University of Glasgow

Liuhto, Kari Tapani (1996) *The entrepreneurial and management cultural transformation in independent Estonia.* PhD thesis.

http://theses.gla.ac.uk/2075/

Copyright and moral rights for this thesis are retained by the author

A copy can be downloaded for personal non-commercial research or study, without prior permission or charge

This thesis cannot be reproduced or quoted extensively from without first obtaining permission in writing from the Author

The content must not be changed in any way or sold commercially in any format or medium without the formal permission of the Author

When referring to this work, full bibliographic details including the author, title, awarding institution and date of the thesis must be given

Glasgow Theses Service
http://theses.gla.ac.uk/
theses@gla.ac.uk

THE ENTREPRENEURIAL AND MANAGEMENT CULTURAL TRANSFORMATION IN INDEPENDENT ESTONIA

Kari Tapani Liuhto
PhD thesis
Institute of Russian and East European Studies
Faculty of Social Sciences
University of Glasgow
May, 1996

(c) KARI TAPANI LIUHTO, 1996

ABSTRACT

The Estonian economy and entrepreneurship have transformed from the planned economy toward a market one perhaps at a faster pace than other former Soviet republics. Estonia has rapidly abolished the immobile structures of the Soviet economy. One significant reform has been the liberalization of the entrepreneurship.

As a consequence of the liberalization the Estonian organization sector has expanded. While in the early 1990s only a couple of thousand organizations operated in Estonia, the number of registered organizations was already over 83 000 at the beginning of 1995. The drastic growth of the organization sector has ended the era of the giant Soviet companies and created a small-enterprise-dominated economy. The organizations with less than 10 employees represent nearly 90 per cent of the entire organization sector in Estonia.

Besides the organization size, the ownership of Estonian organizations has changed fundamentally. The Soviet state-monopoly has been transformed to an economy driven by the private owners. The share of the state and municipal organizations was less than two per cent of all the Estonian organizations in the mid-1990s. The foreign companies registered in Estonia have also played a significant role in the transformation of ownership. By the beginning of 1995 nearly 8 000 foreign-owned companies had been registered in Estonia. In fact, foreign direct investments per capita are higher in Estonia than in any other former Soviet republic.

Even though economic indicators suggest that Estonia has moved from the planned economy towards a market one, there does not exist much information on how the implementators of this transformation - enterprise managers - have been able to adjust to the changing conditions. Thus the objective of this research is to examine to what extent Estonian management has transformed from 1991 to 1995 and how it is expected to transform toward the end of this decade.

This study analyses the views regarding the transformation of Estonian management, as expressed by the managers of 114 companies registered in Estonia. The answers that these Estonian managers gave suggest that management has clearly improved during the period from the last Soviet year until 1995. These Estonian managers believe that this positive development will continue during the latter half of this decade. The managers estimate that enterprise management in general will be at a good state in 1999.

The data suggest that the ownership of organization does not create many significant differences in management transformation. The Estonian managers believe that the management of state-owned companies has developed at a nearly similar pace to private enterprises. This observation is contrary to a rather common belief that transformation occurs more rapidly in privately owned companies than in state enterprises.

Even more surprisingly, the findings indicated that managerial transformation in foreign-owned companies does not differ essentially from the changes occurring in local companies. The observations therefore do not support the idea of foreign ownership significantly accelerating the transformation of management. On the basis of these findings, one can thus conclude that national features are the primary engine of managerial transformation. On the other hand, foreign influence can function as a lubricant for this transformation engine and mark the transformation path.

The findings of this study do not indicate that the management cultural transformation would significantly differentiate among various industries. This is quite natural since the industrial classifications are a more statistical than pragmatic way to group enterprises. The interest groups of the company are much more significant in terms of influencing the organizational management culture than immobile statistical categories. Therefore, this study does not support the existence of industrial cultures, but instead emphasizes the need for further study on the company networks.

The findings also indicate that managerial transformation was often faster in companies which had a weaker basis for operation than the average. This observation should be paid particular attention to when making methodological choices. In other words, research on transformation should apply methods examining both the initial and final stage of the transformation, rather than merely study the change. The latter method is far more vulnerable for an analysing bias.

The findings of this study reveal several major differences between the views expressed by ethnically Estonian and Russian managers. However, since the number of ethnically Russian managers participating in this study was very low, these findings can only be considered referential. On the other hand, differences as great as these do underline the importance of further research. A comparison drawn between Russian managers operating in Estonia and their colleagues in Russia would prove most fruitful in terms of organization cultural study. These comparisons might offer a major contribution to the nation state vs. culture debate, as these comparisons might shed some light on the question of which one of these factors is more influential in shaping organizational behaviour.

In order to better comprehend managerial transformation, it would also be important to use qualitative research methods, which could facilitate in acquiring information about the factors influencing the transformation. In addition, research should observe the phenomenon in a long term, thus obtaining a sufficient amount of reliable data so that theoretical models on the transformation of organizational behaviour could be formulated.

The contribution of this research is to function as one of the first empirical steps and, hence, to aid forthcoming researches in the formulaton of a theory how managerial behaviour transforms while moving from the planned economy toward a market economy.

FOREWORD

"Managers of post-communist enterprises have to assume this leadership role in the milieu of sudden discontinuity and dramatic change. They are the only ones potentially capable of translating changes in the macro-economic environment into corresponding micro-economic behaviour of the firms. Otherwise, transformation to a market economy will not happen".

Andrzej K. Kozminsky (1993) Catching Up ? Organizational and Management Change in the Ex-Socialist Block, p. 145

ACKNOWLEDGEMENT

The accomplishment of this research was a long-term process. To carry out both studies and research required a considerable amount of financial resources. Without financial support, this research would have been practically impossible to carry out. Therefore, I wish to express my gratitude to the following organizations which regarded this research as worth supporting: *Overseas Research Scheme of the United Kingdom*, *Liikesivistysrahasto*, *Raision Yhtymän säätiö*, *Wihurin rahasto*, *Emil Aaltosen säätiö* and *Heikki ja Hilma Honkasen säätiö*. I hope this research was able to achieve the goals set for it.

This financial support was crucial for this research, but likewise important was the role of my tutors, professor *Tauno Tiusanen* and *Richard Berry*, the research colleagues and the experts who participated in the accomplishment of this research. With their valuable help and comments, I was able to collect the research data and find new perspectives to the theme. However, I am personally responsible for possible deficiencies of this research.

Finally, I would like to thank my friends whose patience was never-ending even though I filled their ears with various problems arising from this research. Without the support of my friends, the problems of this research might have grown into an iron curtain which might never have opened up.

I would like to dedicate this work to my parents, *Valentina* and *Jorma Liuhto*, who provided me with the inspiring foundation both for this research and the research project of life.

Kari Tapani Liuhto

CONTENTS

ABSTRACT i

FOREWORD iii

ACKNOWLEDGEMENT iv

1. INTRODUCTION 1

1.1. The Transition of the Enterprise Sector in Estonia 1

1.2. The Objectives and the Structure of the Research 19

2. MANAGEMENT AND ITS TRANSITION - A CULTURAL PERSPECTIVE 21

2.1. The Position of Management Cultural Research in the Theoretical Field 22

2.2. The Concept of Management Culture and Its Transition 33
2.2.1. The Definition of Management 33
2.2.2. The Definition of Culture 40
2.2.3. The Definition of Management Culture 46
2.2.4. The Definition of Management Cultural Transition 60

3. ESTONIAN MANAGEMENT AND ITS TRANSITION - A LITERATURE REVIEWED 78

4. METHODOLOGY 90

4.1. The Major Methodological Problems of This Research 90

4.2. Approaching the Research Subject 100

4.3. The Accomplishment of the Research 103

5. THE MANAGERIAL TRANSITION IN ESTONIA IN THE 1990s 117

5.1. The Transformation of the Company Characteristics in Studied Enterprises 117

5.2. The Management Transition in Estonia 122
5.2.1. The Transition of External Management Environment 122
5.2.2. The Transition of Organizational Management Functions 155
5.2.3. The Transition of Managerial Functions 187

5.3. Some Attitudes Held by Estonian Managers in 1995 221

5.4. The Summary of the Main Empirical Findings 231

6. CONCLUSION 244

6.1. The Summary of the Research Results 244

6.2. Suggestions for Further Research 257

REFERENCES 260

APPENDICES 281

LIST OF APPENDICES

APPENDIX 1. Transition of Estonian economy in the first half of the 1990s 281
APPENDIX 2. Organizational transition in Estonia from 1992 to 1995 282
APPENDIX 3. The transition of foreign direct investments in Estonia in the first half the 1990s 283
APPENDIX 4. Questionnaire 284
APPENDIX 5. The state of the external management environment in 1995 290
APPENDIX 6. The transition of the external management environment 1991-1995 291
APPENDIX 7. The transition of the external management environment 1991-1999 292
APPENDIX 8. The transition of the external management environment 1995-1999 293
APPENDIX 9. The state of organizational management functions in 1995 294
APPENDIX 10. The transition of organizational management functions in 1991-1995 295
APPENDIX 11. The transition of organizational management functions in 1991-1999 296
APPENDIX 12. The transition of organizational management functions in 1995-1999 297
APPENDIX 13. The state of managerial functions in 1995 298
APPENDIX 14. The transition of managerial functions in 1991-1995 299
APPENDIX 15. The transition of managerial functions in 1991-1999 300
APPENDIX 16. The transition of managerial functions in 1995-1999 301

LIST OF FIGURES

Figure 1. Different views on culture 27
Figure 2. The conceptualization of the management in this study 38
Figure 3. The management culture in national cultural hierarchy 51
Figure 4. Organizational management culture as a basis for national management culture 58
Figure 5. The management cultural transition 73
Figure 6. The role of management transition in the overall transformation 76

LIST OF TABLES

Table 1. Linking cultural and organizational theories from managerial perspective 31
Table 2. The relationships between basic beliefs, management philosophy and management behaviour 55
Table 3. The essentials of the management culture 59
Table 4. The formulation of the resistance to culture change 67
Table 5. Life-span of organization and changes in the function of culture 70
Table 6. The essentials of the management cultural transition 74
Table 7. Deficiencies of Estonian managers 81
Table 8. How the Estonians perceive their image of Estonia 83
Table 9. The summary of Estonian management by Nurmi and Üksvarav 84
Table 10. The comparison of quantitative and qualitative research methods 98
Table 11. The distribution of the sample and the Estonian organization field by personnel size at the end of 1994 109

Table 12. The distribution of the sample by turnover in 1994 110
Table 13. The industrial distribution of the sample and the Estonian organization sector in 1995 112
Table 14. The geographical distribution of the sample and the Estonian organization sector in 1995 113
Table 15. The transition of the company characteristics of the sample 120
Table 16. The transition of ownership/funding capital 121
Table 17. The efficiency and reliability of the Estonian banking system 124
Table 18. Chances of finding reasonably priced funding in Estonia 125
Table 19. The advancement and practicalness of the legislation in Estonia 126
Table 20. The reliability of the Estonian authorities 128
Table 21. The state of the Estonian wholesale system 129
Table 22. The quality of transport services compared to the prices in Estonia 131
Table 23. The quality of office and industrial premises compared to the prices in Estonia 133
Table 24. The quality of advertising channels compared to the prices in Estonia 134
Table 25. The quality of other services compared to the prices in Estonia 135
Table 26. The quality of training compared to the prices in Estonia 136
Table 27. The security of managers in Estonia 138
Table 28. The state of your industry in general 139
Table 29. Competition within your industry 140
Table 30. Profits related to risks within your industry 142
Table 31. The quality of the technology used in your industry compared to the prices 143
Table 32. The quality of the raw materials used in your industry compared to the prices 144
Table 33. The availability of skilled managers in your industry 145
Table 34. The availability of skilled employees in your industry 146
Table 35. The demand potential of your markets in Estonia 147
Table 36. The stability of your markets in Estonia 148
Table 37. The summary of the fastest and slowest transition factors in external management environment 150
Table 38. The quality of your production technology 157
Table 39. The utilization of technical management tools in your company 158
Table 40. The raw material supply network of your company 160
Table 41. The reliability of your sales deliveries 161
Table 42. The realization of sales deliveries in your company 161
Table 43. Competitive position of your products in Estonia 163
Table 44. The quality of your product design 164
Table 45. The functioning of your information channels 165
Table 46. The skills of your managers 167
Table 47. The skills of your employees 168
Table 48. The efficiency of your personnel 169
Table 49. The reliability of your personnel 170
Table 50. The efficiency of the sales network in your company 172

Table 51.	The utilization of advertising in your company	173
Table 52.	The quality of your customer services	174
Table 53.	The financial position of your company	175
Table 54.	Your chances of acquiring outside funding for development of company operations	177
Table 55.	The capacity of your company to change when the business environment requires	178
Table 56.	The competitive position of your company in Estonia	180
Table 57.	The competitive position of your company outside Estonia	180
Table 58.	The summary of the fastest and slowest transition factors in organizational management functions	182
Table 59.	The clarity of your company's business idea	188
Table 60.	The accomplishment of the business idea	189
Table 61.	The planning of company strategies	191
Table 62.	The accomplishment of company strategies	192
Table 63.	The control of the accomplishment of strategies	193
Table 64.	The commitment of managers to company goals	194
Table 65.	The specifity of the managers' tasks	195
Table 66.	The independence of managers	197
Table 67.	The training opportunities for managers	198
Table 68.	The initiative of managers	200
Table 69.	The efficiency of the use of time by managers	202
Table 70.	The motivation of managers	203
Table 71.	The control of managers	204
Table 72.	The planning system of decision-making	205
Table 73.	The rapidness of decision-making	206
Table 74.	The passing of information in your company	207
Table 75.	Relations between the managers	208
Table 76.	Relations between the managers and the employees	209
Table 77.	Solving differences in opinions	210
Table 78.	The employees' chances to influence in company	211
Table 79.	Market-orientation in management	212
Table 80.	Cost-awareness in management	213
Table 81.	Willingness to take risks in management	213
Table 82.	Managers' capacities to change their practices	215
Table 83.	Managers' will to change their practices	215
Table 84.	The summary of the fastest and slowest transition factors in managerial functions	219
Table 85.	The attitudes of Estonian managers to some essential management areas in 1995	222
Table 86.	The Soviet influence on the Estonian management transformation	227
Table 87.	The comparison of different aspects of the management transformation	231
Table 88.	The summary of Estonian management in 1995	234
Table 89.	The summary of Estonian management transition in the 1990s	239

1. INTRODUCTION

1.1. The Transition of the Enterprise Sector in Estonia

The first chapter analyses the transition of the Estonian enterprise sector from a statistical perspective. The purpose of this statistical survey is to describe the transition of the Estonian enterprise sector so that one would better comprehend the framework within which Estonian enterprise managers responded to the empirical part of this research.

Before studying the transformation of Estonian enterprises, one needs to make a brief survey on the macro-economic development of the former Soviet republics since the disintegration of the Soviet Union. A comparison of the former Soviet republics indicates that the Estonian economy has managed to move from the planned economy toward a market one perhaps at the fastest pace (ECE, 1995, 39-72). This makes the study of Estonian entrepreneurial and managerial transformation even more interesting as it may provide some guidelines about development occurring in other former Soviet economies.

When trying to locate reasons for Estonia having developed faster than other Soviet economies, one needs to return to the time before the disintegration of the Soviet Union. According to Van Arkadie and Karlsson (1992, 103-104), one of the main reasons for Estonia's faster economic transformation is the fact that the Baltic States functioned as an economic laboratory during the Soviet era. Therefore, the Baltic States had better starting points to adopt principles of market economies.

Another major reason for Estonia's fast transformation was the IME reform begun in Soviet Estonia in the latter half of the 1980s. The purpose of this reform was, firstly, to increase the economic independence of Soviet Estonia and, secondly, to intensify the role of market forces in Estonian economy. The results of the IME programme were not as good as expected because some of the authorities in Moscow considered this economic programme too radical. This economic programme was regarded as too reformist because it was seen as Estonia's first step in its attempt to separate from the Soviet Union (Taaler, 1995, 1-15).

Although this economic reform could not be carried out according to original plans, it provided valuable experience for Estonian authorities in planning foundations for an independent economy. Hence Estonian authories were a step ahead of their Soviet colleagues even before the beginning of the actual economic transformation at the end of 1991 when the Soviet Union disintegrated. Estonia's slight lead is also manifested in macro-economic indicators.

During the first years of independence, the Estonian economy experienced an economic shock. After this shock Estonia managed to push its GNP to a four-per cent-rise as early as 1994. Among the few former Soviet republics which were capable of doing the same were Latvia, Lithuania and Armenia [1].

These three republics witnessed a more drastic collapse of their GNP than Estonia. This means that Estonia was able to turn its economy to a rise from a considerably higher level than the other three republics. An interesting point is that these states were the smallest in terms of the

[1] The appendices contain statistics on the economic and entrepreneurial transition of Estonia during the first half of the 1990s. These economic statistics help outlining the circumstances under which the Estonian entrepreneurial and managerial transition has been implemented.

number of their population in the entire former Soviet Union. Most probably, the small size of the economy becomes an advantage when transforming economic structures (Review of Economies in Transition no. 2, 1996, 83-93).

Another indication of Estonia's rapid recovery of the economic shock is that Estonia succeeded in slowing down inflation faster than other former Soviet republics. The faster stabilization can be illustrated by the increase of consumer prices, which was 'only' less than 90 per cent in 1993 in Estonia, whereas in Latvia it was over 100 and in Lithuania over 400. In the CIS countries the situation was considerably worse. Only in the Russian Federation consumer prices increased by less than 1000 per cent (ECE, 1995, 27).

A third sign of the Estonian economic ability to adjust rapidly is the swift transformation of the Estonian foreign trade. While the majority of the Soviet Estonian foreign trade was directed to other Soviet republics during the Soviet era, the share of the former Soviet republics had fallen to a mere one third of the Estonian foreign trade in 1993. In the CIS countries (excl. Russia) the share of former Soviet trade was still greater in 1995 than in Estonia in 1993 (Review of Economies in Transition no 2., 1996, 90).

It was of crucial importance for the development of Estonia that the geographical transformation of foreign trade is not a result of the Soviet trade drying up, but, first and foremost, of an absolut growth of Western trade. An indication of this is that Estonian trade with EU and EFTA countries grew nearly 500 times from 1991 to 1994. In addition, Estonia's trade with the CIS countries increased by 14 times during the same period even though its relative share collapsed.

A fourth indication of the successful economic transformation of Estonia is the interest paid by foreign companies to a country with a small population and very limited natural resources. This foreign attention to Estonia largely stems from the Estonian legislative foundation for entrepreneurship which seems more advanced than in other former Soviet republics. Furthermore, Estonia can act as a kind of foothold for Western companies aiming at invading the former Soviet markets (Piispanen, 1996, 36). An illustration of this foreign interest in Estonia is that foreign direct investments per capita are by far the highest in Estonia compared with any other Soviet republic. Foreign direct investments were over 400 USD per capita in Estonia between 1989-1995 (EBRD, 1996, 116).

The Estonian economy has advanced perhaps at the fastest pace along the path of market economy. Estonia's rapid macro-economic transformation has also inevitably reflected in micro-economic spheres. The following contains a survey into the development of the Estonian enterprise sector.

Although the main focus of this research is placed on the 1990s, an important reason compels one to study the transition of the enterprise sector in Estonia in a longer period of time. Knowledge of the past can help understanding the present as well as the future transformation. From a nation-state perspective, Estonia encountered its first transformation of the enterprise sector already when the country separated from the Russian Empire at the turn of the 1920s.

The First World War and the October Revolution damaged the Estonian economy seriously. For instance, only 20 per cent of the prewar capacity of the metallurgic industry existed on the eve of independence (Hinkkanen-Lievonen, 1984, 251). In addition to this obvious industrial destruction, traditional internal markets in Russia were abolished (Raun, 1987, 125).

The reconstruction of the Estonian economy was begun in 1920 by nearly

3000 industrial enterprises. The number of industrial enterprises continued to increase rapidly during the first years of independence until the 1930s' recession. The number of industrial enterprises reached over 5000 in 1935. In addition to the industrial enterprises, one should remember that there were large numbers of craftsmen and merchants in Estonia. The total size of the Estonian organization sector in 1935 was over 45 000 juridical persons, of which half were handicraft and one fourth trade entrepreneurs [2]. The share of industrial enterprises was over one tenth (Eesti 1920-1930, 1931, 131; Eesti Statistika, 1935, 84; Majandusteated, 1936, 599-600; Majandusteated, 1937, 217; Tööstus, 1939, 10).

During the 1920s and 1930s there were no significant changes in the distribution of industrial enterprises. The greatest change was found within the textile and foodstuff industries, which raised their shares by 5 per cent. Similarly, the shares of the wood processing and metal industries dropped by 5 per cent. The total share of industrial enterprises operating in these fields was 70 per cent throughout the 1920s and 1930s (Eesti Statistika, 1935, 85) [3].

The companies operating in the capital city (Tallinn) represented a major share of the total industrial production and labour - nearly a half. The second largest industrial centre was Narva, whose share of the total production was approximately one tenth. In the 1930s Estonian entrepreneurship was becoming more urbanized. Over 60 per cent of the industrial enterprises operated in rural areas in 1925, whereas ten years later, the urbanized companies formed over 50 per cent of all the industrial enterprises (Tööstus, 1939, 10-17).

[2] According to Kavass and Sprudzs (1972, 139), in 1939 Estonia had 12 920 trading enterprises, of which 1533 operated in wholesale and 11 387 in retail trade. Over 90 per cent of the retail trade was in private ownership (Ahde et al., 1993, 136-139).

[3] Only industrial companies with over 20 employees were included here since no reliable statistics on smaller enterprises were available.

When analysing the first transition of the Estonian enterprise sector, one should not forget the impact of foreign companies and foreign direct investments. In 1926 foreign direct investment represented about 10 per cent of the net production of large companies [4] . The British had a lion's share of foreign investment (75%). The majority of investments were in the wood processing, textile and leather industries, whose total share was 70 per cent (Pihlamägi, 1992a, 22).

Ten years later the share of the foreign capital from the total industrial capital in Estonia was 12-16 per cent (Pihlamägi, 1992b, 212) [5]. The foreign enterprises employed nearly half of the industrial labour force. Besides their substantial employment effect, the foreign-owned companies formed almost half of the industrial production (Tööstus, 1939, 24-25). This considerable amount of foreign activities in Estonia during the 1920s and the 1930s has accounted for Estonia being referred to as "*a semi-colony of big capitalist powers*" (Hinkkanen-Lievonen, 1984, 263).

The first transition of the Estonian enterprise sector came to an abrupt end and with socialism completely reversed its course in the aftermath of the Second World War. The socialization of the Estonian economy was effective, and, by the beginning of the 1950s, the Estonian economy had become indistinguishable from the other Soviet republics (Van Arkadie - Karlson, 1992, 117) [6].

