-earth mentality, and these [directives] are then postponed, made a little more lenient. Well, in the meantime, it seemed like we were turning completely crazy." (manufacturing company manager)

3. Deep-rooted commitment for lifelong learning

Commitment to continuous employee development sits at the heart of Estonia's business culture. Organizations actively invest in training and development programs alongside support for individual learning pathways, demonstrating a culture of growth that extends well beyond the classroom (Figure 5). In nearly every second firm, there are internal training programs aimed at developing leadership competencies.

Survey data reveals that Estonian managers place significant value on management education and speak rather highly of the quality of offerings available domestically — a confidence that reflects the maturity of the local talent ecosystem. Notably, formal education is gaining increased recognition as a credential, particularly among the next generation of business leaders.

"To manage/ you need to have a broad knowledge base. Is it possible to get all this without a university education? I don't think so." (manufacturing company manager)

In larger enterprises, leadership skills development is treated as a strategic priority — a deliberate, organization-wide investment in leaders' competency and capability. Smaller companies, while currently less focused on this area, represent a significant growth opportunity as the broader market matures. Internal development programs, masterclasses, and similar formats are the preferred vehicles for building management excellence, with adoption scaling in line with organizational size.

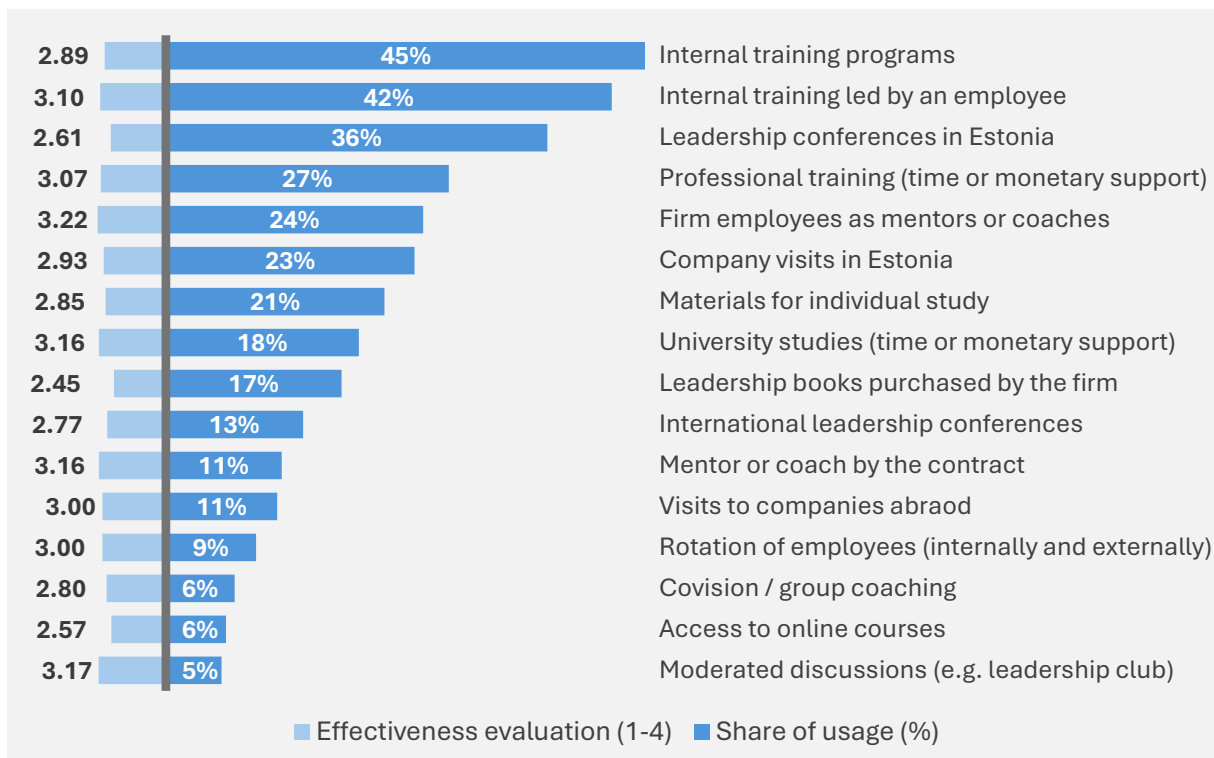


Figure 5. Usage and effectiveness of management competence development methods

Note: Effectiveness was assessed as 1-not at all or marginally effective to 4-very effective

What requires more attention?

