

**Adoption and  
Implementation of New  
Management Ideas in  
Estonian Business  
Organisations**  
**Maris Zernand-Vilson**

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**Estonian Business School**

**ADOPTION AND IMPLEMENTATION  
OF NEW MANAGEMENT IDEAS  
IN ESTONIAN BUSINESS ORGANISATIONS**

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by  
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## **LIST OF ORIGINAL PUBLICATIONS**

The contribution of current thesis is based on the following academic publications and referred to hereinafter using the following titles in bold

### **Publication I**

Zernand-Vilson, Maris; Terk, Erik (2009). The State and the Dynamics of Management and Organisational Development Indicators in Estonian Enterprises. EBS review, 6, 8 - 25. 1.2.

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### **Publication III**

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### **Publication IV**

Alas, R.; Zernand-Vilson, M. (2012) Learning Organisation in Estonian Organisations. Proceedings of the 9th International Conference on Intellectual Capital, Knowledge management and organisational Learning. The Universidad Del Rosario and the universidad Jorge Tadeo lozano Bogota, Colombia, 18-19. October 2012

### **Publication V**

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Alas, R; Zernand, M (2002). Management in the Central and Eastern European transition countries: Estonia. Journal for East European Management Studies, 7(4), 401 - 409.

## **ABBREVIATIONS**

BM - Benchmarking

BPR - Business Process Reengineering

BSC - Balanced Scorecard

CEE - Central and Eastern Europe

CRM - Customer relationship management

EI - Employee individuality

FO - Flexible organisation

GM - Global management

LO - Learning organisation

MBO - Management by objectives

P - propositions

QM - Quality management

RQ - questions with the

RT - research tasks and

SCM - Supply chain management

SMD - Self-managing teams

VBM - Values based management

## ABSTRACT

The huge appearance of new management ideas created already in 1960s the situation that was named management theory jungle by Koontz. The re-independence of several Central and Eastern European countries and opening their economy enabled importing more global management ideas there. At the same time, there is no clear overview to what extent organizational and management reality is corresponding to the ideas about management and how they are put into practice. Current study is investigating the characteristic and occurred changes of actual management practice in Estonia.

The aim of current doctoral research is to map the most applicable global management ideas in business organisations, to analyse their level of adoption and impact to organisations management practice by testing two different measurement methods through the change of economic situation in the period from 2007 to 2011 in Estonia.

The following contemporary management ideas were selected for examination of their intensity: learning organization; self-directed work teams; flexible organization; employees' individuality; supply chain management; quality management; balanced scorecard; business process re-engineering; customer relationship management and benchmarking.

The theoretical framework of study is analysing first the nature of different terms used as synonym for management idea. By describing the way, the management practice is adopted; beside the idea there is also used theory; concept; innovation; tool; technique; practice or fad and fashion. The indicators for implementation of selected ideas are described as follows. The last part of literature review brings out the concept of transferring and adopting management ideas.

The empirical study was build up in four main stages. The first task was to select the appropriate management ideas for further study. The criteria that describe the adoption and implementation of ideas were worked out at the same time. The next stage was the study of organisations on the basis of first questionnaire. The questionnaire was implemented in the period from March to June 2007. Top managers from the 145 selected companies responded the questionnaires. The study continued in third stage after the economic regression. With aim to prepare the next extensive study of enterprises management practice the interviews with the top managers from different industries were conducted. The interviews were hold with 11 top managers. Interviewing took place in December 2010. The second questionnaire for the study was the general management field study with special unit of questions with management ideas. The questionnaire was conducted among similar sample as the first questionnaire. The respondents were 204 top managers.

By the results of the study the main indicators reflected the most use of balanced scorecard, supply chain management, quality management and learning organisation. The same management ideas showed also the highest positive trend for the future. It appeared that there was a prevalence of concepts based on formal structures compared to those based on behavioural science. The small differences in resulting from the studies 2007 and 2011 could have been influenced by changed economy, different method of study and the practice of not applying an idea in its original way concept but rather combining some of its elements with tools of implementing other ideas.

**Key words:** management idea, management theory, management practice, adaption of management ideas, transfer of management ideas, learning organization, self-directed work teams, flexible organization, employees' individuality, supply chain management, quality management, balanced scorecard, business process re-engineering, customer relationship management, benchmarking, Estonia

## INTRODUCTION

### **The Relevance of the Topic**

Numerous new ideas about management and organisations have come into being and expanded in the last decades. As managers want to know and learn more, several books have been issued, ideas presented and methods promoted by trainers and consultants. Rigby (2001) has conducted biannual surveys of management tools and techniques since 1993 with consulting company Bain & Co. The consistent poll tries to create and use a global database of executives. There has been also extensive critical discussion on the triggers and implications of management tools and techniques as management fashions (Abrahamson and Fairchild, 1999), stressing the need to understand broader priorities and development approaches that lead to implementation, rejection or formal use of specific management tools and techniques. But there is no clear overview to what extent organizational and management reality in different countries is corresponding to these ideas and concepts and in which direction the motions are put into practice.

Before current studies there was one trial (EAS, 2006) to map the organizations management practice situation in Estonia after transition from centrally planned economy to a free market. This was followed by the management field study in Estonia in 2011 (Vadi et.al, 2011) where the author of current dissertation was one of the authors. The first report made beside its questions short analysis of using management tools and techniques by the Bain & Co. Before current study there was not remarkable number of empirical studies that enable to decide about the management practices broadly to construct and control more detailed hypotheses. Some studies have been about the specific aspects or concepts of management and organization practice in Estonia like organizational learning by Alas (2002) or balanced scorecard by Rillo (2005), but this was not sufficient to develop integrated whole of hypotheses about the dynamics of organisations' practice with new management ideas. On the basis of one or two development of idea is difficult to make extended generalizations to management practice generally. Without the broad picture is also difficult to interpret the empirical results single narrower segments. This kind of situation is not common only to Estonia, but also to the countries of other Central and Eastern Europe (CEE). The fundamentality of current study is not so much in constructing the hypotheses that enable to measure the mechanism of one or another change in more or less clear leeway. There is more the trial to create a construction of possibly complex of indicators to explain the situation and tendency of change in leeway if only wide scope.

There are not enough complex empirical studies about Estonian enterprises in last development period that could give ground about the situation of practice and trends. This is largely authentic to CEE area enterprises as whole. Researchers assert CEE's practice of management- and organization's similarity to western

countries ones. The fact is generally true, but it is not enough specific to make decisions about its forms and level of adaption.

Thus, the most general object of current study is global landscape of new emerging management ideas were the focusing is on management practice in Estonian business organisations. The object in organisations is adaption and implementation of new management ideas that is investigated with the aim and tasks described below in this chapter.

### **The aim and research task**

The growth in number of management ideas and their evolution has been explosive starting from the second half of last century (Koonz 1961; 1980). As there was no clear overview about the extent to which the organisational and management reality in different countries corresponds to those new management ideas and how it is developing, the current study in Estonia was initiated.

**The aim of current doctoral research is to map the most applicable global management ideas in business organisations, to analyse their level of adoption and impact to organisations management practice by testing two different measurement methods through the change of economic situation in the period from 2007 to 2011 in Estonia.**

Consequently, the research tasks (RT) and questions (RQ) with the propositions (P) were set as follows:

**RT1: To find out the new global management ideas most likely to be applied in Estonian business organisations.**

RQ1: Which management ideas have been most popular in last decades in Estonia?

The list of main management ideas issued from 1985 to 2005 was compiled on the basis of literature. This was followed by studying the frequency management ideas by keywords in the Harvard Business Review, Fortune magazine and the ProQuest database. The final selection was made by the group of experts. The results were presented in **Publication I and II**.

**RT2: Create the method to measure the existence of management ideas by their indicators and compare it with the method that is studying the popularity by the names of ideas.**

RQ2: Are the ideas behaving more like fashions if their practice is asked by their names than investigating the indicators of ideas?

RQ3: Is there possible to measure the level of adoption of management ideas to separate them on the degree of knowledge, implementation and embedding?

P1: Implementation of new management ideas based on international concepts can be measured by a system of indicators that differentiates management fads and operational introduction of new ideas to management practices

Since 1993, Rigby (2001) has conducted a survey of management tools and techniques with Bain & Co. That tries to create and use a global database of executives by listing the names of ideas to find out the popularity. The system of indicators was applied in the questionnaire that was conducted. The aim of created method was not to determine how many different international concepts are presented, learned or attempted with the support of consultants and so on, but to clarify whether indicators of these concepts become evident. The created method is reflected in **Publication I and II**.

**RT3: To clarify management practice in frames existence, dynamics and impact of new management ideas in Estonian business organizations?**

RQ4: Which of the management ideas selected under RQ1 are more applied in studied organisations?

RQ5: Is the implementation of organization and management ideas depending on their background?

P2: More intensive use of the indicators of the global ideas was expected by foreign enterprises and also by organizations with bigger size

P3: Seeing the situation of remarkable innovation in Estonian service sector its use of new management ideas was expected to be comparable with the industrial enterprises.

P4: Related to early development stage of business organizations there was presumed to broaden the extension of the behavioural science based (so called “soft”) concepts indicators comparing to indicators that are related to formal structures, analyses of processes and rationalization concepts.

P5: The management ideas are replenish able and replaceable by each other in the organisations practice

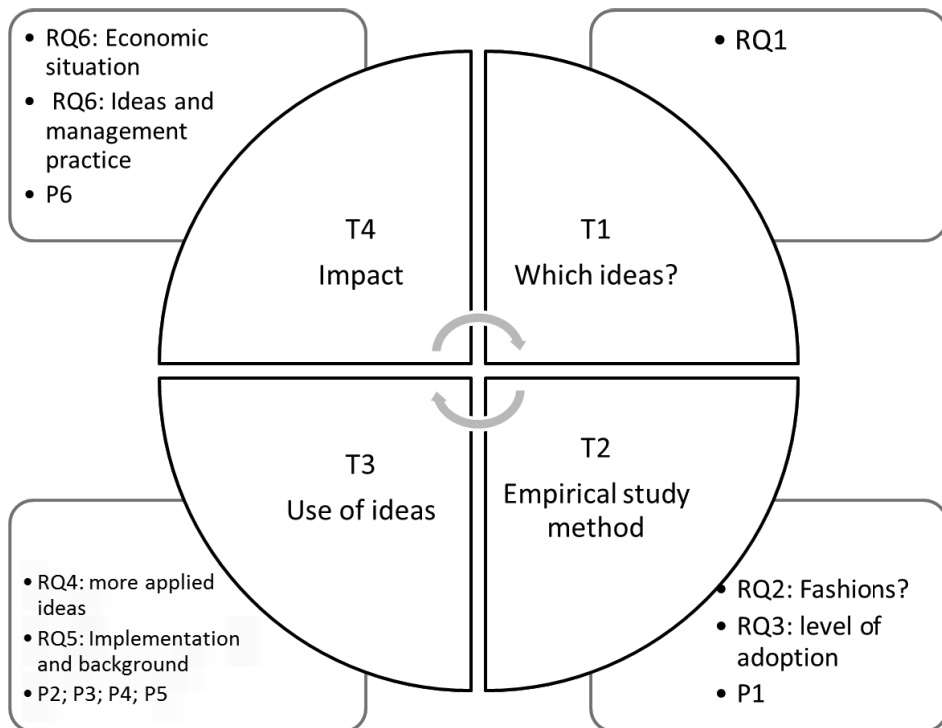
The questionnaires clarified beside the general practice if management ideas in clusters of ownership, size, industry. The results are given and analysed in **Publication I**. As the measurement method in two questionnaires was set in different way, first by the indicators of ideas and second trough the names of ideas, comparison of the results from the **Publications I and II** enabled to verify the P2.

**RT4: Explain the influence of changes in environment to the spread of management ideas.**

RQ6: Does the economic situation influence the practice of business organisations in terms of their interact to new management ideas?

RQ7: Do any investigated ideas support aligning values and operational practices when implementing new management ideas in a rapidly changing business environment?

P6: Different management ideas influence management practice in a rapidly changing economy, depending on the management crises and growth situations. The system of research tasks and questions is presented on the Figure 1.



**Figure 1.** System of research tasks and questions.

The study was made over an extended period of time. The first empirical study took place in 2007, while the economy was flourishing in Estonia and the next one was conducted in 2011, after the main recession of economics. The findings are described in the chapter of results. In the first stage of study will present the more active practice of some ideas, the continuing research will investigate more



deeply its relationship with the rest of studied ideas. The results are presented in **Publications III and IV**.

### **The methods used in the study**

To find the answers to the research questions and verify the propositions, the study was built up in four main stages. The first task was to analyse the management ideas of last 20 years and select appropriate for further study. The first selection was made on the basis of the frequency of the keywords related to organisation and management development ideas and their representatives in the Harvard Business Review, Fortune magazine and the ProQuest database. The period from 1985 to 2005 was chosen in order to match two decades of economic transition in Estonia. The final choice from the shortlist was made during discussion seminars with local management experts who validated the relevance of ideas for the local context. In that stage were worked out the criteria that describe the adoption and implementation of new global management ideas. This was also construction of a part of research methods. The next stage was the study of organisations on the basis of questionnaire. The questionnaire was implemented in the period from March to June 2007. Top managers from the 145 selected companies responded the questionnaires.

The study continued in third stage after the economic regression. With aim to prepare the next extensive study of enterprises management practice the interviews with the top managers from different industries were conducted. The interviews were hold with 11 top managers. Interviewing took place in December 2010.

The second questionnaire for the study was designed in last stage of research. This was the general management study with special unit of question with management ideas. The questionnaire was conducted among similar sample as the first questionnaire. The respondents were 204 top managers from Estonian business organisations.

MS Excel and SPSS were used for numerical data analysis. The information from interviews was processed with Nvivo.

### **The originality of research and its practical merit**

Arising from the studying on the characteristics and occurred changes of actual management practice in specific country and comparing them with the solutions provided in international ideas - it should be possible to the information that is essential by implementing them. The results of current study should enable to get more extended generalizations about dynamics of organization and management to conclude the needs for management development in that country and also the

situation how the enterprises in that location attain the internationally promoted solutions.

On the basis of the results of the research it was tried to find out if and how the studies in business organisations in Estonian were influenced by the trends. The purpose of this dissertation is not to determine how much different international ideas are presented, learned or tried to implement by the support of best practices, scholars, consulting companies etc., but to clarify if the indicators that become evident.

From a practical point of view, the paper provides above all an input for the distributors of management ideas, like consultants, trainers, scholars. The results present the actual spread of adoption of management ideas in Estonian organisations and give the ideas about the needs of organizations.

The top managers of organizations will get ideas about the opportunities for existing management innovations and general situation in organisations and management environment.

The results are also targeted to the Human Resources Managers to explain the ways of implementing the management ideas through the indicators to develop whole organisation.

On the state level, the results of paper set out the mapped picture of management practice in Estonia and foreign influence to it. This enables to get ideas about development of management field in society and raise the quality of work-life.

## **1. THEORETICAL BACKGROUND**

The theoretical overview of current paper is built up conceptually. It starts with the clarification of terms for using the management ideas through different times. Thereafter are handled the management ideas chosen for current study. The last part of theoretical background points out the main factors influencing the transfer, adoption and implementation of management ideas in the practice.

### **1.1 The concept of management ideas**

The adoption and implementation of management ideas is an important process that links management theory, management consulting and training activity with emerging management practices. The classical work by Guillen (1994) compared the spread of scientific management and other broad streams of management thought in different countries. Abrahamson and Eisenman (2001) stressed that management scholars must intervene strategically in the management knowledge market. Bettis (1991) pointed out the challenge of scholars of becoming more aware of current development trends in business and management in order not to lag behind emerging phenomena in management practice about which they are trying to produce normative management knowledge. This challenge is especially topical in rapidly changing transition economies, where new management practices emerge as a result of the internal development logic of local business organisations, but also under the influence of several stakeholders that were not present before the transition to the market economy: international training and consultancy firms and foreign investors.

In different sources and times it is possible to find terms of management theory; ideas; implications; techniques; tools; innovations; concepts; models; practices; but also fashions and fads.

Management theory refers mostly to the historical approach of management ideas. By the Business Dictionary (2014) management theory is a collection of ideas which set forth general rules on how to manage a business or organization. It addresses how managers and supervisors relate to their organizations in the knowledge of its goals, the implementation of effective means to get the goals accomplished and how to motivate employees to perform to the highest standard.

The theory is often opposed to the practice. Management practice of one organisation can be a new idea for another. Sutton and Staw (1995) state in their discussion, that there is little agreement about what constitutes strong versus weak theory in the social sciences. They bring out that lack of consensus on exactly what theory is may explain why it is so difficult to develop strong theory in the behavioural sciences. It can be acceptable that references, data, list of variables or constructs, diagrams

or hypotheses - that we often handle as the theoretical part of literature – do not constitute a theory. Theory has to answer to queries of why and its connection among phenomena, a story about why acts, events, structure and thoughts occur. Weick (1995) refutes the claims of previous authors and explains the elements as parts of the process and says that theory is rather a process than product. Feldman (2004) brings some elements of manuscripts that enhance building theory, like setting essential question to scope, mastering previous studies, defining key constructions. DiMaggio (1995) gives his response to Sutton and Staw (1995) by explaining that good theory is difficult to produce routinely. Theory construction is a cooperative venture between author and readers. There has been extensive critical discussion on the triggers and implications of management tools and techniques as management fashions or fads (Abrahamson and Fairchild, 1999), stressing the need to understand broader priorities and development approaches that lead to implementation, rejection or formal use of specific management tools and techniques.

Birkinshaw et al (2008) have shaped one branch of ideas as management innovation. They define it as the invention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals.

In terms of their impact to organisation's functions, the management innovations are mainly named as techniques. Armstrong (2006) defines a management technique as systematic and analytical method used by managers to assist in decision making.

The appearances of new ideas become such frequent that Koontz (1961, 1980) named the situation "management theory jungle". He also expressed the prudent hope that developments would move in the direction of convergence. But the predicted convergence did not occur. One of the most systematic studies of management tools today by Bain & Company involves 25 categories with 91 management tools and trends, and the study does not attempt to capture all existing management ideas (Rigby, 2010). The handbook of Management Techniques (Armstrong, 2006) includes more than hundred systematic and analytical methods used by managers to assist in decision-making and to improve efficiency and effectiveness.

Minzberg, Ahlstrand and Lampel (2005) have divided the numerous strategy formations into ten schools by. Some trial is made by Crainer (1996) stressing to the selection of key management ideas that were organized into nine stages of management development: new world management; new world organization; creating and implementing strategy; new ways of managing people; quality revolution; reinventing marketing; leadership; learning and development; and global management. Current study is focused to the selection of last half.

Although all the previously named definitions are partially exploited as synonyms there are variances. Common principle applicable to all titles is the idea to have influence on an organisation. Therefore the term management idea is used here mostly.

Analysing the conditions of management today, where the changes are constant and the interpretations of the situations are multiplying exponentially, there cannot be a good ground for the emergence of management theory. “The role of business schools is not expected to create new things but prevent teaching old ones” states Ghoshal (2005) critically in his paper about the situation how bad management theories are destroying good practices.

A management idea is a theory, framework, model, research finding, principle, concept, saw or anecdote that is taught to managers or management students on management courses. It is a term which can be applied to all abstract thought units or systems of such units. Kramer (1975) defined a management idea as a fairly stable body of knowledge about what managers ought to do. He said that it derived from inductive and deductive reasoning. It is systematically organised knowledge applicable to a relatively wide area of circumstances. As a system of assumptions, accepted principles and rules of procedure it assists managers to analyse and explain the underlying causes of a given business situation and predict the outcome of alternate courses of action. Where there can be said to be sufficient similarity between these ideas or systems of ideas, then the term family of management ideas will be used.

Management practice and research has produced thousands of ideas over the last hundred years, but only a handful of these have survived to secure a popular status. The author has argued elsewhere (Huczynski, 1993) that, in the history of management thought, there have been only six popular management idea families. To obtain an objective assessment of what represents popular ideas, publications were analysed to identify the most quoted ideas. For example, a survey was made in which business school academics were asked to name their favourite management ideas. Additionally, texts of selected readings were investigated to discover which ideas were chosen by their editors and why. In total, ten publications were selected spanning a thirty year period.

Using these references, each management idea mentioned was held to be ‘voted for’. In order to simplify analysis, the votes were allocated to the names of the authors whose work was mentioned rather than to their books or articles. A total of 129 names were identified and 306 votes allocated among them. None of the names received more than eight votes. Since the earliest of the aforementioned ten sources dated from 1961, the more recent management writers (those prominent from the 1980s did not appear as often in the voting. The individual authors were then grouped according to the similarity of their perspectives. This produced a set of ‘families’ of management ideas. These management families listed in broadly chronological order together with their combined votes, and what percentage they secured of the total 306 votes cast. These six management idea families accounted for 38 per cent of the total votes cast. The first five idea families are well known, but the sixth may require a little explanation. This management school labelled guru theory, achieved prominence during the 1980s. While not yet featuring

extensively in management textbooks it has received widespread attention in the financial and business press (Lorenz, 1986; Dixon, 1986; Clutterbuck and Crainer, 1988; Pierce and Newstrom, 1988; Heller, 1990). It consists of the diverse and unrelated writings of well-known company chief executives such as Lee Iacocca, Harold Geneen, John Harvey-Jones and John Sculley; of management consultants like Tom Peters and Philip Crosby; and of business school academics like Michael Porter, Rosabeth Moss Kanter and Henry Mintzberg. Since the contributions are so heterogeneous, and as their writings draw so much of their authority from the individual authors themselves, the adopted label is felt to be appropriate. These six idea families represent the predominant repository of thought about management in organizations. Virtually all of the management fads that have been developed over the last hundred years are based upon these six families of management ideas.

Management theory has developed remarkably, especially in the last 50 years; therefore, it is still quite unsettled and controversial. New “management philosophies” and organisational and management concepts have continued to emerge all the time. Some of them have grown from previous concepts. Sometimes there have been serious paradigmatic and sometimes more moderate shifts in emphasis or terminology. These changes were then often sold on partially as a result of substantial alterations in society and the economy that inevitably bring changes to management, but partially also due to new innovative management theorists’ or consultants’ efforts to present a new concept that is different from the previous, contrasting or even rejecting it, and thereby winning the necessary attention of the audience. Different concepts are quite difficult to compare, because they focus on various instants in management and at the same time try to sell their agenda in the broad context of general management.