The following decades were extremely stable or even immobile in the

[4] The Estonian statistics dating from the 1920s and the 1930s referred to net production, which, in current terminology, largely seems to denote the processing value of production.

[5] The researcher interviewed Maie Pihlamägi, who is one of the leading experts at the development of Estonian entrepreneurship during the 1920s and 1930s.

[6] The annexation of the Estonian economy to the Soviet economy during the Second World War can also be referred to as an economic transition even though it is a complete opposite of the present transformation.

Soviet Estonian enterprise sector. The state simply maintained a monopoly over the entire enterprise sector. The Soviet enterprise sector can be divided into three categories: all-union, mixed all-union - republican, and republican enterprises. The first two types of enterprises were in practice under the control of ministries in Moscow, and the last under the control of republics (Tiusanen, 1991, 29). The overall economic significance of these republican enterprises remains very modest. For instance, in 1989 the republican enterprises formed only 18 per cent of the fixed assets of the Soviet Estonian industry (Kilvits, 1994, 5).

Although the economic history of the Soviet Union is notorious for failed economic reforms, the shadows of the past did not prevent the Soviet leaders from launching a socio-economic reform, called *Perestroika,* in the mid-1980s (Ryavec, 1969, 208-229; Sutela, 1991, 49; Nove, 1992, 331-394). *Perestroika* aimed at making the Soviet economy more efficient through measures of the NEP period, in other words by applying capitalistic measures [7].

An example of these new actions was the creation of the foundation in 1985-87 for small state enterprises with less than 50 employees. *"Although the new small businesses remained state property, they enjoyed far more rights than other state firms, who functioned in strictly regulated conditions. This was the first step towards decentralization of organization and what is more important, of state enterprise management."* (Venesaar - Vitsur, 1995, 190).

Perestoika tested out these economic reforms in the most advanced Soviet

[7] NEP is an abbreviation for Novaya Ekonomicheskaya Politika, which was applied in Soviet Russia during 1921-28. The NEP system began to be applied after the collapse of War Communism, which forced the state to retreat one step backward in the construction of socialism and adopt typically capitalistic measures, such as private entrepreneurship and allowance of foreign-owned concessions, on the Soviet territory (Nove, 1992, 78-144; Liuhto, 1994c, 18-29).

republics, such as Soviet Estonia (Van Arkadie - Karlson, 1992, 103-104). While Soviet Estonia functioned as a 'laboratory' for small state-owned enterprises, only 800 small enterprises had been established in Soviet Estonia by 1990. Consequently, the economic role of this reform remained rather insignificant. These enterprises employed 13 000 people and their total sales amounted only to 300 million roubles (Lugus et al., 1991, 13; Kilvits, 1994, 4). The allowance of small state enterprises was only a small step for the national economy but a great one for the overall entrepreneurial development. It signified a departure from "*one big factory*"-thinking toward real entrepreneurship (Kozminski, 1993, 7).

The next step taken in the journey of entrepreneurship toward a market economy was the producers' cooperatives[8]. The first producers' cooperatives were founded in Soviet Estonia already at the end of 1986, although the Decree on Cooperatives was not passed until May 1988 in the Soviet Union (Lugus et al., 1991, 3; Venesaar-Vitsur, 1995, 190). With these cooperatives, private entrepreneurship was allowed in the Soviet economy for the first time after the NEP period - nevertheless not quite without difficulties.

The main cause for the problems was that cooperatives were not integrated into the planned economy and the Soviet Union lacked a free market at that point. In practice this meant that cooperatives found themselves in constant difficulties with the acquisition of the commodities. Many cooperatives were forced to resort to the unofficial markets in order to secure their companies' operations. Hence the press

[8] Self-employment will not be studied in this context because it should be considered a practice of profession rather than entrepreneurship, as the self-employed had no right to employ other people. Furthermore, the economic significance of self-employment amounts to very little. In 1990 there were only about 600 craftsmen registered in Soviet Estonia (Lugus et al., 1991, 32-35). Also 'entrepreneurial activity' in the shadow economy will not be examined in this research because it does not quite fill the characteristics of official entrepreneurship (e.g. Grancelli, 1988).

often accused cooperatives, for example, of stealing government property and speculation (Cockburn, 1989, 176-179; Slider, 1991, 797-821).

When evaluating the economic significance of the cooperatives, it can be stated that they failed to have a major impact on the Soviet economy. This is suggested in that they represented less than one per cent of the industrial production, only three per cent of the total turnover of the Estonian enterprises and approximately five per cent of the labour force (Van Arkadie - Karlson, 1992, 264; Kilvits, 1994, 4). Moreover, two-thirds of the cooperatives registered in Soviet Estonia were still in state ownership (Lugus et al., 1991, 31). More important, however, than their economic significance was the fact that they signalled the arrival of private entrepreneurship in the Soviet Estonian economy after almost a 50-year-break [9].

In addition to the producers' cooperatives, another major reform was the Decree on Joint Ventures, passed in January 1987, which offered foreign companies a right to found subsidiaries within the Soviet borders (Xueref, 1988) [10]. However, contrary to the expectations of Soviet reformists, foreign companies did not rush into Soviet Estonia. The interest of foreign enterprises was diminished, for instance, by the length of joint ventures' registration time, Soviet bureaucracy, artificially high exchange rate of the rouble, deficient business legislation, and lack of investment guaranties

[9] Before cooperatives the Soviet Union had *kolkhozes* i.e. collective farms, which possessed a partial freedom of 'business operations'. This freedom was based on the right to sell the surplus production. In practice this became problematic since surplus increased the production requirements of the collective farm in the following five-year plan, and thus diminished the enthusiasm of *kolkhozes* to expand their activities.

[10] As early as 1963, a socialist cooperative venture had been established in Soviet Estonia, which, however, cannot be considered an actual joint venture because it had no specifically defined ownership nor a specified management team (e.g. Wilczynski, 1976; Chukanova, 1980; Gilbert, 1982; Graziani, 1984; Matejka, 1988; and Business International, 1988). From 1983 onwards, enterprises from the socialist countries possessed a right to found joint ventures on the Soviet territory (Matejka, 1988, 171-189).

(Yhteisyritykset Neuvostoliitossa, 1989, 18-36; Kallio, 1990, 67-74). On account of these problems, only 1180 joint ventures were registered in the Soviet Union - 82 of them operated in Soviet Estonia - by the end of 1989 (PlanEconReport, 1989, 16; Katila, 1990, 10; Laurila, 1993, 44).

Nearly two years later the number of foreign companies in Soviet Estonia had increased by almost fourteen times, to 1118 foreign-owned enterprises (Liuhto, 1995d, 509-512) [11]. The drastic growth of joint venturing originated in the Decrees on Joint Stock Companies passed in 1989 and 1990, which together created a solid legislative basis for private entrepreneurship in Soviet Estonia (Sorainen, 1993, 61).

These legal reforms broke down the dam that had held many foreign investors outside Soviet Estonia (Informare, 1992b, 28-29). Although the significance of foreign companies also remained small in terms of the Soviet Estonian economy, foreign companies carried the economy and entrepreneurship of Soviet Estonia closer to the world economy. Secondly, Western management knowledge flooded into Soviet Estonia through foreign-owned companies. Thirdly, foreign companies added to the variety particularly within services and trade (Liuhto, 1995d, 507-525).

Despite their minor economic significance, these measures described above were fundamental steps taken in the path of entrepreneurial transition toward a market economy. To begin with, small state enterprises were the first phase in the creation of small and medium-sized entrepreneurship. To continue, producers' cooperatives provided an opportunity for the emergence of private entrepreneurship. Finally, the Joint Venture Decree gave Western companies a right to ownership in the

[11] The estimates on foreign direct investment vary from 84 to 150 million US dollars on the eve of the independence (Informare, 1992a, 29; Borsos, 1995, 12). The estimates differ largely because the huge inflation of the rouble made the evaluation of investments problematic (Liuhto, 1995b, 102-117).

Soviet Estonia for the first time since the annexation of Estonia to the Soviet Union during the Second World War.

Altogether these three measures constructed the foundation for an entrepreneurial transition. This transition gained strength when Estonia separated from the disintegrating Soviet Union in August 1991. At the beginning of 1992, the total number of organizations exceeded 35 000. One must remember in this context that all of these organizations were not actual enterprises, but the figure also contained various associations and farms (Liuhto, 1992b, 31-35).

The number of actual enterprises was estimated about 15 000 [12]. The organizations registered in Estonia were very small in size [13]. Three-fourths of the organizations employed less than 10 employees. The micro-characteristics of the organization sector are further emphasised by the majority of them being registered with a minimum capital, which was only a few tens of US dollars (ibid).

An analysis by industrial distribution suggests that organizations within trade sprang up extremely rapidly. At the beginning of 1992, every fifth registered organization operated within wholesale or retail trade. The number of these organizations grew drastically, first, because of the virginal Estonian trade sector. Another major reason was that there were less risks involved and quicker profits to make within trade than in manufacture. Third, several entrepreneurs lacked a sufficient capital to begin industrial production.

[12] The evaluation is based on statements given by experts and on a study which evaluated the number of actual enterprises in September 1992 slightly less than 25 000 (Borsos, 1994, 62).

[13] The statistics are based on the total number of registered organizations because detailed statistics on real business organizations were unavailable.

The most important single fields of activity next to trade were manufacture, agriculture and forestry, and business services, which each had over one tenth of the registered organizations. Other fields worth mentioning were construction, hotel and catering, and transport and communications. These fields formed about one fifth of the organization sector in Estonia (ibid).

The majority of the organization sector in Estonia at the beginning of 1992 operated in Tallinn. Tallinn was followed by the second largest city, Tartu, which had nearly seven per cent of the registered companies. The share of Tartu was almost identical to the share of Tartu's population from the Estonian population. Compared to the number of inhabitants, the towns with a Russian majority in the northeastern part of Estonia had less registered organizations than other parts of Estonia (ibid).

A survey on the distribution of the ownership of Estonian organizations indicates that the share of state and municipal organizations was approximately one fourth at the beginning of 1992. Private enterprises and various organizations owned by Estonians represented about two-thirds [14]. The foreign enterprises formed slightly under five per cent (ibid).

Approximately every second foreign-owned enterprise was established by a Finnish enterprise. Former Soviet republics owned about one third of the foreign organizations and Sweden about 10 per cent. The ownership of the rest of foreign-owned companies was divided between 37 countries. Despite the active participation of Finnish companies, Sweden had invested most in these companies. The share of Sweden at the beginning of 1991 was approximately one third, the share of former Soviet republics 23 per cent, and the share of Finland 22 per cent (Liuhto, 1994b, 62).

[14] Statistics on ownership contain several inaccuracies (e.g. Appendix 2).

The statistics on the Estonian organization sector indicate that the Estonian organization sector had expanded vastly. In February 1995 Estonia had over 83 000 registered organizations. It must be noted, however, that the number of the business organizations amounts to considerably less - only 57 144 organizations. Since no separate statistics on the business organizations were available, this research must resort to those statistics which contain all the organizations registered in Estonia (Liuhto, 1996a, 126-132).

Nearly 90 per cent of the organizations employed less than 10 employees each. However, a more alarming feature than Estonian micro-entrepreneurship is that over 56 000 registered organizations had no permanent employees. This clearly represents the temporary nature, or even non-functioning, of Estonian entrepreneurship. According to a director of Department of Enterprise Development (Estonian Ministry of Economy), less than 25 000 actual companies are operating in Estonia [15].

When viewed by field of activity, the number of trade organizations continues to increase strongly. The number of organizations in wholesale or retail trade grew four times. At the beginning of 1995 there were over 30 000 trade organizations registered in Estonia. Whereas organizations in other fields increased at a pace which was half slower than in trade, the shares of other fields diminished, despite their absolute growth. At the beginning of 1995 the three next attractive fields were the same as three years previously - agriculture and forestry, business services, and industry (ibid).

The geographical distribution of the Estonian organization sector indicates of Tallinn's increasing role. Tallinn has attracted even more organizations

[15] The estimate is based on the interview of Alexander Bakirov (e.g. Liuhto, 1996b). According to a statistic published in October 1995, slightly over 40 per cent (26 622) of the registered 63 223 enterprises operated (Rozental, 1995, 17).

than the trade sector - nearly 34 000. The organization sector in Estonia has altogether become further urbanized. The urban centralization grew in spite of the Russian-dominated towns in northeastern Estonia - Kohtla-Järve, Sillamäe and Narva - whose shares diminished. The number of registered organizations per capita was lower in these towns with a Russian majority than, for instance, in Tartu and Pärnu with an Estonian majority. A clear indication of this is that Narva had 22 registered organizations per 1 000 people, whereas the corresponding variable in Tartu and Pärnu was over 50 (ibid) [16].

If the geographical analysis pointed to no substantial changes, the situation was completely reverse with regard to ownership, which had been fundamentally transformed. While every fourth organization was in state or municipal ownership on the eve of Estonian independence, only few per cent of the registered organizations remained under state or municipal ownership at the beginning of 1995. The huge number of private organizations stems, not so much from the privatization of state enterprises, but from the establishment of new private enterprises [17].

The share of private enterprises from the total enterprise capital was approximately 40 per cent in 1994 (Kuddo, 1995, 12). Foreign-owned organizations represented about 10 per cent of the enterprise capital and the whole organization sector (Mandel, 1995, 9). Besides, foreign-owned organizations formed some six per cent of GDP in 1995 (EBRD, 1996, 116).

At the beginning of 1995 Estonia had almost 8 000 registered foreign-owned companies, which had been invested with some 600 million DEM (Riit, 1996, 42). The Finnish companies had founded over half of these

[16] At the beginning of 1995, 64 per cent of the population of Estonia, 1 492 000, were ethnically Estonian (Kuddo, 1995, 1).

[17] During 1993-1995 only 393 state enterprises were privatized (Reinap, 1995, 7).

enterprises, the Russians 13 per cent, the Swedish 11 per cent, and the rest about 70 other countries. Although Finland had founded four times more enterprises than Sweden, Sweden was the largest investor in Estonia with its share of 28 per cent. Finland came second with its share of 22 per cent and Russia third with 12 per cent (Lainela, 1995, 37).

To summarize the first half of the 1990s and its effect on Estonian entrepreneurship, the following can be stated: the number of registered organizations had become 8 - 10 times higher during 1990 - 1995. One must nevertheless bear in mind that the statistics present a far more rose-coloured view than the reality. This means that an unfortunately large part of the growth can be contributed to a great number of non-operating organizations. The total number of operating organizations has increased 'only' by 3-4 times.

Statistics also indicate that the number of personnel has decreased since the beginning of the first year of independence. This phenomenon is not necessarily a result of actual, diminishing organization size, but rather of the vast number of non-operating organizations. If the organization statistics from early 1995 were to be cleaned of organizations with no employees, the average size of the Estonian organization would grow from 8 to 24 employees.

A study by the field of activity suggests that the number of organizations, excluding those in trade, had doubled in all the fields. At the beginning of 1995, the number of organizations operating in trade was four times higher than three years earlier. Most of the organizations registered in trade were only kiosks. The new enterprise law will root out non-operating companies from the Estonian enterprise registers, and therefore the share of trade organizations is likely to diminish considerably in the near future [18].

The analysis of the transition of the organization sector shows further concentration on the capital city. An increasing number of organizations are being registered in the capital city because most of their clients and other interest groups operate there. This process of centralization is inevitably accelerated by over 60 per cent of foreign-owned companies being established into the capital city (Liuhto, 1994b, 67).

The transformation of ownership in Estonian organizations suggests that the share of state and municipal organizations decreased from one fourth to only few per cents during the first three years of independence. The effects of this transition lose in significance as the state and municipal enterprises still form a far greater part of the economic activity. In 1995, the non-private sector accounted for 36 per cent of GDP (EBRD, 1996, 149).

The transition experienced by the foreign-owned organizations registered in Estonia is largely analogous to the transformation of the Estonian enterprise sector as a whole. To start with, the number of foreign-owned organizations has grown substantially, even more forcefully than the whole organization sector in Estonia. While the organization sector increased by 8-10 times, the number of foreign-owned organizations increased by some 90 times.

To continue, similar to the Estonian organization sector, a large part of the foreign-owned companies did not begin their operations at all. Thirdly, foreign-owned companies were small in size; the average organization

[18] The new enterprise law, which increased the minimum capital of joint stock companies to 400 000 EEK ie. 50 000 DEM, became in effect in September 1995. Old joint stock companies have four years to raise their capital according to the new law (Viron uusi liiketoimintalaki, 1995, 31-79). In this context it is important to remember that 85 per cent of the Estonian organizations are joint stock companies (Rozental, 1995, 17). Moreover, the 1995 enterprise statistics state that 70 per cent of the enterprises were founded with a capital less than 1250 DEM.

employing five workers. A fourth common feature was the concentration of trade and various services, and the fifth was the dominant role of the capital city (Liuhto, 1995d, 509-516).

When the transition of the Estonian enterprise sector is analysed in the light of statistics, it can be suggested that the Estonian enterprise sector has moved toward a market economy. On the other hand, statistical material can in some cases produce a slightly distorted view of reality. A second problem is caused by studies being based on a macro-economic perspective and thus ignoring the role of enterprise managers in the accomplishment of the transformation [19].

The micro-economic perspective has been neglected even though the role of micro-economic actors in translating the change is of fundamental importance for all the planned economies (Kozminsky, 1993, 145), former Soviet republics (Holt et al., 1994, 124) and the Baltic States (Van Arkadie - Karlson, 1992, 12).

These views place emphasis on the role of the management cultural transition in the entire transition process. In spite of the important part played by enterprise managers in the transition, only a very small number of organizational studies has been conducted in the former socialist countries. The main goal of this study is to produce empirical data on the micro-economic transition, in other words on the transformation of

[19] Studies on the macro-economic transition in the Baltics and its basis that are worth looking into are by the following researchers: Kivikari (1991; 1992; 1996), Lainela and Sutela (1994), Mygind (1995), and Tiusanen (1991; 1993; 1995b). Furthermore, studies on the Estonian economic transition from a macro-economic perspective have been conducted, for instance, by Estonian Ministry of Economy (1995), Kilvits (1994; 1995), Lainela (1994; 1995), Lugus and Hachey (1995) Lugus and Vartia (1993), Rajasalu (1990, 1993 and 1994), and Sepp (1995). See also economic reports on Estonian economy accomplished by the Ministries of Estonia, the Estonian Statistical Office, the Bank of Estonia, the Bank of Finland, the Research Institute of the Finnish Economy, the Institute for East-West Trade, the Economic Commission for Europe (ECE 1994a; 1994b; and 1995), the IMF (IMF, 1992), and the EBRD (1996).

Estonian enterprise management.

Estonia was opted for the object of the research as it has been one of the most successful former Soviet republics in implementing the economic and entrepreneurial transition. Therefore, Estonia's leading position may also give some guidelines for the evaluation of transition processes in other post-Soviet republics. Naturally, one has to bear in mind that the paths chosen by the former republics are not the same even though their ultimate goals might be.

One cannot stress enough the fact that the resources of the former republics to implement transition processes vary considerably from one another. Despite this diminished comparability, Estonia with its leading position can still offer guidelines about the entrepreneurial and management cultural transformation which can be useful in evaluating transformation elsewhere. The objectives of this research are described in more detail in the following section.

1.2. The Objectives and the Structure of the Research

The main objective of this research is to survey the transition of organizational management in Estonia. The aim is through empirical findings to learn to understand the nature of managerial transition and to analyse the present and evaluate the future management transformation. The research is descriptive with an aim to help comprehend the phenomenon, rather than to create theoretical models of managerial transition.

The following three subareas of management will be focused in the analyses of the Estonian management cultural transformation: the transformation of the external management environment, organizational management functions and managerial functions. In addition to these subareas, the study will concentrate on the attitudes toward management held by Estonian managers in 1995. With regard to managerial attitudes, no transformation analysis, such as with the three subareas described above, has been accomplished. The arguments for this choice are given in more detail in Chapter 4.

To summarize, the purpose of this research is to strengthen the foundation for future study on entrepreneurial and managerial transformation in Estonia and even in some other transition economies. The objective of this research is to provide empirical observations which would facilitate future study and, subsequently, the formulation of theoretical models of transformation.

The following chapter constructs a theoretical framework for the transition of management. Management culture will be placed in a larger cultural context and the essentials of management cultural transition will be surveyed. Chapter 3 provides a summary of previous literature dealing with Estonian enterprise management and its transition. Chapter 4 covers the problems involved in the accomplishment of the research, explains the approaches and the accomplishment of this research.

Chapter 5 describes the management transformation in those companies whose managers participated in this research. The chapter begins with a survey of the transition of the company characteristics and continues with analyses of the transformation of the external management environment, organizational management functions and managerial functions. After these, attitudes toward management and toward the impact of the Soviet era on Estonian management at the beginning of 1995 will be analysed. The chapter concludes with a summary of the most significant empirical observations made in this research.

The final chapter of this research aims to integrate these research results into a wider context. Finally, one needs to contemplate what aspects of this research area should be studied further. The appendices contain information that enable the reader to place this research into a larger context and understand the accomplishment of this research.

2. MANAGEMENT AND ITS TRANSITION - A CULTURAL PERSPECTIVE

This chapter studies enterprise management and its transition from a organization cultural perspective. In order to clarify the use of terminology, this study systematically refers to the term 'management culture', instead of the term 'management from a cultural perspective'.

This research will draw a distinction between the term 'management culture' and 'organizational culture', as the focus will be on the analysis of cultural features of management, rather than those of the entire organization. Although no comprehensive definition of the management culture exists, the organization cultural literature, despite its name, in fact often approaches culture within managers (Davis, 1985, 163; Gordon, 1985, 104; Kilmann et al., 1985, 10-11; Lorsch, 1985, 84; Jermier, 1991, 230).

By integrating suitable organization cultural studies and definitions of management and culture, the first core concept of this study - management culture - can be formulated. Another core concept of the theoretical framework is the management cultural transition. Views on the organization cultural change and its subarea of management, in particular, will be incorporated into the concept of the management cultural transition.

The chapter divides into two major sections, of which the first one examines the place of the management culture in the wider theoretical context. The second section aims at defining the concepts of management and culture, and at constructing a framework for the management culture and its transition that can be applied to this research.

2.1. The Position of Management Cultural Research in the Theoretical Field

This section endeavours to outline the position of management cultural research in the theoretical context. As management cultural research forms a subarea of organization cultural research, one also needs to survey the position of organization cultural research in relation to different theories.

This task is begun by an attempt to locate the position of the research on organization culture, and hence on management culture, in the map of the development of management theories. After this, the survey will focus on culture theories. A more detailed analysis of cultural theories is necessary as the management and culture theories are integrated in the end. Through this manner, one tries to outline the position of management cultural study in the theoretical field from both the management and cultural perspectives.