1. Internationalization and collaboration potential is underutilized

Fewer than 40% of companies have a formal internationalization or export plan in place (Figure 6). As might be expected, this share is highest among manufacturing firms, where 49% report having such a plan — reflecting the sector's inherently stronger international orientation. Even so, it is worth noting that barely half of manufacturing companies have formalized their approach to internationalization. In the service sector, the picture is more modest still, with only 36% of firms having a plan in place.

Higher-performing firms tend to be more export-oriented and internationally minded. Foreign ownership is a common feature among these companies, further reinforcing an outward-looking perspective and global awareness. Companies generating higher added value also engage more actively in collaborative product development. When pursuing innovation, partnerships are considered essential — particularly with universities and research institutions, which are valued as sources of knowledge and capacity to develop. Several managers emphasized that research collaboration helps companies remain at the forefront of new developments.

"...at university X, there are a few scientists who want to write projects all the time, and thanks to that, we are like in the loop..." (manufacturing company manager)

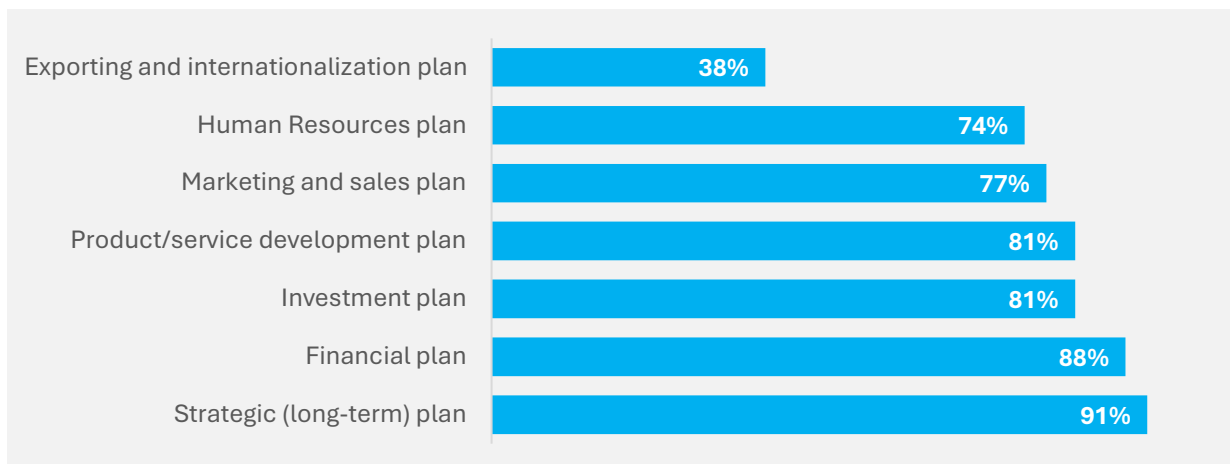


Figure 6. Presence of different types of plans (share of respondents).

The international dimension manifests in multiple ways: through the active benchmarking of best practices — such as green solutions from Scandinavia and the United Kingdom — and through adherence to group-wide standards, for example, in cybersecurity. International collaboration is most frequently initiated in materials procurement and logistics, where one in four companies have taken a clear and proactive role in establishing cross-border partnerships. Relatively high levels of international cooperation also characterize product development and export activities, where such collaboration is viewed primarily as a vehicle for market entry, market expansion, and new product development — in other words, as a direct driver of growth and competitiveness. In marketing, sales, and communications, approximately one in five companies have initiated international cooperation.

The interviews reveal that companies view collaboration not merely as a cost-sharing mechanism, but as a genuine driver of productivity — through innovation, organizational learning, and efficiency gains. Cooperation is seen as opening pathways to product, sector, and business model development. Importantly, beyond international collaboration, domestic cooperation also plays a significant role. The formation of clusters and structured collaboration within them represent value-adding practices that strengthen knowledge exchange, joint capability development, and regional competitiveness, and therefore merit continued encouragement and policy support.

"Our goal is to get together once a quarter and get people — company managers — to simply communicate and talk to each other. In fact, thanks to this, the development of the sector, and of business and products, has been quite strong here." (manufacturing company manager)

In sum, while companies are broadly aware of collaboration's potential, its systematic application as a productivity lever remains limited. The three most cited barriers to initiating collaboration are a lack of resources — both time and capital — diverging goals and expectations between partners, and an underlying deficit of trust.

2. Small country, yet stark regional differences

Labor shortages and an aging population present headwind for businesses across Estonia, but these pressures are felt most acutely in North-East Estonia. Historically heavily oriented toward mining and energy production, the region's economic model was long anchored in extractive industries and large-scale energy generation. The ongoing restructuring associated with the

green transition has fundamentally altered this foundation, creating significant socio-economic adjustment pressures and, in some areas, a development vacuum. In this region, structural challenges — including outdated housing stock, elevated energy costs, skills mismatches, and sustained workforce outflow — combine to constrain business growth, dampen innovation appetite, and slow the pace of modernization. For investors and policymakers alike, North-East Estonia represents both a region of untapped potential and one that requires a targeted, long-term development lens.