There are many different views in science of what a concept (or the synonym construct) actually is (Carnap (1995); Dubin (1969); Hempel (1974); Kaplan (1964); Suddaby (2010)). For example, Osigweh (1989, 591) states that “concepts are meaning-laden classifications that serve as building blocks of science”. Bagozzi and Phillips (1982, 465) define “theoretical concepts as abstract, unobservable properties or attributes of a social unit or entity”. Bacharach (1989, 500) argues that a construct “can be conceptualized under an overall abstraction, and it is theoretically meaningful and parsimonious to use this overall abstraction as a representation of the dimension”. Thus, how concepts are defined and referred to in a particular research context is often accused of being “a matter of convention” (Carnap (1995, 59)). Nonetheless, there is a common agreement that a concept “may be viewed as a broad mental configuration of a given phenomenon” (Bacharach (1989, 500)). Concepts and their relationships comprise elements of a theory and can be viewed as its “intellectual products” (McKinley, Mone, and Moon (1999)). Thus, concepts receive their meaning from their relation to a theory, a characteristic that distinguishes them from popular management concepts such as “Lean Management” or “Total Quality Management”, neither of which can be subsumed under a particular theory. Since organizational concepts are an element

of organization theories they provide a basis to demonstrate a scholar's continuity or alignment with widely accepted schools of thought and paradigmatic standards in the field of organization studies. McKinley, Mone, and Moon (1999) refer to continuity as "a property of affinity: it means a linkage with intellectual frameworks that are already familiar to a scholar". Continuity is essential to understanding and encoding one another's work and to assess the respective contribution (Bartunek, Rynes, and Ireland (2006); Daft, Griffin, and Yates (1987); McKinley, Mone, and Moon (1999)). Research that proves its continuity by connecting to pre-existing knowledge is more likely to be published (Kaplan, 1964). Journal editors and reviewers are then able to relate the research to prevailing cognitive schemata and to evaluate its contribution relative to the current stock of scholarly knowledge. Continuity can thus be achieved by embedding research into a theoretical framework that is legitimated among the members of the scientific community, and one way to make this happen is by working with or referring to concepts.

Koontz (1961, 1980) started to use the term "management theory jungle". -In his article from 1980, Koontz differentiated 11 separate directions in management practice and stated that their numbers had doubled in 20 years. He expressed the prudent hope that developments would move in the direction of convergence. His predicted convergence never materialised. One of the more systematic studies of management tools by Bain & Company involves a summary. In 2009 (Rigby, 2009), 45 management tools were divided into 13 groups – the study did not attempt to capture all existing management concepts.

Many of the new management concepts tend to be guru-centric, and so they lack analytical dialogue. Conducting comparative analyses is quite difficult. They are often talking across each other or discussing the same things using different terms. There is a need to take this discussion to the level of elements of concepts, or the techniques promoted within the framework of such concepts. The presence of these elements and techniques should preferably be discernible and measurable.

There has been extensive critical discussion on the triggers and implications of management tools and techniques as management fashions (Abrahamson and Fairchild, 1999), stressing the need to understand broader priorities and development approaches that lead to implementation, rejection or formal use of specific management tools and techniques.

Ward (1995) handled in his book "50 Essential Management Techniques" the techniques as parts of activities aimed to specific objects of management e.g strategy, operations, people, and change.

Management innovation can be defined as a marked departure from traditional management principles, processes, and practices or a departure from customary organizational forms that significantly alters the way the work of management is performed. Simply put, management innovation changes how managers do what they do. And what do managers do? (Hamel, 2006)

Ponzi and Koenig (2002) discuss whether any management idea is a “management fad” is the number and timing of published articles on the idea. In their research, the authors argue that once an idea has been discussed for around 3-5 years, if after this time the number of articles on the idea in a given year decreases significantly (similarly to the right-hand side of a bell curve), then the idea is most likely a “management fad”.

The following theories and practices appeared on a list of management fashions and fads compiled by Adrian Furnham, (2004) who arranged them in rough chronological order by their date of appearance, 1950s to 1990s: management by objective; matrix management; theory Z; one-minute management; management by wandering around; total quality management; business process reengineering; delayering; empowerment; 360-degree feedback; re-engineering.

Although all previously named definitions are partially exploited as synonyms there are variances. Common principle for all titles is the idea to have influence on an organisation. Therefore the term management idea is used here mostly. The term “management idea” has been used also by Crainer (1996) and Davenport & Prusak (2003) by describing management landscape as general.

## **1.2 Management ideas in the study**

Learning organisation. The learning process involved in overcoming the differences between the values and basic assumptions inherent in a centrally planned economy and those in a market economy is time consuming, and often leads to fundamental changes in organisational culture, leadership style and strategy. To increase the organisation’s ability to adapt to such fundamental change, authors that represent this direction (Garvin, 1993; Senge, 1997) have developed a concept of the learning organisation. According to Senge (1997), learning organisations are organisations where people continually expand their capacity to create the results they truly desire where new expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together.

Self-directed work teams represent an approach to organisational design that goes beyond quality circles or ad hoc problem-solving teams. These teams are natural work groups that work together to perform a function or produce a product or service. They not only do the work, but also take on the management of that work – functions formerly performed by supervisors and managers. Self-directed work teams, also known as self-managing teams, represent a revolutionary approach to the way work is organised and performed. Designing the work system with the full participation of the people doing the work has been a popular direction leading to productivity breakthroughs in advanced market economies in the 1990s. Companies were redistributing power, authority and responsibility so that the people closest to the customer and the end product or result have a decision-making capability (Williams, 1995).



Flexible organisation provides an organisational and management development principle to meet the needs of innovative business initiatives. It is a form of organisational structure with three modes in which people can be employed, and on which organisations can be linked to each other. It is named also as shamrock organisation and was identified by Charles Handy (1984).

Handling of employee individuality and personality means an organisation where talented people are expected to have a good environment for self-actualisation. There should be an exciting and supportive organisational climate and cooperation with customers. An enjoyable working environment enables one to reach excellent results. Nobody has power or control over others and the relationships are horizontal. The contribution of all individuals is essential because it comes from their unique abilities (Rice, 1977).

Supply chain management is the management of a network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers (Harland, 1996). Supply chain management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from the point-of-origin to the point-of-consumption.

Global management reflects business operations and a competitive environment that is more international than ever before. The 1990s saw the rise of the truly global organisation. Globalisation is all-embracing – even for smaller organisations, which are not global in their own operations. National organisations are likely to be fighting off competitive threats from companies that are organised on a global scale. (Crainer, 1996).

Quality management in production process rationalisation (here quality management) is a systematic way of guaranteeing that all activities within an organization happen the way they have been planned in order to meet the defined needs of customers and clients. The emphasis is on involving everyone in the organisation of activities, which provide for continuous improvement and for achieving sustained high levels of quality performance (Armstrong, 1993).

Management by objectives was equated to the balanced by the group of Estonian experts after analysing the indicators of both. One pertinent concept says that, the balanced scorecard complements financial measures of past performance with measures of the drivers of future performance. The objectives and measures are derived from an organization's vision and strategy. The objectives and measures view organisational performance from four perspectives: financial, customer, internal business processes, and learning and growth (Kaplan, 1996).

Business Process Reengineering has allowed many failing and even successful organizations to re-invent themselves to achieve performance improvements and position themselves in a better place in their markets. BPR involves reinventing

processes by abolishing the old ones and finding imaginative ways of accomplishing work while designing completely and radically new processes. Consequently, BPR has arisen as a solution for companies to improve their performances by assuring a higher quality product at lower cost, larger added value and faster response time; elevate their efficiencies and gain a competitive advantage in this everlastingly developing and changing world: therefore, it has become more than vital and worthwhile to investigate this concept and also to understand the whole process of BPR and its all stages.

### **1.3 Transfer and adoption of management ideas**

Sturdy (2004) has specified six broad views on the adoption of management ideas: the rational view, the psychodynamic view, the dramaturgic or rhetoric view, the political view, the cultural view and the institutional view. The rational view dominates normative prescriptions for applying new management tools and methods, but its limitations in explaining managerial decision-making have been revealed already by Simon (1960) in his concept of bounded rationality. Psychodynamic explanations (Power, 1997) given to the adaptation of new management tools focus on the desire of managers to identify themselves with some progressive peer groups of early users or to use new management tools for providing some sense of security. The rhetoric view is based on the communication-intensive nature of changing attitudes towards best management practices through storytelling by management gurus (Jackson, 2001; Greatbatch and Clark, 2005). The political view is concerned with the instrumental use of ideas to secure power (Sturdy, 2004). The cultural view draws attention to the locally embedded nature of cultural factors that can act as bridges or barriers to the transfer of management ideas and practices (Fan, 1998). The institutional view demonstrates various societal influences on new organizational practices (Clegg et al., 1996).

The main actors of introducing management theories, teaching, consulting and improving management, are international business periodicals, consulting companies, business schools and companies being engaged in training. Some consultant-driven approaches are aimed to organizational improvement (Gill & Whittle, 1993). Later work has substantiated the perspective of consultants as key players in the production and legitimation of new management ideas (Heusinkveld & Benders, 2005; Sturdy et al., 2009). This is mainly international industry, which subsists commanding on the same theoretical sources. The sources are primarily Anglo-American. Some other European countries (like Sweden) are infrequently able to succeed in the competition of concepts and gurus. Mainly the same consulting and training packets are implemented in different countries. The feedback is working in the way the consultants are experimenting in their activity. Then they inevitably amend and adapt their instruments pending what is or is not working in specific country in certain time. This activity of adapting stays often so called tacit knowledge of executives and do not stand to the level of theoretical generalisation.

Lang and Rybinikova (2012) assume in their study that the transfer of management ideas and knowledge to CEE countries is mainly realised through materialized ideas like BA and MBA-programs and curricular, management publications, management textbooks, literature lists, descriptive models, etc. as well as through travelling scholars from both sides, from East as well as from the West.

The transfer of management concepts on the organisation level may operate in different ways. Implementation of new practice can be forced by the manager's conscious choice, there can be spontaneous organisational takeover of new behaviour or the movement to new management concepts can be self-regulative. The implementation of new management ideas is more concerned with process-based knowledge, which should, on the face of it, be more applicable across projects, as it involves the abstraction of management processes (Bresen, et al 2003).

Also the concept of travelling management ideas was provided in nineties (Czarniawska and Joerges, 1996). This was later explain that the ideas travel in time and space, but for the purpose of moving they need to be translated into an object. It is just tangible object that can be moved between different places and consequently the object serves as a means for transferring the ideas behind the concept. (Czarniawska-Joerges and Sevon, 2005)

The concept of the ideas travelling was developed also by Erlingsdóttir and Lindberg (2005). They bring the model in four phases: First the idea has to be dis-embedded from its previous context, packed into an object by consultants and their clients to facilitate the travel, be unpacked by the receiving organisation to suit the new surroundings and finally the idea must be re-embedded into organisational practices and structures. Here the translation between the consulting company and receiving organisation is modelled. Implementation of new ideas is context-specific, with organisations needing to re-interpret management ideas and practices to suit their own particular circumstances (e.g. Swan and Clark, 1992).

Previous thought is supported by the concept of interpretative viability (Benders and Van Veen, 2001) that say the ambiguity about the content of a popular management idea, contributes to the wide adoption of these ideas. There is a tension between the more abstract, formalised management tools and techniques that are commonly available and the processes used in applying new knowledge in practice (Hislop et al., 1997).

The process of translation can lead to distortions in the ideas being applied, as new knowledge is re-interpreted and re-constructed to suit operating and organisational conditions (Rovik, 1998).

Consequently from the abovementioned, there is raised the question about the capability of different management ideas in the specific country. The capability can be influenced by the current situation, stage of economic development.

Investigating the characteristics and occurred changes of actual management practice in specific country and comparing them with the solutions provided in international concepts, it should be possible to make conclusions about the needs for management development in that country and also about the situation how the enterprises in that location attain internationally promoted solutions. Considering the abovementioned, there is the possibility to amend the supply of training and consulting in the field of management. Surely to achieve these results, it is not enough to measure the intensity and dynamics of characteristic. It is necessary to interpret the results in accordance the economic and cultural context.

Due to the fact that the management theories and the methods of organisational and management development based thereon are increasingly international, the more exotic countries and cultures (like the Orient and East-Asia) can safely be discarded from this discussion. This internationalisation trend is getting stronger all the time. For example, it was only a few decades ago that the Finnish management school, which was under the influence of the United States, differed from the Swedish school, which was influenced by Germany. But now the dissimilarities between such locations are already rather insignificant. Comparative studies of organisational cultures in different countries have become a popular branch of research (Kaasa, 2008). In the same conditions it is difficult to find evidence that these kinds of studies are considered for teaching and improving management.

It is mainly international business periodicals, consulting companies, business schools and companies offering training that are responsible for introducing new management theories and improving managerial practice. This is an international industry, which rests upon the same theoretical sources. The sources are primarily Anglo-American. Some other European countries (like Sweden) are infrequently able to succeed in the competition for concepts and gurus.<sup>1</sup> The same consulting and training kits are implemented in different countries, then feedback works as the consultants experiment in their activity then inevitably amend and adapt these instruments based on what does or does not work in a specific country at a certain time. This activity of adapting often remains as tacit knowledge among executives and does not move on to the level of theoretical generalisation.

The transfer of management concepts at the organisational level may operate in different ways. The implementation of new practices can be forced by the manager's conscious choice, there can be a spontaneous organisational adoption of new behaviour or the movement towards new management concepts can be self-regulative.

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<sup>1</sup> At this point is important to emphasise that in addition to the cultural and economic peculiarities, the domination of management concept is influenced also by the scheme of owner- management relation and practice of corporate governance which is typical in some countries. The management is not influenced by the professional executives only, but also by the owners of capital. The models of corporate governance in different countries are quite different. The model from the USA, which gives remarkably strong independence in CEO is one possible option. (Tafel, et. al., 2006)

Consequently, the ability of one management concept, method or technique as opposed to another within the framework of the situation in a specific country and its stage of economic development comes into question. Investigating the characteristics of actual management practices and changes in them in a specific country, and comparing these with solutions provided in international concepts should make it possible to draw conclusions about the needs for management development in that country and also about how enterprises in that location access internationally promoted solutions. Considering this, training and consulting in the field of management could potentially be adjusted. Surely to achieve these results, it is not enough to measure the intensity and dynamics of these factors. It is also necessary to interpret the results in accordance with the economic and cultural context.

#### **1.4 Environment for adapting new ideas in Estonia**

Estonia is a small economy, where organisations and management development has been essential for transition from the command economy to the market economy. Cultural differences and the influence of the institutional context are evident in interpreting social obligations of entrepreneurs, in linking future orientation and communication, and in perception of entrepreneurial risks and challenges.

The Estonian economy grew rapidly from the beginning of 2000 until the economic crisis. This was supported by general economic growth, good availability of credit and also in some ways by accession to the European Union.

Conscious research and development in the management field commenced in the 1960s when the first educational institutions in the management field were established in Estonia. Ten years later, in the 1970s, executive training facilities existed that enabled managers of business entities at this time to acquire broad management knowledge (Graf, 1986). We can consider that a connection with organisational and management development concepts existed in Estonian organisations from that time. The main source of US based concepts came through Finland (Gillies, et. al. 2002).

According to the descriptions by Estonian management experts (EAS, 2005), management developments influenced organisations in spite of the lack of any real economic relations. Differences between organisational culture, work quality, attitudes toward employees and the external environment appeared. The emergence of free market management thinking also brought several foreign experts and theorists to short seminars.

As a result of economic reconstruction and privatisation, the entrepreneurial structure changed fundamentally (Teder and Terk, 1998). The number of managers changed, and the new managers were largely young people. Also, local consulting

companies were augmented with the newcomers in the management field. Therefore, it is quite difficult to estimate the continuity of management development concepts in Estonia.

International accounting and consulting companies and Finnish training centres, which primarily established branches in Estonia, started experimenting by selling the same courses and approaches to consulting as existed in other countries (EAS, 2005). New consulting and training companies also appeared, and business schools in Estonia started to copy popular western methods without any deeper investigation of the actual needs of local enterprises at their particular developmental stage.

In terms of organisational culture, Estonian enterprises are partly similar to Finnish and partly similar to eastern European enterprises (Vadi and Türk, 2009). Compared to the other Central and Eastern European countries, a large number of Estonian enterprises are foreign owned and the majority of these were established appreciably earlier than 2004, when Estonia joined the European Union.

Hofstede et al. (2010) extended research evidence could be used for interpreting some aspects of cultural environment of Estonia when analyzing the survey results relative to other world in the current study.

The higher scores resulted pragmatism (82), individualism (60) and uncertainty avoidance (60). Estonian culture is shown to be highly pragmatic, that shows an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results. By the individualism, there is a solid conviction about the personal responsibility and everybody's own achievement and contribution in order to be self-fulfilled. Most Estonians believe that everyone should be allowed to do his/her own thing, reach new heights or even dig their own graves. Work situations are driven more by a task-orientation than by a relationship-orientation. Achievement is reflected directly on the person responsible. Describing the uncertainty avoidance above average, there are rigid codes of belief and behaviour and are intolerant of unorthodox behaviour and ideas, emotional need for rules, people have an inner urge to be busy and work hard, precision and punctuality are the norm, innovation may be resisted and security is an important element in individual motivation.

The lower score was the result for indulgence (16) masculinity (30) and power distance (40). The very low indulgence is restrained in nature, it has tendency to cynicism and pessimism. There is not put much emphasis on leisure time and control the gratification of their desires. Tending to femininity means that society is driven by a certain amount of modesty and fairness, not boasting about achievements. Estonians prefer to take turns out of fairness and consideration of the other person's time. Passive silence and listening are often part of the communication style. Power distance that is below the average indicates a certain degree of resistance to obey and respect people in authoritarian positions based merely on their rank

and status as power-holders. Instead, Estonians welcome managers that give them the opportunity to state their opinions and express disagreement, as well as to be included in the decision-making process.

To conclude the description by Hofstede, there might be more obstacles than favourable circumstances for adapting new ideas on the side of Estonian culture.

Management consulting started to evolve in Estonia around 40 years ago. The development was affected by the consulting practice and literature mostly from the United States and neighbouring Finland. The most important factors in the development of the consulting sector in Estonia were direct contacts and cooperation of Estonian and Finnish management experts. As a result, the Estonian management theorists and practitioners were of the top level in the whole Soviet Union and affected the management-related thinking and practice in many other management knowledge centres in the Soviet Union. The development of management consulting between 1970 and 1990 formed a good basis for contemporary management consulting and development after Estonia regained its independence from the Soviet rule in 1991. (Leimann et al., 2005)

According to Wieandt and Holts (2009), the Estonian management consulting market has grown fast during the last seven years: the number of companies has increased from 739 up to 2246, it has more than tripled. The majority of companies are formed by small companies. According to the results of EAS (2005) study, the need for consulting service is the most common way initiated from the planned change of strategy or from the need of development (39%), but as well as from the emerged problem or conflict (35%) and from the need of looking new ideas and development ideas (33%).





## **2. EMPIRICAL STUDY IN ESTONIAN BUSINESS ORGANISATIONS**

Following chapter describes the research of the study. It gives the overview about the strategy of research and methods used in empirical study. Also the propositions of empirical study are opened. Organisational research questions usually involve causal relationship in which it is anticipated that one factor influences another (Schwab, 2004)

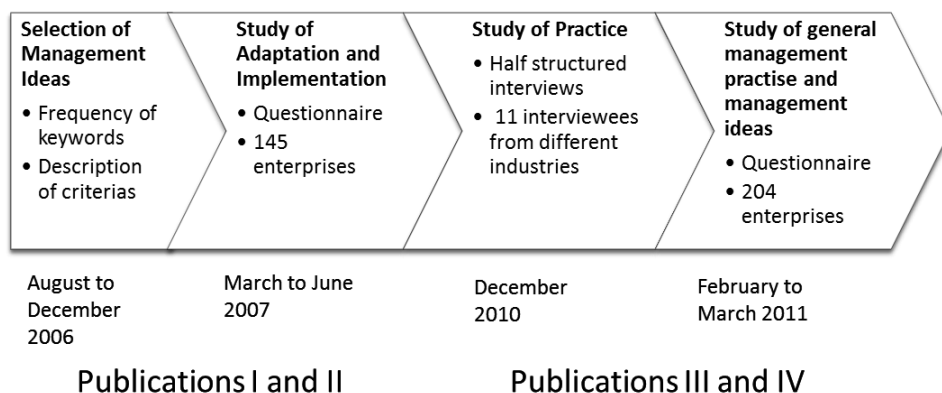
As mentioned before, there is not found previous studies investigating the adoption of new management ideas by giving the set of different ideas from the same age. Empirical studies, however, have mostly taken a case-based approach to studying conformity, focusing on the impact of single instances of popular ideas (Nijholt et al, 2012). The authors formulated hypotheses concerning the effects of such association and test these in a sample of Fortune 500 firms using bibliographic data on co-occurrences of firm names and any of a list of 160 management ideas. For example, a survey was made in which business school academics were asked to name their favourite management ideas as described in chapter. Additionally, texts of selected readings were investigated to discover which ideas were chosen by their editors and why. In total, ten publications were selected spanning a thirty year period.

As Lang and Rybinikova (2012) point out, in various forms and mechanisms of transfer towards CCE countries includes the transfer of management ideas through educational process.

### **2.1 Propositions of empirical study and research strategy**

In order to study the practical use of management and organisational development concepts, the research process was carried out in three main stages. The steps were: defining the research object, creating the measurement tool and finally collecting and analysing the data.

To find the answers to the research questions and verify the propositions, the study was built up in four main stages. The first task was to analyse the management ideas of last 20 years and select appropriate for further study. In that stage were worked out the criteria that describe the adaption and implementation of new management ideas. This was also the designs of research. The next stage was the study of organisations on the basis of questionnaire. The study continued in third stage after the economic regression. With aim to prepare the next extensive study of enterprises management practice the interviews with the top managers from different industries were conducted. The summary of research strategy and process is represented on the Figure 2. All four stages of research are opened as follows.



**Figure 2.** Stages of research (drawn by author)

## 2.2 Research methods

The first task in selecting a study object was to formulate a shortlist of contemporary directions. It was essential to select general directions and avoid specific tools, as well as management philosophies that were too broad. The first selection was made on the basis of the frequency of the keywords related to organisation and management development directions and their representatives in the Harvard Business Review, Fortune magazine and the ProQuest database. The period from 1985 to 2005 was chosen in order to match two decades of economic transition in Estonia, assuming that some years existed as a time lag between introducing new management ideas in journals and their possible introduction in management practice. The final choice from the shortlist was made during discussion seminars with local management experts<sup>2</sup> who validated the relevance of directions for the Estonian context. The experts were from research institutes, business schools and state institutions responsible for the development of the economy. The following concepts were selected: learning organisation, self-directed work teams, flexible (shamrock) organisation, employee individuality and personality, supply chain management, total quality management, global management and management by objectives.