At first, the evolution of management theories must be surveyed briefly. Bowditch and Buono (1993) divide management science into four major periods: *the Prescientific period* contains the management and organization writings before the 1880s, whereas *the following Classical period* includes the studies until the 1930s. After the Classical period new management ideas were developed by the scholars of *the Neoclassical period.* Finally, the present management period, *the Modern management science,* began in the 1970s.

Bowditch and Buono acknowledge that management and organizations were occasionally written of before the mid-nineteenth century, but not in a systematic manner. For example, even from the Egyptians and ancient Greeks forwards, people have been interested in organizational administration [20]. *The Industrialism* introduced a more scientific approach, often described as the classical management theory, into management and organization studies. Examples of *the Classical period* in management studies are, for instance, *Fayol's administrative theory, Taylor's scientific management,* and *Weber's structuralist school.* Bowditch and Buono (1993, 5-12) state that classical management theories concentrated on how the output and actions of employees could be analysed and controlled.

In the 1920s, scholars began to pay attention to the potential damage if workers were to be standardized like jobs and regarded as machines. These critics from *the Neoclassical school* directly challenged *Classical management theory. Neoclassical management theory* introduced behavioral sciences in an attempt to compensate for the disregarded human interaction in management science (Bowditch - Buono, 1993, 12-13).

The "Hawthorne experiments" in the late 1920s and early 1930s were among the first studies to stress the necessity of workers and social relations within the organization. *The Human Relations School* (1930 - 1950), based on the Hawthorne experiments, began to receive an increasing amount of interest and contributed to the changing attitudes towards the role of the individual and the nature of work. The theorists of

[20] Aristotle can be regarded as one of these ancient Greek "management philosophers". According to Nurmi (1983, 35-39), Aristotle's treatise on household management is not very different from what we today conceive of as contemporary management. Nurmi questions, however, whether Aristotle initially wrote on management and goes on to state that *"it remains safe to conclude that Aristotle's thinking is relevant to management whether he intended it or not"*. In addition to Nurmi, also Deitzer et al. (1979, 16-18) have referred to the ancient ideas of management.

the Behavioral School (the early 1950s onwards) went further than the advocates of the human relations perspective. From their point of view, meaningful and worthwhile job would provide a means for workers to develop their skills and thus achieve personal contentment. Major theorists of *the Behavioral School* are, for instance, Maslow, McGregor, Likert, Argyris, Hertzberg, and McClelland (Bowditch - Buono, 1993, 12-15).

The focus of *the Neoclassical management theory* was on the ways in which human behaviour and relations were patterned and organizations structured. *Modern management theory* considers *the Neoclassical management view* on the forces outside the organization too limited. *Modern management theory* has emphasised the importance of formulating concepts, analysing and studying the elements constructing the organization as a whole. For *Modern management theory,* organizations consist of elements that are interrelated and interdependent on one another (Bowditch - Buono, 1993, 7-25).

Bowditch and Buono distinguish between four main streams within *Modern management science*: 1) *management science and operations research* stress the necessity of computers and mathematical models in decision-making within the organization; 2) *the systems theory* studies the organization and its environment on the whole; 3) *contingency theory* adopts a situational perspective of the organizational structure and managerial practices; and 4) *organizational behaviour* theory has been generated as a result of the gradual convergence of these three schools (Bowditch - Buono, 1993, 16-25).

Warner's (1994, 1153) view is to a large extent analogous with the ideas of Bowditch and Buono presented above. Nevertheless, they view organizational behaviour studies differently; whereas for Bowditch and

Buono the development of management science terminates in organizational behaviour studies, Warner further divides it into several subcategories. One of these subcategories is *organization cultural studies*, which began, according to Warner, after the 1970s.

As this study focuses on *organization cultural theory*, we need to summarize the development of organization cultural research briefly. The early 1980s are usually considered the time of a revolution in organization cultural studies because they introduced an extensive and popular vein of literature concerned with organizational culture. Studies which gained great popularity were conducted, for instance, by Ouchi (1981), Pascale and Athos (1982), Deal and Kennedy (1982), Peters and Waterman (1982), Wilkins and Ouchi (1983), Davis (1984), Sathé (1985a), and Schein (1985a).

Both theoretical and pragmatic interest contributed to the beginning of study on organization cultural features. Theoretical interest grew as the European Group of Organizational Sociologists began to place heavy emphasis on the role of cultural features within the organization's activities. The principal pragmatic reason was the economic success of the "mystically" operating Japanese companies. Western enterprises wanted to find out why Japanese companies were more effective than their Western competitors (Warner, 1994, 1160).

Although the early 1980s are usually designated as the beginning of organizational cultural studies, certain studies dealing with this particular field had appeared previously. By and large, these writings did not mention organizational culture even though they referred to cultural manifestation in organizations (Denison, 1990, 28). However, if focusing more on the content than the terminology of these studies, one would realize that organization cultural studies have been conducted even in the

1950s and 1960s (Warner, 1994, 1160), for instance, by Jaques (1951; 1953), Schein (1965), and Vickers (1965).

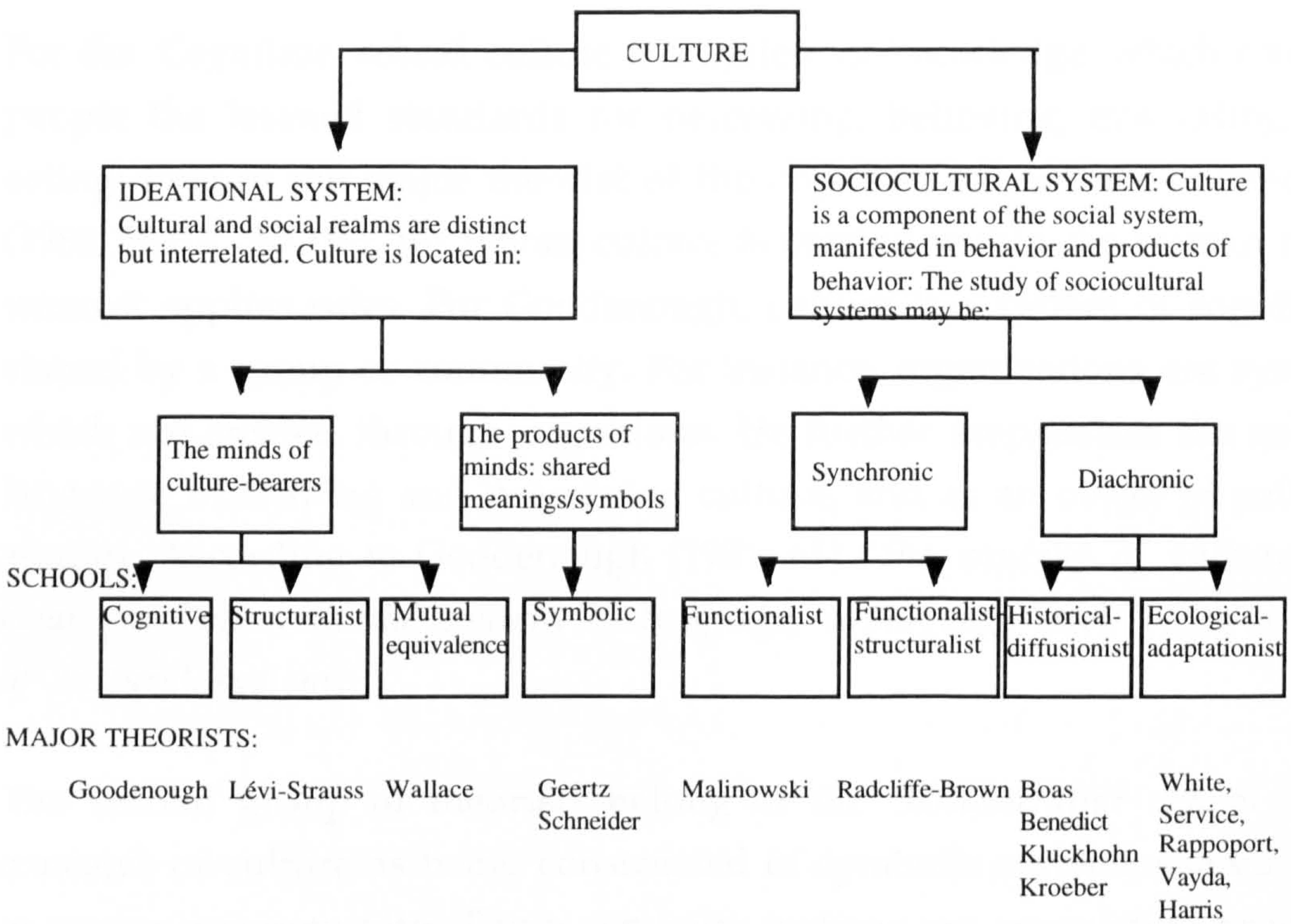
In spite of the impossibility of defining precisely when organization cultural studies were created, one should not forget how vaguely some scholars of this field have used the terminology; for instance, using the term 'organization culture' even if usually referring to only one of its subcultures - the management. Even if the managers have a substantial amount of influence on the culture of the organization, the managers are not necessarily the mirror of the entire organizational culture.

A pointed example of this misleading practice could be the analysis of our own ethnic culture by focusing solely on the study of the culture prevailing among our political decision-makers. Therefore, the use of the term 'management culture' is perhaps more justified than the use of 'organization culture', if we concentrate on studying the management of organizations, as in this specific study.

While attempts were made at approaching cultural subarea from a management perspective, it is likewise necessary to make a contrary attempt. In other words, to approach management from a cultural perspective. In order to do that, culture theories need to be surveyed briefly. It is important to notice that culture can be approached from many different perspectives (e.g. Figure 1.). These various approaches to culture have been summarized by Allaire and Firsirotu (1984, 196) [21].

[21] The studies by Sackmann (1991, 11-12) and Jenks (1993, 6-136) have many similarities with Allaire and Firsirotu.

Figure 1. Different views on culture



Allaire and Firsirotu (1984, 195-199) draw a clear distinction between ideational and sociocultural culture orientation. **The Ideational system** views culture in four differing ways: *Cognitive, Structuralist, Mutual equivalence, and Symbolic.* All these schools share the fundamental principle of culture being regarded as a separate *"realm manifested in cognitive structures, processes or products".*

For *the Cognitive school,* culture is a system of knowledge, which conveys people the learned standards for perceiving, believing, evaluating and acting. One of the major theorist of the cognitive school is Goodenough (1981, 62-63; 110-111), for whom culture is created within the human mind when it applies rules. For Goodenough, culture is a system of cognitions shared by a group or community. For instance, organizations are systems which are created through cognitions. He further emphasises the role of language in shaping and preserving culture, and as an object of cultural studies. According to Goodenough (1981, 61) *"the content of culture has clear parallels with the content of language, a language itself being a kind of cultural system".*

The second group of theorists belong to *the Structuralist school,* who conceive of culture as being constructed of symbolic systems shared by a group or a community. These symbolic systems are cumulative products of mind, a reflection of unconscious processes of mind that underlie cultural manifestations. One of the most famous scholars in the field of structuralist anthropology, Lévi-Strauss, has argued that human science is dependent upon structural processes which are both unconscious and conscious social processes. In his study Lévi-Strauss (1979) deals with the major aspects of culture - language, kinship, social organization, magic, religion, and art. Cultural aspects are first reduced to their structural elements, after which one must define the relationships among these elements.

The third approach, *the Mutual equivalence school* conceives of culture as a set of standardized cognitive processes on which individuals interacting in a social scene base their mutual prediction of behavior. One of the representatives of this school is Wallace. Mutual equivalence is based on two factors: stimulus and response equivalence. According to Wallace (1970, 76-77) " *'stimulus equivalence' is the tendency of a subject to respond in the same way to different conditioned stimuli ... Correspondingly, 'response equivalence' may also be regarded as a kind of classification. ... 'response' is not a particular and finite sequence of muscular contractions but an open-ended effort to achieve a given effect on the environment by one means or another"*.

The advocates of the fourth perspective, *the Symbolic school,* do not look for culture in the minds of people but rather in the 'meanings' and 'thinkings' that people, regarded as social actors, have in common with one another. One of the most significant scholars of the Symbolist school is Geertz (1973, 5), who argues that "... *man is an animal suspended in webs of significance he himself has spun, I take culture to be those webs, and the analysis of it to be therefore not an experimental science in search of law but an interpretive one in search of meaning"*.

Allaire and Firsirotu's second major category consists of theorists who view culture as a Sociocultural system. **The Sociocultural system** consists of *the Functionalist, the Functional-structuralist, Historical-diffusionist,* and *Ecological-adaptationist schools.*

According to the concept of culture proposed by the first group, *the Functionalist school,* culture provides the tools for people so that they can deal better with the specific problems they confront when satisfying their needs. Institutions and myths are examples of cultural manifestations which can be explained by their functional necessity for the satisfaction of basic human needs. One of the major contributors of *the Functionalist school* is Malinowski (1944, 67), who views culture as *"... the handiwork of man and as the medium through which he achieves his ends - a medium which allows him to live, to establish a standard of safety, comfort, and prosperity; a medium which gives him power and allows him to create goods and values beyond his animal, organic endowment ".*

For the second group of theorists, *the Functional-structuralist school,* culture provides the tools which a group of people can adopt so that they can live a social life as an ordered community. According to Radcliffe-Brown (1965, 178-204), *"culture is a component of an intergrated social system which also includes a social structure component, to maintain an orderly social life, and adaptation mechanism, to maintain society's equilibrium with its physical environments".*

The third group, *the Historical-diffusionist school* regards historical conditions and processes as generators of the forms or configurations that form culture; these forms can be temporal, interactive, superorganic and autonomous. The major theorists of *the Historical-diffusionist school* are Kroeber and Kluckhohn (1952, 181), who made a synthesis of 164 definitions of culture: *"Culture consists of patterns, explicit and implicit of and for behavior acquired and transmitted by symbols, constituting of distinctive achievement of human groups, including their embodiment in artifacts; the essential core of culture consists of traditional i.e. historically derived and selected ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements of future action".*

The Ecological-adaptationist school conceives of culture as a system of socially transmitted patterns that determine how communities adapt to the surrounding ecological environment. One of the most prominent scholars of *the Ecological-adaptationist school* is White (1949, 233), who states that *"one must come to terms with one's environment, however, in order to live, to survive. To adjust to environment is to control it to a degree, at least from the standpoint of the organism".*

For this research, it is important to link management and culture theories. Smircich (1983, 342) has identified five main themes in organization and management research by integrating cultural theories into organizational theories. The following table deals with these main themes and their backgrounds (e.g. Table 1.).

Table 1. Linking cultural and organizational theories from managerial perspective

Concepts of culture from anthropology	**Themes in organization and management research**	**Concepts of organization from organization theory**
Culture is an instrument serving human biological and psychological needs. e.g. Malinowski's functionalism.	*Cross-cultural or comparative management*	Organizations are social instruments for task accomplishment. e.g. classical management theory.
Culture functions as an adaptive-regulatory mechanism. It unites individuals into social structures. e.g. Radcliffe-Brown's functionalist-structuralism.	*Corporate culture*	Organizations are adaptive organisms existing by process of exchange with the environment. e.g. contingency theory.

Table 1. Continued

Culture is a system of shared cognitions. The human mind generates culture by means of a finite number of rules. e.g. Goodenough's ethnoscience.	*Organizational cognition*	Organizations are systems of knowledge. "Organization" rests in the network of of subjective meanings that organization members share to varying degrees, and appear to function in a rule-like manner. e.g. cognitive organization theory.
Culture is a system of shared symbols and meanings. Symbolic action needs to be interpreted, read or deciphered in order to be understood. e.g. Geertz's symbolic anthropology.	*Organizational symbolism*	Organizations are patterns of symbolic discourse. "Organization" is maintained through symbolic modes such in as language that facilitate shared meanings and shared realities. e.g. symbolic organization theory.
Culture is a projection of mind's universal infrastructure. e.g. Lévi-Strauss' structuralism.	*Unconscious processes and unconscious organization*	Organization forms and practices are the manifestations of unconscious processes. e.g. transformational organization theory.

To summarize, one can state that the analysis of management and cultural theories suggests of several similarities between them. This is natural as theories from both fields study human behaviour within a community, and management behaviour in an organization can be classified as such. An important point of emphasis is that the organization cultural study is located between *the Functional-structuralism* (cultural perspective) and *the Contingency theory* (organizational perspective). After the coverage of these theoretical bases, one needs to study the specific content of the concepts used in this study.

2.2. The Concept of Management Culture and Its Transition

Although several organization cultural studies do refer to the term 'management culture', or to closely related terms, they largely fail to provide any detailed definition of management culture [22]. The lack of appropriate definitions obliges this study to approach the basic concept from two different terms - 'management' and 'culture', which are integrated into an operational definition facilitating this study.

The definitions of management and culture proposed in this context are by no means exhaustive. This study does not intend to survey all the perspectives into these particular terms but, rather, to concentrate on the subareas supporting the creation of the operational definition for this research.

2.2.1. The Definition of Management

The concept 'management' does not *"possess any precise and unanimously endorsed definitions"*(Leblebici - Salancik, 1989, 301). Several studies do not make a distinction between management and

[22] Terms that are close to the core concept of this study are, for instance: *"organizational management culture"* (Knudesen, 1982, 1; Kozminski, 1993, 167), *"top management's culture"* (Lorsch, 1985, 92), *"managerial culture"* (Gunz - Whitley, 1985, 249; Locke, 1985, 166; Singh, 1990, 75), *"mainstream managerial culture"* (Davis, 1985, 179), *"managerial subculture"* (Granick, 1979, 84; Hofstede, 1984, 266), *"international managerial culture"* (Everett et al., 1982, 153), *"national management culture"* (Trompenaars, 1993, 19), *"local managerial culture"*(Beck - Moore, 1985, 341), *"leadership culture"* (Aaltio-Marjosola, 1991, 30), *"management climate"* (Gordon - Cummins, 1979, 10) and *"management philosophy"* (Dyer, 1985, 201).

terms closely related to it, which is demonstrated, for instance, in that leadership and management are used interchangeably (Suutari, 1993, 20), despite some studies insisting on their separate use (Stewart, 1982, 26).

For instance, Peltonen (1991, 7) emphasizes that management should be referred to as managerial functions and the role of foremen as leadership. Bowditch and Buono also point out that management is connected to the official management of the organization. According to Bowditch and Buono (1993, 176; 179), *"it seems that leadership as traditionally defined (and researched) is only a small part of the manager's role...leadership can be more properly classified as supervision than management...a manager is usually thought of as an individual in an organization with legitimate power...the traditional view of management suggests that the managers plan, organize, staff, direct, control and coordinate"*.

Besides this management versus leadership debate, the terms 'management' and 'administration' ought to be separated from one another. The basic difference between these two terms can be found in administration often referring to the creation of administrative structures and techniques which are used in management (Tosi - Carroll, 1982, 355). An important point is that all of the management writings do not discriminate even between these two terms (Agarwal, 1982, 9-10).

This research has not regarded it as necessary to define all the related terms of management in detail, but provides only the basic definition of each term. The definitions have been grounded on <u>A Dictionary of Management Terms</u> (Anderson, 1983), which deals with all the terms in question. According to Anderson (1983, 2-3; 30; 70; 111-112), the central content of the terms related to management is:

<u>Management</u>: The expression 'the management' relates to the personnel of the organisation charged with the responsibility of running the business efficiently within the framework of company policy...to define the activity of management fully, its definition should be expanded to embrace the following factors: a) good management must be forward-looking to detect threats and opportunities in order to either minimise effects or to take advantage of favourable circumstances. ...b) management embraces the planning of business operations to provide guidelines for future action in the pursuit of specific goals. ...c) management may also be defined as the art of dealing with people.

<u>Leadership</u>: Numerous definitions have been proposed. It is generally agreed, however, that leadership is the process of directing others to achieve personal or organisational goals. To some leadership has an inspirational connotation wherein the leader inspires the followers to strive for successively greater hights; others see the role of the leader as a more supportive one where the leader assists the followers. In practice, leadership is partly each of these.

<u>Administration</u>: The activity concerned with the smooth functioning of business activities achieved by means of well-designed administrative systems supported by effective management....all managers may be defined as administrative managers responsible for administering the affairs of the business.

As these dictionary definitions indicate, the terms are strongly connected to one another, and sometimes difficult to separate. However, this study intends to focus on the definition of the management, in particular; the management then denoting that group of professional managers in the organization who accomplish the tasks given to them.

Despite of the focus defined above, a deeper insight into the term of management is necessary. The principal idea is that organization management is constructed on the foundation of the organizational mission [23]. According to Rue and Holland (1989, 68), *"mission defines the boundaries and domain within which the organization will operate"*.

One could state that the organizational mission is reflected in organizational management strategies and finally in operational management, such as in organizational management functions and managerial functions (Rue - Holland, 1989, 65-67). By the organizational management functions is meant, for instance, the following functions of the organization: production, marketing, personnel, finance, and research and development management (Deitzer et al., 1979, 4). Correspondingly, the managerial functions can be divided in the following subareas: planning, organizing, staffing, directing, coordinating and controlling (Agarwal, 1982, 343).

Numerous definitions of the terms 'organizational management' and 'managerial functions' can be found. However, since these terms are of a fairly general nature, no further explanations are necessary in this context [24]. Interesting is that each of the organizational management functions can be divided into managerial functions. For instance, within marketing management, one can find the tasks of planning, organizing, staffing,

[23] The mission of the organization is the widest and highest level of the organization's objectives. Through its mission, the organization determines the reason for its existence (Rue - Holland, 1989, 7).