The management landscape in Ida-Viru County reflects these structural and socio-cultural realities. The region is predominantly Russian-speaking and demographically distinct from many other parts of Estonia, with historical migration patterns shaping its social fabric and value orientations. A more autocratic leadership style predominates — not simply as a matter of managerial preference, but as a response to deeply rooted cultural expectations. Employees in the region tend to expect clear, precise instructions rather than participatory decision-making, a dynamic that managers relocating from other parts of Estonia often encounter as a significant adjustment.

“You have to be very precise – if you say it wrong, it will also be done the wrong way. They don't say, ‘Hey, it won't work out that way!’” (service company manager)

This stands in notable contrast to management cultures elsewhere in the country. In Tallinn and Tartu, collaborative, coaching-oriented, and autonomy-supporting leadership practices are far more prevalent, driven by a higher concentration of professionally trained managers with modern competencies and system-thinking capabilities. In smaller regions beyond the major urban centers, experienced but more traditionally oriented managers remain common, and adapting to the evolving expectations of today's workforce presents an ongoing challenge.

Regional distinctions extend beyond management style into the realm of business cooperation. Tartu stands out for its openness to partnership and comparatively low risk aversion, while Tallinn and Harju County benefit from Estonia's densest business network — an environment that naturally accelerates innovation, knowledge transfer, and collaborative ventures. Ida-Viru County, by contrast, faces meaningful barriers to cooperation: risk aversion and limited inter-organizational trust reduce both the number of partnerships initiated and the depth of those that do form (Figure 7).

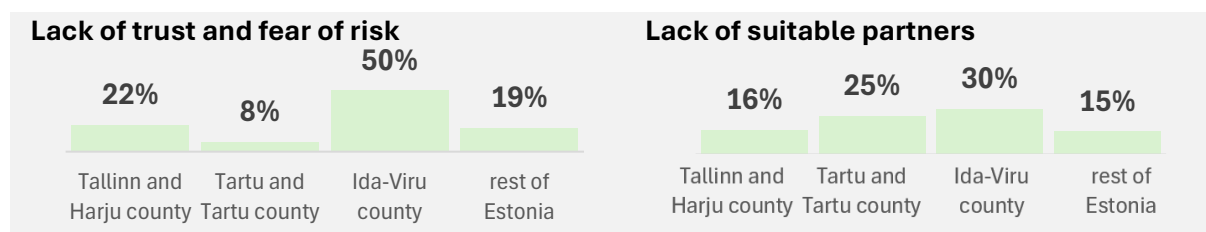


Figure 7. Obstacles to collaboration by the location of firms (share of respondents admitting the barrier to collaboration)

Companies in the capital region lead in the adoption of digital technologies — including AI, automation, and data-driven management practices. Firms in Tartu County similarly demonstrate above-average technological maturity, buoyed by the region's strong research institutions and academic ecosystem. Elsewhere in Estonia, the pace of digitalization remains more gradual, reflecting the uneven but steadily advancing digital transformation underway across the country.

New phenomenon: managerial talent on the market

By 2025, a new generation of professional managers has firmly taken center stage in Estonia's corporate landscape. Founder-led organizations — long a defining feature of the Estonian business environment since 1990-s— are undergoing a meaningful leadership transition, as pioneering entrepreneurs gradually step back from executive roles in favor of seasoned management professionals.

"Those who started the business, they are not able to [scale], there is also a need for a different way of thinking. [...] You don't realize that it is so big already and the processes have to be different." (manufacturing company manager)

This generational shift is proving to be a catalyst for organizational maturity. Incoming executives are tasked with building the infrastructure that high-growth companies require formalizing organizational structures, establishing clear goal-setting frameworks, aligning performance metrics, and introducing transparent compensation systems. Crucially, these professionals bring more than process expertise — they combine advanced academic credentials with diverse cross-sector experience, positioning them to drive meaningful turnarounds and unlock the next phase of value creation.

For owners and boards, the timing is favorable. A well-qualified pool of executive talent is increasingly available, giving stakeholders genuine optionality when it comes to leadership succession. This transition signals that Estonian businesses are professionalizing, building the governance foundations and leadership depth that sustainable, long-term growth demands.

This report is more than a summary of our work – it reflects our shared journey and ambition to take Estonia's leadership culture to a new level. It envisions a future where excellent leadership becomes a defining feature of Estonia on the international stage. Because leadership matters.