The next step in the study was to compile the measurement tool. What managers of enterprises understand about different organisational and management development concepts in terms of the actual names of these concepts and the practice of their techniques or tools in everyday use can vary considerably. Therefore, the questionnaire for the current study did not focus on management concepts as a whole, but on specific solutions in management practice that could potentially be measured. The presence or absence as well as the dynamics of different solutions

<sup>2</sup> The experts were Ruth Alas, Tiit Elenurm, Tõnu Kaarelson, Jaana Liigand and Rünno Lumiste. Annika Tallo also contributed to the construction of the measurement tool.

were investigated. Although the specified practices of enterprises were handled under the general management concept as an indicator, the questions were presented separately from the concepts and without referring directly to them. The ranking list of concepts emerged by summing up single indicators. One has to consider here that a high score cannot be interpreted as the conscious implementation of that management concept. The practice of some solutions could be achieved through imitating other enterprises. An overview of the management directions and related indicators is also presented in Appendix 1 of the Publication 1. An overview of the methods for selecting the management concepts for the current study is described in an article handling the differences between indicators in domestic and foreign companies (Zernand-Vilson and Elenurm, 2009).

The main questions were built up using three sub-questions. The first sub-question checked the existence of the management concept indicators, the second specified if this direction is practiced rarely or on a regular basis and the third asked respondents to describe the dynamics in the last three years.

The purpose of the background questions was to find out the features of the sample and the opinions of the respondents about management and organisational success factors. Open questions on recent and future improvements in the studied organisations were also asked among the background questions. A pilot study was implemented first to ensure that the questionnaire was understandable. After that, the initial questionnaire was corrected and a final version completed. The final questionnaire consisted of 59 questions.

The third step was to determine the sample and implement the questionnaire. Suitable organisations for the sample were those enterprises with at least three years experience of operating in Estonia. Companies with at least 50 employees were also preferred. Enterprises with less than 10 employees were left out, as many sophisticated management practices are not relevant for such micro-enterprises.

The data was collected by the main research group and also using the support of Estonian Business School students. The questionnaire was implemented in the period from March to June 2007. Top managers from the selected companies answered the questions. The questionnaires on paper were completed partially by the respondents and partially by the representatives of Estonian Business School that interviewed the top managers.

The questionnaire was sent to 160 enterprises. Two of them refused to participate, and thirteen companies offered incomplete questionnaires, which was a negligible failure rate, and so the number of complete responses was 145.

The interviews purpose was to get initial ideas of management practice and input for general study. In order to achieve that, half-structured interview plan was prepared that was directed from optimal length, discovery feature and getting input

to all investigated issues of management. The main parts of interview structure were organizations practice in planning, implementation plans and management development and changes. Principle for making sample of interviewees was getting information from different industries of service and production, enterprises based on local capital. Production representatives were from chemistry-, food-, metallic- and clothing industries. The service representatives were bank, construction, information technology, transportation, trade and travelling industries. The interviews were hold with 11 top managers. Interviewing took place in December 2010.

The second questionnaire was designed for enterprises based on domestic capital. The questionnaire was built up of three main parts: first part covered management practice, second part discussed use and need for management training and consulting service and final part was aimed for enterprises and respondents background. In the part dealing with management practices were the issues of corporate short-and long-term action plan and plans for monitoring, decision-making opportunities for middle managers and extent of employee influence and ways of sharing information. In addition were asked questions about processes and controlling and working arrangements with employees. In this part was also the question about management ideas. The selection of ideas was taken from the first questionnaire and also based on the Bain and Company's study of management tools (Rigby, 2010). The part of management method questions contained the name method, short explanation of its content and respondents reflection about its practice in company.

Since the end of the questionnaire included a question on the amount of business activity and the development and management, and length of service, please use the various comparisons in these data. The survey was implemented in web-based environment eFormular that is tool for providing possibility for creating electronic forms and conducting surveys via the Internet. ([www.eformular.com](http://www.eformular.com))

Data was collected during the 07th February – 06th March 2011. Enterprises in the sample got the e-mail with cover letter on behalf of professors conducting the survey and link to questionnaire. As the initial number of respondents was extremely modest (20 companies in first week) then recall and additional time was provided. The aim to get minimum 200 valid respondents was achieved through personal addressing to the companies. Collected data was processed with SPSS.

### **2.3 The sample**

The representation of enterprises in the study sample reflects the structure of the Estonian economy at the time. The service sector is represented by 74% (107) of the respondents and the remaining 26% (38) are industrial enterprises. The size of the enterprises is defined by the number of employees and they can be divided into

three groups: small enterprises (10–49 employees) 28% (40), medium enterprises (50–249 employees) 47% (68) and large enterprises (250 or more employees) 26% (37). In the sample, 55% (79) were local companies, 15% (22) were companies with both local and foreign investors (mixed companies) and 46% (44) belonged to foreign capital.

As for the second questionnaire 204 companies were represented in 16 different areas. The sector of activity left unchecked 18 companies. 16 different areas of activity categorized three larger sphere of action: agriculture, production and service. Questionnaire was intended for companies employ 10 to 249 employees. Responses were expected from the managers or board members. Large enterprises, which employing more than 250 employees, were asked to give answers from a board member and in addition two of the main activities middle-managers. Enterprises with less than 10 employees were excluded as it was not always possible to establish stable management practices there. According to Statistics Estonia (2011), in 2010, 6.649 companies were employing over 10 employees. Creation of initial sample was aimed from ideal-minded point of view.

## **2.4 Processing the data**

The results of the questionnaires were initially transferred to MS Excel and later to the analytical software SPSS. Both tools were used for statistical analysis. The former was used to identify the frequency of the indicators of concepts in terms of current use and the dynamics over the last three years. This was analysed by finding the percentage of respondents who gave a positive answer. The latter was used to compare the samples.

The interviews were recorded and transcribed. The results were processed with Nvivo.



### 3. CONCLUSIONS

The aim of current dissertation was to map the most applicable global management ideas in business organisations, to analyse level of adoption and impact to organisations management practice by testing two different measurement tools through the change of economic situation in years 2007 to 2011 in Estonia.

To achieve the purpose four research tasks with seven research questions and five propositions were set. The paper is concluded here with the results of studies and discussion of tasks and propositions.

#### 3.1 The discussion of research tasks, questions and propositions

**RT1: To find out the new global management ideas most likely to be applied in Estonian business organisations.**

**RQ1: Which management ideas have been most popular in last decades in Estonia?**

The list of more than 50 main management ideas issued from 1985 to 2005 was compiled on the basis of literature. This was followed by studying the frequency management ideas by keywords in the Harvard Business Review, Fortune magazine and the ProQuest database. The 19 ideas remain in sieve. The final selection was made by the group of eight experts. The following contemporary management concepts were selected for this study due to how highly they scored according to typical indications of their existence: the learning organisation (LO), self-directed work teams (SDWT), the flexible organisation (FO), employee individuality (EI), supply chain management (SCM), quality management (TQM), global management (GM) and management by objectives (MBO).

**RT2: Create the tool to measure the existence of management ideas by their indicators and compare it with the method that is studying the popularity by the names of ideas.**

What managers of enterprises understand about different organisational and management development ideas in terms of the actual names of these concepts and the practice of their techniques or tools in everyday use can vary considerably. Therefore, the first questionnaire for the current study did not focus on management concepts as a whole, but on specific solutions in management practice that could potentially be measured. The presence or absence as well as the dynamics of different solutions were investigated. Although the specified practices of enterprises were handled under the general management concept as an indicator, the questions were

presented separately from the concepts and without referring directly to them. The ranking list of ideas emerged by summing up single indicators. One has to consider here that a high score cannot be interpreted as the conscious implementation of these management ideas. The practice of some solutions could be achieved through imitating other enterprises.

To investigate the adaptation and implementation of new management ideas to the practice of enterprises, the main questions were built up using three sub-questions. The first sub-question checked the existence of the management concept indicators, the second specified if this direction is practiced rarely or on a regular basis and the third asked respondents to describe the dynamics in the last three years.

The second questionnaire in the study was designed in last stage of research. The selection of methods was aimed from the first questionnaire and also based to the Bain and Company's study of management tools (Rigby, 2010). The part of management method questions contained the name method, short explanation of its content and respondents reflection about its practice in company.

**RQ2: Are the ideas behaving more like fashions if their practice is asked by their names than investigating the indicators of ideas?**

Different tools to study the adaption of management ideas were applied to similar samples and they brought different results. Investigation the adaption of ideas through the indicators and specific practice reflected more intensive use of them than the use of whole ideas. The most frequently followed management ideas according to the indicators in the sample were balanced scorecard (78%); supply chain management (72%); learning organisation (72%) and quality management (70%). According to responses to question: Which management models were used, the most popular was business process reengineering (71%), followed by quality management (62%). Learning organisation was indicated as implemented management idea by 54% of respondents.

RQ3: Is there possible to measure the level of adoption of management ideas to separate them on the degree of knowledge, implementation and embedding?

P1: Implementation of new management ideas based on international concepts can be measured by a system of indicators that differentiates management fads and operational introduction of new ideas to management practices

Studying the adoption of new ideas through the names of them indicated the degree of knowledge. The existence of certain practice and its dynamic enables to evaluate more the implementation and embedding.

**RT3: To clarify management practice the in framework of existence, dynamics and impact of new management ideas in Estonian business organizations?**



RQ4: Which of the management ideas selected under RQ1 are more applied in studied organisations?

As reflected in Publication I: the main indicators that resulted in management by objectives getting such a high score were setting specific and measurable goals for managers and specialists (85%), having evaluation interviews between managers and specialists (84%) and the use of performance pay (83%). Fixed relations with business partners was an extremely popular indicator of supply chain management (96%), and analysing and improving working processes was high for quality management (87%).

The next most often followed indicators were from the flexible organisation and employee individuality/personality concepts. From the flexible organisation concept, flexibility appeared more as a result of outsourcing and temporary positions in the company than the organisation's internal arrangements or intrapreneurship. Finally, global management and self-directed work teams were rather modestly represented. By analysing the dynamics of management directions over the last three years before answering the questionnaire (2004–2007), it is possible to observe a clear positive tendency towards using indicators of quality management, learning organisation, management by objectives and global management. The use of supply chain management remains stable. Self-directed work teams, flexible organisation and employee individuality showed a negative trend.

RQ5: Does the implementation of organization and management ideas depend on their background?

P2: More intensive use of the indicators of the global ideas was expected by foreign enterprises and also by organizations with bigger size

The proposition did not find conformation. Mixed companies that are influenced both by local and foreign owners were more enthusiastic in pointing out recent development trends in the field of quality management, focused more on employee individuality and applied self-directed work teams, but this does not permit us to draw general conclusions because of the small number of mixed companies in the sample. On the basis of the survey results it was possible to conclude that foreign investors are not in the role of sole leaders when following contemporary management and organization development directions and when introducing innovative management practices in Estonia. For instance, the subsidiaries of Nordic enterprises do not always follow “soft” management directions such as self-directed work teams or focusing on employee individuality and personality in Estonia. One reason for this is that management philosophies and directions are not chosen because of any wish to be innovative or to obtain a strategic advantage, but mostly due to pressure from the external environment. Foreign owned companies are more likely to adapt their management practices to local conditions and emerging labour market situations.

P3: Considering the situation of remarkable innovation in Estonian service sector its use of new management ideas was expected to be comparable with the industrial enterprises.

The results showed that the service sector is comparable with industrial enterprises in this sense. The quality management and supply chain management showed slightly more intensive exploitation in industry than in service and idea of flexible organisation was more common to service than industry.

P4: In terms of early development stage of business organizations in Estonia there was presumed to broaden the extension of the behavioural science based (so called “soft”) concepts indicators compared to the indicators related to formal structures, analyses of processes and rationalization concepts.

On the basis of organisational and management development concepts, the study showed a greater incidence of management by objectives, supply chain management, quality management and learning organisation indicators. At a more modest level, indicators of global management and self-directed work teams were also evident. Following the dynamics of management practice in the study, positive movement was evaluated by all of them between 2003 and 2007. The highest positive trend was observed in the use of quality management, learning organisation and also management by objectives. It appeared that there was a prevalence of concepts based on formal structures compared to those based on behavioural science.

P5: The management ideas are replenishable and replaceable by each other in the organisations practice

The complementary ideas by covering different indicators were benchmarking and balanced scorecard; benchmarking and values based management; quality management and balanced scorecard. The same tendency was recognised on the side of developed areas by balanced scorecard and customer relationship management. By the question of motivations systems, self-managing teams; learning organisation; benchmarking and supply chain management had all different connections.

The most overlap was indicated by values based management and quality management in the areas of described processes, common processes were internal communication, performance evaluation and employee training and development. Quality management presumed description of processes, but the result was not so expected by values based management that exists in more informal way by its idea.

As the relationships between management ideas and organisational indicator met mostly the expectations there might be conclude, the ideas are implemented by their theoretical principles predominantly.

RT4: Explain the influence of changes in environment on the spread of management ideas.

The differences resulting from the studies 2007 and 2011 could have been influenced by three reasons: changed economy; different method of study and the practice of not applying an idea in its original way concept but rather combining some of its elements with tools of implementing other ideas. Economic recession could cause more negative approach to new management ideas.

RQ6: Does the economic situation influence the practice of business organisations in terms of their interaction with new management ideas?

The study gave insights which impact implementing management ideas had on organisation in Estonia. The group of companies, which had introduced LO, showed better results in management as a whole and in development of products or services, which is important in criss situation that might have influenced the studied companies. Although the BPR was indicated as most used idea among nine selected ones, its connection with organisation practice in general was modest. It might be caused too narrow interpretation of this idea. Combination of BSC and BPR had however positive influence upon strategic management and control. BSC together with SCM influenced financial management that is essential focus of both ideas. BPR influenced also product development that may consider as general innovativeness of organisation. Sales, marketing and main activities were influenced by CRM. HRM and public relations were positively connected with implementing of Values-based Management. Self-managing teams had positive impact on job satisfaction.

RQ7: Do any investigated ideas support aligning values and operational practices when implementing new management ideas in a rapidly changing business environment?

P6: Different management ideas influence management practice in a rapidly changing economy, depending on the management crises and growth situations.

According to the results of current survey organizations using learning organization and business process reengineering follow different factors for making changes in strategy. However, using these two models impacts different indicators in organization.

Organizations using idea of learning organisation made decisions to change the strategy based on market and competition analysis, availability of finances and human resources, technological developments and client expectations. Those organizations, which had practiced BPR had followed owners' guidelines and the results of the analysis of previous periods.

The most popular management model was business process reengineering (71% from respondents), learning organization was mentioned by 54% of respondents. Organisations using learning organisation idea, made decisions to change the strategy based on market and competition analysis, availability of finances and human resources, technological developments and client expectations. Using learning organisation was connected with higher evaluations on management as a whole and development of products or services. Business process reengineering had led to better control systems, internationalization and customer relationship management. Additionally, work culture, job satisfaction and task allocation had improved.

The most difficult part of the whole change process is getting it started (Hendry 1996). Past experiences and learning have a significant part here (Schein 1992). The organisations' capacity to learn is a critical resource. An empirical study of 215 Estonian companies indicated the impact of implementing concept of learning organisation on certain characteristics of organisation. Using learning organisation lead to focusing on the following areas of development: organisational culture, strategic management, public relations, human resource management and innovation.

### **3.2 Summary of findings**

The most probable new global ideas adopted to the management practice in Estonia were by the validation of local experts: learning organisation, self-directed work teams, the flexible organisation, employee individuality, supply chain management, quality management, global management and balanced scorecard. The most active use by the indicators of the ideas in 2007 resulted balanced scorecard, learning organisation, supply chain management and quality management. There were not remarkable differences between the organisations with different size, ownership, age and activity. It appeared that there was a prevalence of concepts based on formal structures compared to those based on behavioural science.

The small differences in resulting from the studies 2007 and 2011 could have been influenced by changed economy, different method of study and the practice of not applying an idea in its original way concept but rather combining some of its elements with tools of implementing other ideas. The most popular ideas reflected in the practice of management in 2011 were business process reengineering, followed by quality management and learning organisation.

There is possible to conclude that the new management ideas are adopted to organisations in different levels. The above mentioned ones show the higher level of adoption than the rest ones. Comparison of results from two questionnaires indicates and the results of interview confirm more the implementation of the parts of new ideas and combining them with different ones than taking them over as whole concept and focusing on it.

### **3.3 Theoretical development**

The originality of research and its practical merit.

As discussed by the relevance of topics no studies about the adaption and implementation of new ideas into the practice of business organisations management have been done in Estonia, either in close countries.

The uniqueness of research is its contribution by creating the method for measuring the practice of management ideas.

Studying the characteristics and occurred changes of actual management practice in specific country and comparing them with the solutions provided in international concepts, it should be possible to get on the basis of that information that is essential by implementing the concept and to get more extended generalizations about dynamics of organisation and management to conclude the needs for management development in that country and also the situation how the enterprises in that location attain the internationally promoted solutions.

On the basis of the results, the aim of the research was to find out, if and how Estonian enterprises are influenced by the trends, the authors do not consider their task to determine how much different international concepts are presented, learned or tried to implement by the support of consultants etc., but the purpose is to clarify if the indicators that become evident.

From the practical point of view the paper provides above all on input for the distributors of management ideas, like consultants, trainers, scholars. The results present the actual spread practice of management ideas in Estonian organisations and give the ideas about the needs of organizations. The created measurement tool enables beside the practice measure the organisations ability to implement new management ideas.

The top managers of organizations will get ideas about the opportunities for existing management innovations and general situation in organizations and management environment.

The results are aimed also for the Human Resources Managers to explain the ways of implementing the management ideas through the indicators to develop whole organisation.

On the state level the results of paper give the mapped picture of management practice in Estonia and foreign influence to it. This enables to get ideas about development of management field in society and raise the quality of work-life.

The results of this research on implementing management and organization development directions could serve as input for executive training courses in order

to obtain deeper insights into factors that support or inhibit the implementation of innovative management directions in a different organizational context. Training could also serve as a tool for transferring new management knowledge between enterprises that have different ownership structures.

### **3.4 Implications**

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to obtain deeper insights into factors that support or inhibit the implementation of innovative management directions in a different organisational context. Training could also serve as a tool for transferring new management knowledge between enterprises that have different ownership structures.

### **3.5 Limitations and proposals for further research**

As the respondents of conducted researches were only the top managers of companies, the results can reflect mostly their intentions and values, not the actual practice in operations level.

Too frequent appeal to enterprises as direct source may cause their resistance in long term, the interview and the questionnaire about the general practice were organised in consortia with three universities and the methods served several different purposes. Therefore straight focusing on the main purpose of current study was complicated and did not allow bringing the specific results from longitudinal view.

Future research could make an in depth investigation of consulting companies – their activity and influence on enterprises could clarify the process of how managers consciously choose organisational and management development instruments.

To be more focused the management ideas should be studied in groups of their features like soft ideas separately. This will be better comparable allow potential improved overview of their correlations to each other. To get the more precise view to the actual practice of ideas in all levels of organisation the case studies are suggested.





## **4. PUBLICATIONS**



**THE STATE AND THE DYNAMICS OF MANAGEMENT  
AND ORGANISATIONAL DEVELOPMENT INDICATORS  
IN ESTONIAN ENTERPRISES**

**Maris Zernand-Vilson and Erik Terk**

Zernand-Vilson, Maris; Terk, Erik (2009). The State and the Dynamics of Management and Organisational Development Indicators in Estonian Enterprises. EBS review, 6, 8 - 25.

## **Abstract**

The current paper investigates indications of different widespread management concepts in Estonian enterprises. By studying the changes that have occurred in management practices and the characteristics of those changes in a specific country and comparing them with solutions provided by international management concepts, it should be possible, on the basis of that information, which is essential when implementing the concept, to obtain more extended generalisations about the dynamics of the organisation and its management to identify the management development needs in that country and also how enterprises in that location attain solutions promoted internationally. The following contemporary management concepts were selected for this study due to how highly they scored according to typical indications of their existence: the learning organisation, self-directed work teams, the flexible organisation, employee individuality, supply chain management, quality management, global management and management by objectives. A top manager from each company answered the questionnaire. The study covered 145 organisations.

According to the results, the most common focus in the organisations studied were management by objectives, supply chain management and the learning organisation.

**Keywords:** Estonia, management, organisational and managerial development, transfer of management concepts

## **Introduction**

Several new ideas about organisational development and management have come into being and been expanded in the last few decades. Numerous books have been published, ideas presented and methods promoted by trainers and consultants. But there is no clear overview of the extent to which the organisational and management reality in different countries corresponds to these ideas and concepts, and which direction practice is moving. Therefore, a study was initiated using indicators derived from different contemporary international management concepts, to find out the intensity and dynamics of these indicators in the practice of Estonian enterprises.

Consequently, the general research task of this paper is to clarify management practice in terms of contemporary management concepts in the Estonian business

environment. On the basis of the results, the research tried to find out if and how Estonian enterprises are influenced by these trends; the authors did not set out to determine how much different international concepts are presented, learned or attempted with the support of consultants and so on, but to clarify whether indicators of these concepts become evident.

The management context in Estonian enterprises has not been sufficiently mapped. There are not many empirical studies that make it possible to assess management practices in general, nor to construct and prove more detailed hypotheses. There have been studies about specific aspects or concepts of management and organisational practice in Estonia, such as the studies of organisational learning by Alas (2002) or of the balanced scorecard by Rillo (2005), but this is not sufficient to develop an integrated body of hypotheses about the dynamics of management practice. On the basis of one or two developments in direction or method, it is difficult to make extended generalisations about management practice as a whole. Without a broad picture it is also difficult to interpret the empirical results of single narrower segments (This kind of situation is not only common to Estonia, but also to other Central and Eastern European (CEE) countries). This study is fundamental not so much in that it constructs hypotheses that make it possible to measure the mechanism of one or another change within more or less clear boundaries, but in that it constructs a complex of indicators to explain the situation and change tendencies within a defined area if only in general terms. Only then would it be possible to move on with more detailed hypotheses and assess them more thoroughly. Consequently, only preliminary hypotheses of a more general nature are proposed based on the authors' professional experience with economic organisations rather than on empirical studies.