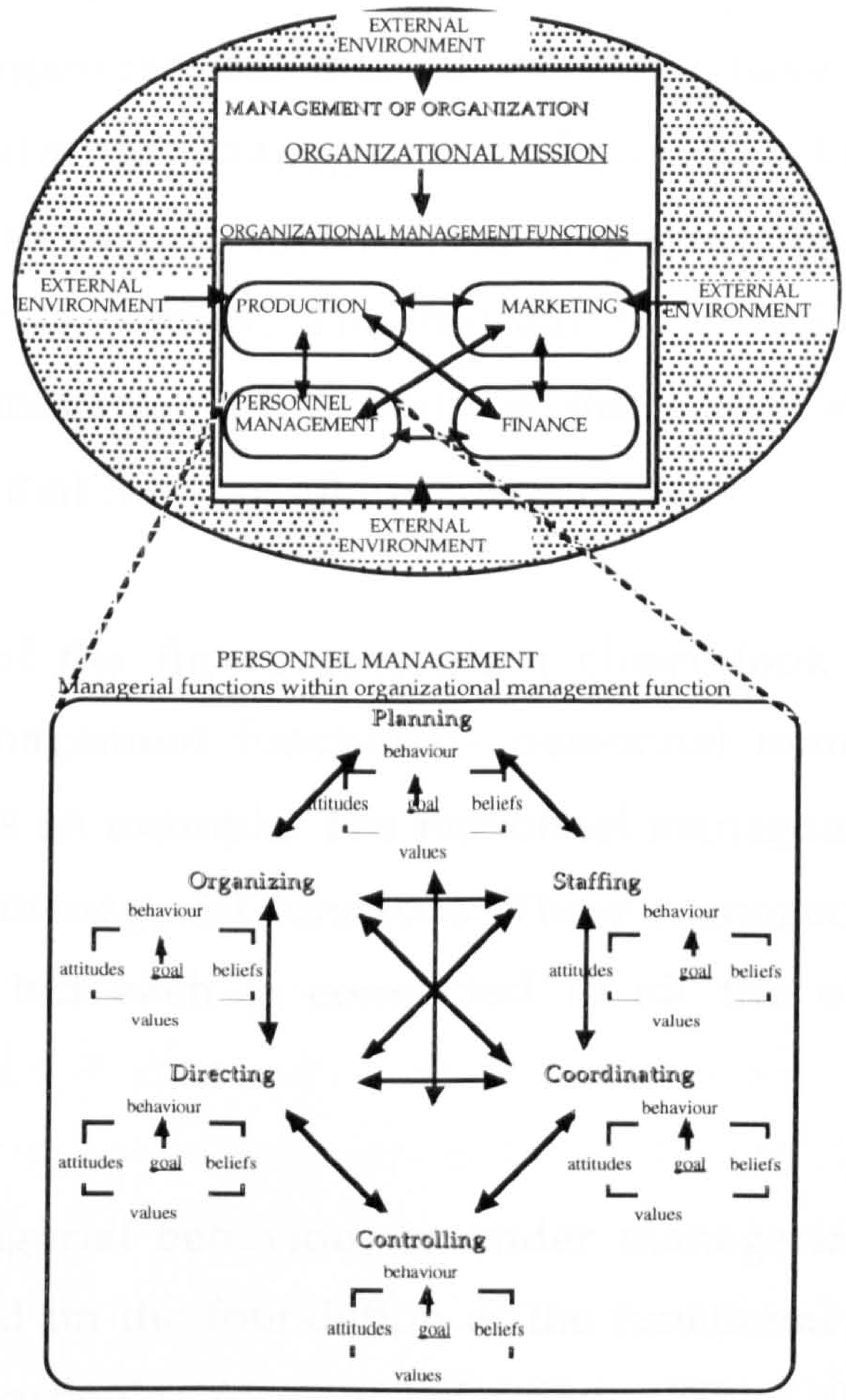
[24] The following authors, for instance, have proposed definitions of these particular terms: Agarwal (1982, 486-487) *"production management"*, Haas and Wotruba (1983, 11), *"marketing management"*, Agarwal (1982, 675) *"personnel management"*, Agarwal (1982, 573) *"financial management"*, and Glasser (1982, 166) *"research and development management"*. Correspondingly, fairly appropriate definitions of managerial functions can be found from the following authors: Rue and Holland (1989, 12-13) *"planning"*, Tosi and Carroll (1982, 328) *"staffing"*, Scanlan and Keyes (1983, 8) *"directing"*, Agarwal (1982, 235-240) *"coordinating"*, and Armstrong (1990, 47-48) *"controlling"*.

coordinating, directing, and controlling (Agarwal, 1982, 343).

These management operations begin to reflect in the thinking of the members of the organization through management. This thinking is primarily shaped by the experiences of success and loss in the organization. These thoughts gradually form into attitudes and finally even into beliefs about the right way to manage the organization. This is how the deeper levels of management are engendered, the levels which attempt at maintaining management behaviour as close to the ideal beliefs as possible (Schein, 1985a, 18; Adler, 1991, 16-17).

In addition to the internal factors of the organization, management is affected by several external factors. The external environment refers to the factors influencing the organization from outside (Farmer - Richman, 1965, 35; Tung, 1986, 234). When the ideas discussed earlier are combined, one can construct a figure which serves as the conceptualization of management in this study (e.g. Figure 2.).

Figure 2. The conceptualization of the management in this study



Despite the overall simplicity of the figure, a few explanations might be in order. First, the organizational mission does not have an impact on a specific organizational management function, but provides a comprehensive framework for various organizational management functions to operate within. The mutual relationship between the organizational management functions is described with two-headed arrows, as to stress that they are all interdependent.

The bottom part of the figure presents a closer look into one of the organizational management functions - personnel management, which has been selected as an example. The personnel management function has been divided into managerial functions. These managerial functions are not in succession but each is connected to all the other managerial functions.

The circle of managerial behaviour is under managerial functions. The figure is constructed on the foundation of the functional goal, which will be the basis of a particular form of behaviour. When the functions are repeated sufficiently long, they begin to form into beliefs. These beliefs shape values and attitudes which are in turn re-reflected in behaviour.

The purpose of inserting a circle under each managerial function does not mean that managerial values and attitudes would be different in each function, but rather these circles aim at pointing out how each managerial function is highly dependent on the cultural parts of management - beliefs, values and attitudes. The cultural perspective is studied in a more detailed manner in the following section.

2.2.2. The Definition of Culture

To define the term 'culture' is as complicated as finding a clear definition for the term 'management'. It has been stated that culture is one of the most complicated words in the English language (Jenks, 1993, 1). When trying to define culture, we find ourselves in a *"conceptual jungle"* similar to that of management concepts (Sackmann, 1991, 24).

According to Ogburn and Nimkoff (1964, 29), the conceptual jungle in cultural studies exists because the definition of culture, just as those of science or democracy, will necessarily be more restricted than the concept it attempts to describe. The concept of culture cannot be narrowed down to one fixed meaning, but new components are continuously being added to it.

According to Ajiferuke and Boddewyn (1970a, 154), *"culture is one of those terms that defy a single all-purpose definition, and there are almost as many meanings of 'culture' as people using them"*. Smircich (1983, 339) further argues that even anthropologists have failed to agree upon the meaning of the term 'culture'.

American Heritage Dictionary (1976, 127) defines culture as following: *"the totality of socially transmitted behavior patterns, arts, beliefs, institutions, and all products of human work and thought characteristics of a community or population; a style of social and artistic expression peculiar to a society or a class"*. As this dictionary definition remains insufficient for this research, it is necessary to study the content of the term in more detail.

We need to begin with tracing the etymological origins of the word 'culture'. Culture originally derives from the Latin *"cultura"*, which meant to cultivate land. But already Cicero used the term in a more figurative sense; *"cultura animi"*meant the cultivation of spirit. However, in its present meaning, civilization, culture was not commonly used until *the Renaissance* (Ahlman, 1976, 14).

According to Heller (1985, 15-16) the word 'culture' was adopted from the Latin word *"cultura"* in French, from which it spread to other languages. Another view regards the German term, *"die Kultur"* as the origin of the word 'culture', which is where Tylor borrowed the term to English literature at the end of the 19th century (Kroeber - Kluckhohn, 1952, 9-11)[25].

As Tylor's definition of culture is the first to appear in English literature and as it is also the most quoted one, it deserves to be brought up in this study. According to Tylor (1871, 1) culture is *"a complex whole which includes knowledge, belief, art, law, morals, customs, and any capabilities and habits acquired by a man as a member of society"*.

After brief introduction to different approaches to the concept of culture, the first question that needs to be asked is how and why cultures are formed. Adler and Jellinek (1986, 75-76) argue that the creation of culture is based on the problems or needs that a community confronts and responds to with alternative solutions. Malinowski (1944, 91-119) has combined the basic human needs with cultural responses to these needs. Malinowski regards the needs as facts, but the way they are responded to, as a learned cultural process.

[25] English literature, since the end of the 17th century, includes writings about culture in its present meaning, even though the term *"culture"* was not used. This was the case, for instance, in An Essay Concerning Human Understanding by John Locke from 1690 (Jenks, 1993, 12).

The solutions found to satisfy the needs gradually shape into models of behaviour, which are no longer questioned. According to Schein (1985a, 18) *"when a solution to a problem works repeatedly, it comes to be taken for granted."*, and then forms into *"basic underlying assumptions"*. Schein uses basic underlying assumptions as a synonym for beliefs [26].

Goodenough (1981, 73) has noticed three types of beliefs - private, declared, and public. A person accepts private beliefs as true whether the other people believe in them or not, whereas with declared beliefs one gives the appearance of publicly accepting them as true. Finally, public beliefs are those propositions that a group accepts as their common declared beliefs.

Beliefs form the foundation for values (Schein, 1985a, 14). Adler (1991,16) defines value as something that an individual or a group finds desirable - in an implicit or explicit manner - and which thus affects the way they choose the form or way of their actions. Furthermore, values are either conscious or unconscious, or both (Kluckhohn - Strodtbeck, 1961, 32). They are relatively general beliefs that provide definitions of right and wrong or specify general preferences (Brown, 1976, 23; Junnola - Juuti, 1993, 25).

Single values create a value system. When a new value is adopted, it is incorporated into the existing value system (Rokeach, 1973, 11). Ahlman (1976, 23-70) divides the system of values into five hierarchial levels of values, which are, from the bottom to the top, hedonistic values, vital values, aesthetic values, cognitive values, and religious values. In a similar manner, Takala (1985, 5) uses these values as the basis for further distinguishing between four other types of values: 1) social values, 2) power values, 3) justice values, and 4) ethical values.

[26] According to Takala (1991, 30-31), several terms come close to the system of beliefs and are used almost synonymously with it. Takala refers, for instance, to the following terms: organizational ideologies, paradigms, interpretive scheme, cognitive structure and frame of reference.

It is important to discriminate between values and norms (Hofstede, 1991, 8-9). The difference between norms and values is that the first are more socially regulative and apply to specific situations, whereas the latter are general concepts that apply to all situations (Ronen, 1986, 23). Another significant difference is pointed out by Suhonen (1988, 29), who regards values in connection with objectives and norms as means to achieve these objectives.

Values should also be distinguished from attitudes (Adler, 1991, 17). According to Rokeach (1973, 18), *"whereas a value is a single belief, an attitude refers to an organization of several beliefs that are all focused on a given object or situation"*. Boddewyn and Buono (1993, 94) argue that the predispositions to positively or negatively responding to a stimulus can be defined as attitudes. Attitudes have three major components: cognitive, affective, and behavioral. The cognitive component contains what we believe and know about the stimulus, as well as how we evaluate it. Secondly, the affective component includes the way we feel, and finally, the behavioral component how we tend to behave, and how we respond to our emotions and cognitions.

Adler (1991, 17) combines values and attitudes to behaviour. Goodenough (1981, 81-92) also states that the cultural levels beyond the surface are manifested in various models of behaviour - patterns, routines and customs - which people develop as a preparation for surprising situations.

In addition to behaviour, these cultural levels manifest as artefacts and creations (Schein, 1985a, 14). These include, amongst others, technology and art. Individual behaviour is also fundamentally connected to the subareas which are partly visible, and partly invisible. These include, for instance, 1) myths, sagas, legends, stories and their heroes 2) linguistic systems and metaphors, and 3) symbols, celebrations, rites and rituals [27].

After a brief look into the formation of the culture and the interrelatedness of its parts, it is important to summarize the essentials of culture (Williams et al. (1989, 14): (1) culture is learnt; (2) culture is both input and output; (3) culture is partly unconscious; (4) culture is historically based; (5) culture is commonly held, rather than shared; and (6) culture is heterogeneous.

Similarly, Hofstede (1991, 5-6) places emphasis on the learned, not inherited nature of culture. The origin of culture is not genetic but social. If people within a particular community are to adjust to the environment, they must learn the ways to do this. Furthermore, culture is, on the one hand, produced by human action and, on the other hand, culture conditions human behaviour [28]. Culture can thus be considered both a *"final outcome (output) as well as a root element (input)"* that has an impact upon the future action (Williams et al., 1989, 14-16).

Some cultural elements are not necessarily conscious to individuals, who are not capable of distinguishing all the factors that influence their behaviour. The historical orientation of culture is its main characteristic, which is why culture cannot really be comprehended without its historical context (Williams et al., 1989, 16-18).

Williams et al. (1989, 18-19) differentiate between what is commonly held

---

[27] These specific cultural subareas need not be defined in this context, but further definitions can be found in the following works: Mead (1963); Pettigrew (1979); Samovar et al. (1981); Pondy (1983); Trice and Beyer (1984/1985); Alvesson and Berg (1988); Dandridge (1988); Shirivastava (1988); Hofstede (1991); and Juuti (1992).

[28] According to White and Dillingham (1973, 9), *"man and culture constitute an inseparable couplet. By definition there is no culture without man and there is no man without culture".*

and shared because they argue that several cultural aspects are rather commonly held than shared. Similarly, Hofstede (1991, 5-6) insists that not all the cultural aspects need be commonly shared. Ronen (1986, 18) states that *"all human societies have a culture that includes at least those shared understandings that allow its members to live together"*. In order to do this, it suffices that some people share some understanding - all the members of the community do not have to share it.

This comes very close to the inevitably heterogeneous nature of culture. Heterogeneosity in turn results in various subcultures being identified within culture, subcultures which deviate to a considerable extent from the mainstream culture (Williams et al., 1989, 19-20). For example, some states consist of various ethnic cultures. On the other hand, the same ethnic culture may reflect in several different states (Nath, 1986, 252). This means that regional cultures reaching beyond the state borders may be generated.

Furthermore, national cultures can be separated into subcultures either on ethnic grounds or by distinguishing between societal subareas. These could, for instance, include political, legal or business cultures (e.g. Morris - Pavett, 1991). One subarea of the business culture is the organizational management culture, which will be the subject of discussion in the next section.

2.2.3. The Definition of Management Culture

When approaching the formulation of the management culture, it is necessary to look into the frame upon which the management culture is constructed. The starting point here can be the idea formulated by Terpstra and David (1985, 9), in which the wider culture confines business culture[29]. By wider culture Terpstra and David mean the manifestation of ethnic cultures in business [30], when one could talk about national business culture.

National business culture has been divided into subcultures. These subcultures, classified according to industry, have been referred to as *"industry cultures"* (Hofstede, 1991, 192) or *"industrial subcultures"* (Turner, 1971, ix). This division is based on the idea of various industries possessing characteristics which create similar values among the organizations within the same industry (Gordon, 1985, 115; Louis, 1985, 130; Gordon, 1991, 401-406). The subcultural differences appear as organizations are different based on their industry norms (Pennings - Gresov, 1986, 317-334).

Reynolds (1986, 343-344) states about the relation of industry norms and organizational culture that *"industry norms and the nature of organizational positions are interrelated, by the virtue of the different technologies and organizational structures that develop in different*

[29] A synonym used for the term business culture is, for instance, organizational metaculture (Aaltio-Marjosola, 1991, 32). As this study primarily concentrates on business organizations, the term business culture is used here.

[30] It is important to notice that national culture is by no means the only approach to wider culture as the same ethnic culture can reflect in many nations and several ethnic cultures can reflect within the same nation (Nath, 1986, 252).

industries. Relative success in a given industry may be associated with a distinctive organizational culture, but may be quite different from the culture found in succesful organization in other industries" [31].

In a similar manner that national business cultures have been divided up into industry cultures, one can also make a further classification within industry cultures into organizational cultures. Synonyms for the term organizational culture are, for instance, *"enterprise culture"* (Burrows, 1991, 9-10), *"corporate culture"* (Schwarz, - Davis, 1981, 30-31), *"company's culture"* (Tunstall, 1985, 45), *"workplace culture"* (Abercombie, 1990, 174-175), and *"the culture of the firm"* (Ray, 1986, 295). These terms are often used interchangeably without realizing that their content is not always identical [32].

Two definitions of organizational culture are presented in the following. These two definitions have been selected from hundreds of definitions for organization culture and its related terms. The criterion for the selection was simply that these two are the most quoted and referred to in organization cultural studies.

Hofstede (1984, 13) describes organizational culture with a term organizational subculture, by which he aims to emphasize that subculture is only one component of the culture of the entire community. Hofstede's

---

[31] Dividing culture by industries has been criticized by those researchers who have noticed considerable cultural differences between companies within almost homogeneous industries (Chatman, 1991, 459-484). Chatman and Jehn (1994, 546-547) consider technology and growth factors more influential than industry culture. Parallel terms with industry culture have been created: *"interorganizational macroculture"*, for instance. The content of this term is slightly different from the idea of industry culture as it entails macro-culture being determined by the organizational cultures of related companies. In other words, the relations of companies, rather than industry, are the determining factors (Abrahamson - Fombrun, 1994, 728-729).

[32] Only a couple of studies differentiate between the terms of corporate culture and organizational culture (Linstead - Grafton-Small, 1992, 333; Sinclair, 1994, 36).

(1984, 273-274) view on organizational culture can be summarized in the following manner: *"Every organization has its subculture, whether it intended or not ... They find their origin usually in the personalities and beliefs of the organization's founders and the history of its formation. Organizational subcultures are crystallized in the kind of phenomena that anthropologists study in primitive cultures ... Organizational subcultures arise around task-relevant issues".*

When defining organizational culture, Schein (1985a, 8-9) attempts to formulate a concept, which could be applied, not only to organizations, but also to other social units of different sizes. According to Schein (1985a, 9), culture is *"a pattern of basic assumptions - invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration - that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems".*

In respect to organizational cultures, one needs to underline several factors. First, several cultural studies stress the idea that organizational cultures are not homogeneous (Rose, 1988, 139-170; Aaltio-Marjosola, 1994, 66). Gregory (1983, 359-376) in fact argues that the nature of organizations is multicultural rather than monocultural.

Organizations have been classified into subcultures on various grounds. The subcultures of organizations have been studied by comparing independent units within corporations (Hofstede, 1991, 198). Secondly, organizations have been divided into divisional or departmental subcultures (Sathé, 1983, 4-23). Thirdly, various professional groups have been classified as subcultures (Van Maanen - Barley, 1984, 287-365; Raelin, 1986, 5-6). Fourthly, subcultures have been separated on the basis of the functions of organizations (Trompenaars, 1993, 7). An example of the latter can be the *"production culture"* (Jones, 1983, 461-462) or the *"management culture"* (Knudesen, 1982, 1) of organizations.

As this study applies the functional approach on culture and focuses primarily on the management, the term 'organizational management culture' needs to be analysed in more detail. Here organizational management culture will refer to the subculture prevailing within the managers of an organization. This specification has been made in spite of some studies which claim that the management of an organization cannot be restricted to the manager level, but is a phenomenon that extends to the entire organization (Drenth, 1985, 25; Bloor - Dawson, 1994, 277-281; Hofstede et al., 1993, 488).

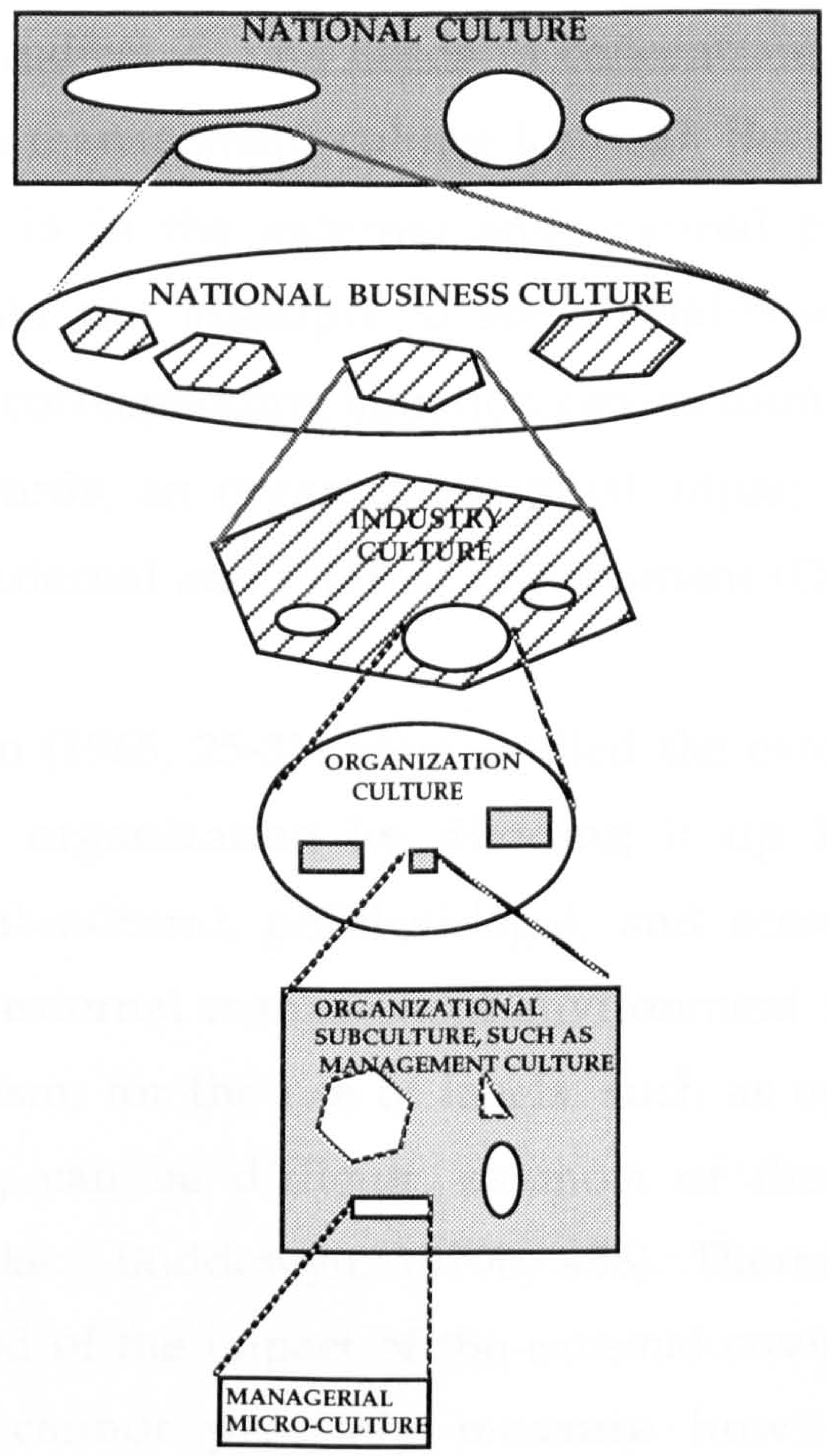
One reason for focusing the study of organizational management culture on the managers is that they have better opportunities to affect the content of management culture than, for instance, the workers do (Smircich - Morgan, 1982, 262; Davis, 1985, 179). Secondly, the founder and the first managers of an organization construct the management culture, which is then conveyed to the employees (Schein, 1983, 13-28; Siehl, 1985, 125-140; Schein, 1991a, 25; Schein, 1991b, 243-253). Thirdly, it is necessary to focus the management culture on the managers because in this study it would be practically impossible to analyse how the management culture is reflected in the entire personnel of the organization.