The current study did not facilitate a more precise system of hypotheses because there are not sufficient complex empirical studies about Estonian enterprises in the most recent development period that present the general state of current practice and recent trends. This is largely true for enterprises throughout the CEE area. Researchers assert that managerial and organisational practices in the CEE were being brought in line with those of developed Western nations, and although this fact is generally true, it is not possible to make decisions about its forms and dynamics. One purpose of the current study is to generate this kind of "big picture" to enable advances on the basis of new hypotheses. Some hypotheses originating from practical observations about Estonian enterprise management on the basis of research are composed as follows. It was presumed that international concepts and their indicators exist in Estonian organisations. Since business organisations were still in the early stages of their development, it was presumed that "soft" concepts or aspects of behavioural science were more broadly taken into practice compared to more formal structures, analysis of processes and rationalising concepts. The authors expected more intensive use of international management concepts among foreign enterprises and larger organisations. Focusing on different samples, it was expected that foreign and larger enterprises would show more innovative use of international concepts than local and smaller enterprises. Since

there was remarkable innovation in the Estonian service sector in terms of its use of contemporary management and organisational development concepts, this was expected to be comparable to industrial enterprises.

## **Management concepts**

Management theory has developed remarkably, especially in the last 50 years; therefore, it is still quite unsettled and controversial. New “management philosophies” and organisational and management concepts have continued to emerge all the time. Some of them have grown from previous concepts. Sometimes there have been serious paradigmatic shifts, while other times more moderate shifts in emphasis or terminology. These changes were often then sold on partially as a result of substantial alterations in society and the economy that inevitably bring changes to management, but partially also due to new innovative management theorists’ or consultants’ efforts to present a new concept that is different from the previous, contrasting or even rejecting it, and thereby winning the necessary attention of the audience. Different concepts are quite difficult to compare, because they focus on various instants in management and at the same time try to sell their agenda in the broad context of general management.

Koontz (1961, 1980) started to use the term “management theory jungle”. In his article from 1980, Koontz differentiated 11 separate directions<sup>3</sup> in management practice and stated that their numbers had doubled in 20 years. He expressed the prudent hope that developments would move in the direction of convergence. His predicted convergence never materialised. One of the more systematic studies of management tools by Bain & Company involves a summary. In 2009 (Rigby, 2009), 45 management tools were divided into 13 groups – the study did not attempt to capture all existing management concepts.

Many of the new management concepts tend to be guru-centric, and so they lack analytical dialogue. Conducting comparative analyses is quite difficult. They are often talking across each other or discussing the same things using different terms. There is a need to take this discussion to the level of elements of concepts, or the techniques promoted within the framework of such concepts. The presence of these elements and techniques should preferably be discernible and measurable.

There has been extensive critical discussion on the triggers and implications of management tools and techniques as management fashions (Abrahamson and Fairchild, 1999), stressing the need to understand broader priorities and development approaches that lead to implementation, rejection or formal use of specific management tools and techniques.

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<sup>3</sup> The analysis by Koontz was made by generalised approach, in current article are pointed out the more specific, directly to organisation and management development related concepts, but it does not change the picture much, because by the every specific concept is seen the broader theory on that it relies.

## **Transfer of management concepts**

Due to the fact that the management theories and the methods of organisational and management development based on them are increasingly international, the more exotic countries and cultures (like the Orient and East-Asia) can safely be discarded from this discussion. This internationalisation trend is getting stronger all the time. For example, it was only a few decades ago that the Finnish management school, which was under the influence of the United States, differed from the Swedish school, which was influenced by Germany. But now the dissimilarities between such locations are already rather insignificant. Comparative studies of organisational cultures in different countries have become a popular branch of research (Kaasa, 2008). In the same conditions it is difficult to find evidence that these kinds of studies are considered for teaching and improving management.

It is mainly international business periodicals, consulting companies, business schools and companies offering training that are responsible for introducing new management theories and improving managerial practice. This is an international industry, which rests upon the same theoretical sources. The sources are primarily Anglo-American. Some other European countries (like Sweden) are infrequently able to succeed in the competition for concepts and gurus.<sup>4</sup> The same consulting and training kits are implemented in different countries, then feedback works as the consultants experiment in their activity then inevitably amend and adapt these instruments based on what does or does not work in a specific country at a certain time. This activity of adapting often remains as tacit knowledge among executives and does not move on to the level of theoretical generalisation.

The transfer of management concepts at the organisational level may operate in different ways. The implementation of new practices can be forced by the manager's conscious choice, there can be a spontaneous organisational adoption of new behaviour or the movement towards new management concepts can be self-regulative.

Consequently, the ability of one management concept, method or technique as opposed to another within in the framework of the situation in a specific country and its stage of economic development comes into question. Investigating the characteristics of actual management practices and changes in them in a specific country, and comparing these with solutions provided in international concepts, should make it possible to draw conclusions about the needs for management development in that country and also about how enterprises in that location access solutions promoted internationally. Considering this, training and consulting in

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<sup>4</sup> At this point is important to emphasise that in addition to the cultural and economic peculiarities, the domination of management concept is influenced also by the scheme of owner- management relation and practice of corporate governance which is typical in some countries. The management is not influenced by the professional executives only but the owners of capital. The models of corporate governance in different countries are quite different. The model from USA which gives remarkably strong independence in CEO is one possible option. (Tafel, et. al., 2006)



the field of management could potentially be adjusted. Surely to achieve these results, it is not enough to measure the intensity and dynamics of these factors. It is also necessary interpret the results in accordance with the economic and cultural context.

### **Estonian context**

The Estonian economy grew rapidly from the beginning of 2000 until the current economic crisis. This was supported by general economic growth, good availability of credit and also in some ways by accession to the European Union.

Conscious research and development in the management field commenced in the 1960s when the first educational institutions in the management field were established in Estonia. Ten years later, in the 1970s, executive training facilities existed that enabled managers of business entities at this time to acquire broad management knowledge (Graf, 1986). We can consider that a connection with organisational and management development concepts existed in Estonian organisations from that time. The main source of US based concepts came through Finland (Gillies, et. al. 2002).

According to descriptions by Estonian management experts (2005), management developments influenced organisations in spite of the lack of any real economic relations. Differences between organisational culture, work quality, attitudes toward employees and the external environment appeared. The emergence of free market management thinking also brought several foreign experts and theorists to short seminars.

As a result of economic reconstruction and privatisation, the entrepreneurial structure changed fundamentally (Teder and Terk, 1998). The number of managers changed, and the new managers were largely young people. Also, local consulting companies were augmented with the newcomers in the management field. Therefore, it is quite difficult to estimate the continuity of management development concepts in Estonia.

International accounting and consulting companies and Finnish training centres, which primarily established branches in Estonia, started experimenting by selling the same courses and approaches to consulting as existed in other counties (Enterprise Estonia, 2005). New consulting and training companies also appeared, and business schools in Estonia started to copy popular western methods without any deeper investigation of the actual needs of local enterprises at their particular developmental stage.

In terms of organisational culture, Estonian enterprises are partly similar to Finnish and partly similar to eastern European enterprises (Vadi and Türk, 2009).

Compared to other Central and Eastern European countries, a large number of Estonian enterprises are foreign owned and the majority of these were established appreciably earlier than 2004, when Estonia joined the European Union.

The current study covers a period when the Estonian economy was not yet in the present crisis. This was a period of clear growth, but in some ways this was a period of stagnant growth because the economy was not restructuring as fast as prices rose. Also, the business models in use did not develop fast enough, new markets were not pursued and managements were quite conservative (Varblane, et al 2008).

## **Research description**

In order to study the practical use of management and organisational development concepts, the research process was carried out in three main stages. The steps were: defining the research object, creating the measurement tool and finally collecting and analysing the data.

The first task in selecting a study object was to formulate a shortlist of contemporary directions. It was essential to select general directions and avoid specific tools, but also management philosophies that were too broad. The first selection was made on the basis of the frequency of the keywords related to organisation and management development directions and their representatives in the Harvard Business Review, Fortune magazine and the ProQuest database. The results of the frequency analysis are presented in Appendix 1. The period from 1985 to 2005 was chosen in order to match two decades of economic transition in Estonia, assuming that some years existed as a time lag between introducing new management ideas in journals and their possible introduction in management practice. The final choice from the shortlist was made during discussion seminars with local management experts<sup>5</sup> that validated the relevance of directions for the Estonian context. The experts were from research institutes, business schools and state institutions responsible for the development of the economy. The following concepts were selected: learning organisation, self-directed work teams, flexible (shamrock) organisation, employee individuality and personality, supply chain management, total quality management, global management and management by objectives. A short overview of the selected management and organisational development concepts is presented in Appendix 2.

The next step in the study was to compile the measurement tool. What managers of enterprises understand about different organisational and management development concepts in terms of the actual names of these concepts and the practice of their techniques or tools in everyday use can vary considerably. Therefore, the

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<sup>5</sup> The experts were Ruth Alas, Tiit Elenurm, Tõnu Kaarelson, Jaana Liigand and Rünno Lumiste. Annika Tallo also contributed to the construction of the measurement tool.

questionnaire for the current study did not focus on management concepts as a whole, but on specific solutions in management practice that could potentially be measured. The presence or absence as well as the dynamics of different solutions were investigated. Although the specified practices of enterprises were handled under the general management concept as an indicator, the questions were presented separately from the concepts and without referring directly to them. The ranking list of concepts emerged by summing up single indicators. One has to consider here that a high score cannot be interpreted as the conscious implementation of that management concept. The practice of some solutions could be achieved through imitating other enterprises. An overview of the management directions and related indicators is also presented in Appendix 1. An overview of the methods for selecting the management concepts for the current study is described in an article handling the differences between indicators in domestic and foreign companies (Zernand-Vilson and Elenurm, 2009).

The main questions were built up using three sub-questions. The first sub-question checked the existence of the management concept indicators, the second specified if this direction is practiced rarely or on a regular basis and the third asked respondents to describe the dynamics in the last three years. The list of the first questions is presented in Appendix 3.

The purpose of the background questions was to find out the features of the sample and the opinions of the respondents about management and organisational success factors. Open questions on recent and future improvements in the studied organisations were also asked among the background questions. A pilot study was implemented first to ensure that the questionnaire was understandable. After that, the initial questionnaire was corrected and a final version completed. The final questionnaire consisted of 59 questions.

The third step was to determine the sample and implement the questionnaire. Suitable organisations for the sample were those enterprises with at least three years experience of operating in Estonia. Companies with at least 50 employees were also preferred. Enterprises with less than 10 employees were left out, as many sophisticated management practices are not relevant for such micro-enterprises.

The data was collected by the main research group and also using the support of Estonian Business School students. The questionnaire was implemented in the period from March to June 2007. Top managers from the selected companies answered the questions. The questionnaires on paper were completed partially by the respondents and partially by the representatives of Estonian Business School that interviewed the top managers.

The questionnaire was sent to 160 enterprises. Two of them refused to participate, and thirteen companies offered incomplete questionnaires, which was a negligible failure rate, and so the number of complete responses was 145.

The representation of enterprises in the study sample reflects the structure of the Estonian economy at the time. The service sector is represented by 74% (107) of the respondents and the remaining 26% (38) are industrial enterprises. The size of the enterprises is defined by the number of employees and they can be divided into three groups: small enterprises (10–49 employees) 28% (40), medium enterprises (50–249 employees) 47% (68) and large enterprises (250 or more employees) 26% (37). In the sample, 55% (79) were local companies, 15% (22) were companies with both local and foreign investors (mixed companies) and 46% (44) belonged to foreign capital.

The results of the questionnaires were initially transferred to MS Excel and later to the analytical software SPSS. Both tools were used for statistical analysis. The former was used to identify the frequency of the indicators of concepts in terms of current use and the dynamics over the last three years. This was analysed by finding the percentage of respondents who gave a positive answer. The latter was used to compare the samples.

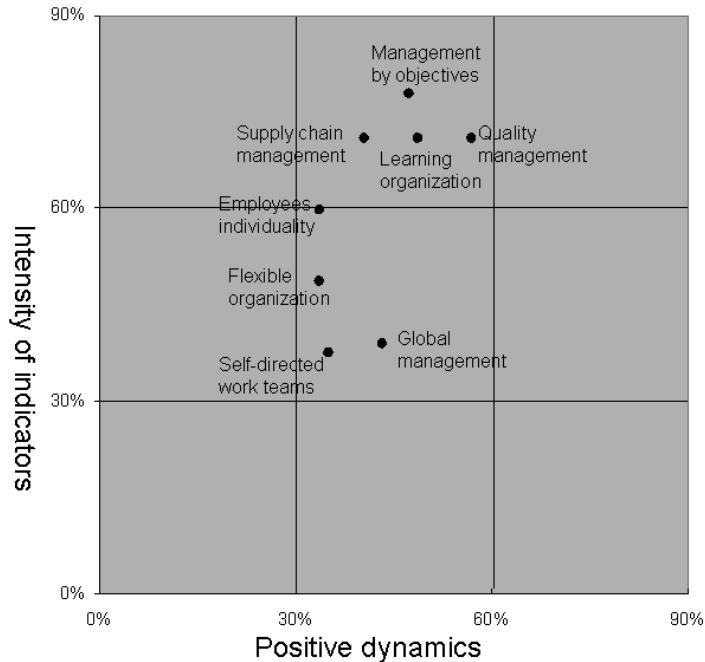
## **Study results**

The most frequently followed management and organisational development directions according to the indicators in the sample were:

- 1) management by objectives;
- 2) supply chain management;
- 3) quality management.

The main indicators that resulted in management by objectives getting such a high score were setting specific and measurable goals for managers and specialists (85%), having evaluation interviews between managers and specialists (84%) and the use of performance pay (83%). Fixed relations with business partners was an extremely popular indicator of supply chain management (96%), and analysing and improving working processes was high for quality management (87%).

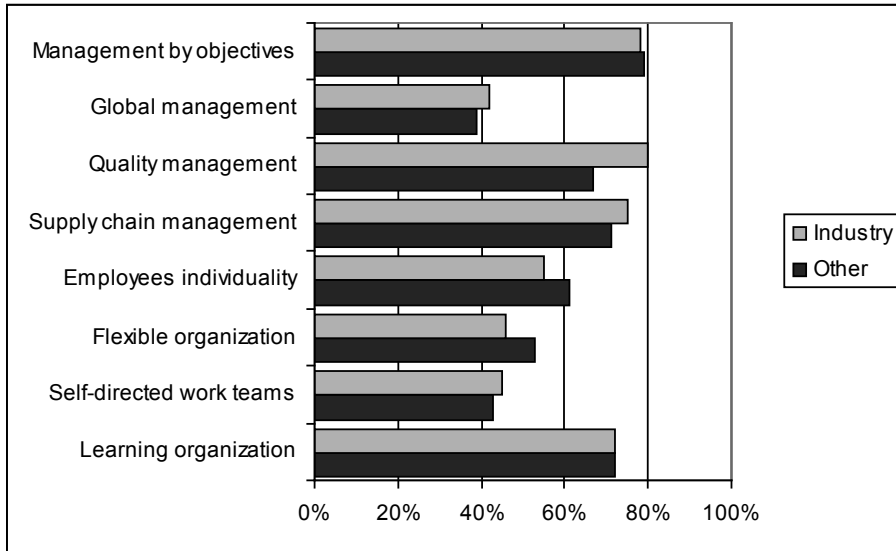
The next most often followed indicators were from the flexible organisation and employee individuality/personality concepts. From the flexible organisation concept, flexibility appeared more as a result of outsourcing and temporary positions in the company than the organisation's internal arrangements or intrapreneurship. Finally, global management and self-directed work teams were rather modestly represented. By analysing the dynamics of management directions over the last three years before answering the questionnaire (2004–2007), it is possible to observe a clear positive tendency towards using indicators of quality management, learning organisation, management by objectives and global management. The use of supply chain management remains stable. Self-directed work teams, flexible organisation and employee individuality showed a negative trend. A summary of general usage indicators and positive dynamics of exploitation are presented in Figure 1.



**Figure 1.** Intensity and dynamics of indicators of international management concepts in Estonian organisations (percentage of respondents who responded positively to the presence and positive dynamics of the indicators)

After comparing the results for different groups, it appeared that the essential differences were not so large. One interesting outcome resulted from comparing industrial and other organisations. The comparison of the presence of indicators of management concepts in industrial and other organisations is presented in Figure 2.

Generally, it is possible to state that Estonian business organisations have been able to acquire a comprehensive approach to implementing contemporary principles and techniques for goal-setting activities and adapting to a changing environment, as well as establishing a stable cooperation network. At the same time, we have to recognise that more elementary transposable management concepts from among those mentioned above have already become exhausted. The elements of concepts that are principally essential, but assume more profound changes in organisational culture and managerial style, are being used less. In that way, for example, organising different seminars about goal-setting and the application of information technology are being used from the learning organisation, but the documentation of the organisations activities in order to learn from mistakes is being used less. From managing by objectives, the setting of objectives and systematic examinations are being exploited, but without involving organisational members in goal-setting. In supply chain management, establishing stable relations with partners is being attempted. But the kinds of relations that facilitate innovations are used less, and



**Figure 2.** Practice of indicators of international management concepts in Estonian industrial and other organisations (percentage of respondents who responded positively about the presence of indicators)

the costs of manufacturing are not revealed to partners. Therefore, we can consider that Estonian business organisations are conservative when it comes to taking over international management concepts. Such modest radicalism is also indicated by the modest use of valuing employee individuality, self-directed work teams and the tools of global management.

As expected, Estonian industrial and service organisations are at a rather similar level. To some extent the greater existence of total quality management and supply chain management indicators in industrial organisations was anticipated. In contrast to general results in several other countries, organisations from the service sector exploit management development tools more or even substantially more. This result is confirmed also by the Estonian Community innovation Survey (Viia, et al., 2007), where results present a higher general intensity of innovation in Estonian organisations from the service sector.

By analysing the results on the basis of ownership, it was possible to observe slightly more inactivity in domestic enterprises than in those based on foreign capital. The use of such indicators was lower and also this trend was not so noticeable in companies with foreign capital. The reason for this could be differences in corporate governance. As Elenurm et al. (2007) point out, the separation of the role of owner and manager in organisations based on Estonian capital is still taking place. At the moment, owners are to a large extent managing their own organisations, and their ability to exploit the tools of international management concepts is not high.

When comparing organisations that export with those that only supply the local market, the differences were modest. Although a greater intensity in the enterprises dealing with exports could be expected, we have to consider that we are mainly dealing with subcontractors. As they do not have immediate contact with the end user, they do not feel more pressure to use international management tools than organisations operating locally. Only global management indicators differed by 10%, which is completely understandable.

## **Discussion and implications**

Estonian enterprises in the period of economic growth between 2003 and 2007 commonly expanded upon “soft” and “hard” international management concepts. Popular practices included setting measurable goals and assuring their execution, starting from the company’s aims and rationalising the production process and reinforcing working processes by, for instance, having fixed relations with business partners and maintaining a stable network of business partners. In terms of organisational development, collective training and discussions of work related problems were popular. Managerial communication and discussions in a free and open atmosphere and the use of mentors and/or supervisors for new employees were also adopted in order to consider employee individuality.

Most of the previously mentioned indicators are common to local and also foreign owned companies. It is still possible to observe a clearer strengthening of the elements of “hard” concepts in the three years before the implementation of the questionnaire. “Soft” concepts were similarly exploited three years earlier. Efforts to create self-directed work teams are noticeable in only a small number of enterprises.

Irrespective of management concept, it is possible to perceive that easier approaches to management or organisational solutions are applied, rather than solutions that require radical rearrangements or greater effort to implement.

On the basis of the above, we can generalise about enterprises’ inclination to develop incremental management practices like the rationalisation of business processes and strengthening cooperation with partners during the period of economic growth. The management methods that need more complicated changes and the use of organisational development are ignored.

It is common in Nordic countries that in addition to the “hard” management tools, “soft” management concepts are also practiced. Although enterprises operating in Estonia do follow Nordic management practices such as management by objectives, “softer” Nordic management practices, such as focusing on employee individuality and personality or self-directed work teams do not appear to be growing directions.

Management by objectives and the concepts of the learning organisation are used more in larger organisations, as well as those where foreign capital is involved. Such differences are not so obvious when considering supply chain management principles and tools.

As we can see in Figure 1, the indicators related to global management have not been expanded upon so much in Estonian enterprises, but their frequency has increased considerably in the three years (2004–2007) preceding the questionnaire. Compared to other concepts, those that focus on human capital activation like employee individuality, flexible organisation and self-directed work teams, have exhibited relatively slow growth. It is possible to conclude that a modest actualisation of radical forms of human capital activation exists in Estonian enterprises.

To some extent, a speculative explanation of the information in the figures could focus on enterprise development. Most of the organisations investigated were new comers in the 1990s, and they were aggressive enough and flexible in their early years. These enterprises left the period of “push and rush” in the middle of the current decade, at the latest, and entered a stage of stable development. The economy was still growing and credit was easily accessible. The enterprises were able to improve their financial ratios and continue their former activity at the same time without finding new markets or business models. Defining and rationalising their activities was a key issue. This affected relations with stakeholders (e.g. suppliers, customers) as well as the enterprises’ internal working arrangements and the management. The extensive existence of features of concepts like management by objectives, supply chain management and quality management proceeds from that. Therefore, it may be assumed that a fall in international markets can fundamentally change the management practices of Estonian enterprises.

## **Conclusion**

On the basis of organisational and management development concepts, the study showed a greater incidence of management by objectives, supply chain management, quality management and learning organisation indicators. At a more modest level, indicators of global management and self-directed work teams were also evident.

Following the dynamics of management practice in the study, positive movement was evaluated by all of them between 2003 and 2007. The highest positive trend was observed in the use of quality management, learning organisation and also management by objectives.

The hypothesis concerning the more extensive existence of indicators of management concepts among larger enterprises was found to be true. The results also showed that the service sector is comparable with industrial enterprises in



this sense. The expected greater use of international management concepts in companies based on foreign capital was not confirmed. It also appeared that there was a prevalence of concepts based on formal structures compared to those based on behavioural science.

Future research could make an in depth investigation of consulting companies – their activity and influence on enterprises could clarify the process of how managers consciously choose organisational and management development instruments.

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**Appendix 1.** Studied management and organisation development directions, their representatives and indicators in publications and in the ProQuest data base 1985–2005

Development directions and their main representatives	Frequency in publications and database			Indicators of directions
	HBR	Fortune	ProQuest	
<b>Organisational learning</b>	69	10	4278	Formal rules of monitoring and sharing information Compiling and using electronic information packets Discussions and seminars for creating common vision and strategy Recording lessons from experience Virtual cooperation “carbon copy” culture Common training for employees Increasing employees initiative to provide ideas
Chris Argyris (1996)	14	1	62	
Peter Senge (1997)	6	13	142	
<b>Flexible organisation</b>	6	8	116	Use of self-deciding production units Interchange of roles and replacement of each other Movement of the role of the leader depending on the task
Charles Margerison (1991)	0	0	39	
Dick McCann (2006)	0	0	5	
<b>Self-Directed Work Teams</b>	4	9	503	Use of self-deciding production units Interchange of roles and replacement of each other Movement of the role of the leader depending on the task
Charles Handy (1984)	8	15	232	
<b>Personality of employees</b>	0 (164)	0	1713	Increasing employees initiative in creative and personal solutions Employees decide themselves how to perform a task Specific procedures to perceive, introduce and develop organisational culture Creating patterns of roles and models Use of mentors and supervisors for new employees Finding competent and innovative new employees Discussion with managers in a free atmosphere Evaluating managers by employees
Tom Peters	17	80	436	
Robert Waterman (1989)	1	12	39	
Rosabeth Moss Kanter (1989)	16	17	284	

Development directions and their main representatives	Frequency in publications and database			Indicators of directions
<b>Supply Chain Management</b>	24	69	5181	Outsourcing services Stable network of business partners Fixed relations with business partners Partners are making discounts and abatements to each other Tight cooperation with partners in change management Concentration on core competencies Revealing own costs to business partners
<b>Quality management</b>	62	91	10056	Use of ISO standards Thought over activity in analysing and improving working processes Conducting customer satisfaction research Conducting employee satisfaction research
Philip Crosby	1	11	101	
Edwards Deming (1994)	16	33	443	
Joseph Juran (2000)	3	5	44	
<b>Global management</b>	13	30	323	Multilingual meetings and other arrangements Using specialists from abroad Courses that handle cooperation with different cultures Difficulties in relations because of partners from different cultures
Christopher Bartlett (2002)	1	1	39	
Sumantra Ghoshal (2002)*	11	2	116	
<b>Management by objectives</b>	1(94)	4 (4)	429 (980)	Specific measurable purposes Use of evaluation interviews Performance pay Employee participation in setting purposes Motivation system linked to business strategy
Robert S. Kaplan (1996)	24	9	103	
David P. Norton (1996)*	8	2	59	

## **Appendix 2.** Overview of selected management and organisation development concepts

The following brief overview of the selected concepts presents their main essence.

***Learning organisation*** The learning process involved in overcoming the differences between the values and basic assumptions inherent in a centrally planned economy and those in a market economy is time consuming, and often leads to fundamental changes in organisational culture, leadership style and strategy. To increase the organisation's ability to adapt to such fundamental change, authors that represent this direction (Garvin, 1993; Senge, 1997) have developed a concept of the learning organisation. According to Senge (1997), learning organisations are organisations where people continually expand their capacity to create the results they truly desire where new expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together.

***Self-directed work teams*** represent an approach to organisational design that goes beyond quality circles or *ad hoc* problem-solving teams. These teams are natural work groups that work together to perform a function or produce a product or service. They not only do the work, but also take on the management of that work – functions formerly performed by supervisors and managers. Self-directed work teams, also known as self-managing teams, represent a revolutionary approach to the way work is organised and performed. Designing the work system with the full participation of the people doing the work has been a popular direction leading to productivity breakthroughs in advanced market economies in the 1990s. Companies were redistributing power, authority and responsibility so that the people closest to the customer and the end product or result have a decision-making capability (Williams, 1995).

***Flexible organisation*** provides an organisational and management development principle to meet the needs of innovative business initiatives. It is a form of organisational structure with three modes in which people can be employed, and on which organisations can be linked to each other. It is named also as shamrock organisation and was identified by Charles Handy (1984).

Handling of ***employee individuality and personality*** means an organisation where talented people are expected to have a good environment for self-actualisation. There should be an exciting and supportive organisational climate and cooperation with customers. An enjoyable working environment enables one to reach excellent results. Nobody has power or control over others and the relationships are horizontal. The contribution of all individuals is essential because it comes from their unique abilities (Rice, 1977).

***Supply chain management*** is the management of a network of interconnected businesses involved in the ultimate provision of product and service packages

required by end customers (Harland, 1996). Supply chain management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from the point-of-origin to the point-of-consumption.

**Global management** reflects business operations and a competitive environment that is more international than ever before. The 1990s saw the rise of the truly global organisation. Globalisation is all-embracing – even for smaller organisations, which are not global in their own operations. National organisations are likely to be fighting off competitive threats from companies that are organised on a global scale. (Crainer, 1996).

**Quality management** in production process rationalisation (here quality management) is a systematic way of guaranteeing that all activities within an organization happen the way they have been planned in order to meet the defined needs of customers and clients. The emphasis is on involving everyone in the organisation of activities, which provide for continuous improvement and for achieving sustained high levels of quality performance (Armstrong, 1993).

**Management by objectives.** One concept under that, the balanced scorecard complements financial measures of past performance with measures of the drivers of future performance. The objectives and measures are derived from an organization's vision and strategy. The objectives and measures view organisational performance from four perspectives: financial, customer, internal business processes, and learning and growth (Kaplan, 1996).

### **Appendix 3.** Summary of the questionnaire

#### First subquestions:

The numbers at the end of questions are indicating the concepts as follows:

- (1) learning organisation;
- (2) self-directed work teams;
- (3) flexible organisation;
- (4) employees' individuality and personality;
- (5) supply chain management;
- (6) quality management;
- (7) global management;
- (8) management by objectives

1. Does your enterprise have formal rules for monitoring and sharing information with colleagues about business environment, competitors, and customers? (1)
2. Do you practice compiling and using electronic information packets (e.g. memos, intranet, extranet, references etc.) in your company? (1)
3. Is there common in your enterprise to discuss work related perspective problems, and to have discussions and seminars for creating common vision and strategy? (1)
4. Do you record in your enterprise lessons that you have got from implemented projects incl. made mistakes? (1)
5. Do you practice special virtual cooperation by use of internet or/and intranet, in your enterprise? (1)
6. Is the so called cc culture (e-mails are sent not only to addressee, but as copy (cc) to everyone who can use the information in the mail in their work) expanded in your organisation? (1)
7. Are the employees' collective trainings popular in your enterprise? (1)
8. Is there attempted to increase employees' initiative to provide new ideas and proposals by stimulating them? (1)
9. Some enterprises use in their main activity so called self-deciding production units which have full power to solve their problems of work. Does your company have these kind of self-deciding production units? (2)
10. Some enterprises use the interchange of roles and replacement of each other as rotation. Does your company have this kind of experience? (2)
11. Does your company have any experience in movement of the role of the leader depending from the task? (2)
12. Are you trying to use part-time job in your enterprise? (3)
13. Do you use temporary employment in your enterprise? (3)
14. Does your enterprise use teleworking? (working away from the place of work by the support of Internet and telecommunication) (3)
15. Does your enterprise use flexible arrangements of working time? (3)
16. Does your enterprise use the contracts of services instead of the contracts of employment? (3)



17. Are there some internal working processes replaced with the outsourcing in your enterprise? (3, 4)
18. Have there been any cases in your enterprise where the employee or the group of employees started providing you service as independent entrepreneurs? (3)
19. Are you trying to increase employees' initiative in creative and personal solutions by stimulating it? (4)
20. Is it usual in your enterprise that the employee decide themselves how to perform a task? (4)
21. Some enterprises have specific procedures or/and people which/whose task is to perceive, introduce and develop organization culture. Do you have this kind of practice? (4)
22. Some enterprises have been creating patterns of roles and models (e.g. modern salesman or someone's working practice in communication with customers) Do you have this kind of practice? (4)
23. Do you use mentors and/or supervisors for new employees? (4)
24. Does your enterprise find competent and innovative new employees (even there are no vacancies)? (4)
25. Is it common that your managers communicate and have discussions in free atmosphere? (4)
26. Have there been managers' appraisals by employees? (4)
27. Is your enterprise trying to keep stabile network of business partners? (5)
28. Does your enterprise have fixed relations with business partners? (5)
29. Do your partners discounts and abatements to each other? (5)
30. Does your enterprise tight cooperation with partners in change management? (5)
31. Does your enterprise concentrate more on core competencies or expand to different areas? (5)
32. Does your enterprise reveal its costs to business partners? (5)
33. Do you use the ISO 9000 or ISO 14 000 quality systems? (6)
34. Does your enterprise have the thought over activity in analysing and improving working processes? (6)
35. Do you analyse and improve production processes in the level of operations? (6)
36. Has your enterprise done cooperation with the partners to improve production processes? (6)
37. Have you practicing customers' satisfaction surveys? (6)
38. Have you practicing employees' satisfaction surveys? (6)
39. Do you have multilingual meetings and/or other arrangements? (7)
40. Do you have some specialists who have education or working experience from western countries? (7)
41. Dou you have had trainings that handle cooperation between the people from different cultures? (7)
42. Dou you have had any difficulties in relations because of foreign partners from different cultures? (7)
43. Do you set specific and measurable purposes for managers and specialists? (8)

- 44. Do you have evaluation interviews between managers and subordinates? (8)
- 45. Do you implement performance pay for managers and specialists? (8)
- 46. Do your employees participate in setting purposes? (8)
- 47. Is your motivation system linked with the business strategy? (8)

Second subquestion:

X2 This kind of practice/rules are in our enterprise

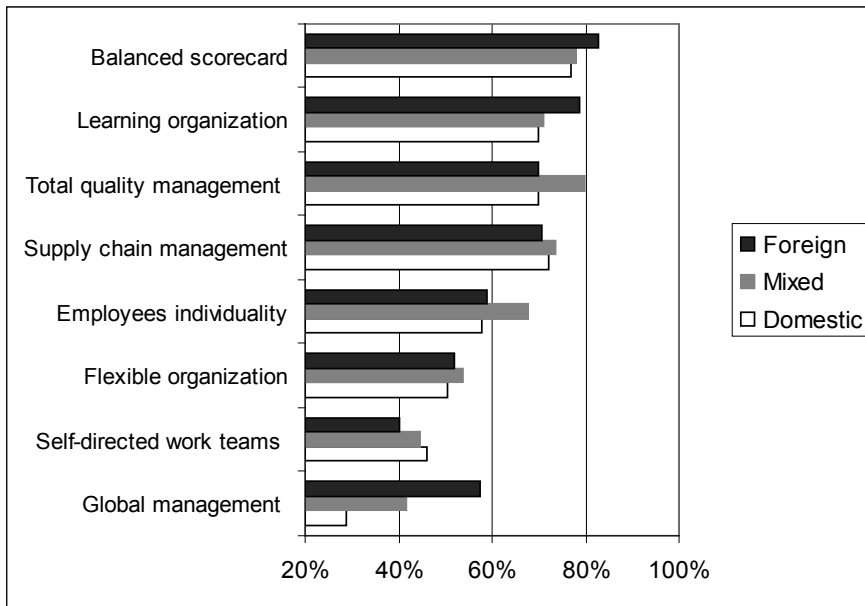
- 1) rather exception
- 2) broadly extended

Third subquestion:

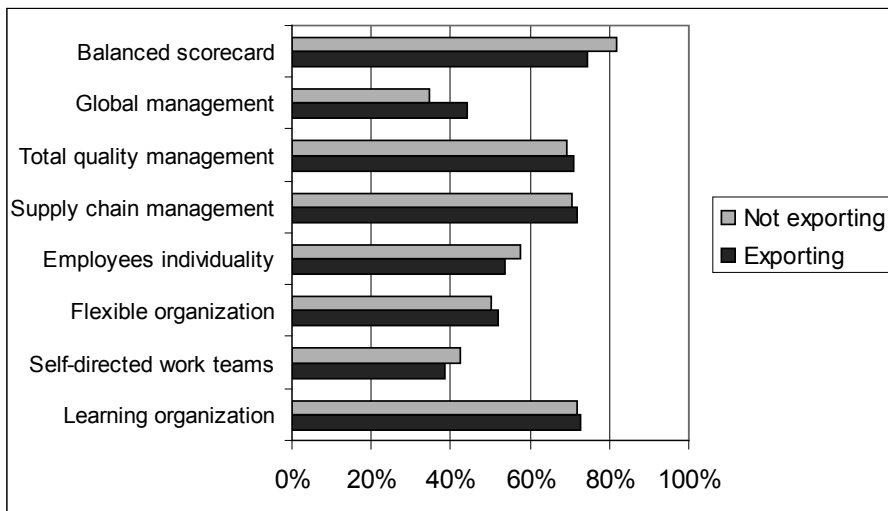
X3 This kind of practice is during last 3 years

- 1) has rather bated
- 2) has not changed essentially
- 3) has increased

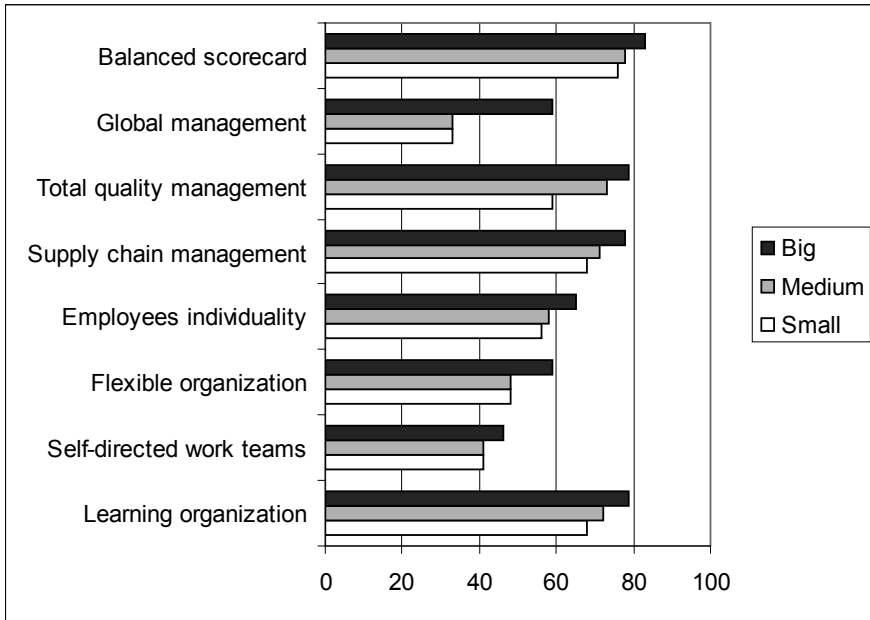
**Appendix 4.** Survey results by different samples (percent of respondents who gave positive answer about presence of indicators)



Differences by the ownership of organizations



Differences of exporting and locally supplying enterprises



Differences by size

**DIFFERENCES IN IMPLEMENTING MANAGEMENT  
AND ORGANIZATION DEVELOPMENT DIRECTIONS  
BETWEEN DOMESTIC AND FOREIGN COMPANIES  
IN ESTONIA**

**Maris Zernand-Vilson and Tiit Elenurm**

Zernand-Vilson, Maris; Elenurm, Tiit (2010). Differences in implementing management and organization development directions between domestic and foreign companies in Estonia. . *Baltic Journal of Management*, 5(1), 82 - 99.

## **Introduction**

Many new ideas about developing organizations and management skills have emerged in recent decades. Since 1993, Rigby (2001) has conducted a survey of management tools and techniques that tries to create and use a global database of executives. There has been extensive critical discussion on the triggers and implications of management tools and techniques as management fashions (Abrahamson and Fairchild, 1999), stressing the need to understand broader priorities and development approaches that lead to implementation, rejection or formal use of specific management tools and techniques. The present paper tries to interpret applied tools and methods in the context of the broader organisation and management development priorities of managers in order to overcome the management fad bias.

Several surveys highlight organizational changes during economic and social transition (Alas, 2003), management challenges in growing enterprises in a Baltic state (Pundziene, *et al.*, 2006) or deal with the application of specific learning organization tools (Mets and Torokoff, 2007) in some of these countries. There is, however, no comprehensive overview of the extent and manner in which new management and organization development directions and related tools and methods are implemented practically in Baltic countries, including Estonia. Also, the reason why managers decide to introduce specific management tools depending on the role of local capital and foreign investors in the company ownership structure is an important research issue for new EU member states, where foreign investments have a substantial role in changing the business structure and shaping new management practices.

In order to fill this research gap, a survey was initiated to find out how contemporary management ideas are implemented in Estonian business organizations.

The present paper at first discusses theoretical and methodical issues of assessing the relevance and practical use of new management and organization development directions and the process for selecting contemporary management directions for the survey. A brief overview of foreign investments to Estonia is presented in order to explain the context of international transfer of management ideas to Estonia.

After that organisation and management development directions used in the survey of 141 Estonian enterprises are explained in more detail, and the logic of the questionnaire that links broader directions with related operational tools and methods is explained.

Survey results are discussed and conclusions about their implications and limitations are presented in the last sections of the paper.

### **The challenges of studying the practical application of new management ideas**

The adoption and implementation of management ideas is an important process that links management theory, management consulting and training activity with emerging management practices. The classical work by Guillen (1994) compared the spread of scientific management and other broad streams of management thought in different countries. Abrahamson and Eisenman (2001) stressed that management scholars must intervene strategically in the management knowledge market. Bettis (1991) pointed out the challenge of scholars of becoming more aware of current development trends in business and management in order not to lag behind emerging phenomena in management practice about which they are trying to produce normative management knowledge. This challenge is especially topical in rapidly changing transition economies, where new management practices emerge as a result of the internal development logic of local business organisations, but also under the influence of several stakeholders that were not present before the transition to the market economy: international training and consultancy firms and foreign investors.

Sturdy (2004) has specified six broad views on the adoption of management ideas: the rational view, the psychodynamic view, the dramaturgic or rhetoric view, the political view, the cultural view and the institutional view. The rational view dominates normative prescriptions for applying new management tools and methods, but its limitations in explaining managerial decision-making have been revealed already by Simon (1960) in his concept of bounded rationality. Psychodynamic explanations (Power, 1997) given to the adaptation of new management tools focus on the desire of managers to identify themselves with some progressive peer groups of early users or to use new management tools for providing some sense of security. The rhetoric view is based on the communication-intensive nature of changing attitudes towards best management practices through storytelling by management gurus (Jackson, 2001; Greatbatch and Clark, 2005).

Management fashion-setting processes continuously redefine both their beliefs and the collective beliefs of the fashion followers about which management techniques are at the forefront of rational management progress (Abrahamson, and Eisenman, 2001). Management fashion research has in recent years become a popular field in organisational and management studies (Parush, 2008).

The present study of implementing management and organization development directions tries to gain deeper insights into changes in management practices that are not limited to the rhetoric of new management tools touted at the international management knowledge market for promoting certain management fashions. In



order to overcome the magic of management fashions, it is reasonable to develop a survey tool that does not explicitly list the labels of concepts, tools and methods promoted by management gurus. That means, for instance, not asking if total quality management is important for managers, but collecting evidence about related management practices that can confirm that this or some other organisational direction of management thought has been really implemented.

In order to accomplish such a survey, the first step was to choose a limited number of topical but sufficiently broad organisational and management development directions that could accommodate various approaches, competing but similar management models, tools and techniques. Such an approach permits the collecting of empirical data that reflects the impact of culture and institutional development, including the involvement of foreign investors, on changes in management practice. In order to interpret the survey results within the framework of academic research on new management ideas, but also in the context of management fashions, at first, a shortlist of organisational and management development directions was created by studying related publications both in academic publications and in journals more focused on management practitioners. As the next steps, experts were involved in finalizing the list of directions and indicators of related organization and management practices for the survey.

Experts that were consulted in the survey design process considered it important to study the role of foreign owners as international gatekeepers of innovative management ideas that are active in transferring advanced management directions to their Estonian subsidiaries. The main hypothesis about the implementation of contemporary management directions in Estonian enterprises is the leading role of foreign enterprises or investors in introducing such directions. That is also the reason why the main differences between domestic and foreign enterprises are discussed in the current paper.

### **Foreign capital and international transfer of management practices**

Foreign investments to Estonia began during 1987-88 with the creation of joint ventures under the Soviet Union's early reform strategy. In September 1991, Estonia passed a new foreign investment law offering tax breaks (new ventures were granted a two-year tax exemption) and import-export incentives to foreign investors. This legislation stimulated further activity. At a later stage, the legal framework for foreign direct investments stressed equal rights with local businesses including unrestricted profit repatriation. In the period 1997-1999, foreign capital constituted 60% of Estonia's privatisation revenue. At the same time, privatisation funded by foreign capital constituted 70% of foreign direct investments in Estonia (Tiits, 2003).

Accumulated foreign investments to Estonia were 2,050 euros per capita by the end of 2000, making it one of the highest accumulated FDI levels per capita in

Central and Eastern Europe (OECD, 2001). At the end of the first quarter of 2007, direct foreign investment stock in Estonia was 147,240.7 million Estonian kroons (Bank of Estonia, 2007). The investment stock has been dominated by Swedish (36.7%) and Finnish (22.7%) investors. Among more distant countries, active investors have come from the United Kingdom (8.9%), Germany (3.5%) and USA (2.8%). Investments from other countries are quite small compared to the Nordic countries.

A result-based management approach that is trying to integrate “hard” economic objectives with a “soft” approach to developing individuality and personal resources of employees together with self-directed work teams has been popular in the Nordic countries. In the present research, we try to explore how active the transfer of Nordic management practices to enterprises operating in Estonia has been.

When the transition to the market economy had only just started, Estonian enterprises were engaged in subcontracting for foreign companies. Subcontracting was especially widespread in light industry where local companies worked for Finnish and Swedish enterprises. The reason why subcontracting was so widespread was the local relatively cheap and qualified workforce, transport costs that were significantly lower compared, for example, to South-Eastern Asia. The importance of subcontracting in the Estonian economy has gradually decreased. The main reason is the rapid rise in salaries in Estonia. The second reason is the development of the skills and quality of the employees. As for accumulating experience and knowledge, as well as establishing business contacts, the prominent position of subcontracting in the economy of the 1990s was highly useful for Estonian economic development. In the process of European integration the challenge is, however, to introduce management approaches that make it possible to produce more complicated and knowledge-based products and services in order to improve the future outlook of Estonian competitiveness (Tiits *et al.*, 2003).