After deciding on this focus, one must remember that the managers of an organization can form a very heterogeneous group. Studies have indicated that differences in management culture exist between the top, middle and supervisory management (Gunz - Whitley, 1985, 247-273;

Trice, 1991, 306). In addition to the position, considerable differences could be detected between the male and female managers on the same management level (Junnola - Juuti, 1993, 197). These management cultural subcultures of organizations will be referred to as managerial micro-cultures in this study.

A managerial micro-culture of particular interest is managerial *"counterculture"* (Martin - Siehl, 1983, 52) or *"unofficial culture"* (Watson, 1994, 112), which can be created when a part of the managers consciously oppose to the managerial *"core culture"* (Aaltio-Marjosola, 1991, 29). This may be a result of, for instance, maximizing personal benefits or progress in one's career at the expense of the organization. On the other hand, one must remember that managerial countercultures are not always harmful for the management of the organization but they can function as an internal opposition to the organization and thus introduce new perspectives into its management (Wells, 1988, 115). The following figure contains a summary of the position of the management culture in the business cultural hierarchy (e.g. Figure 3.).

Figure 3. The management culture in national cultural hierarchy



When the position of management culture in the national culture hierarchy has been indicated, one needs to concentrate on the next basic question: how is the management culture formed? The foundation for the creation of culture is in the external and internal problems which a community confronts and attempts to solve (Malinowski, 1944, 91-119; Schein, 1985a, 9). A corresponding situation can be found in organizations as well. In other words, an organization must adjust to the framework determined by the external and internal environment (Denison, 1990, 15).

Farmer and Richman (1965, 25-31) have studied the external management environment of an organization by dividing it up into: educational-cultural, sociological-cultural, political-legal, and economic constraints. The division of the external management environment into subcategories was met with criticism, for the use of labels, such as economic, political, social and cultural, can be difficult, as most of them have multiple dimensions (Ajiferuke - Boddewyn, 1970b, 458). Therefore, even though one can be convinced of the impact of the external environment upon the organization, one cannot precisely measure how certain subareas mentioned above will reflect in the operations of the organization. This problem stresses the necessity of an overall view when studying the manifestations of the external environment in the organization.

The basic idea of the internal environment emphasizes the mission of the organization, which provides the foundation for the structure and operations of the organization (Davidson, for reference see Harris, 1985, 56). Moreover, when the internal enviroment is concerned, one has to remember that it is very difficult to discriminate between various internal factors. For instance, the management of organizations is often categorized by its functions - into personnel management, marketing, manufacturing, finance - none of these, however, is separate from the others, but they form a whole. Even if the personnel, production and finance management in an organization would be exemplary, the management of the organization can amount to less than its parts, if the management of marketing, for instance, is not functioning at all.

This study will not attempt a detailed separation between the various factors affecting management culture. Since it is not possible to give an unambiguous list of external and internal factors, this study does not intend to differentiate between these subareas.

In the creation of a management culture, one should pay attention to, besides the external and internal environment, those motives that lead to the establishment of an organization; the formation of the organization is neither an accident or a spontaneous process, but organizations are founded to serve a particular purpose (Schein, 1985a, 209; Williams et al., 1989, 45). The organization operates as a kind of instrument which the founders of the organization use to satisfy their own needs. Usually, the economic motives are the strongest when a business-oriented organization is established. This economic motive largely determines the mission of the organization.

The organizational management culture is constructed around this mission (Rue-Holland, 1989, 67). When the management culture of an organization is being shaped, the role of the founders, who had the original idea, becomes important as they usually have their own concepts, shaped in turn by their cultural and personal backgrounds, concerning the fulfilment of the mission of the organization (Schein, 1985a, 210; Schein, 1991a, 25). If the founders themselves start managing their organization, they will become the root of the management culture.

Schein (1985a, 224-225) states that founder-managers transmit the management culture in five different ways: 1) in what they pay attention to, measure, and control, 2) how they react to critical incidents and crises, 3) how they form role models, teach and coach, 4) in their criteria for allocation of rewards and status, and 5) for recruitment, selection, promotion, retirement, and excommunication.

The founder(s) do not necessarily become the managers of the organization but sometimes decide to employ a professional manager. Then the characteristics of the employed manager, as well as how freely the manager is allowed to influence the operations, will become important in the formation of the management culture. While the actions of the professional manager would be monitored very carefully, it is most probable that the manager's own background will still have a strong impact upon the management culture formed in the organization. A professional manager establishing a new organization can in certain circumstances achieve the role of a founder-manager in the formation of the management culture, despite the fact that he does not have any ownership in the company.

When the formation of the management culture is studied, it must be pointed out that *"cultures do not start from scratch"* (Schein, 1991a, 25). An organization must have a sufficiently long common history before any set of basic assumptions and beliefs will be created there (Schein, 1985b, 21). These basic beliefs of the organization are also reflected in the subarea of management, thus creating a management philosophy into the organization. Correspondingly, this management philosophy is manifested through values and attitudes in managerial behaviour (Barrett - Bass, 1970, 197-217; Williams et al., 1989, 12; Adler, 1991, 16). Child (1981, 326) has studied how basic assumptions are reflected in management.

Table 2. The relationships between basic beliefs, management philosophy and management behaviour

Basic beliefs:	Management philosophy	Management behaviour
Human nature - good	Subordinate autonomy and intrinsic motivation	Subordinate goal setting
Man to nature - mastery	Innovative and individual developing philosophy	Support for venture management
Time orientation - future	Strategic management and long-term planning	Workforce planning and assessment centers
Orientation toward activity - being	Human relations philosophy	Management style emphasises organizational well-being
Relationships - individual	Minimizing the hierarchy	Amenities and fringe benefits not differentiated by status

However, one has to remember that the managerial philosophy and the values it contains are not necessarily reflected in managerial attitudes or behaviour. Secondly, values can be reflected in single situations in a different manner than they are generally reflected (Lewis, 1994, 51). This is due to the fact that in certain circumstances individuals can act against their own values. For instance, a Soviet manager, who knew his factory to be an environmental hazard, did not have the courage to act according to his own values, since he was afraid of possible sanctions taken against him (Storm, 1991, 42).

It is also important in the formation of the management culture that at least its most significant components are commonly shared (Williams et al., 1989, 18-19). By commonly shared, it is not assumed that all the members of the community should conceive of the management culture of the organization in an analogous manner (Hofstede, 1991, 5-6). This leads, as was previously pointed out, to the organizational management culture in most cases consisting of several micro-cultures instead of being homogeneous (Davis, 1985, 166, 179; Gunz - Whitley, 1985, 247-273; Trice, 1991, 306).

In addition, it is necessary to evaluate the opportunities of the organization's members to affect the formation of the organizational management culture. As was mentioned earlier, the roles of the founder and the first top manager are crucial in the shaping of the management culture (Schein, 1985a, 273-276). This can be argued, as the manager constructs the framework for interpreting experiences and the meaning of operations (Watson, 1994, 32). In other words, the role of the key manager is to create the management philosophy of the organization, as well as the managerial behaviour based on it. Secondly, the manager has legitimized power to select employees and determine the official managerial practice (Sathe, 1983, 245; Culbert - McDonough, 1990, 58-63; Sackmann, 1991, 29).

This in fact emphasizes the manager's role in the creation of the organization culture. The opportunity of the manager to influence the organization culture changes with time. Generally speaking, the manager has a greater opportunity to actively manipulate the organization culture of the organization when the organization is at the beginning of its life-span, but a smaller opportunity when the organizational culture is becoming more stable (Schein, 1985a, 271-272).

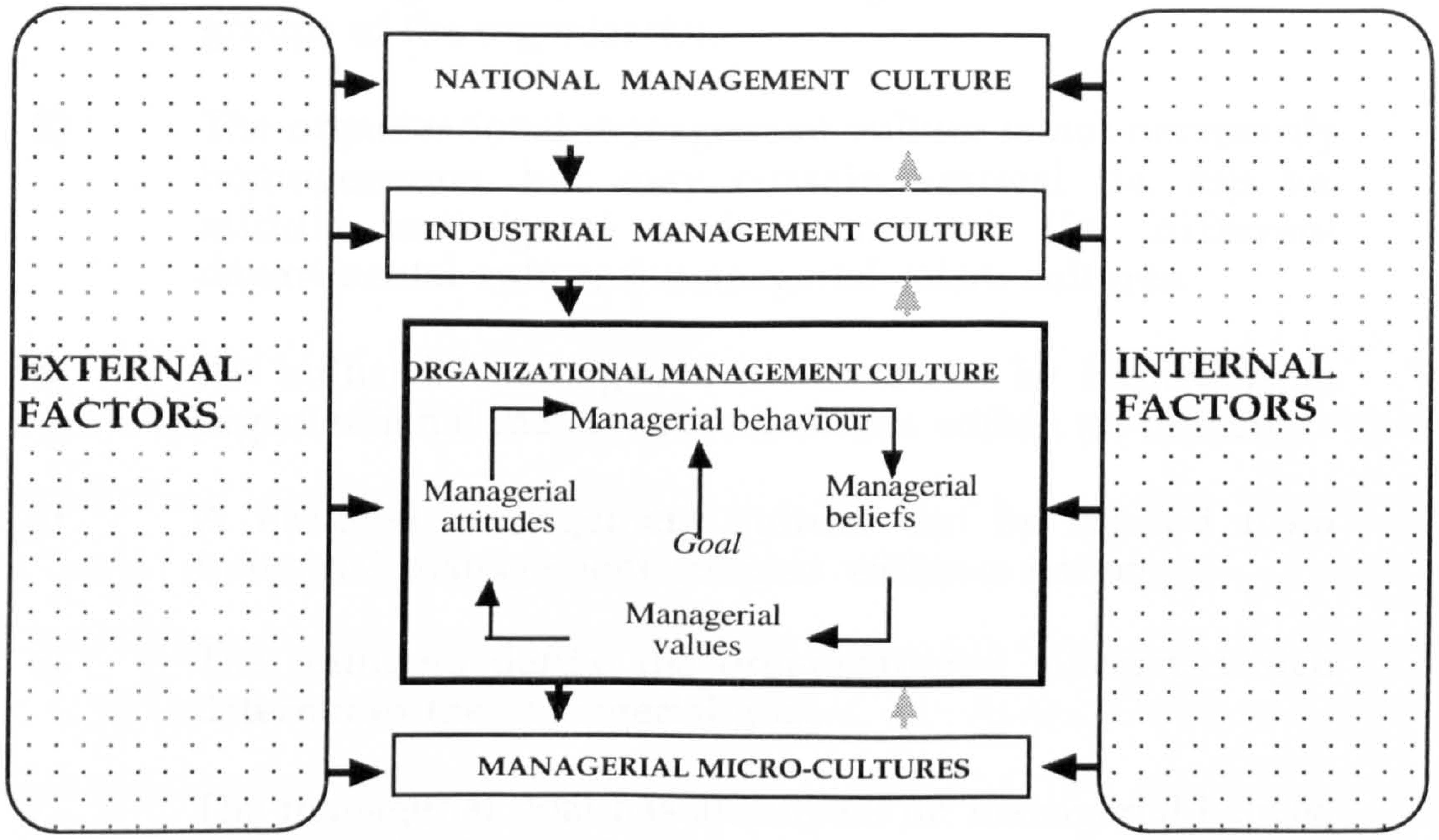
In order to analyze this formation process, one should have a look into the management cultural hierarchy. The managerial micro-cultures of the organizations can be combined to an organizational management culture. Correspondingly, management cultures of the organizations operating within the same industry can be classified as industrial management cultures. Furthermore, these industrial management cultures of industry can be combined to the national management culture (Laurent, 1989, 91; Trompenaars, 1993, 19).

The following figure combines the above ideas concerning the formation of the management culture. Behind the creation of the management culture is a managerial goal. This goal is constructed upon the organizational mission, which was already referred to above. The managerial goal reflects in managerial behaviour and managerial practices (organizational management functions and managerial functions). The practices prevailing for long gradually form into a basis for managerial beliefs, values and attitudes.

The figure points to the important interactive relationship between the management cultural levels. This relationship has been described with continuous and ruled arrows. The continuous arrows directed from the top to the bottom depict the strong manifestation of the upper levels on the lower ones. On the other hand, the upper levels of the management culture also consist of smaller components. For this reason, certain organizational management cultures can also influence the shaping of a larger management culture.

One must remember, nevertheless, that the effect of a single organization may remain fairly weak, as the upper levels of the management culture contain a large number of lower management cultural units. This is why the effect directed from the bottom to the top has been marked with ruled lines. One could mention as an example that the reflection of one organizational management culture in the entire national management culture is fairly insignificant as the national management culture is affected by all the organizations operating in the nation (e.g. Figure 4.).

Figure 4. Organizational management culture as a basis for national management culture



In the following table, ten of the most essential characteristics of the management culture are summarized in order to facilitate the comprehension of this study (e.g. Table 3.).

Table 3. The essentials of the management culture

1) The management culture is an organizational subculture formed among the managers of the organization.

2) The managers transmit the management culture to other groups of the organization.

3) The organizational management culture is not necessarily homogeneous, but may contain vertical (ie. top vs. middle managers) and horizontal (ie. different departmental cultures) managerial micro-cultures.

4) An industrial management culture can be formed from organizational management cultures within an industry.

5) A national management culture can be formed from industrial management cultures within a nation.

6) The founders define the organizational mission, which determines the managerial goal.

7) The managerial goal has an impact on managerial beliefs, values, attitudes, and behaviour.

8) These management cultural features influence managerial and organizational management functions.

9) The organizational management culture is affected by both the external and internal factors of the organization.

10) The formulation of the organizational management culture does not happen immediately but requires a sufficiently long period of time.

Summa summarum, if the management cultural features correspond to the managerial goal, and thereafter, to the organizational mission, the integration of the management culture is strengthened. However, if these contradict one another, the implications may be the appearance of intense pressure to change within the management culture. The management cultural transition will be the subject of the next section.

2.2.4. The Definition of Management Cultural Transition

The management cultural transition will here be approached at the organizational level. This will not exclude the possibility of analysing the management cultural transition at upper levels. In other words, the starting point of this study is that a management cultural change in organizations operating within the same industry forms the transition of a certain industrial management culture. Similarly, the management cultural transition in all the industries of a nation forms the management cultural transition of the whole nation.

Before a more detailed inquiry is made into the management transition, the choice of particular terms must be elaborated on. While several cultural studies use the term 'change' to describe an alteration in the state of a phenomenon, this study prefers to use the term 'transition' [33]. The majority of literature dealing with the path of the socialist bloc towards

[33] Close to the term 'change' is the term 'conversion',which is defined as the act of converting or the process of being converted (converse - reversed in order, relation or action). Besides conversion, the term 'alteration' is close to the term 'change' which is the act or process of altering or the state of being altered - becoming different (Webster's Ninth ..., 1985, 75; 286).

capitalism uses the term 'transition'. In fact, the management cultural transition is one component of this wider transformation process, which further justifies the use of this term here (Antal, 1993, 76; Kozminski, 1993, 145).

Secondly, the term 'transition' entails a longer and profounder process than the term 'change' [34]. Although the term 'change' can well describe a change within one organization, the term 'transition' is better equipped for a study on the change of all the organizations within a nation-state. Thirdly, the transition is a more accurate term than 'development', which entails an idea about advancement or even natural evolution (The Oxford Dictionary ..., 1993, 225). Transition is a better term than 'evolution' here, because the latter has a connotation of a gradual development and a process following a certain development trend (The Oxford Dictionary ..., 1993, 282). Evolution cannot be used here because there can be no certainty about any prevailing trend of development.

On the other hand, the opposite of evolution - 'revolution' - cannot be applied here because it entails a largely sudden and fundamental change (The Oxford Dictionary ..., 1993, 721). Although some revolutionary features in this context can be perceived in East Europe and the former Soviet Union, this particular term would not do justice for the transition of culture and cultural features, in particular. Since cultural studies especially point out the slowness of cultural transition the use of the term 'revolution' here would be incorrect (Wilkins - Patterson, 1985, 288-289).

The term 'transition' is also slightly different from the term 'transformation' (The Oxford Dictionary ..., 1993, 880), primarily in that

[34] In The Oxford Dictionary for the Business World (1993, 134; 880) transition is defined as *"passing or change from one place, state, condition, etc. to another"*, and change as *"making or becoming different; alteration or modification"*.

transition describes the process of change itself, whereas transformation concentrates on the outcome of this process (Kosonen, 1994, 14) [35]. As both these aspects - the outcome and the process - are included in this study, the difference between these terms remains largely cosmetic. In a similar manner to previous studies, this study uses the terms 'transition' and 'transformation' interchangeably in order to avoid repetition. The term 'change' is used when referring to the researches which have used this term.

After this terminological discussion, a brief look on the theories of the organizational development and change is necessary. Van de Ven and Poole (1995, 519-522) made an appropriate typology for the purpose of this research. Van de Ven and Poole divided organizational development and change into four main categories by using two factors: the unit of change and the mode of change.

The unit of change highlights two different angles for studying change at any given organizational level: 1) the internal development of a single organizational entity by examining its historical processes of change, adaptation, and replication; and 2) the relationships between numerous entities to understand ecological processes of competition, cooperation, conflict, and other forms of interaction.

Correspondingly, the mode of change can be divided into two main types of change: *the prescribed* and *the constructive mode* of change. *The prescribed mode* of change channels the development of entities in a prespecified direction, typically of maintaining and incrementally adapting their forms in a stable, predictable way. *A prescribed mode* evokes a sequence of change events in accord with a preestablished

[35] The term 'transformation' has been used in some organization cultural researches (Tunstall, 1985, 44-65; Smith - Peterson, 1988, 117-119; Pheysey, 1993,3; Shama, 1993, 22-35).

program or action routine. *A constructive mode* of change generates unprecedented, novel forms that, in retrospect, are often discontinuous and unpredictable departures from the past. *A constructive mode* produces new action routines that may (or may not) create an original (re)formulation of the entity.

By using these two factors Van de Ven and Poole defined four development and change models: *evolution, dialectic, life cycle, and teleology model.* *The evolutionary model* consists of a repetitive sequence of variation, selection, and retention events among entities in a designated population. Competition for scarce environmental resources between entities inhabiting a population generates this evolutionary cycle. *In the dialetical model* of change, conflicts emerge between entities espousing opposing thesis and antithesis that collide to produce a synthesis, which in time becomes the thesis for the next cycle of a dialectical progression. Confrontation and conflict between opposing entities generate this dialectical cycle.

Similarily, *the life-cycle model* depicts the process of change in an entity as progressing through a necessary sequence of stages. An institutional, natural, or logical program prescribes the specific contents of these stages. Finally, *the teleological model* views change as a cycle of goals based on what was learned by the entity. This sequence emerges through the purposeful social construction among individuals within the entity.

Although the model of Van de Ven and Poole offers a delightful perspective into organizational transformation, the model cannot be directly and unproblematically applied to this study. In the first place, this study examines the change of single organizations with the aim of thus analysing the organizational transformation of the entire population. In other words, the first problem encountered would be whether the unit of change is one or more. Another major difficulty is that cultural approach underlines both the perspective of historical evolution - *a prescribed mode* - and the unique nature of culture - *a constructive mode* (Martin et al., 1983, 439). Since at this stage of research (without empirical observations) it is difficult to determine the category of this particular study, one needs to survey other studies on organizational change.

It is necessary to look into the reasons starting the transition of the organizational management culture. The basis for the management cultural transition can be the inability of those forces that maintain the management cultural stability to cope with the transformative pressure (Lewin, for reference see Thompson, 1990, 595). The stability of the organizational management culture can be shaken both by internal and external factors. It is important to notice that the forces that trigger off a change to a large extent originate outside the organization (Schein, 1985a, 299).

The reason why the management culture of the organization does not usually change from within is found in the basic characteristic of culture. This means that culture strives to maintain its *status quo* (Clarke, 1994, 147). Despite the strong internal *status quo* forces, sufficiently influental internal factors may trigger off an internal change process as well. This may happen when, for instance, a charismatic manager leaves the organization. The vacuum thus generated can result in various internal events and series of events which can cause the management culture to change from within the organization. A change of managers can play a vital role especially if the organizational management culture is infantile and has not yet reached its maturity (Schein, 1985a, 271).

Besides, a management cultural transition can be triggered off if the management culture is heterogeneous and if there exists a power struggle within the organization. This situation can in extreme lead to the replacement of the previous managers and attempt to create new power structures (Schein, 1985a, 271). Whether in the latter case one should talk about the transformation of the old management culture or the creation of a new one, is a difficult question to answer. However, it is clear that even the factors within an organization can be sufficiently strong to launch a management cultural transformation. Nevertheless, far more commonly, a stimulus for the change of the management culture originates outside the organization.

One could point out several factors outside the organization that press for change. Since such a comprehensive list would be too extensive for this context, one can only mention a number of the most common forces: a change in the organization's economic result, its competitive position, a reform in technology or a change in legislation. In the following, a few models will be provided which aptly present the core ideas concerning the management cultural transformation.

According to Lundberg (1985, 182), the change of the organizational culture is begun by external forces which enable the change. This is in turn reflected within the organization in the generation of forces which allow the change. The generated external or internal transformative pressure triggers off the events that begin the change. These transition events result in an attempt at creating new visions of a new culture, and strategies and operational plans are subsequently being constructed so that these visions could be realized.

In the organization cultural change, Dyer (1985, 211) points out that the management will confront a crisis, which interrogates the abilities and practices of managers. The change process advances by breaking down the symbols, beliefs or structures that maintain the old patterns. If a new leadership emerges, for instance, in some management micro-culture of the organization, a consequence may be a conflict between the old and new management culture. If the new management culture "wins" over the old one in the collision, the new managers will form the foundation for the new management culture. They begin to shape new pattern-maintenance of symbols, beliefs, and structures, which gradually form the new management culture.

Dyer's model suggests that the management cultural transition is a result of the collapse of the old and the creation of the new management culture. This is to say that the old management culture does not change per se, but the transformation can be explained by the creation of the new management culture. In the background of this new management culture is the appearance of a group of managers with new ways of thinking, constructing and transmitting the new management cultural foundation.

In addition to the ideas above, Ansoff (1979, 214-215) has formulated a model which describes the relationship between external environment, organizational power structures, managers, and culture in a changing situation. To sum up Ansoff's model, one can state that in the end the organizational management culture is left with three alternatives to adjust to the change in the environment: 1) to be constructed anew (the creation of a new management culture), 2) to adapt to the situation (the change of the old management culture), or 3) to be destroyed (the destruction of the organization and its management culture).