### **The survey tool and the sample for studying management and organization development directions in practice**

In order to study change trends in development directions, suitable organizations for a sample were those enterprises with at least three years experience of operating in Estonia. Companies with at least 50 employees were also preferred. The enterprises with less than 10 employees were left out, as many sophisticated management practices are not relevant for microenterprises. The data from 141 Estonian companies were collected in the period from March to June 2007. Top managers from these companies answered the questions.

To survey the management and organization development practice in Estonian companies, first, a shortlist of contemporary directions was compiled. It was

essential to select general directions and avoid specific tools, but also management philosophies that were too broad. The questionnaire was compiled on the basis of eight management and organization directions. The first selection was made on the basis of the frequency of the keywords related to organization and management development directions and their representatives in the Harvard Business Review, Fortune and database ProQuest. The results of the frequency analysis are presented in table 1. The period from 1985 to 2005 was chosen in order to match two decades of economic transition in Estonia, assuming some years of time lag between introducing new management ideas in journals and their possible introduction in management practice.

**Table 1.** Surveyed management and organization development directions, their representatives and indicators in publications and in the ProQuest data base 1985–2005

Development directions and their main representatives	Frequency in publications and database			Indicators of directions
	HBR	Fortune	ProQuest	
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Peter Senge (1997)	6	13	142	
<b>Flexible organization</b>	6	8	116	Use of self-deciding production units Interchange of roles and replacement of each other Movement of the role of the leader depending on the task
Charles Margerison (1991)	0	0	39	
Dick McCann (2006)	0	0	5	
<b>Self-Directed Work Teams</b>	4	9	503	Use of self-deciding production units Interchange of roles and replacement of each other Movement of the role of the leader depending on the task
Charles Handy (1984)	8	15	232	

Development directions and their main representatives	Frequency in publications and database			Indicators of directions
<b>Personality of employees</b>	0 (164)	0	1713	Increasing employees initiative in creative and personal solutions Employees decide themselves how to perform a task Specific procedures to perceive, introduce and develop organizational culture Creating patterns of roles and models Use of mentors and supervisors for new employees Finding competent and innovative new employees Discussion with managers in a free atmosphere Evaluating managers by employees
Tom Peters	17	80	436	
Robert Waterman (1989)	1	12	39	
Rosabeth Moss Kanter (1989)	16	17	284	
<b>Supply Chain Management</b>	24	69	5181	Outsourcing services Stable network of business partners Fixed relations with business partners Partners are making discounts and abatements to each other Tight cooperation with partners in change management Concentration on core competencies Revealing own costs to business partners
<b>Quality management</b>	62	91	10056	Use of ISO standards Thought over activity in analysing and improving working processes Conducting customer satisfaction research Conducting employee satisfaction research
Philip Crosby	1	11	101	
Edwards Deming (1994)	16	33	443	
Joseph Juran (2000)	3	5	44	
<b>Global management</b>	13	30	323	Multilingual meetings and other arrangements Using specialists from abroad Courses that handle cooperation with different cultures Difficulties in relations because of partners from different cultures
Christopher Bartlett (2002)	1	1	39	
Sumantra Ghoshal (2002)*	11	2	116	
<b>Management by objectives</b> (balanced scorecard)	1(94)	4 (4)	429 (980)	Specific measurable purposes Use of evaluation interviews Performance pay Employee participation in setting purposes Motivation system linked to business strategy
Robert S. Kaplan (1996)	24	9	103	
David P. Norton (1996)*	8	2	59	

The final choice from the shortlist was made during discussion seminars with seven local management experts that validated the relevance of directions for the transition economy in Estonia. The experts were from research institutes, business schools and state institutions responsible for the development of the economy. The following directions were selected: learning organization; self-directed work teams; flexible (shamrock) organization; employee individuality and personality; supply chain management; total quality management; global management; balanced scorecard/management by objectives.

## **Overview of selected management and organization development directions**

The following brief overview of the selected directions presents their essence and relevance to the institutional and cultural context of Estonia as a transition economy.

***Learning organization*** The learning process involved in overcoming the differences between the values and basic assumptions inherent in a centrally planned economy and those in a market economy is time consuming, and often leads to fundamental changes in organizational culture, leadership style and strategy. To increase an organization's ability to adapt to such fundamental change, authors that represent this direction (Garvin, 1993; Senge, 1997) have developed the concept of the learning organization. According to Senge (1997), learning organizations are organizations where people continually expand their capacity to create the results they truly desire where new expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together.

***Self-directed work teams*** represent an approach to organizational design that goes beyond quality circles or ad hoc problem-solving teams. These teams are natural work groups that work together to perform a function or produce a product or service. They not only do the work, but also take on the management of that work – functions formerly performed by supervisors and managers. This allows managers to teach, coach, develop and facilitate rather than simply direct and control. Self-directed work teams, also known as self-managing teams, represent a revolutionary approach to the way work is organized and performed. Former command economies have the ideologically grounded tradition of “brigade work”, but real self-managed teams assume democratic and participative management.

Instead of organizing work based on the traditional Taylor model – reducing a process to individual steps – work becomes restructured around the processes. There must be interdependence and joint responsibility for outputs if there is to be a self-directed work team. While the traditional system reduces the required skill at every level of work, producing boredom in lower-level jobs, the new system integrates the needs of the people with the work to be done and those closest to

the jobs help design the job. Designing the work system with the full participation of the people doing the work has been a popular direction leading to productivity breakthroughs in advanced market economies in the 1990s. Companies were redistributing power, authority and responsibility so that the people closest to the customer and the end product or result have a decision-making capability (Williams, 1995).

**Flexible organization** (also known as a shamrock organization) provides an organizational and management development principle to meet the needs of innovative business initiatives. It is a form of organizational structure with three modes in which people can be employed, and on which organizations can be linked to each other. The shamrock organization was identified by Charles Handy (1984). The three specific groups are professional managers; contracted specialists, such as advertising, computing, or catering personnel; and a flexible labour force discharging part-time, temporary, or seasonal roles. The flexible organisation may be a solution for innovative and knowledge-based Estonian organisations that move from subcontracting to developing their own products.

Handling of **employee individuality and personality** means an organization where talented people are expected to have a good environment for self-actualization. There should be an exciting and supportive organisational climate and cooperation with customers. An enjoyable working environment enables one to reach excellent results. Nobody has power or control over others and the relationships are horizontal. The contribution of all individuals is essential because it comes from their unique abilities. The main idea of employee individuality and personality is that organizational diversity assures the autonomy of individual choices: development activity, relationships, working- and project experience, and working place and time. In a situation where qualified employees emigrate to Nordic countries, Estonian employees could consider this direction as a way to compete on the internationalizing labour market of the European Union.

**Supply chain management** is the process of planning, implementing and controlling the operations of the supply chain as efficiently as possible. Supply Chain Management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from the point-of-origin to the point-of-consumption.

Supply Chain Management encompasses the planning and management of all activities involved in sourcing, procurement, conversion and logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers and customers. In essence, Supply Chain Management integrates supply and demand management within and across the companies. Some experts distinguish Supply Chain Management and logistics, while others consider the terms to be interchangeable.

**Global management** reflects business operations and a competitive environment that is more international than ever before. The 1990s have seen the rise of the truly global organization. Globalization is all-embracing – even for smaller organizations, which are not global in their own operations. National organizations are likely to be fighting off competitive threats from companies that are organized on a global scale. (Crainer, 1996).

**Total quality management** is a systematic way of guaranteeing that all activities within an organization happen the way they have been planned in order to meet the defined needs of customers and clients. The emphasis is on involving everyone in the organization of activities, which provide for continuous improvement and for achieving sustained high levels of quality performance (Armstrong, 1993).

Supply change management, global management and total quality management can all be considered relevant for improving the international competitiveness of growing Estonian companies.

The collision between the irresistible force to build long-range competitive capabilities and the traditional financial accounting model has created a synthesis in the form of the **Balanced Scorecard**. The balanced scorecard complements financial measures of past performance with measures of the drivers of future performance. The objectives and measures of the scorecard are derived from an organization's vision and strategy. The objectives and measures view organizational performance from four perspectives: financial, customer, internal business processes, and learning and growth (Kaplan, 1996). The balanced scorecard is a way to develop management via objectives that have been used in many Nordic corporations that operate in Estonia.

The experts pointed out that some of the selected directions can be operationalized as well-structured methods or systems. This applies to the balanced scorecard and total quality management. The learning organization and handling employee individuality and personality appear more as development directions that are manifest through a high variety of methods and practices. Global management is driven by the international competitiveness ambition. Elenurm (2007) has found in another survey that flexible adaptation to new international business opportunities together with competent and motivated staff are both rated high as future competitive advantages among Estonian managers and entrepreneurs.

The second seminar of experts held a discussion to work out indicators for each management direction. The main questions of the questionnaire were formed on the basis of these indicators. An overview of the management directions and related indicators is presented in Table 1.

The experts also proposed questions for operationalizing these directions and indicators in the questionnaire. The main questions were built up in three

subquestions. The first subquestion checked the existence of the management direction indicators; the second specified if this direction is practiced rarely or on a regular basis, and the third asked to assess the dynamics in the last three years. The list of the first subquestions is presented in Appendix 1.

The purpose of the background questions was to find out the features of the sample, and the respondents' opinions about the management and organizational success factors. Open questions on recent and future improvements in the surveyed organizations were also asked among the background questions. A pilot study was implemented first to ensure that the questionnaire was understandable. After that, the initial questionnaire was corrected and a final version completed. The final questionnaire consisted of 59 questions.

The representation of enterprises in the survey sample reflects the current structure of the Estonian economy. The service sector is represented by 74% (105) of the respondents and the remaining 26% (36) are industrial enterprises. The size of the enterprises is defined by the number of employees and they can be divided into three groups: small enterprises (10–49 employees) 28% (39); medium enterprises (50–249 employees) 47% (66), and large enterprises (250 or more employees) 26% (36).

In the sample, 55% (77) were local companies, 15% (21) were companies with both local and foreign investors (mixed companies), and 46% (43) belonged to foreign capital.

## **Survey results**

The most frequently followed management and organization development directions in the sample are:

- 4) balanced scorecard/management by objectives;
- 5) supply chain management;
- 6) learning organization and total quality management.

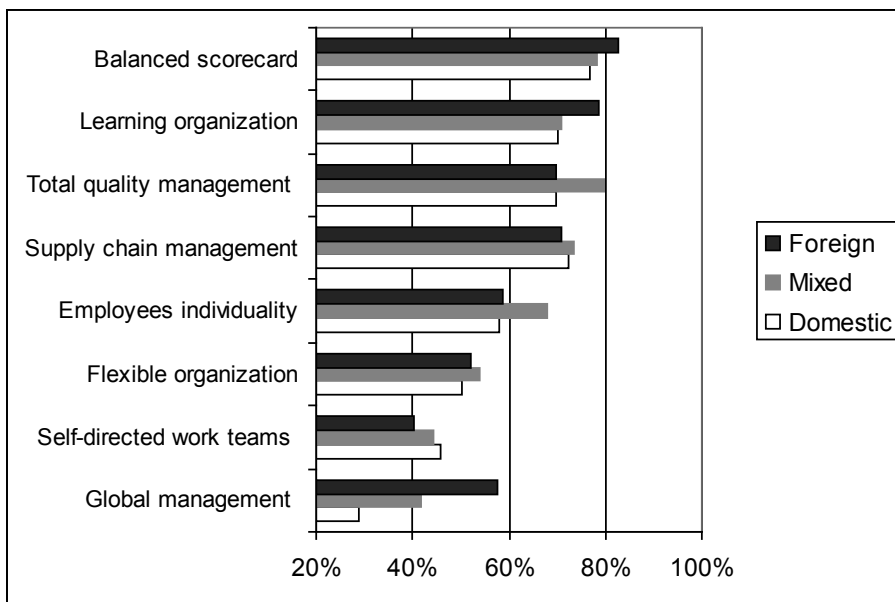
The next most followed directions were flexible organizations and employee individuality/personality. Finally, global management and self-directed work teams are rather modestly represented.

By analysing the dynamics of management directions in the last three years, it is possible to observe a clear positive tendency towards using quality management, learning organization, balanced scorecard and global management. The use of supply chain management remains stable. Self-directed work teams, flexible organization and employee individuality showed a negative trend. This demonstrates that although enterprises operating in Estonia follow such Nordic management practices as management by objectives, especially in the form of the



balanced scorecard, “softer” Nordic management practices, such as focusing on employee individuality and personality or self-directed work teams do not appear as growing directions.

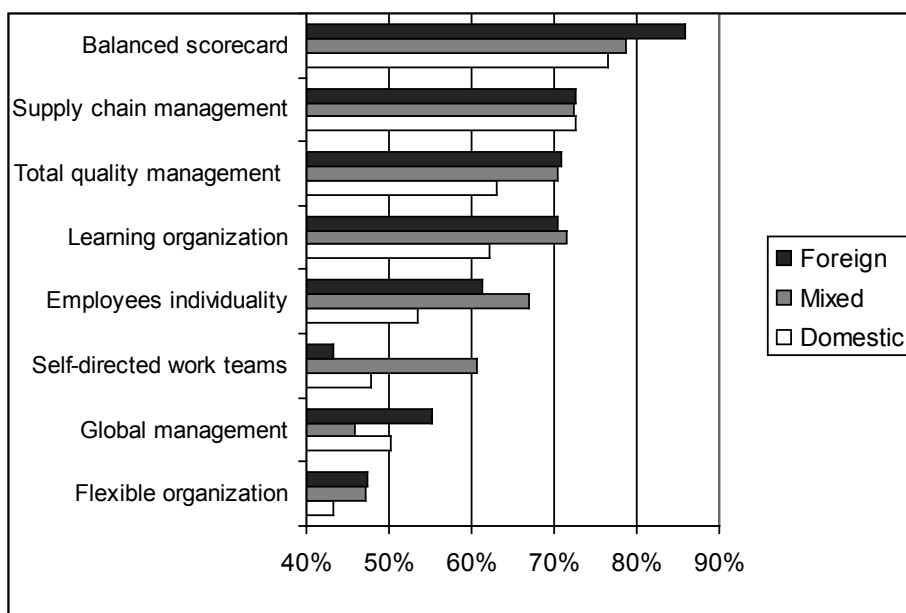
General results concerning the presence of contemporary management directions in domestic, mixed and completely foreign owned companies in the study do not indicate any significant differences (Figure 1). The results nearly overlap in views on the learning organization, self-directed work teams, flexible organization, supply chain management and the balanced scorecard. Some divergence can be perceived in joint ventures concerning employee individuality and total quality management. The largest differences can be seen in views concerning global management. As expected, foreign companies use more international tools than domestic companies. They gave more affirmative responses to all features of global management.



**Figure 1.** Main differences in management and organization development directions between companies with domestic, foreign and mixed ownership in Estonia (percent of respondents who gave positive answer about presence of indicators)

When the regular practice of management directions was assessed by the representatives of companies where these directions were present, the differences emerged more clearly (Figure 2). Foreign companies and enterprises with mixed ownership tend to practice several management directions more often than companies that are based on domestic capital. The regular application of researched management directions in companies with foreign involvement is

more common with the learning organization, employee individuality and total quality management. There is, however, a surprising result for self-directed work teams. Foreign-owned companies and mixed companies form extremes and domestic companies remain in the middle ground. Foreign-owned companies tend to apply self-directed work teams on a regular basis even less than locally owned companies, whereas mixed companies apply this management direction most often. The result that regular practices of global management are a little less widespread in companies with mixed ownership than in domestic companies is also somewhat surprising.

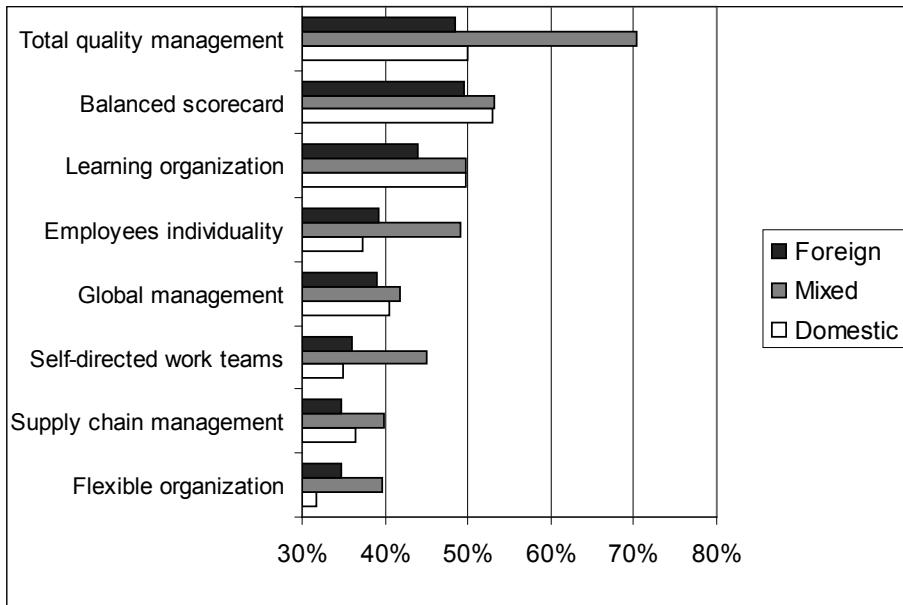


**Figure 2.** Differences in the regular application of management directions in companies with domestic, foreign and mixed ownership in Estonia (percent of respondents who responded positively about regular application)

The application of management directions in domestic, mixed and foreign-owned enterprises in the last three years was also analysed. On the basis of these results it is possible to identify current trends and forecast future developments.

Current trends in the application of total quality management, the balanced scorecard, learning organization, and global management tend to be more positive than other directions (Figure 3). Comparing the three company groups presented very similar results for domestic and foreign companies, except for the learning organization direction, where the trends in domestic and mixed companies are the same and the percentage of foreign companies that have moved forward in this management direction is lower. Companies that have a mixed ownership

base stated the highest increase in applying total quality management, employee individuality and self-directed work teams. They also increased the use of supply chain management and the flexible organization more than companies in the other two groups.



**Figure 3.** Differences between positive trends in the use of management directions in the last three years in companies with domestic, foreign and mixed ownership in Estonia. (percent of respondents who pointed out increased application)

Summing up the more thorough analysis of the indicators of each direction, some differences were revealed. Among features of a learning organization a higher positive trend is seen in the field of compiling and using electronic information sharing tools (e.g. memos, intranet, extranet, references, etc.) and practicing special virtual cooperation techniques via the internet and/or intranet. Companies with mixed ownership had lower results compared to others in the field of attempting to increase employee initiative to provide new ideas and proposals by stimulating them. The EU 5<sup>th</sup> framework project “Development of the innovative entrepreneurship potential of SMEs as knowledge-sharing trans-national technology transfer partners (EW ISME)” also demonstrated that Estonian innovative enterprises had relatively advanced information technology infrastructures and experience in using virtual forums and e-learning environments compared to Western SMEs participating in the project (EW ISME, 2005). This can be explained by the fact that managers of new Estonian enterprises, especially innovation-focused organizations, are often younger than their colleagues in the advanced and relatively stable economies of the “Old Europe”. Earlier research on the prerequisites of knowledge management

in Estonian enterprises has indicated that subsidiaries of international companies in Estonia also have a relatively good technological basis for following the learning organization and knowledge management directions. The integration of locally used knowledge sharing tools in Estonian subsidiaries with data and knowledge bases from their international headquarters, suppliers and customers is, however, low in many cases. That gap in international knowledge transfer is perceived as the main challenge for knowledge management development among local Estonian staff in these companies (Elenurm, 2003).

The biggest differences in the trends of indicators were observed when comparing the indicators of employee individuality and personality. Responses from domestic and foreign enterprises were similar, whereas companies with mixed ownership gave substantially more positive answers in four categories out of eight. Evaluations of the features of total quality management were also different depending on the ownership of company. Foreign companies have implemented less ISO standards than domestic companies, but are more experienced in conducting customer and employee satisfaction analyses.

The responses of foreign companies in terms of trends in global management indicators were by far the highest, companies with mixed ownership in the middle and the domestic companies had the most modest responses. Some contradictions were identified when comparing the balanced scorecard indicators. The use of development conversations between managers and employees is more popular in foreign companies than in domestic or mixed companies, although other indicators indicate different directions. A remarkable difference also existed in the use of motivational systems connected with the business strategy. The foreign companies were more eager to use this approach than companies with domestic and mixed ownership.

## **Conclusions**

On the basis of the survey results it is possible to conclude that foreign investors are not in the role of sole leaders when following contemporary management and organization development directions and when introducing innovative management practices in Estonia. For instance, the subsidiaries of Nordic enterprises do not always follow “soft” management directions such as self-directed work teams or focusing on employee individuality and personality in Estonia. One reason for this is that management philosophies and directions are not chosen because of any wish to be innovative or to obtain a strategic advantage, but mostly due to pressure from the external environment. Foreign owned companies are more likely to adapt their management practices to local conditions and emerging labour market situations.

The biggest differences between companies with different ownership base emerged as expected. Foreign companies use the features of international or global

management more. They are more eager to follow modern trends of the virtual organization.

The hypothesis initially set, that contemporary management directions followed in Estonian enterprises are significantly influenced by foreign enterprises or investors, did not find conformation. Mixed companies that are influenced both by local and foreign owners were more enthusiastic in pointing out recent development trends in the field of quality management, focused more on employee individuality and applied self-directed work teams, but this does not permit us to draw general conclusions because of the small number of mixed companies in the sample.

The results of this research on implementing management and organization development directions could serve as input for executive training courses in order to obtain deeper insights into factors that support or inhibit the implementation of innovative management directions in a different organizational context. Training could also serve as a tool for transferring new management knowledge between enterprises that have different ownership structures.