When studying management cultural change, it is also necessary to pay attention to the phenomenon of resistance to change. An important factor is that to a part of the employees a change almost always means pressure towards maintaining their position. The final magnitude of resistance is dependent upon the radicalness of change and the strength of the original culture. Sathé (1985b, 243) has formulated the following table to present the magnitude of resistance to change (e.g. Table 4.):

Table 4. The formulation of the resistance to culture change

Resistance to culture change	=	Magnitude of the change in the content of the culture; that is, radical versus incremental change in culture's content	X	Strength of the prevailing culture; that is, strong versus weak culture

According to Sathé's idea, resistance to change is strongest when the organization experiences a profound cultural change and the prevailing culture is powerful. In other words, in that particular situation there is simultaneously a powerful reason to resist the change and a strong ability to resist the change. Correspondingly, the resistance to change is at its weakest when the organization confronts a smallish change and the organizational culture is extremely heterogeneous.

Even though the organizational transition process is started, it does not necessarily result in the transformation of the organizational culture. This is simply due to the strong tendency of the organizational culture to return to the old practices if the forces that support cultural change will disappear, or if the forces that accomplish cultural change be exhausted. In fact, Gagliardi (1986, 119) points out that *"as soon as the pressure is released, however, it [culture] will tend to return to its original state and attitude"*.

Often the reason for the return toward the original state is that the organizational cultural change is very seldom comprehensive (Feldman, 1986, 603). One indication of this is that a cultural transition will never occur suddenly, but certain parts of management culture will transform more rapidly than the others. According to a commonly accepted principle, the deep cultural layers, such as sets of values, will change more slowly than the visible cultural features (Juuti, 1992, 156).

On the whole, the change of the organizational culture confronts a dilemma: partial changes are usually suppressed by resistance to change, but, on the other hand, a comprehensive change is extremely difficult to accomplish (Laurent, 1989, 88-89; Gersick, 1991, 34; Hendry - Hope, 1994, 403). This may be one of the explanations why the process of cultural transition and its accomplishment are considered highly complex and difficult to control.

Cultural studies have also emphasized the significance of the size of the organization in a cultural transition. The more extensive the unit in question is, the slower is the accomplishment of a comprehensive cultural transition (Juuti, 1992, 156). The management culture of one department, for instance, is easier to change than the entire organization's management culture (Wiersema - Bantel, 1992a, 115).

An intriguing question concerning the organization cultural transition is whether the culture of an organization can be actively changed or directed. According to cultural purists, to actively change an organizational culture is an extremely demanding, or even an impossible, process, as cultural change is evolutionary. By contrast, those who study culture from a more pragmatic perspective usually agree that it is possible to influence actively the process and direction of cultural change (Juuti, 1992, 155) [36].

Therefore, the focus of this study is not to examine the means of change and their effectiveness, but rather to describe the transformation process; hence the active means to change culture will be described in a fairly brief manner [37]. Several organizational cultural studies have proved that the role of managers becomes highlighted in a transformation process, because managers can accelerate cultural change.

Hofstede and Ohayv (1987, 4-20) have listed managerial practices which concern the implementation of a cultural transition. According to them, the accomplishment of a cultural transition can utilize *"1) recruiting of new managers; 2) structural intervention - creation of new order in intra-departmental activities; 3) system intervention - reassessing control system; 4) human resource intervention; 5) training and development activities; and 6) introduction of new practices, symbols and rituals".*

Despite all these means of actively changing the organizational management culture, the change itself is by no means a simple process. The change is complicated by its tendency to introduce new surprising features, thus creating *"side-effects"* (Aaltio-Marjosola, 1991, 195) or to

[36] According to Berg (1985, 282-283), there are no empirical observations of an active accomplishment of a cultural transition. On the other hand, certain empirical findings of some cultural studies seem to support the view arguing that organizational culture can be changed (Aaltio-Marjosola, 1991, 186-187). This debate between cultural purists and pragmatists is dealt with in more detail in the first section of Chapter 4.

[37] The following studies have concentrated more on the active changing and management of organizational culture: Deal - Kennedy (1982); Peters and Waterman (1982); Davis (1984); Allen (1985); Sathé (1985b); and Williams et al. (1989).

release*"bottled-up energy"*, which cannot be predicted or controlled in advance by a manager (Juuti, 1992, 157). Besides being a complex process, the organization cultural change is expensive and its results are uncertain or even cosmetic (Gagliardi, 1986, 119; Hendry - Hope, 1994, 402).

An interesting question concerning the organizational cultural transition is whether the construction of a new culture is easier than the change of the old culture. Finally, it is important to pay attention to the fact that the management cultural transition can simply be a result of the culture being shaped through a normal development of the organization. The connection between culture and the life-span of the organization has been studied, for instance, by Schein (1989, 66). The following table presents a summary of Schein's idea of the connection between the organization's life-span and the cultural transition (e.g. Table 5.).

Table 5. Life-span of organization and changes in the function of culture

Growth stage	**Function of culture**
I) Birth and early growth	
	1) Culture is a distinctive competence and source of identity. 2) Culture is the glue that holds organization together. 3) Organization strives toward more integration and clarity. 4) Heavy emphasis on socialization as evidence of commitment.
-> Change mechanism	
	1) Natural evolution 2) Self-guided evolution through organizational therapy 3) Managed evolution through hybrids 4) Managed "revolution" through outsiders

Table 5. Continued

<u>II) Organizational midlife</u>

1) Cultural integration declines as new subcultures are spawned.
2) Loss of key goals, values, and assumptions creates crisis of identity.
3) Opportunity to manage direction of cultural change is provided.

-> Change mechanism

5) Planned change
6) Technological seduction
7) Change through scandal, explosion of myths
8) Incrementalism

<u>III) Organizational maturity</u>

1) Culture becomes a constraint of innovation.
2) Culture preserves the glories of the past, and is a source of self-esteem, defense.

-> Change mechanism

9) Coercive persuasion
10) Turnaround
11) Reorganization, destruction, rebirth

In this context we shall not analyse the content of various change mechanisms but instead summarize the observations made by Schein (Schein, 1989, 67-80). One of his major observations is that the change mechanism of culture is natural - similar to evolution - at its stages of birth and early growth. When the organization reaches its mid-life, the culture achieves its stability, with its change slowing down or even halting. The organization aims at resisting change by all means possible.

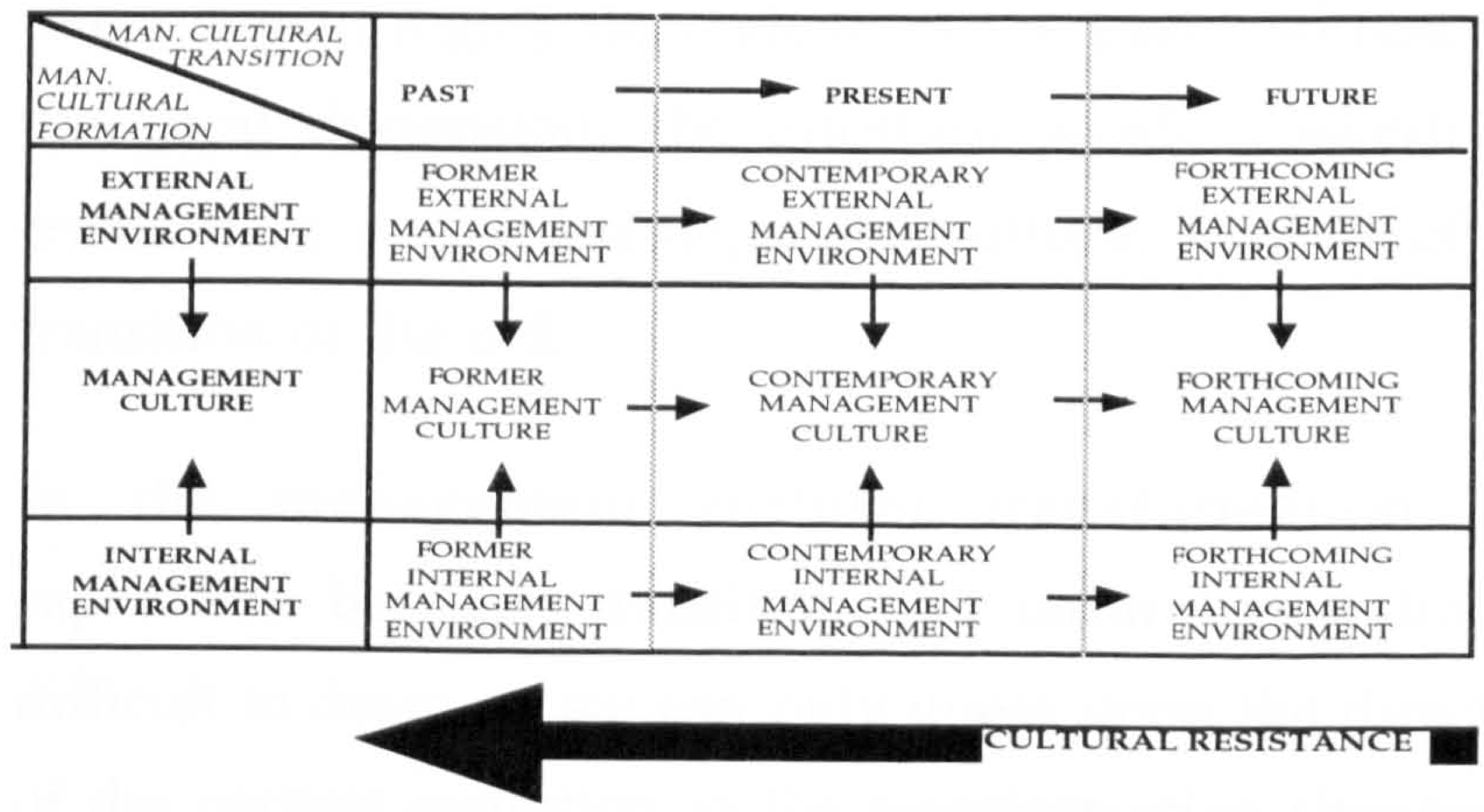
When the organization has reached its maturity, only a profound change can transform its culture. At that point, only those transition forces that are sufficiently radical, strong and long-term can transform the organizational management culture.

Schein's perspective brings new light into organizational change, but is, nevertheless, not without its shortcomings. The problem of Schein's formulation is the question of which in the end is the determining factor in organizational change - the life-span or culture. This is to ask whether the organizational cultural change is due to a change in the life-span, or whether a change in the organizational culture causes the organization to move into another stage in its life-span.

The transition process of the management culture has been summarized in the following figure (e.g. Figure 5). The model is founded on the formation model of the management culture, which describes the management culture being shaped by interaction between external and internal environments. As stated previously, the external environment refers to the management conditions existing outside the organization, and similarly, the internal environment to the management conditions prevailing within the organization.

The management cultural transition has been divided into three parts: past, present and future. These periods are linked to one another as the past will effect the present, and the present will construct the basis for the future. The role of the past in evaluating the present and predicting the future is extremely important, particularly in cultural studies, as the evolvement of culture is a very slow process. Moreover, it is impossible to comprehend culture if only its cross-section at one particular moment is studied.

Figure 5. The management cultural transition



The arrow below the figure represents cultural resistance. This arrow points to an opposite direction from the transformation process, thus aiming at maintaining the prevailing management culture. In other words, the beginning of the management cultural transition is automatically opposed by a phenomenon of cultural resistance. The magnitude of the resistance, as was pointed out earlier, is largely dependent upon the scale and strength of the transition and the prevailing culture.

Since this section has covered various aspects of the management cultural transition, it is important to make a ten-part summary on the major subareas this study wishes to emphasise in the management cultural transition (e.g. Table 6.).

Table 6. The essentials of the management cultural transition

1) The management cultural transition is always a phenomenon highly dependent on the past - without the historical dimension, the question would concern the creation of a new management culture, instead of the transition of the old.

2) In the management cultural transformation, the separation between transition and natural evolution is difficult to draw, as we can only guess upon the direction of the natural evolution in the transformation situation.

3) The management cultural transition is begun when the forces maintaining the stability are weaker than the forces promoting change, forces which can be further divided into the organization's internal and external forces.

4) The deeper layers of the management culture (such as beliefs and values) usually change less rapidly than the visible features.

5) The management cultural transition can begin before our ability to perceive it on a visible surface.

6) The management cultural transformation can be heterogeneous within the organization, as different groups of managers can change at a different pace.

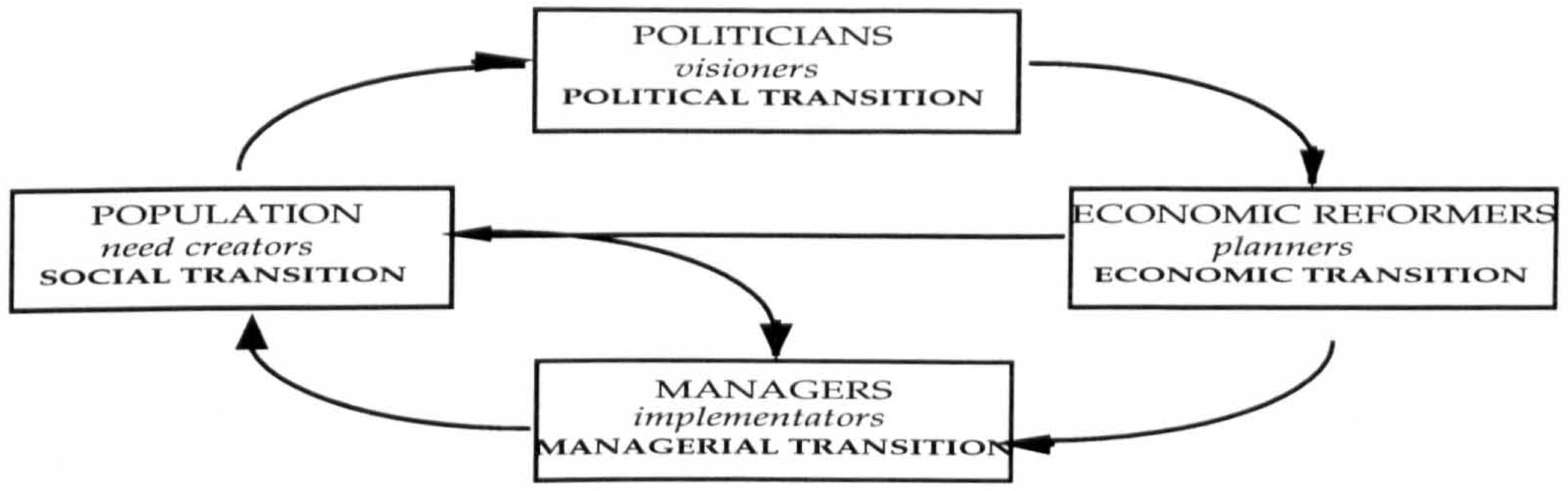
Table 6. Continued

7)	The management cultural transition is not necessarily occurring at the same pace in various organizations because their degree of stability and forces of change may deviate from one another.
8)	The management cultural transformation is not necessarily a phenomenon which, once begun, will also come to an end, as cultural resistance may appear and stop the phenomenon, or even restore the culture to its pre-transformation state.
9)	The management cultural transition can be attempted to be controlled by managerial practices but their outcome may be uncertain and even contrary to the expectations.
10)	With a sufficient sample, the management cultural transition in the organizations can provide information about the management cultural transition on a national level, which in turn forms a part of the economic and social transformation.

The following figure describes the role of the management transition in the overall transition of society. By population, the figure means those people who live in the country and elect the politicians to represent them in the parliamentary organs. These politicians choose the persons responsible for the planning and design of economic and other policies. Through different laws and regulations, these economic reformers build a frame for the entrepreneurial sector and the managers.

Economic decisions and their accomplishment are also reflected in the population, where the potential new entrepreneurs and managers originate. The enterprise managers endeavour to meet the needs created by the external and domestic markets (population). These connections are depicted by arrows in the following figure (e.g. Figure 6.).

Figure 6. The role of management transition in the overall transformation



The role of each group in the transition has been summarized in the box below. The population creates needs and chooses the representatives to realize these needs. The task of the representatives of the people is to visualize various means to improve the welfare of the people and choose the planners of economic reforms. The task of the economic reformers is to project these visions into economic plans and procedures. The task of the managers is to accomplish these economic plans in practice, in other words, act according to them.

If the expectations of the population and the concrete responses are in balance with one another, stability is created. However, if there is a conflict between the expectations and the prevailing situation, pressure for change begins to appear. This pressure may grow more effective than the stability forces and trigger off a process of transition in various subareas of society, such as in management. The following section will survey the literature dealing with the Estonian enterprise management and its transition. These previous researches form a foundation for the accomplishment of the empirical study.

3. ESTONIAN MANAGEMENT AND ITS TRANSITION - A LITERATURE REVIEWED

This chapter examines research conducted on Estonian management. The analyses of these researches aim at defining the core elements of the Estonian management culture and their transformation.

The Estonian enterprise management has rarely been studied from the cultural (national) perspective. Although a few Estonian organization and management studies from the 1920s and the 1930s do exist (e.g. Tammann, 1925; ETK 1935a; 1935b; Poom, 1932; Tonska, 1936), their perspective on the topic reflects *a universalistic approach*, which does not take cultural features into account (Üksvarav, 1988, 7). The lack of organization cultural studies in Estonia is by no means exceptional because organizational studies began to pay attention to cultural issues only from the 1950s onwards (Jaques, 1951, 251; 1953, 4) [38].

Despite this cultural orientation in the West the situation in Soviet Estonia did not improve similarly. This is due to the fact that behavioral management study was ignored in the Soviet management research because the basis of research was the management ideology of *Leninism, Taylorism,* and *universalism* (Kiezun, 1991, 92-96; Üksvarav, 1974, 49). The neglect of the management behavioral approach has resulted in the concentration of Soviet research almost exceptionally on the description of the social tasks and the administrative system of the enterprise

[38] The actual *"culture revolution"* (Denison, 1990, 21) in organizational studies followed 30 years later because of the wide attention received by the studies conducted by Deal and Kennedy (1982), Peters and Waterman (1982), Davis (1984), and Ouchi and Wilkins (1985). As a consequence of the revolution in organizational studies at the beginning of the 1990s, almost 70 per cent of all organizational behaviour studies now included the concept of culture (Adler - Bartholomew, 1992, 551-569).

management [39]. Therefore, the management studies conducted in the Soviet Union dealt more with the normative organization management than with the real managerial behaviour in Soviet organizations (Ryukina - Pavlenko, 1988, 78).

In addition to these deficiencies, the reliability of the Soviet organization studies is highly questionable (Bauer et al., 1959, 48; 64). The results are unreliable because some Soviet researchers misrepresented their findings in order to maintain their jobs (Shlapentokh, 1989, 15-16). Furthermore, some Soviet researchers used methods which produced results desired by the state officials. In addition, it is not unlikely that the "unpleasant" results were sometimes forgotten because of personal censorship by the researcher (Dewhirst - Farrell, 1973, 121-129).

Another main reason for the neglect of management cultural studies in the Soviet Union was that these studies would inevitably have revealed national differences in a society which strived for a conscious construction of the homogeneous supranational Soviet culture (Gruen, 1968, 507; Armstrong, 1978, 27; Künnappas - Järvesoo, 1978, 343-368; Ränk, 1978, 319-339; Rogatsi, 1991, 149-363). On the other hand, the few studies which dealt with national characteristics presented only very insignificant differences between the Soviet republics (Arutiunian, 1984, 29-69). These overhomogeneous findings arouse a suspicion of "homogenized" results.

Research on Soviet enterprise management carried out in the West did not fill the research gap because Western studies too often failed to distinguish between the official facade and the reality in the Soviet Union (Cockburn, 1989, 214). Moreover, Western research was not preoccupied

[39] Kornai (1992, 112-116) provides an exemplary summary of the framework of socialist enterprise management.

with national cultural differences within Soviet management [40]. Therefore, it is not difficult to understand why major advances were made neither in managerial behaviour nor organizational cultural studies in Soviet Estonia (Susi, 1978, 369-390) [41]. When research co-operation began at the turn of the 1990s with Western researchers or institutions conducting management studies, the studies on the Estonian business management improved considerably [42].

The review of literature begins with a study conducted by Krips (1992, 130-144), which, in terms of this article, approaches fundamental subareas of management. Krips examined the attitudes of Estonian managers at the beginning of the 1990s. Krips made a 10-part summary of the deficiencies which emerge from the attitudes of Estonian managers (e.g. Table 7.):

[40] Even the famous organizational cultural study by Hofstede failed to acknowledge the heterogeneosity of the Soviet culture, when it evaluated Soviet management (Banai - Levicki, 1988, 97-137). It is obvious that national cultures should be paid attention to in the Soviet Union, where in 1989 the estimated number of different nationalities was 800 (White, 1991, 140).

[41] An example of the neglected field of management studies in Soviet Estonia is that during 1945-1965 there was neither education nor research in management (Leimann - Mesipuu, 1980, 34-36; Üksvarav, 1988, 6-7). Secondly, the few management studies that were conducted in Estonia during the Soviet era deal with management in a socialist economy (Üksvara, 1974) and the universalist principles of management (Üksvarav, 1978; 1985). Moreover, even though some studies conducted in Soviet Estonia mention organizational cultures (Üksvarav, 1985, 23-30) and managerial styles (Üksvarav, 1978 127-134) or compiling of questionnaires in order to study management culture (Leimann, 1980, 42-43; Elenurm, 1986, 119-120; 1989, 112), no empirical findings of Soviet Estonian management have been published.

[42] The studies on Estonian management are presented in a chronological order, which means the time of completion (not the publication) of the research.

Table 7. Deficiencies of Estonian managers

1) Leaders do not pay attention to the needs, wishes, and character of subordinates.

2) Leaders do not support the professional and personal development of subordinates.

3) Leaders conceal essential information from subordinates.

4) Leaders use commands instead of requests.

5) Leaders treat subordinates like children.

6) Leaders do not take into consideration the opinion of subordinates which is in conflict with their judgment.

7) Leaders do not tolerate initiative coming from below.

8) If a mistake has been made, leaders do not concentrate on correcting it but try to find and punish the guilty persons.

9) Leaders are afraid to say something contrary to the opinion of the boss even when they are right.

10) Leaders try to lay the responsibility on themselves as seldom as possible.

To summarize the main arguments of Krips's study, one can say that if they were compared to the Soviet managers in general, several similarities would be revealed (e.g. Lawrence - Vlachoutsicos, 1990). This raises a question whether Soviet Estonian enterprise management fundamentally differed from the Soviet one, and how, if it did.

The second study which has a contribution to this research is the work by Üksvarav and Nurmi (1993, 37-79), in which they analyse the Estonian management in 1990 [43]. According to them, half of the business managers considered the state of their companies worrying [44]. Estonian managers saw that the most serious problems in management were a result of the company's external rather than internal factors. The severest problems were caused by delays and other difficulties in the material supply and legislative changes [45].

Although the study presented above seems to bring out more of the changes taking place outside the organization than in the Estonian management behaviour, one can find some valuable information in it. The main conclusions of the Estonian management study in 1990 can be summarized in the following manner: increasing managerial independence, the maintaining of production patriarchy, inexperience in market economy, the neglect of internal managerial factors, the reflections of Soviet management era in Estonian management, and pessimistic attitudes towards future development.

Nurmi and Üksvarav (1993, 174-177) repeated the management study described above in 1991. According to their new research, the major problem in management in 1991 was still the material supply. Nevertheless, some significant alterations in terms of the economic reform had appeared. One of the most important changes was that only 10 per cent of the Estonian managers thought the ownership of their

[43] The questionnaire of the study was answered by 38 Estonian managers. 42 per cent of them were in state enterprises, eight per cent in municipal enterprises, three per cent in private enterprises, five per cent in cooperatives, and 42 per cent in joint stock companies.

[44] Some of the same results appeared already in Üksvarav's (1991b) research. Surprisingly, there are slight differences between the results of these two reports although the empirical material is the same.

[45] A negative feature of Soviet ideology in the Estonian management was, for instance, that managers often had their own private businesses alongside their actual work (Ekonomi, 1991, 13). According to Kahla and Tulisalo (1995, 20), this private business during working-hours had not disappeared by 1995.

companies would remain in the hands of the state. A year previously, over 40 per cent of the managers believed that state ownership was the most likely alternative. If one compares the results from 1990 with 1991, it appears that no significant changes had taken place. However, the general atmosphere in 1991 had become more pessimistic than in 1990 [46].

Üksvarav (1991a) conducted a case study on a state enterprise, whose managers found themselves in serious difficulties after the state had begun privatization. An important contribution of the study is its emphasis on the fact that the transition to a market economy was not a positive phenomenon for all the enterprises. Some of the Western studies often forget that transition has multiple effects.

In 1991 Lehtonen (1993, 19) conducted a very interesting research in terms of this study. He analysed how the Estonians viewed themselves and how they expected other people to view them. Lehtonen's conclusions are summarized in the following table (e.g. Table 8.).

Table 8. How the Estonians perceive their image of Estonia

We consider ourselves	We think Russians consider us	We think Finns consider us	We think Swedes consider us
hard-working	hard-working	hard-working	hard-working
withdrawn	withdrawn	greedy for money	hospitable
cold	decent	poor	withdrawn
reserved	insidious	intrusive	friendly
unyielding	arrogant	inefficient	warm-hearted
responsible	stubborn	friendly	poor
balanced	uncommunicative	reserved	strong
enterprising	unfeeling	lazy	serious
logical	chauvinist	stupid	progressive
peaceful	intolerant	polite	cold

[46] It is important to notice that both of these studies were accomplished before Estonia separated from the Soviet Union.

If these results are viewed from Czarniawska-Joergens's (1992, 96) point of view -*"cultures are not so much what they are as what they are believed to be "* - Lehtonen's study seems to present features that are typical of the Estonian culture. Thus the typical Estonian character would be hard-working, reserved, friendly and enterprising. These characteristics of ethnic culture may also reflect in the Estonian management culture.

Klaamann's (1992, 814-823) study on entrepreneurship involved 80 entrepreneurs in 1991. There are some similarities between Klaamann's and Nurmi and Üksvarav's studies. As an example one can mention that the greatest management problems existed outside the organization: in the material supply and the legislation.

Nurmi and Üksvarav (1994a, 38-39) conducted a new research in 1994, in which they contemplated the characteristics of the Estonian culture and management [47]. As the core values of the Estonian culture, they regarded patience, Scandinavian individualism, honesty, nationalism, Western orientation, adaptability, flexibility, and reservedness. Nurmi and Üksvarav (1994a, 58) summarize their conclusions on the Estonian management in the following manner (e.g. Table 9.).

Table 9. The summary of Estonian management by Nurmi and Üksvarav

Management philosophy:	Change from political position to economic well-being and getting rich quickly. Less motivated and more frustrated than in other western countries. Collective decision-making and councils from the Soviet era did not leave a genuine participatory style, but a disgust of bureacracy.

[47] These research results have been reported in the following studies: Nurmi - Üksvarav (1994b) and Nurmi - Üksvarav (1995).

Table 9.	Continued
Decision authority:	Managers are gaining more prerogatives. Top to bottom decision-making. Responsibility avoidance in state enterprises' decision-making. Group decision-making at the top; individual decision-making in the middle and at the bottom.
Managerial emphasis:	From production to marketing emphasis, foreign alliances, quality of production, pricing, export, search for money and investments.
Management - production distinction:	Clear - with exceptions.
Management orientation:	Social responsibility, owners' interest.
Time horizon:	Transition horizon. Managers are going through abrupt strategic turnarounds. Managers are good at improvising, and their time management is flexible. Prior appointments are necessary.

The results above do not need much explaining, but some essentials must be pointed out. When analysing the Estonian managerial philosophy, one should realize that it is not a homogeneous entity but significant differences exist between the old and young managers. According to

Nurmi and Üksvarav (1994a, 59), *"older managers often feel distressed and disappointed, while younger managers meet the new opportunities with enthusiasm and have been able to turn the changes into personal well-being."*

Nurmi and Üksvarav (1994a, 60) have outlined the role of the Estonian managers in transition: *"in Estonia, managers have started to gain prerogatives and are increasingly important actors in the economy".* In addition, the Soviet production patriarchy has changed to more market-oriented management. According to Nurmi and Üksvarav (1994a, 61), *"the change of emphasis from production to marketing and finance has been noticeable."*

The transformation of Estonian management could be summarized in the following way. One can find three types of characteristics in the Estonian management: Soviet management (Management Sovieticus), Estonian management (Management Estonicus) and transition management (Management Transitus). By Management Sovieticus one means the reflections of the Soviet managerial culture in the present Estonian management. Correspondingly, Management Estonicus is seen as the manifestation of the original Estonian culture in present business activities [48]. Management Transitus means those managerial features that appear in the conditions that are typically transforming extremely rapidly, and with inadequate control (Liuhto, 1993, 65).

In 1994 Ariko MG (1994, 27) studied the views on success of 300 Estonian managers in the largest enterprises. The Estonian views indicated that the

[48] From the nation-state perspective, the original Estonian entrepreneurial and managerial cultural features would include those characteristics which were created and developed during the 1920s and 1930s (e.g. Liuhto, 1995a). However, it is unclear how these national features survived through the Soviet period.

managers considered the following the top ten success factors: 1) quality of products, 2) skills of the personnel, 3) business idea, 4) marketing, 5) production efficiency, 6) human resource management, 7) finance, 8) strategy, 9) the collection of market information, and 10) the development of the company.

When analysing these success factors, one can observe that Estonian managers seem to have fairly market economy oriented views on what contributes to the success of the company. One should nevertheless remember that the learning of market orientation does not necessarily mean the skills to apply these ideas. A Polish study points out that its results show that the managers have learned the rules of the market economy but failed to apply them in practice (Dlugosz, 1992, 240-245).

According to another study conducted in 1994, the Estonian managers considered the problems in finance and taxation as the most serious. Surprisingly, the extensive bureaucracy was the fourth and slow privatization was the sixth largest problem. The weak business culture was considered the ninth largest problem (Klaamann, 1994, 7) [49].

EMOR's 1994 study on job satisfaction shows that "only" one fifth of the top management were dissatisfied with their tasks. One third of the middle management were not satisfied with their jobs. The degree of satisfaction among the Estonian management cannot be regarded as critical, but not particularly good either (Rikson, 1994, 14). The degree of satisfaction can be seen as the double-bladed sword of economic transformation. On the one hand, dissatisfaction can be reflected in the falling profits, and, on the other hand, it may result in managers changing their practices and thus accelerating the economic transition.

[49] Almost similar problems can be noticed in the middle of 1995 (Tamme, 1995, 15).

According to a 1995 study conducted by the Small Enterprise Association of Estonia (EVEA), the average Estonian manager is a 37-38-year-old person with a university degree. In state enterprises the average age of managers was higher than in private companies (Kaubaleht, 1995a, 12).

Comparative management studies show that the Estonian manager is closer to a market economy entrepreneur than their colleagues in any other former Soviet republics (King, 1995, 1; Gorniak, 1995, 21). However, Gorniak's study points that the business aptitude of the Estonian managers is lower than in the Visegrád countries [50].

A study conducted by Vadi and Buono (1995, 1-14) among 391 Estonians emphasizes the role of individuality, a subject which was also raised by other studies (Rose, 1994, 2). Individuality becomes emphasized in regard to teachers, students and business managers. Interestingly, each group is a significant actor in the present and future transformation. In other words, the entrepreneurs accomplish the present transition and the students will later become established as the fully legitimized members of the transition economy.

When concluding the basic characteristics of these researches on the Estonian management culture, two permanent features seem to manifest themselves most persistently: 1) attempt to act independently; 2) reservedness and pessimism. The strongest transition could be perceived in the following subareas: 1) the interest in external management had approached the internal management; and 2) production-oriented management had experienced a move toward market-oriented management.

[50] Some 2000 people from each Visegrád country and a corresponding number from the Baltic States, Russia, Ukraine and Belorussia participated in this study.

Summa summarum, these previous studies seem to indicate that Estonian management is presently more market-oriented than five years earlier. Despite this general conclusion, one must remember that these studies contain several unresolved questions which often have various methodological deficiencies in the background. On account of these problems, this study attempts to concentrate, as closely as possible, on the methodological questions, so that the outcome of this study would be able to fill some of the vacuum created by previous research. The following chapter will tackle the methodological questions arising from this study.

4. METHODOLOGY

4.1. The Major Methodological Problems of This Research

With regard to this study, the methodological problems encountered in organization cultural research can be divided into four major categories: 1) different views on the relationship between organizational culture and organization's external environment, 2) conceptual problems, 3) measurement problems, and 4) problems in analysing findings.

Since a generally accepted paradigm has not been formed in organizational cultural studies so far (Redding, 1994, 323-333), there is an ongoing debate concerning the interaction between the organization management and its external cultural environment. The first important question arising from this debate is **whether the cultural environment of an organization influences the organization management.**

Depending on the answer to this question, the field separates into two major schools (Adler, 1984, 62): the *"universalist"* and *"culturalist"* schools. *The universalist school* emphasizes the culture-free characteristic of organizational behaviour. *The universalist school* stresses that organizations' technological level (Negandhi, 1979, 332; 1985, 69-97), economic level (Drenth, 1985, 29), size, ownership and industry (Hickson et al., 1977, 356; Kuc et al., 1980, 253-270), tasks (Caves, 1980, 64-92), and structure (Hsu et al., 1983, 975-996) shape the organization management extensively more than the surrounding culture.

The culturalist school challenges universalism in management and insists on the culture-specific characteristic of management (Child - Kieser, 1979, 267). For instance, Megginson and McCann (1965, 20-23) found the principles and functions of management universal, but the process of management culture-bound [51]. A similar thought has been formulated by Crozier (1973, 49-50), when he states that even though managerial strategies are rational, management itself is a man-made construct which is heavily dependent on culture.

Hofstede (1980, 323) also emphasizes culturalism when he writes that although the goals and practices of management are rational, their final form is much culturally variable, which can receive a non-rational form from other culture's perspective. One of the strongest argument for culture-bound characteristic of management has been formulated by Schein (1985a, 315) in his statement that *"there is no such thing as a culture-free concept of management"*.

The dispute between *the universalists* and *culturalists* essentially contains a debate about the future development. *The universalist school* claims that organizational cultural features will become similar (*convergence*) whereas *the culturalist school* insists on organizational cultural features maintaining their character or becoming exaggerated (*divergence*).

Convergence thinking is underlined, for instance, by Farmer and Richman (1965, 400), when they claim that *"... managerial and technological necessity presses all types of cultures toward a common road, nations everywhere become more similar."*. Negandhi's (1984, 151) emphasis is similar, when he states that, *"the logic of technology is taking over man's differing beliefs and value orientation. Increasingly, the road*

[51] Nath (1969, 217), however, states that *"it is likely that few management priciples will be found to be truly universal"*.

is becoming one". The role of technology in *the convergence* of organizational behaviour is also pointed out by Webber (1977, 42), when he writes that *"technology ... exerts a major force towards making work and society more similar wherever industrialization occurs"*.

The convergence of management culture is contrasted by Hofstede (1983, 85; 89), who states that, *"the naive assumption that management is the same or is becoming the same around the world is not tenable in view of demonstrated differences in national cultures. ... The convergence of management will never come "*. The preservation of management differences is also insisted on by Ajiferuke and Boddewyn (1970a, 157), when they claim that *"managerial differences will remain a permanent feature of management around the world as differences in culture and personality abound"*.

An integrating view in *the convergence-divergence* debate is forwarded by Child (1981, 303-356), who argues that, while some variables, like organizational structure and technology, are converging, other variables tend to maintain their cultural characteristics. A similar idea is expressed by Adler (1984, 62), who sees organizations becoming more similar worldwide while the behavior of the people within those organizations maintains its cultural specificity.

Even though one would be convinced that the cultural environment influences at least the organizational behaviour, the methodological problems encountered in organizational cultural studies are far from being solved. Thereafter, one needs to ask the following critical question: **what is the external cultural environment of an organization?**

The external cultural environment of an organization was generally *is becoming one".* The role of technology in *the convergence* of organizational behaviour is also pointed out by Webber (1977, 42), when he writes that *"technology ... exerts a major force towards making work and society more similar wherever industrialization occurs".*

The convergence of management culture is contrasted by Hofstede (1983, 85; 89), who states that, *"the naive assumption that management is the same or is becoming the same around the world is not tenable in view of demonstrated differences in national cultures. ... The convergence of management will never come ".* The preservation of management differences is also insisted on by Ajiferuke and Boddewyn (1970a, 157), when they claim that *"managerial differences will remain a permanent feature of management around the world as differences in culture and personality abound".*

An integrating view in *the convergence-divergence* debate is forwarded by Child (1981, 303-356), who argues that, while some variables, like organizational structure and technology, are converging, other variables tend to maintain their cultural characteristics. A similar idea is expressed by Adler (1984, 62), who sees organizations becoming more similar worldwide while the behavior of the people within those organizations maintains its cultural specificity.

Even though one would be convinced that the cultural environment influences at least the organizational behaviour, the methodological problems encountered in organizational cultural studies are far from being solved. Thereafter, one needs to ask the following critical question: **what is the external cultural environment of an organization?**

The external cultural environment of an organization was generally thought to be the same as the nation-state until the study by Triandis et al. (1972). One of the most remarkable findings of this study was the distinction made between the cultural environment of a nation-state and the ethnic cultural environment. The essential argument proposed in that study could be paraphrased as one nation may contain several cultures, and a culture may be presented in many nations.

This perspective is well justified but has not managed to replace the nation-state perspective in organization cultural studies (Hofstede, 1983, 77; Kelley et al., 1987, 28). Tayeb (1988, 154) considers the nation-state approach most practical in organization cultural studies as organizations are influenced by national institutions. A similar idea is emphasized by Smith (1992, 39-50), who points that managers within a single national culture work under a unified legislative system, with substantial impact upon organizations and industrial relations.

Even if we were capable of accurately defining the cultural environment which is manifested in the organization's management culture, we would then have to deal with the question of **how the external culture is reflected in an organization.**

In the model proposed by Drenth (1985, 36) the cultural manifestation can occur in three different ways. Firstly, culture can be directly manifested in an organization, where it continues to reflect in the personnel. Secondly, cultural features can first manifest in individuals, who then project them within an organization. Thirdly, cultural factors may deviate or moderate between organizational features and individual behaviour or attitudes.

This model provides a clear guideline to various channels through which the external cultural environment is reflected in organizations; however, certain studies have proved that although cultural factors can be manifested when some individuals are concerned, the same factors may have little or no effect on others (Forehand - Gilmer, 1964, 361-382). The same idea is stressed by Tung (1986, 245), when she argues that managerial styles, strategy and structure do vary among organizations within given locality.

The heterogeneous impact of external cultural factors upon the organizations will inevitably raise another question of why the organizational management cultures deviate from one another within the same environment. Is deviation caused by the cultural environment or are the organizations capable of independently shaping their cultures? Therefore, the next fundamental question that needs to be asked is **whether an organizational culture should be regarded as an independent culture.**

According to Smircich (1983, 347), this question is answered differently by two schools of study - the defenders of the *"is-approach"* and the *"has-approach"* [52]. The advocates of *the is-approach* argue that an organizational culture is a root metaphor, which influences every function of a company. According to this view, organizational cultures have a *"personality"* or are *"individuals"* (Eldridge - Crombie, 1974, 88) and *"unique"* (Clark, 1972, 178). *The has-approach* bases its argument on a hypothesis that culture is only one part of an organization and culture can be seen as an analogous phenomenon to the organizational structure and technological system (Pennings - Gresov, 1986, 317-334).

As has been explained earlier, various different perspectives bring a great deal of confusion into the field of research. For Hofstede (1983, 89) one

[52] Smircich's has-approach can be compared to Czarniawska-Joergens's (1992, 75) idea of *"organizations-as-machines"* and is-approach to the idea of *"organizations-as-organisms"*.

solution to the problems is the combination of the theories, in other words, creating *"management anthropology"*. Besides the creation of management anthropology, the terminology of organization cultural studies would need clarification.

A homogeneous use of terminology would be important because the use of organizational cultural terminology is extremely heterogeneous, and sometimes very inconsistent. This is largely due to the term of organizational culture being *"a polemical concept"* (Reichers - Schneider, 1990, 23-24), in which most of the concepts overlap and intertwine.

The inconsistent terminology has resulted in an erroneous use of the term organizational culture without any consideration of whether the phenomenon researched will reach cultural level of depth (Nath, 1986, 253-254; Denison, 1990, 30). Consequently, organizational culture has become a general term, which has been used to describe nearly all the complicated parts of an organization (Heller, 1985, 15). In fact, the term culture could simply be left out or replaced with another term in several researches (Weick, 1985, 381-382).

Even though the researcher could formulate a critic-proof theoretical definition for organizational culture, he would still encounter problems when conducting the empirical part of the research. In other words, the next methodological problem to be confronted is **how to measure the organizational culture itself.**

The measurement problems of cultural studies have been summarized by Nath (1986, 252) when he states that most of the cultural studies suffer from serious design and methodological problems [53]. These fundamental methodological problems often endanger the validity and reliability of cultural study [54].

The first prerequisite for the method in cultural studies is that it can penetrate into deeper levels of culture, instead of measuring only superficial cultural features, which are not necessarily permanent factors in the community studied. The role of qualitative cultural research becomes highlighted when the study wishes to penetrate beyond the superficial cultural characteristics [55].

In addition, the research method should view culture comprehensively. With a comprehensive research method one can produce findings, which would depict the whole culture instead of one part of it (Louis, 1985, 131). In order to achieve a comprehensive view in cultural studies, the quantitative research method must be taken into account.

The research method should produce accurate information about the phenomena. Information may be consciously withheld on account of questions causing embarrassment or threatening the anonymity or the position of the respondent (Mirvis, 1985, 208-209; Schein, 1985a, 137).

An example of unintentional withholding of information can be the inability of the respondent to comprehend the terminology used by the

[53] Due to methodological problems most of cultural studies are *"methodologically indefensible"*(Triandis et al., 1972, 36-37).

[54] According to Bowditch and Buono (1993, 46) *"reliability refers to the consistency and stability of the measurements in question. Validity, by contrast, refers to extent to which the measure used actually measures what it purports to measure"*.

[55] The benefits of longitudinal research have been pointed out by many researchers, such as Triandis (1972, 43), Pettigrew (1979, 571), Sekaran (1983, 64), Siehl and Martin (1988, 102), and Denison (1990, 193).

researcher. These comprehension difficulties arise when the researcher uses culture-bound terms which have no equivalence in the other culture. According to Ronen (1986, 26), most research to date contains a distinct Western bias; therefore, we might justifiably question its applicability to non-Western cultures.

Thirdly, the respondents may consciously misrepresent information. Thus their purpose may be to present a better image of their organization, of themselves, or they may wish to please the researcher. Sekaran and Martin (1982, 51-65) noticed that respondents try to please researchers by giving answers they expect the researcher to want.

Fourthly, respondents may unintentionally misrepresent information by telling more of their own dreams than of their reality. This problem was brought to surface in a study by Dlugosz (1992, 240-245), in which Polish managers were observed to criticize socialist management, but in the end act according to socialist patterns. Therefore, the Polish managers' estimates of their own management were based more on wishful thinking than reality.

To sum up, some cultural characteristics seem to demand the use of the qualitative and some the use of the quantitative research methods. On the other hand, both research methods have their own inadequacies. Jones (1988, 35) has summarized the basic features of the quantitative and qualitative research (e.g. Table 10.).

Table 10. The comparison of quantitative and qualitative research methods

Dimension	Quantitative	Qualitative
Field	Social "scientific"	"Humanistic"
Goal	Establish general trends, correlations between dependent and independent variables	Uncover meanings in particular settings
Assumption	Researcher is independent of "subjects"	Researcher influences situation and is affected by those studied
Categories	A priori, imposed peculiar to situation	Inherent, emergent,
Techniques	Administer tests, measures	Interview, observe, experience (directly or vicariously) participate
Instruments	Polls, questionnaires, surveys	Self (multisensory)
Understandings	Through concise statement of problem, articulation of hypotheses, systematic testing	Evolve or emerge as events unfold and evidence mounts
Relationships postulated	Forces within structure/ system	Thinking, feeling individuals as active forces in setting
Concerns	Validity, repeatability, comparability of "data"	Uniqueness; effects of researcher and those studied on one another (trust, rapport); meaning and action "in context"
Limitations	Investigates only what can be readily hypothesized and tested through instruments	Not repeatable, not easily comparable across settings
Image to critics	Atomistic, reductionist, "cold"; with "obvious" or only "common sense" conclusions	"Fuzzy", and unscientific; findings are supported by "anecdotal" evidence

In conclusion, one can state that both the quantitative and the qualitative research methods have their own distinctive methodological restrictions[56]. Given these methodological problems, one should realize that the task of measuring culture is far from being simple. The researcher, even having succeeded in obtaining accurate information about the research object, would still have to confront the problem of **how to analyse the findings.**

The analysis of findings is strongly affected by the attitude of the researcher towards cultural study and the role of culture in an organization. Secondly, the researcher is always the prisoner of one's own culture and forced to analyse the findings through the "lenses" coloured by that particular culture. Several researchers in fact point out that in no circumstances, including research conditions, can a researcher be cut off from one's cultural background (Serpell, 1978, 20-36; Schein, 1985a, 113; Ronen, 1986, 26; Phatak, 1992, 38; Tayeb, 1994, 443).

To sum up the question of objectivity, one can state that the highest possible degree of objectivity in cultural studies is 'the subjective objectivity' of the researcher. In other words, the researcher aims at objectivity but acknowledges one's subjectivity at every stage of the research. However, the subjective analysis of findings can be reduced by a choice of approaches and methodological means, which are the subject of the following discussion.