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## Appendix 1 Summary of the questionnaire (main questions)

The numbers at the end of questions are indicating the directions as follows:

- (9) learning organization;
  - (10) self-directed work teams;
  - (11) flexible (shamrock) organization;
  - (12) employees' individuality and personality;
  - (13) supply chain management;
  - (14) total quality management;
  - (15) global management;
  - (16) management by objectives (balanced scorecard)
- 
- 48. Does your enterprise have formal rules for monitoring and sharing information with colleagues about business environment, competitors, and customers? (1)
  - 49. Do you practice compiling and using electronical information packets (e.g. memos, intranet, extranet, references etc.) in your company? (1)
  - 50. Is there common in your enterprise to discuss work related perspective problems, and to have discussions and seminars for creating common vision and strategy? (1)
  - 51. Do you record in your enterprise lessons that you have got from implemented projects incl. made mistakes? (1)
  - 52. Do you practice special virtual cooperation by use of internet or/and intranet, in your enterprise? (1)
  - 53. Is the so called cc culture (e-mails are sent not only to addressee, but as copy (cc) to everyone who can use the information in the mail in their work) expanded in your organization? (1)
  - 54. Are the common employees' trainings popular in your enterprise? (1)
  - 55. Is there attempted to increase employees' initiative to provide new ideas and proposals by stimulating them? (1)
  - 56. Some enterprises use in their main activity so called self-deciding production units, which have full power to solve their problems of work. Does your company have these kind of self-deciding production units? (2)
  - 57. Some enterprises use the interchange of roles and replacement of each other as rotation. Does your company have this kind of experience? (2)
  - 58. Does your company have any experience in movement of the role of the leader depending from the task? (2)
  - 59. Are you trying to use part-time job in your enterprise? (3)
  - 60. Do you use temporary employment in your enterprise? (3)
  - 61. Does your enterprise use teleworking? (working away from the place of work by the support of Internet and telecommunication) (3)
  - 62. Does your enterprise use flexible arrangements of working time? (3)
  - 63. Does your enterprise use the contracts of services instead of the contracts of employment? (3)
  - 64. Are there some internal working processes replaced with the outsourcing in your enterprise? (3, 4)



65. Have there been any cases in your enterprise where the employee or the group of employees started providing you service as independent entrepreneurs? (3)
66. Are you trying to increase employees initiative in creative and personal solutions by stimulating it? (4)
67. Is it usual in your enterprise that the employee decide themselves how to perform a task? (4)
68. Some enterprises have specific procedures or/and people which/whose task is to perceive, introduce and develop organization culture. Do you have this kind of practice? (4)
69. Some enterprises have been creating patterns of roles and models (e.g. modern salesman or someone's working practice in communication with customers) Do you have this kind of practice? (4)
70. Do you use mentors and/or supervisors for new employees? (4)
71. Does your enterprise find competent and innovative new employees (even there are no vacancies)? (4)
72. Is it common that your managers communicate and have discussions in free atmosphere? (4)
73. Have there been managers' appraisals by employees? (4)
74. Is your enterprise trying to keep stabile network of business partners? (5)
75. Does your enterprise have fixed relations with business partners? (5)
76. Do your partners discounts and abatements to each other? (5)
77. Does your enterprise tight cooperation with partners in change management? (5)
78. Does your enterprise concentrate more on core competencies or expand to different areas? (5)
79. Does your enterprise reveal its costs to business partners? (5)
80. Do you use the ISO 9000 or ISO 14 000 quality systems? (6)
81. Does your enterprise have the thought over activity in analyzing and improving working processes? (6)
82. Do you analyze and improve production processes in the level of operations? (6)
83. has your enterprise done cooperation with the partners to improve production processes? (6)
84. Have you done customers' satisfaction researches? (6)
85. Have you done employees' satisfaction researches? (6)
86. Do you have multilingual meetings and/or other arrangements? (7)
87. do you have some specialists who have education or working experience from western countries? (7)
88. Dou you have had trainings that handle cooperation between the people from different cultures? (7)
89. Dou you have had any difficulties in relations because of foreign partners from different cultures? (7)
90. Do you set specific and measurable purposes for managers and specialists? (8)
91. Do you have evaluation interviews between managers and subordinates? (8)
92. Do you implement performance pay for managers and specialists? (8)

93. Do your employees participate in setting purposes? (8)

94. Is your motivation system linked with the business strategy? (8)

**MANAGEMENT MODELS IN ESTONIAN  
ORGANISATIONS: LEARNING ORGANISATION AND  
BUSINESS PROCESS REENGINEERING**

**Ruth Alas, Maris Zernand-Vilson and Maaja Vadi**

Alas, R.; Zernand-Vilson, M.; Vadi, M. (2012). Management Techniques in Estonian Organizations: Learning Organization and Business Process Reengineering. Elsevier, 2012

## **Introduction**

In today's conditions of uncertainty and rapid change, many organizations need to reassess focus and direction quickly, rethink how people work together and learn for innovation (Šebestová, Rylková 2011). The aim of current article is to compare two management techniques in Estonian organisations: Learning Organisation (LO) and Business Process Reengineering (BPR). Also the idea of Knowledge Management (KM) will be handled.

The concept of LO has a wide spread acceptance, and is equally important and applicable in educational, business; private or public organizations (Akhtar, Khan, 2011).

The named management ideas are just few of many management techniques that emerged in the latter part of the 20<sup>th</sup> century. Different techniques have been called also fads or fashions, by definition easy to dismiss with each new idea replacing the last. KM, being the latest technique, subsuming the LO and superseding TQM and BPR (Ryan, Hurley 2004).

McAdam and McIntyre (1997) suggested that if existing BPR methodologies incorporate organizational learning principles, to give a more realistic representation of business improvement, then there will be increased success in terms of application and business benefit.

## **Theory**

Learning organization is an HRD intervention for organizational transformation within the domain of organizational development (Desimone, Werner, & Harris, 2002). The *LO* and KM both emerged from the organisation development movement. At the same time BPR and TQM are originated from the quality movement (Ryan, Hurley 2004).

Organizations need to build core competencies to outperform their rivals and for that they need organizations that are proactive, futuristic, strategic in thinking, and are capable of adaptability and are flexible to acquire new learning (Akhtar, Khan, 2011).

LO is the organization that possesses high aspirations, and is proactive, futuristic,

strategic, and is alive, adaptable, and flexible at accepting the changes, encourages experimentation, and provides equal opportunity to grow and learn (Akhtar, Khan, 2011).

LO in this survey was described as follows: the organisation has specified rules about monitoring and sharing information on business environment, competitors and clients; Vision and mission and perspective courses of action are being discussed on seminars-meetings. Joint employee trainings and sharing of information to everyone who might need it are widespread.

Organizational learning is an attempt to develop structures and systems that make large organizations more adaptable and responsive to change (Appelbaum and Goransson (1997).

It is possible to make meaningful improvements to a BPR methodology using a case-study approach which goes beyond a mechanized approach towards a more real life/learning-oriented approach. The results show that the improved methodology should make a substantial contribution to BPR from both the people and process standpoints and go at least some way to addressing current criticisms of BPR contained in the critical perspective literature. (McAdam, McIntyre 1997). Learning organization principles increase BPR focus on people and learning issues to move beyond the limited mechanistic focus. (McAdam, Leonard, 1999)

The origin of BPR is in value engineering, which was developed by General Electric in the 1940s as a technique to improve products through redesign. BPR in this survey was described as follows: continuous analysis of business processes and reengineering inside and in between the organisation in order to improve the quality, time management and save costs. Sequential processes are being looked at when reengineering, changing business model. According to a 2008 CIO Insight survey of IT executives, 36 percent of the firms consider BPR as the most widely employed management tool (Alter, 2007). Another 2008 CIO Insight survey revealed that IT executives view improving business processes as their number one priority (Alter, 2008). Some reasons for popularity might be for managers as new way seeking to solidify their business processes for competitive advantage. Today more than ever, firms face a rapidly changing business environment and high consumer expectations. In such an environment, the design and implementation of sound business processes are extremely important in achieving the required business performance and flexibility (Altinkemer, et al, 2011).

About the implementation of BPR Gover et al, (1995) brought out that it can be compared relative to past administrative and technical organizational implementations. The broad organizational focus and deliberate nature of BPR suggest a planned change in which a successful BPR project requires preparation and deliberate action, support from management, technical competence, and mitigation of resistance to the change. That binds this in one side technical management method with importance of soft ideas like LO in organisation

## Methodology

The research strategy was build up of two stages: Interviews with the selected CEOs of enterprises and questionnaire for large scale of CEOs

The interviews purpose was to get initial ideas of management practice and input for general study. For that was made half-structured interview plan that was aimed from optimal length, discovery feature and getting input to all investigated issues of management. The main parts of interview structure were organizations practice in planning, implementation plans and management development and changes. Principle by making sample of interviewees was getting information from different industries of service and production, local capital based enterprises. From production were representatives from chemistry-, food-, metallic- and clothing industries. The representatives from service industry were bank, construction, information technology, transportation, trade and travelling. The interviews were hold with 11 top managers. Interviewing took place in December 2010. The interviews were recorded and transcribed. The results were processed with Envivo. The questionnaire was designed for enterprises based on domestic capital. The questionnaire was built up of three main parts: first of them covered management practice, second handled use and need for management training and consulting service and final was aimed for enterprises and respondents background. In the part of management practices were the issues of corporate short-and long-term action plan, and plans for monitoring, decision-making opportunities for middle managers and extent of employee influence and ways of sharing information. In addition were asked questions about processes and controlling and working arrangements with employees. The part of management practices was also the question about management models. The selection of methods was aimed from the Estonian management experts opinions (Zernand, Terk 2009) and from the Bain and Company's study of management tools (Rigby, 2010). The part of management method questions contained the name method, short explanation of its content and respondents reflection about its practice in company. Since the end of the questionnaire included a question on the amount of business activity and the development and management, and length of service, please use the various comparisons in these data. The survey was implemented in web-based environment eFormular that is tool for providing possibility for creating electronic forms and conducting surveys via the Internet. ([www.eformular.com](http://www.eformular.com))

Questionnaire was intended for companies, which employed 10 to 249 employees. Responses were expected from the manager or board members. Large enterprises, which employed more than 250 employees, were asked to give answers from a board member and in addition two of the main activities middle-managers. Enterprises with less than 10 employees were excluded as there could not always establish stable management practices. According to Statistics Estonia (2011), in 2010, 6.649 companies were employing over 10 employees. Creation of initial sample was aimed from ideal-minded point of view.

Data was collected during the 07th February – 06th March 2011. Enterprises in the sample got the e-mail with cover letter on behalf of professors conducting the survey and link to questionnaire. As the initial number of respondents become extremely modest (20 companies in first week) then recall and additional time was provided. The aim to get minimum 200 valid respondents was achieved through personal addressing to the companies. Collected data was processed with SPSS.

In total the study of the 204 companies were represented in 16 different areas. The sector of activity left unchecked 18 companies. 16 different areas of activity categorized three larger sphere of action: agriculture, production and service

## **Results**

According to responses to question: Which management models were used, the most popular was BPR (71% from respondents), followed by TQM (62%) and Benchmarking (60%). Next were Customer Relationship Management (58%), Values-based Management (56%), and LO (54%)

Respondents were asked which from listed parameters are the reasons to change the strategy. Organizations using LO as technique, made decisions to change the strategy based on following parameters: Competitor analysis, Market-analysis and/or projections, Vision Marketing possibilities for products/services and Possibilities for finance. These indicators were followed by Labour availability and Employees' satisfaction. The next group is formed by Technological developments and Client expectations.

Those organizations, which had practiced BPR had followed Owners' guidelines and The results of the analysis of previous periods.

Using LO was connected with higher evaluations on management as a whole and development of products or services.

BPR lead to higher grades for Result control system, Internationalisation, Implementation of plans, Customer relationship management, Work culture, job satisfaction and Structure and work allocation.

On the basis of interviews reflected more use of LO features than BPR. Although the management practices of different organizations contained more specialties than similarities there was repeatedly described the way how employees bring the new information in and share it there: "... somebody goes to develop her- or himself somewhere out from Estonia, then there is no sense to send the big company. The person comes back and makes half-day or whole day internal training, speaks what he or she saw, heard and learned..." Or there are practiced common



learning “development staff has smartness days where will be told about some new Technologies and made so called camp or code, were the new information can be practiced together and see what is going in the world...”

Any of the interviewees did describe BPR as outsourcing some services or creating essentially different structure. It has been more resizing management or replacing some key-persons. But in their practice it has been important reengineering: “...when I came here two and half years ago, I overturned this organisations structure/.../ this is two times like importantly changed –some fields are dislodged or working tasks are rearranged...”

About the general use of management methods was most in the interviews mentioned implementation of TQM and use of principles from Balanced Scorecard.

## **Conclusions**

According to results of current survey organisations using Learning organisation and Business Process Reengineering follow different factors for making changes in strategy. Also, using these two models impacts different indicators in organisation. Organizations using LO, made decisions to change the strategy based on market and competition analysis, availability of finances and human resources, technological developments and client expectations. Those organizations, which had practiced BPR had followed owners’ guidelines and the results of the analysis of previous periods.

The most popular management model was Business Process Reengineering (71% from respondents), Learning organisation was mentioned by 54% of respondents. Organizations using LO, made decisions to change the strategy based on market and competition analysis, availability of finances and human resources, technological developments and client expectations. Those organizations, which had practiced BPR had followed owners’ guidelines and the results of the analysis of previous periods. Using LO was connected with higher evaluations on management as a whole and development of products or services. BPR had lead to better control systems, internationalization and customer relationship management. Additionally, work culture, job satisfaction and task allocation had improved.

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**LEARNING ORGANISATION IN ESTONIAN  
ORGANISATIONS**

**Ruth Alas and Maris Zernand-Vilson**

Alas, R.; Zernand-Vilson, M. (2012) Learning Organisation in Estonian Organisations. Proceedings of the 9th International Conference on Intellectual Capital, Knowledge management ja organisational Learning. The Universidad Del Rosario and the universidad Jorge Tadeo lozano Bogota, Colombia, 18-19. October 2012

**Abstract:** The aim of the current article is to explore how implementing the concept of learning organisation (LO) impacted organisations in Estonia. Results indicated that 54% of 204 organisations studied had implemented LO. This group of companies, which had introduced LO, showed differences in employee motivation, information sharing and displayed better results in describing processes. Using LO lead to focusing on the following areas of development: organisational culture, strategic management, public relations, human resource management and innovation.

**Keywords:** Organisational learning, motivation, informing, processes, Estonia

## **Introduction**

Firm's existing stock of knowledge and skills may become obsolete due to environmental changes (MacMillan et al 1985). In today's conditions of uncertainty and rapid change, many organisations need to reassess focus and direction quickly, rethink how people work together and learn for innovation (Šebestová and Rylková 2011). Organisations need to build core competencies to outperform their rivals and for that they need organisations that are proactive, futuristic, strategic in thinking, and are capable of adaptability and flexible to acquire new knowledge (Akhtar and Khan 2011).

As the process of continuous change in Estonian companies since the end of 1980's has required that members of organisations learn new skills and attitudes (Alas 2009), the current paper is concentrated especially on learning organisation ideas. There has been a growing emphasis on viewing an organisation as a total learning system and identifying its 'core competencies' which reveal its 'collective learning' capacities (Prahalad and Hamel 1990).

The aim of the current article is to explore the implementation of Learning Organisation (LO) in Estonian organisations. The paper starts with theory, followed by analysis of empirical studies.

## **Organisational learning and learning organisation**

There are three key criteria, which lead to success (Probst and Bücher 1997): firstly, responsiveness to the needs of the members of the organisation who will be

affected by change; secondly, the learning capacity of the organisation; and finally, organisation's capacity for action.

The ability to learn continually means remaining open to experience, understanding instances when things do not work out as expected, spotting shifts in the environment, seeking new information, learning from customers and everyone else, challenging assumptions and beliefs, moving outside of comfort zone, and turning into inner creativity and wisdom in order to change behaviour in response to external changes and to develop ever-greater capacity to achieve results (Jaffe et al 1994: 221).

Learning organisation is a human resource development intervention for organisational transformation within the domain of organisational development (Desimone et al 2002), which emerged from the organisation development movement (Ryan and Hurley 2004).

There are several different level definitions about organisational learning (OL). According to Fiol and Lyles (1985) OL means the process of improving action through better knowledge and understanding. According to Snell and Chak (1998), OL entails meaningful change in the processes, structures, assumptions or concerns connecting individual members. Probst and Bücher (1997) see OL as the process by which the organisation's knowledge and value base changes, leading to improved problem-solving ability and capacity for action. For Huber (1991) OL means processing information to increase the range of potential behaviours. According to Appelbaum and Goransson (1997), OL is an attempt to develop structures and systems that make large organisations more adaptable and responsive to change. By Duncan and Weiss (1979) OL is the process within the organisation by which knowledge about action-outcome relationship and the effect on the environment on these relationships is developed. DiBella and Nevis (1998) define OL as the capacity or processes within an organisation to maintain or improve performance based on experience.

From these definitions we can see, that the OL has been seen as a process. According to Beer, Eisenstat and Spector (1990), change is about learning. Research in a transition economy has shown that as in a free market economy, values of organisational learning are related to organisational changes, which has also been seen as the process (Alas and Vadi 2006). Each process includes activities and outcome. The main activities and features Estonian managers considered to be related to a learning organisation were environment scanning, openness, self-development for all members of the organisation and also the creation of a learning climate and learning from past experiences and best practices. Other important features, such as information systems for sharing, storing and transforming information; creativity and learning together were less frequently considered (Alas and Sharifi 2002).

An organisation skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights is called learning organisation (Garvin 1993). Learning organisation facilitates the learning of all its members and continuously transforms itself (Pedler et al 1991).

The concept of learning organisation presumes an ability to adapt to change. Management should be able to anticipate or at a minimum recognize problems and use learning skills to solve them (DiBella and Nevis 1998). Learning organisation tries to model itself around the lessons from change (Hendry 1996).

There are also several definitions about learning organisation (LO). Jones and Hendry (1994) define it as a challenge to explore how we can create organisational structures, which are meaningful to people so they can assist, participate and more meaningfully control their own destiny in an unhampered way. According to Garvin (1993), an LO is an organisation skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights. Pedler, Bourgoyne and Boydell (1991) consider organisation as an LO if an organisation facilitates the learning of all its members and continuously transforms itself. Cummings and Worley (1997) find that an LO is created, when the results of learning are institutionalised. According to Maula (1999), an LO is skilled at creating new knowledge, modifying purposely and proactively its behaviour to reflect new knowledge and insights, evaluating its learning mechanism and its underlying values, and changing them. According to Jones and Hendry (1994), an LO is a challenge to explore how we can create organisational structures, which are meaningful to people so they can assist, participate and more meaningfully control their own destiny in an unhampered way.

From these definitions we see that the authors have concentrated on features characterizing organisations.

### **Empirical study**

The purpose of the interviews was to obtain initial ideas of management practice and input for general study. In order to accomplish the purpose, a semi-structured interview plan was devised, whose aim was to achieve an optimal length with the ability to discover and obtain input on all investigated issues of management. The main parts of the interview structure involved practice and planning in organisations, implementation plans, management development and changes. The principle used to create a sample of interviewees was to obtain information from different industries in the areas of service and production, and also from enterprises based on local capital. The production area provided representatives from chemistry-, food-, metallic- and clothing industries. The representatives from the service industry worked in banking, construction, information technology,

transportation, trade and travel sectors. Interviews were conducted with 11 top managers in December 2010 and the contents were recorded and transcribed. Later the results were processed using CAQDAS program Nvivo. The qualitative data analysis software was used due to its benefits in the areas of efficiency, multiplicity, and transparency (Hoover and Koerber 2009).

The questionnaire was designed for enterprises based on domestic capital. The selection of methods was aimed at the Estonian management experts' opinions (Zernand and Terk 2009) and from the Bain and Company's study of management tools (Rigby 2010). The questionnaire was divided into three main parts: first, it covered an overall assessment of the organisation in question; second, it focused on the reasons for strategic changes in the company; and third, it handled the usage of management techniques. The section on management method questions contained the name of the method implemented, a short explanation of its content and respondents' reflection on its practice in the company. Learning organisation was defined as an organisation, which has specified rules about monitoring and sharing information on business environment, competitors and clients (Jaffe et al 1994); Discussion of vision and mission and perspective courses of action on seminars-meetings (Snell and Chak 1998). Joint employee trainings and sharing of information to everyone who might need it are widespread (Desimone et al 2002). The respondents indicated whether certain management techniques were used or not. The latter served as the criterion according to which responses were divided into two groups.

The questionnaire was intended for companies with 10 to 249 employees. Responses were expected from the manager or board members. Large enterprises, which employed more than 250 employees, were asked to present the questionnaire to a board member, and two of the main middle-managers. Enterprises with fewer than 10 employees were excluded, as they could not always establish stable management practices. According to the Statistical Office of Estonia (2011), in 2010, 6649 companies employed over 10 staff members. The creation of the initial sample was aimed at the ideal-minded point of view.

Data was collected between February 7 and March 6, 2011. Enterprises in the sample received an e-mail with a cover letter on behalf of the professors conducting the survey and a link to the questionnaire. As the initial number of respondents was extremely modest (20 companies in the first week) a recall was made and additional time was provided. The aim of a minimum of 200 valid respondents was achieved through personally addressing the companies. In total, the study covered 204 companies, representing 16 different areas. Those 16 different areas of activity categorized three larger spheres of action: agriculture, production and service.



## Results

Respondents were asked about implementing concept of learning organisation. The responses after the name of management technique and its definitions were either Yes or No. Results indicated, that 54% of studied organisations had implemented LO.

Correlation analysis was conducted between this question about using LO and other questions. The collected data was processed by SPSS.

Respondents were asked to evaluate areas of development over the past few years. Using LO was connected with developments in organisational culture ( $r=.311$ ,  $p<0.01$ ) and strategic management ( $r=.196$ ,  $p<0.01$ ), followed by public relations ( $r=.177$ ,  $p<0.05$ ), human resource management ( $r=.166$ ,  $p<0.05$ ) and innovation ( $r=.159$ ,  $p<0.05$ ).

Respondents had to answer which processes are described in their company. Companies using LO had described in details processes of main activities ( $r=.299$ ,  $p<0.01$ ), sales ( $r=.195$ ,  $p<0.1$ ), internal ( $r=.285$ ,  $p<0.01$ ) and external ( $r=.305$ ,  $p<0.01$ ) communication, product development ( $r=.258$ ,  $p<0.01$ ) and purchase ( $r=.235$ ,  $p<0.05$ ), remuneration principles ( $r=.229$ ,  $p<0.05$ ) and evaluation of staff ( $r=.376$ ,  $p<0.01$ ), employee training and development ( $r=.397$ ,  $p<0.01$ ), recruitment and employee selection ( $r=.363$ ,  $p<0.01$ ).

Respondents had to respond, which factors were considered important for employee motivation. Companies using LO consider the following factors important: good career prospects ( $r=.151$ ,  $p<0.05$ ), versatile development and training opportunities ( $r=.174$ ,  $p<0.05$ ), matching company's values and employee's values ( $r=.169$ ,  $p<0.05$ ), attractive bonuses ( $r=.153$ ,  $p<0.05$ ), social activity and charity of the company ( $r=.206$ ,  $p<0.1$ ) and possibility of a career abroad ( $r=.193$ ,  $p<0.1$ ).

There was a question, how information about the plans and action plans of the company reaches the employees. Respondents indicated the following channels: in-house intranet ( $r=.308$ ,  $p<0.01$ ), training ( $r=.281$ ,  $p<0.01$ ), non-formal communication between management and employees ( $r=.165$ ,  $p<0.05$ ), division meetings ( $r=.290$ ,  $p<0.01$ ), general meetings ( $r=.287$ ,  $p<0.01$ ). Companies using LO implemented formal control more than the other companies.

By the size of respondent companies the bigger companies were more active (74% with more than 250 employees answered positively) than small companies (42% with 10 to 250 employees answered positively) in using LO technique in their practice.

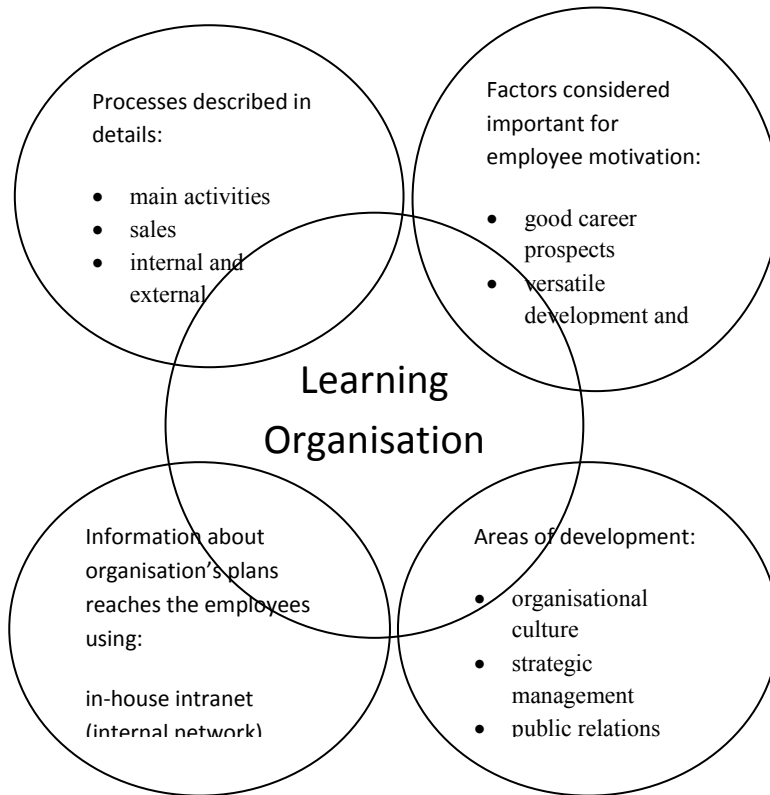
The results of the interviews reflected the use of LO features in Estonian organisations. Although the management practices of different organisations

contained more peculiarities than similarities, employees' methods of bringing and sharing new information were repeatedly described: "...if somebody goes to develop him/herself outside Estonia, then there is no sense in sending the big company. The person returns and offers a half-day or whole day internal training seminar; he/she speaks about what he/she saw, heard and learned...". A further common learning method that is practiced is the following: "the development staff have smart days where they are informed about new technologies and a so-called camp or code is created, where the new information can be practiced together and they can see what is going in the world...".

## **Conclusions**

The most difficult part of the whole change process is getting it started (Hendry 1996). Past experiences and learning have a significant part here (Schein 1992). The organisations' capacity to learn is a critical resource. An empirical study of 215 Estonian companies indicated the impact of implementing concept of learning organisation on certain characteristics of organisation. Using LO lead to focusing on the following areas of development: organisational culture, strategic management, public relations, human resource management and innovation. Model on Figure 1 below describes, how using LO is connected with motivation, informing, describing processes and areas of development in Estonian organisations.

To conclude, the paper gave insights on which impact implementing concept of learning organisation had on organisations in Estonia. This group of companies, which had introduced LO, showed better results in management as whole and in development of products or services, which is important in crises situation (Alas and Gao 2012).



**Figure 1:** LO in Estonian organisations: Impact on describing processes, employee motivation, information sharing and areas of development.

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Zernand-Vilson, M., and Terk, E. (2009) "The State and the Dynamics of Management and Organisational Development Indicators in Estonian Enterprises", *EBS review*, Vol. 26.

# **THE IMPACT OF MANAGEMENT IDEAS IN ESTONIAN ORGANIZATIONS**

**Maris Zernand-Vilson, Ruth Alas and Tiit Elenurm**

Zernand-Vilson, M.; Alas, R.; Elenurm, T. (2014) The impact of management ideas in Estonian organizations. 12th Annual BMDA Conference “A Successful 21st Century Organisation” Proceedings of extended abstracts. Riga, May 7-9, 2014



## **Abstract**

The aim of current article is to explore which impact implementing different management ideas had on different organisational practices in Estonia. The results of empirical study are compared with similar ones collected four years earlier to analyse possible changes caused by economic crisis. The main ideas indicated in the study, were: business process re-engineering (BPR); total quality management (TQM); customer relationship management (CRM); values based management (VBM); learning organisation (LO); supply chain management (SCM) and self-managing teams (SMT). Also the method of investigating organisations' relationship with management ideas was different in two studies. This comparison leads to conclusion that linking the ways to operationalize different management ideas and following the learning organization logic are essential factors for adaptation of global management ideas to the development context of organization and society implementation.

**Keywords:** Management ideas, Management practice, Economic crisis, Estonian enterprises

## **Introduction**

Global expansion and cross-border transfer of new management ideas has exposed organization researchers to the need to differentiate more clearly between management fashions, ideas that are locally translated to action and ideas that are fully institutionalized as part of organizational culture (Boersma et al, 2012). Empirical studies have mostly taken a case-based approach to studying conformity, focusing on impact of single instances of introducing popular ideas (Nijholt et al, 2012) or just the spread of different ideas among practitioners (Anderson, 2010). There is research gap in understanding how adaptation and implementation of some management ideas depend on other management ideas and how to assess the degree of maturity of embedding new management concepts in rapidly changing organizations. The main idea of current study is to explore the practice of management ideas by their frequency of use and also their connections with organisational practice, to analyse their level of implementation and influence to processes in organisations. This is done by investigating all idea's connections between the organisational indicators; areas which had been developed over the past years; formally described processes; motivation systems and information channels.

The appearances of new ideas become such frequent that Koontz (1961, 1980) named the situation “management theory jungle”. He also expressed the prudent hope that developments would move in the direction of convergence. But the predicted convergence did not occur. One of the most systematic studies of management tools today by Bain & Company involves 25 categories with 91 management tools and trends, and the study does not attempt to capture all existing management ideas (Rigby, 2010). Some management ideas are more conceptual and can be implemented by changing organizational culture. Implementation of other ideas assumes operationally specified methods, tools and techniques. Roadmaps for implementation of IT-based tools and systems are a field, where specific methods and procedures frame the implementation process (Khosrowshahi and Arayici, 2012). The handbook of Management Techniques (Armstrong, 2006) includes more than hundred systematic and analytical methods used by managers to assist in decision-making and to improve efficiency and effectiveness. Ideas that are applied in systematic practices for developing organizations are transformed from ideas to management directions (Zernand-Vilson and Elenurm, 2010) In this paper we use the term “management idea” as a common label for new concepts that can be operationalized and embedded to organizational practices and assume radical changes in traditional management.

## **Methodology of Research**

In 2007 we conducted the study among 145 business organisations in Estonia to investigate practice of eight different management ideas. (Zernand-Vilson and Terk, 2009). The questionnaire listed the indicators of selected management ideas by asking their existence in organisations activity.

Respondents assessed if separate operational practices that serve as indicators of new management ideas are followed in their organizations. The most frequently followed ideas in practice were BSC (78%); LO (72%); SCM and TQM (72%).

The next ideas to follow were employee individuality/personality (60%); BPR (56%) and flexible organisation (51%). Global management (43%) and SMT (40%) were rather modestly represented. The essential variations between different organisation types like local and foreign ownership (Zernand-Vilson and Elenurm, 2010) were not found.

The selection of ideas for the study in 2011 was based on the Estonian management experts’ opinions from previous study (Zernand and Terk 2009) and some most popular ideas from the Bain and Company’s study of management tools (Rigby 2010). The questionnaire was divided into three parts: first, it covered an overall assessment of the organization in question; second, it focused on the reasons for strategic changes in the company; and third, it handled the usage of management techniques. The section on management method questions contained the name

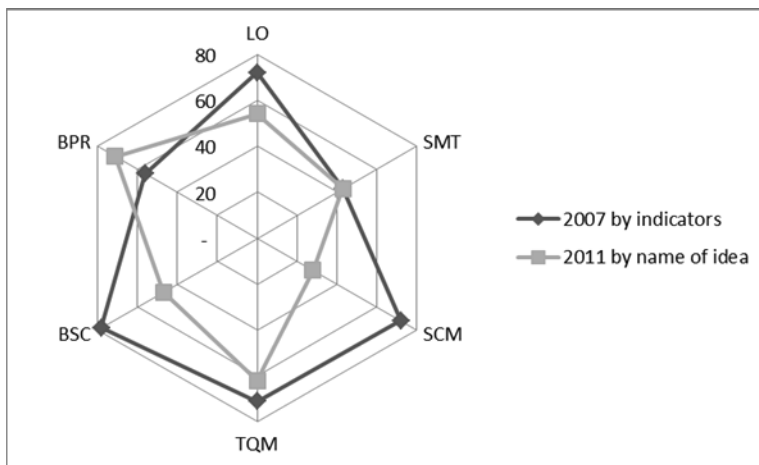
of the method implemented, a short explanation of its content and respondents' reflection on its practice in the company. The respondents indicated whether certain management techniques were used or not. The latter served as the criterion according to which responses were divided into two groups.

The questionnaire was intended for companies with 10 to 249 employees. Responses were expected from the manager or board members. In total, the study covered 204 companies, representing 16 different areas. Those 16 different areas of activity categorized three larger spheres of action: agriculture, production and service.

### Findings/Results

The respondents of latter survey got list of 10 management techniques with explanations. They had to answer, whether they used these ideas as holistic concepts or not. According to responses the most popular management idea was BPR (71% from respondents), followed by TQM (62%) and benchmarking (60%). Next were CRM (58%), VBM (56%), and LO (54%).

Respondents were asked to give an overall assessment to the activities and systems on 5 point scale. Conducting two studies in 2007 and 2011 with different method and similar target brought different results with same management ideas. As figure 1 indicates, assessing positively the implementation if management idea by its name was remarkably modest than representation of their indicators few year earlier. Only the BPR was exploited more actively than earlier. That is a logical trend, as BPR served as a tool for down-sizing some organizations in order to overcome the economic crisis.



**Figure 1.** Implementation intensity (percentage) of management ideas by their indicators in 2007 and names of ideas in 2011

In order to identify the impact management ideas, authors conducted Linear Regression analysis. Management ideas were taken as independent variable and 17 indicators in Appendix 1 were taken as dependent variables. Management ideas predicted 14% from variability of result control system, 13% from variability of relationship with stakeholders and 11,4% from variability of employee development. Using CRM and SCM did not predict any organizational indicators. BSC had the best predicting power by predicting 6 indicators, followed by benchmarking with 4 indicators. Respondents had to answer, which areas had been developed over the past few years on 5 point scale. According to results of linear regression analysis 14,4 % from variability in organizational culture and 10,5% from variability of public relations were predicted by management ideas. Internationalization and export development were not predicted by management ideas. BSC and CRM were both predicting 3 areas. LO influenced relationship with stakeholders, innovation and organisational culture, that reflects openness of respondents group. Implementing concept of TQM and LO had positive impact on employee development. TQM was connected with social responsibility and with control system. Regression analysis indicated that learning organization development has served as an enabler for embedding several other management ideas to organizational practices.

## **Conclusions**

The study gave insights which impact implementing management ideas had on organisation in Estonia. The group of companies, which had introduced LO, showed better results in management as whole and in development of products or services, which is important in crises situation that might have influenced the studied companies. Although the BPR was indicated as most used idea among nine selected ones, its connection with organisation practice in general was modest. It might become from too narrow interpretation of this idea. Combination of BSC and BPR had however positive influence upon strategic management and control. BSC together with SCM influenced financial management that is essential focus of both ideas. BPR influenced also product development that may consider as general innovativeness of organisation. Sales, marketing and main activities were influenced by CRM. HRM and public relations were positively connected with implementing of Values-based Management. Self-managing teams had positive impact on job satisfaction.

The differences in result from the studies 2007 and 2011 could be influenced by three reasons: changed economy; different method of study and the practice of not applying an idea in its original way concept but rather combining some of its elements with tools of implementing other ideas. Economic recession could cause more negative approach to new management ideas.

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# UUTE JUHTIMISIDEEDE OMAKSVÕTT JA RAKENDAMINE EESTI ÄRIORGANISATSIOONIDES

## Teema aktuaalsus

Viimased aastakümned on toonud esile üha suurema arvu uusi ideid organisatsiooni juhtimise kohta. Ideede kasv ja levik on viinud olukorrani mida on nimetatud juhtimisteooria džungliks. Samuti on jõutud kriitikani, mis nimetab uusi juhtimisideid nende kiire tekkimise ja lühikese kestvuse tõttu juhtimise moeks või narruseks. Mitmete kesk- ja idaeuroopa riikide taasiseseisvumine ja majanduse avanemine on võimaldanud koos muu informatsiooni sissevooluga ka uute juhtimisideede importi. Selle kõige juures puudub konkreetne ja selge ülevaade uute ideede rakendustest praktikas tervikuna.

Käesolevale doktoritööle on eelnenud üks katse kaardistada organisatsioonide juhtimise praktikast Eestis pärast üleminekut plaanimajanduselt turumajandusele, ettevõtlusameti poolt tellitud uuringus 2005 aastal. Samuti on siin käsitletud üksikute ideede, nagu õppiv organisatsioon või tasakaalus tulemuskaart, konkreetseid aspekte. Viimased ei võimalda aga teha üldisemaid järeldusi juhtimispraktikale tervikuna. Antud olukord ei ole omane vaid Eestile, aga ka teistele kesk- ja idaeuroopa riikidele

Määratledes käesoleva töö uurimisobjekti, on see kõige laiemas plaanis globaalne maastik, millel uued juhtimisideed tekivad. Töö probleem on fokusseeritud juhtimispraktikale eesti ettevõtetes mille objektis on omakorda uute globaalsete ideede omaksvõtt ja rakendused.

## Uurimistöö eesmärk, ülesanded, küsimused ja väited

Käesoleva doktoritöö eesmärk on kaardistada enim rakendatavad juhtimisideed äriorganisatsioonides, analüüsida nende omaksvõtu astet ja mõju organisatsioonide juhtimispraktikatele, testides kahte erinevat uurimismeetodit ajaperioodil 2007 kuni 2011, mil läbiti majandusolukorra muutused Eestis.

Uurimisülesanded ning neile vastavad küsimused ja väited seati järgnevalt:

Uurimisülesanne 1: Leida juhtimisideed, mille rakendused on kõige tõenäolisemad eesti organisatsioonides.

Uurimisküsimus 1: Millised on viimaste kümnendite kõige populaarsemad juhtimisideed Eestis?

Ideede väljaselgitamiseks koostati nimekiri kõigist uutest juhtimisideedest, mis

olid globaalselt kasutust leidnud aastatel 1985-2005. Loetelust tehti valik, mis põhines esinemissagedusele ajakirjades Harvard Business Review ja Fortune ning äriperioodika andmebaasis ProQuest. Viimase valiku määras valikut ekspertide grupi uurimisgrupi analüüs ja arutelu. Tulemused on avaldatud 1. ja 2. artiklis, mille põhjal käesolev töö on koostatud.

Uurimisülesanne 2: Luua meetod juhtimisideede olemasolu mõõtmiseks ideede tunnuste alusel ja võrrelda seda varem loodud meetodiga, mis hindab ideede populaarsust.

Uurimisküsimus 2: Kas juhtimisideed ilmnevad nimetustena enam juhtimismooena, kui nende tunnuste alusel?

Uurimisküsimus 3: Kas ideede omaksvõtu astet on võimalik hinnata eristades teadmist, rakendamist ja osa praktikast?

Väide 1: Uute juhtimisideede kasutust on võimalik mõõta tunnuste süsteemi alusel, mis eristab juhtimismoodusteid ideede reaalsest rakendusest igapäevasesse juhtimispraktikasse.

Alates 1993 aastast on käesolevat valdkonda juhtimise tööriistade ja tehnikate prisma läbi uurinud konsultatsiooniettevõtte Bain & Co. Regulaarse küsitluse abil püütakse luua andmebaasi juhtimisideede nimedest nende populaarsuse järgi. Käesoleva töö käigus loodud juhtimisideede tunnuste süsteemi kasutamine uurimismeetodina peaks enam peegeldama tegelikku juhtimispraktikat mitte juhtide teadmist sellest. Loodud meetodit kajastavad 1. ja 2. artikkel.

Uurimisülesanne 3: Selgitada eesti äriorganisatsioonide juhtimispraktikat juhtimisideede olemasolu, dünaamika ja mõju osas.

Uurimisküsimus 4: Millised Uurimisküsimusega 1 väljaselgitatud ideed on enim rakendust leidnud?

Uurimisküsimus 5: Kas juhtimisideede rakendamine sõltub nende omadustest?

Väide 2: Globaalsete ideede kasutus on intensiivsem rahvusvaheliste- ja suuremate ettevõtete poolt.

Väide 3: Jälgides eesti teenindussektori märkimisväärset innovatsiooni, on selles uute juhtimisideede kasutuselevõtt võrreldav tööstusharuga.

Väide 4: Võttes arvesse uuritavate organisatsioonide varajast arengutaset eeldati nõ pehmete ideede domineerimist formaalsete ja protsessipõhiste ideede üle.

Väide 5: Juhtimisideede on organisatsioonisiselt üksteist täiendavad ja asendavad.

Uuringu küsimustikud selgitasid üldse juhtimispraktika kõrval vastajate klastreid omandi, suuruse ja tööstusharu lõikes. Tulemused on toodud 1. artiklis.

Uurimisülesanne 4: Selgitada organisatsioone ümbritseva keskkonna mõju juhtimisideede levikule.

Uurimisküsimus 6: Kas majanduslikud olud mõjutavad äriorganisatsioonide juhtimispraktikat uute ideede rakendamise osas?

Uurimisküsimus 7: Kas uuritud ideede rakendamine on seotud organisatsiooni väärtuste ja tegevuspraktikaga?

Väide 6: Juhtimisideede rakendused muutuvad vastavalt majandusolukorrale.

Kirjeldatud uurimisülesannete, -küsimuste ja väidete süsteem on esitatud töö sissejuhatava peatüki 1. joonisel.

## **Uurimistöö meetodid ja tulemused**

Leidmaks vastuseid uurimisküsimustele ja tõestamaks väiteid, viidi läbi empiiriline uuring neljas peamises osas. Esimene ülesanne oli analüüsida viimase 20 aasta juhtimisideesid ja valida neist sobivad jätkuva uuringu jaoks. Valiku protsessi on kirjeldatud eestikeelse kokkuvõtte esimese uurimisülesande juures.

Järgmise etapina viidi läbi ankeetküsitlus 145 tegevjuhi hulgas. Ankeet oli koostatud lähtuvalt eelnevas etapis valitud ideede tunnustest. Läbi selle uuriti juhtimispraktika olemasolu, selle rakendamise astet ja dünaamikat.

Uuring jätkus kolmanda etapiga, mis oli osa suuremast juhtimisvaldkonna uuringust. Selles läbiviidud ankeetküsitluse ettevalmistamiseks viidi läbi intervjuud 11 tippjuhiga erinevast tegevusharust. Saadud tulemuste põhjal saadi üldine pilt hetke juhtimispraktikatest, mille intensiivust ja seoseid asuti kontrollima. Küsitlusele vastasid 204 ettevõtte juhid.

Uuringu käigus valitud juhtimisideedeks, mille uurimist jätkati olid: õppiv organisatsioon; isejuhtivad meeskonnad; paindlik organisatsioon; töötajate personaalsus, unikaalsus; tarneahela juhtimine; kvaliteedijuhtimine; äriprotsesside ümberkorraldamine; globaalne juhtimine; tasakaalus tulemuskaart. Teise ankeetküsitluse käigus lisati võrdlus parimaga, väärtuspõhine juhtimine ja kliendisuhete juhtimine.

Mõlemad läbiviidud ankeetküsitlused andsid tulemuseks tasakaalus tulemuskaardi, õppiva organisatsiooni ja kvaliteetijuhtimise intensiivsema kasutuse uuritud organisatsioonides. Teise ankeedi tulemuste põhjal oli ideede kasutus

tagasihoidlikum. Seda mõjutasid aga ka küsimustiku erinev meetodika ja ajaperiood.

Vastajate gruppide tulemuste vahel märkimisväärseid erinevusi ei olnud. Pisut aktiivsem globaalse juhtimise tunnuste kasutamine välismaise ja segaomandiga ettevõtete poolt ning kvaliteedijuhtimise ja tarneahela juhtimise kasutamine tööstusettevõtete poolt oli ootuspärane.

Enam üllatas konkreetsete ja süsteemsete ideede suurem kasutus võrreldes üldisemate ja pigem filosoofiliste ideedega.

Teineteist täiendavateks ideedeks osutasid teise ankeetküsitluse tulemuste järgi võrdlus parimaga ja tasakaalus tulemuskaart; võrdlus parimaga ja väärtuspõhine juhtimine ning kvaliteedijuhtimine ja tasakaalus tulemuskaart.

### **Piirangud ja soovitused edasiseks uurimistööks**

Kuivõrd uuringud viidi läbi vaid organisatsioonide tippjuhtide hulgas, võib see suures osas kajastada vaid nende kavatsusi ja väärtuseid. Tegelik juhtimispraktika nägemiseks oleks edaspidi vaja kaasata enam juhtimistasandeid. Samuti rakendada mitmekülgsemaid juhtimismeetodeid nagu juhtumiuuring.

Juhtimisideede rakenduste vaatlemine eraldi gruppides vastavalt nende tunnustele ning üksikute ideedena käesoleva uuringu põhjal annaks täpsemaid tulemusi konkreetsemate rakendusideede saamiseks.

Kuivõrd konsultandid on üks peamisi uute juhtimisideede importijaid, tuleks edaspidi enam tähelepanu pöörata ka sellele osale ideede rakendamise protsessist.



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