[56] According to Downey and Ireland (1979, 63) *"both qualitative data and quantitative data have their place in organizational research. The pertinent questions concern the 'where's' and 'when's' within a specific research context"*. Many cultural researchers have recommended the combination of the quantitative and qualitative methods in management and cultural studies (Denzin, 1978, 291; Jick, 1979, 602-611; England - Harpaz, 1983, 49-59; Podsakoff et al., 1986, 96; Siehl - Martin, 1988, 80; Denison, 1990, 191-194). Despite the advantages of the combination, in practice it has proved quite impossible (Nath, 1986, 255). For instance, according to Czarniawska-Joergens (1992, 186), *"a study of an average complex organization, assuming intensive participation and a multimethod approach, would require a team of 5-10 people, fully employed for about five years"*.

4.2. Approaching the Research Subject

On account of the methodological problems presented earlier, some methodological clarifications have to be made on how this research approaches the subject. First, the starting point of this research is that the environment of an organization does influence its management behaviour, as it affects all the spheres of human behaviour.

The definition of the cultural environment of an organization will be approached from the nation-state perspective. This perspective emphasizes the role of the operational environment of the nation-state in the shaping of management culture. In practice, the nation-state approach means that the Estonian management culture and its transition will be studied during the period of the independent Estonia.

According to the nation-state perspective, the Estonian management culture was created when Estonia gained its independence for the first time in the aftermath of the First World War and the October revolution. However, with the annexation of Estonia into the Soviet Union during the Second World War, the Estonian management culture was suppressed. The 'rebirth' of the Estonian management culture happened in August, 1991 [57].

[57] The date of Estonia's independence is not straightforward because although Estonia proclaimed its independence from the Russian empire on February 24 in 1918, Soviet Russia recognized Estonia's independence in the peace treaty of Tartu on February 2 in 1920 (e.g. Clemens, 1991). It is not easy to determine the exact time when Estonia was annexed into the Soviet Union because several socialization measures were taken in Estonia before the official annexation on August 6 in 1940 (Saar, 1980, 7). Estonia proclaimed its separation from the Soviet Union on August 20 in 1991, which the Soviet Union recognized a few weeks later - on September 6 in 1991.

Estonia's past management culture could offer a useful perspective to the present transition of management culture, however, it is extremely difficult or even impossible to come up with reliable information and findings from that period. Consequently, this research has confined the management cultural transition of Estonia to the 1990s - from the independence of Estonia until the end of this decade. The nation-state approach means that the Estonian management culture is not created only by ethnically Estonian managers but all the managers operating in the enterprises registered in Estonia.

The question of how external management culture manifests in an organization will be approached from a hypothesis that the external environment is reflected in all the personnel within the organization. Within the limited framework of this research, it is not possible to study how all the personnel view the transition of the Estonian management culture, the research is confined to the study at the manager level. Another argument for focusing on the managers is that they have the greatest influence on the shaping of the company's management culture. Furthermore, the management culture in this study means the organizational subculture that has been created within the management group.

This research is a polycentric research, which is designed to describe managerial practices within a foreign culture (Adler, 1983, 29-47; Adler, 1984, 41). The purpose of a polycentric study is to identify the patterns of relationships which describe a particular foreign culture. Polycentric studies are designed to answer a question of how managers operate in a certain country.

In this research managers operating in Estonia will evaluate the transition of the Estonian management culture. This Estonian perspective was chosen in spite of the fact that some researches recommend the inclusion of more than one perspective (Hofstede et al., 1993, 483-486; Lehtonen, 1993, 19-20). This means that these studies emphasize, for instance, that the particular phenomena should be evaluated by experts both inside and outside it [58].

On the whole, this study is descriptive with the aim of describing a phenomenon as accurately as possibly, instead of formulating theoretical models. There were several reasons pointing to the choice of descriptive study. To begin with, due to the leading position of this study, it is too early to draw any generally applicable conclusions.

First and foremost, this is a study appropriate for a description of the conditions in Estonia. This study requires other comparative research on other transition economies beside it before any generalizations can be made. Secondly, it is crucial to know a phenomenon sufficiently well before drawing accurate conclusions on it. This stresses the role of further qualitative research, in particular [59].

All in all, the situational description of managerial transition in this study aims at strengthening the basis for future research, which signifies that this comprehensive description tries to focus future research on more detailed tracks. How this research was conducted will be described in more detail in the following section.

[58] In practice, the integration of many perspectives and approaches can be extremely difficult. An example of this is an Indian fable of an elephant being studied by six blind men. They all came to different conclusions depending on their perspective (Czarniawska-Joergens, 1992, 71; Hofstede et al., 1993, 483).

[59] According to Alkula et al. (1994, 188), descriptive study aims at representing an unfamiliar phenomenon as accurately and correctly as possible. 'Unfamiliarity' may mean that this object has not been studied previously or one needs to examine whether any changes have occurred and what kind they are.

4.3. The Accomplishment of the Research

The author has examined the subject from different perspectives in previous studies. The first one of them in 1991 drew a comparison between Estonian, Russian and Finnish management cultures (Liuhto, 1991). Since then, the author has studied the external management environment in Estonia in the 1990s (Liuhto, 1992a; 1994a), the transition of entrepreneurship in Estonia (Liuhto, 1992b; 1995a; 1996a; 1996c), Estonian management culture in the 1990s (1995c), foreign direct investments in Estonia (Liuhto, 1994b; 1995d), and the European Union and Estonian entrepreneurship (Liuhto, 1996b). Besides these studies on the national level, the author conducted a research which analysed the management in the former socialist bloc (Liuhto, 1993).

The accomplishment of the actual PhD work was started in the autumn of 1993. At the beginning of this study the attention was focused on literature on management and Soviet enterprise management[60]. The aim of this perspective into Soviet enterprise management was to point to the most fundamental subareas of management while moving from the planned to a market economy.

Because of its nearly pioneer position, in terms of study on the managerial transition in Estonia, this research was compelled to select a comprehensive perspective. Since it would have been impossible to simultaneously conduct a comprehensive and detailed study, some restrictions had to made concerning the research subject here. At first, its

[60] Studies on the organizational management behaviour in the Soviet Union worth mentioning are: Berliner (1957), Granick (1960; 1972), Andrle (1976), Banai - Levicki (1988), Berliner (1988), Grancelli (1988), Lawrence - Vlachoutsicos (1990), and Kiezun (1991).

time span had to be defined within the 1990s. As the reasons for restricting the research subject within the 1990s were explained earlier, they will not be returned in this context.

An important thing to notice is that the research subject was further limited to concentrate on an analysis of managerial transition only in independent Estonia. This is, first and foremost, due to the nation-state perspective which emphasizes the study on the transformation during the independent Estonia.

In addition to the problems connected to the definition of the chronological framework, the accomplishment of the study ran into several problems regarding the collection of empirical data. Because the study aimed at analysing the transformation of the Estonian enterprise management as comprehensively as possible, the quantitative research method was a natural choice.

The method chosen to be used in the collection of data was inquiry because interviews might have risked the reliability of answers. It was perhaps easier for Estonian managers to participate in this study when their anonymity was guaranteed by the method of research. Given these, the method of inquiry, which enabled anonymity, was practically the only possible alternative for the collection of research data.

The inquiry operated so that the managers who participated in the study were asked to evaluate the state of their company's management during three different periods of time: on the eve of independence (1991), in 1995, and at the end of this millenium. The managers were to evaluate the state of external managerial environment, organizational management functions and managerial functions at each period of time.

These three subareas of management are divided into 20-25 questions (e.g. Appendix 4.). The aim was to study, through these questions, the state of the most essential subareas at three different points of time. As the questionnaire was directed at Estonian managers, it was designed with the help of an Estonian expert at research and business. The role of Estonian experts was crucial in eliminating those questions that cannot be applied to the Estonian entrepreneurial conditions[61].

The questions on the management transition are based on a seven-point scale. Seven-point scale can more effectively indicate transition than the five-point scale[62]. A simple explanation for this is that respondents have to mark three answers to each question.

The final part of the questionnaire consists of a series of questions which concern managers' attitudes to the most important subareas of enterprise management. Three questions inquired from Estonian enterprise managers how they view the impact of the Soviet era on Estonian enterprise management. These questions do not examine transformation because results concerning past or future attitudes are, in a scientific sense, quite unreliable. To examine the transition of managers' attitudes would in fact require a reconduction of the study in the future. Likert's five-point scale is the method used in the questions about managers' attitudes [63].

[61] The importance of assistance on part of the researched culture is underlined, for instance, by Malpass (1977, 1069-1079).

[62] According to a study by Sekaran (1983, 62-62), the five-point scale is not considerably more sensitive than the four-point scale.

[63] The questionnaire contained two questions which aimed at scrutinising how carefully the managers had replied these questions. These questions were thought necessary because previous experiences in the former Soviet Union indicated that managers may answer the questionnaire very carelessly if promised a reward for participating in the inquiry. These two questions are discussed in more detail in the following chapter.

The questionnaire was translated from Finnish into Estonian. The Estonian translator of the questionnaire had sufficient knowledge of the specific terminology used. It is extremely important to maintain the vocabulary equivalence as well as the idiomatic equivalence (Triandis et al., 1972, 45; Sekaran, 1983, 61-73) [64]. After the questionnaire was translated into Estonian, the Finnish translator re-translated the text into Finnish in order to ensure that the contents of the questionnaire had remained the same (Adler, 1984, 54) [65].

The questionnaire was translated into Estonian although it was known that ethnically non-Estonian managers would also be among the participants. Other languages besides Estonian were not used as it is extremely difficult to maintain the equivalence in several languages. The loss of the equivalence would have endangered the comparability of the findings.

Since it would have been impossible to examine all the enterprises within the framework of this study, a representative sample had to be used. An appropriate sample for this study is defined as consisting of 300 companies, which, at the time when this study was conducted, represented one per cent of the operating companies in Estonia. The choice of the representative sample, however, created a problem. This problem originates in the Estonian enterprise statistics which can offer fairly misleading information because they also register non-business organizations. Secondly, many of the registered organizations are non-operating. Unfortunately, no reliable statistics were available on operating

[64] The acknowledgement of idiomatic correspondence in management studies on transition economies becomes increasingly important as a great deal of the basic terminology of market economy has a fairly unfamiliar content to many in transition economies or a meaning very different from the "Western" version (Jankowicz, 1994, 489-502).

[65] The questionnaire in the appendix was translated into English so that it can be applied outside Estonia. The original questionnaire in Estonian can be obtained from the researcher.

companies when this study was conducted [66]. Given these facts as *force majeur*, the population had to be based on statistics which included all the organizations registered in Estonia.

The sample could not be selected with methods based on random sampling. The loss percentage of the random sample would have grown far too high since the operating companies represented only 28 per cent of all the registered organizations. This loss would have been further intensified by the inevitable loss percentage of inquiry study, which is particularly high in transition economies because enterprise managers are quite reluctant to release information about their company to any outside party. Had the study been conducted on the basis of random choice, the return percentage would most probably have been less than 10, thus further impeding the possibility of generalizing the findings to the organization sector as a whole.

In order to resolve these problems, this study had to define the sample in a different way. First, 300 companies were cross tabulated so that they would represent the entire organization field of Estonia in terms of their fields of acitivity and registration places. In other words, the shares of these 300 companies corresponded to the industrial and geographical distribution of the Estonian organization field. After this, the task of an Estonian expert was, on the basis of these distributions, to find 300 companies whose size and ownership would represent the organization statistics of Estonia as closely as possibly [67].

[66] Perhaps the most optimal grounds for distinguishing between the operating and non-operating companies would have been to find out which companies had paid their income taxes. Unfortunately, at the time when this study was conducted, the Estonian tax authorities did not release the contact addresses of these companies to the researcher - a situation likely to prevail in the future, too.

[67] According to Nurmi (1978, 71-80), in terms of cultural studies, one should remember that the statistical representativeness is not necessarily analogous to cultural representativeness.

In addition to these, the studied companies were selected so that 3-5 per cent of their managers would have ethnically Russian backgrounds. Furthermore, the sample was intended to contain some 15 per cent of foreign-owned companies, which corresponds to the share of foreign companies from all the operating companies in Estonia.

A third important argument for the choice was that as many as possible of the studied companies had operated before the independence of Estonia. The emphasis on operations during the Soviet era stems from the aim of this study which was to analyse the transformation of management from the planned system toward a market economy.

Even though the selection of the sample does not orthodoxily follow scientifically puristic sampling methods, one must point out that the methodological problems of this study cannot justify for not accomplishing an important study (Adler, 1984, 31-67).

The empirical data was collected during the first half of 1995. Before the actual inquiry was conducted, a pilot study was made for ten Estonian companies with the purpose of improving the content and form of the questionnaire. The improvement of the content meant that all the proposed arguments would be made as clear and unambiguous as possible. The improvement of the form, on the other hand, meant that the questionnaire form would be as visually attractive and instructionally clear as possible. The questionnaires were sent to companies in March-April and the last questionnaire was returned in July 1995.

Regardless of the drawn reward of 5000 Finnish marks[68] and two reminders, only 114 filled questionnaires were returned (the return

[68] The value of this gift certificate was quite high as it corresponded to the average monthly salary of an Estonian managing director (Môtsar, 1995b, 14).

percentage was 38) [69]. The loss percentage was particularly high among small enterprises. One reason for such a high loss percentage was the exacting nature of the questionnaire - to fill it carefully required at least an hour from the respondent.

Another major explanation for this loss may have been the fear of misuse of information, which in turn originates in the increasing organized crime in Estonia. Thirdly, some Estonian companies may have been unwilling to answer the questionnaire because they attempted to evade taxes and were therefore afraid of their financial data ending up in the hands of tax authorities.

These reasons might have been the grounds for the reluctance on part of small enterprises to answer the questionnaire. Only 17 per cent of the companies with less than 10 employees participated in this study. The share of operating companies in this size category is multiple. The share of the companies with less than 10 employees from all the organizations was nearly 90 per cent (e.g. Table 11.).

Table 11. The distribution of the sample and the Estonian organization field by personnel size at the end of 1994 (N=114; N= 83 371)

Personnel size	Sample	Organization sector
0-9	17.5%	88.2%
10-49	27.2%	8.8%
50-99	7.9%	1.6%
over 100	47.3%	1.4%

[69] In addition, some of the questionnaires were filled in inadequately. This happened in mainly two ways. On the one hand, some arguments were not answered at all, perhaps on the grounds of uncertainty about that particular issue or a complete failure to understand the argument. On the other, those arguments that were meant to be evaluated at three different points of time were deficiently answered. Therefore, the number of respondents (N) differs between various questions and points of time.

As the table above clearly indicates, the company size of the sample and the distribution of the Estonian organization field do not correspond much to one another. By distribution, the sample is substantially larger than the Estonian organization field.

Even though the sample does not correspond to the small-enterprise-centred organization sector in Estonia, the representation with regard to large enterprises is considerably better. This simply results from the number of companies with over 100 employees being as much as 51 in this study, which corresponds to some five per cent of all the organizations of this size in Estonia.

In fact, a more interesting indicator than personnel size would be the distribution of turnover. Unfortunately, the distribution of turnover in the entire Estonian organization field was not available so the sample could not be compared with the population. The following table nonetheless divides the studied companies on the grounds of the company turnover (e.g. Table 12.).

Table 12. The distribution of the sample by turnover in 1994 (million EEK)

Turnover	Share
0.0- 0.99	11.8%
1.0- 9.99	27.5%
10.0-49.99	27.5%
50.0-99.99	10.8%
over 100.0	22.5%

Similar to small enterprises, the majority of companies within trade did not return the questionnaire sent to them. This may stem, firstly, from the fact that most of the small enterprises registered in trade operate only periodically in projects, which means that their operations begin when the opportunity knocks. Secondly, the majority of organizations registered in trade and services in Estonia are non-operating, operate during certain projects or are small kiosks. In practice, this signifies that the share of trade from operating companies is considerably smaller than the statistics might lead one to assume. An important thing to notice is that most of the small enterprises actually operate within trade and services. Therefore, the deviation in the company size inevitably produces a deviation in the distribution of the field of activity.

While trade and services were underrepresented, industries in or related to manufacturing became overrepresented. However, the fact that capital-intensive organizations were overrepresented may produce even more interesting results because a successfully proceeding transition of industrial enterprises, in particular, constructs a foundation for the accomplishment of the overall economic transition. The following table compares the sample with the population, i.e. the organization sector of Estonia (e.g. Table 13.).

Table 13. The industrial distribution of the sample and the Estonian organization sector in 1995 (N=114; N= 83 371)

	Sample	Organization sector
Agriculture and forestry	5.3%	12.9%
Fishery	1.8%	0.3%
Mining	0.9%	0.1%
Industry	23.7%	10.6%
Energy	1.8%	0.5%
Construction	6.1%	5.0%
Trade	20.2%	37.1%
Restaurant and catering	2.6%	4.4%
Transport	8.8%	3.7%
Finance and insurance	7.0%	0.9%
Real estate and business serv.	1.8%	10.8%
Others	20.1%	13.7%

The geographical distribution indicates that most of the companies are registered in Tallinn, where more than half of the studied companies were established. This concentration on Tallinn corresponds quite well to the Estonian organization field. However, one needs to point out that Tartu was underrepresented and Pärnu, along with Ida-Viru with a Russian majority, were overrepresented in the sample.

The overrepresentation of Pärnu may emerge from the Estonian coordinator of the questionnaires being the managing director of Enterprise Association of Pärnu. Due to his position, he is in possession of detailed information about the companies operating within the area of

Pärnu, which may have increased the probability of Pärnu companies to participate in this study.

When other regions are concerned, it seems difficult to find any explanation for the companies' varying enthusiasm to participate in the study. Summa summarum, regardless of these small deviations, the geographical distribution of the sample seems a fairly good representative of the Estonian organization field. The following table presents the geographical distribution of the studied companies and the Estonian organization field as a whole (e.g. Table 14.).

Table 14. The geographical distribution of the sample and the Estonian organization sector in 1995 (N=114; N=83 371)

	Sample		**Organization sector**	
Harju county	49.1%		46.9%	
Tallinn		*48.2%*		*40.7%*
Hiiu county	0.9%		0.9%	
Ida-Viru county	8.3%		6.9%	
Kohtla-Järve		*1.8%*		*1.7%*
Narva		*2.6%*		*2.2%*
Sillamäe		*0.0%*		*0.6%*
Jôgeva county	0.9%		2.3%	
Järva county	1.8%		2.5%	
Lääne county	1.8%		2.4%	
Lääne-Viru county	2.6%		4.0%	
Pôlva county	4.4%		2.9%	
Pärnu county	12.3%		6.6%	
Pärnu		*7.9%*		*3.3%*
Rapla county	0.9%		2.1%	
Saare county	2.6%		2.7%	
Tartu county	4.4%		10.5%	
Tartu		*3.5%*		*6.9%*
Valga county	2.6%		2.4%	
Viljandi county	6.1%		4.2%	
Vôru county	0.9%		2.7%	

The studied companies are very much foreign trade oriented, i.e. 39 per cent of the sample are involved in foreign trade. The role of foreign trade is extremely important for these companies, which becomes evident in the share of exports - nearly a half (47%) - from the turnover of these companies. The corresponding variable in imports is slightly smaller - about one third (31%). However, if the share of foreign trade is examined in terms of the turnover of the entire sample, it is naturally smaller. The share of export is only eight per cent and the share of import even lower - six per cent - from the turnover of all the companies in this sample.

While analysing the ownership of the studied companies, one can observe that nearly half of the companies are privately owned (48%). The share of state and municipal enterprises amounts to slightly less than one third (32%). Juridical persons control one fifth of the companies (20%). It is most probable that most of the latter are in the end owned by private persons. Thus, the sample is more centred on state and municipal ownership than the organization field as a whole. One needs to remember that less than two per cent of all the registered organizations were in direct state or municipal ownership at the beginning of 1995.

The sample and its emphasis on state and municipal enterprises are largely a result of the great participation rate in this study by industrial enterprises, which often still remain in state ownership (e.g. Appendix 2). Foreign ownership exists in 26 companies, which form slightly more than one fifth of the entire sample.

While the section above examined the demographic factors of the studied companies, one needs to survey the backgrounds of those enterprise managers who answered the questionnaire. Most of these managers are part of the top management: either general managers or managing directors (77%). The share of lower management is therefore only slightly less than one fourth (23%).

71 per cent of the managers who participated in this study had operated in managerial positions already during the Soviet era. In principle, these managers had held managerial positions in state or municipal companies (68%). 15 per cent of the managers had been in the management of cooperatives and six per cent in joint ventures. The rest one tenth of them had operated in managerial positions in other organizations during the Soviet era.

The majority of the managers are ethnically Estonian (96.5%). The share of ethnically Russian managers is therefore only under four per cent. These shares represent the overall situation quite accurately, according to Estonian experts [70]. In general, the managers had a university degree (89%). Only 11 per cent had other degrees. This distribution of education also seems to correspond rather well to the situation as a whole in Estonia (Kaubaleht, 1995a, 12).

The average age of the managers in the sample is 42 years (the median 40 years). The managers under 30 years old represent 11 per cent, 30-39 years old 39 per cent, 40-49 years old 25 per cent and the managers over 50 years old 26 per cent of the sample. Even though the average age of the managers in this sample is slightly higher than that of the Estonian managers in general, one needs to point out that most of them belong to the top management, which inevitably raises the average age of the sample (Kaubaleht, 1995a, 12). Secondly, had small enterprises responded this inquiry more actively, the average age of the managers in this sample would most probably have decreased.

[70] The Russian share is based on the estimation of Heino Tammiste.

A multicultural specialist group was formed so that the cultural subjectivity of the researcher could be reduced in the analyses of the data (Berrien, 1970, 33-34; Triandis et al., 1972, 55; Nurmi, 1982, 266; Miller, 1984, 80) [71]. This group included three Estonian and two foreign experts. The role of Estonian managers was crucial because through them the researcher was able to absorb many new ideas and perspectives into this study, thus hoping to decrease the Western bias. The final version of the PhD thesis was completed in the spring of 1996.

[71] This study applies the Pearson chi-square test to distinguish between the differences of answers of company managers.

5. THE MANAGERIAL TRANSITION IN ESTONIA IN THE 1990s

Before describing the managerial transition in Estonia, one needs to analyse how the company characteristics have transformed. The transition of their financial state may assist in understanding the managerial transition.

5.1. The Transformation of the Company Characteristics in Studied Enterprises

In the studied companies, the arithmetic average of the employees was nearly 500 in 1992. Had only the biggest employer in Estonia been excluded, the average would have fallen by some 100 employees. Despite this fall, the average personnel size of the sample would still be considerably higher than in the whole Estonian organization sector, which was only 23 employees per company (e.g. Liuhto, 1996a).

Since some large enterprises distort the information produced by the arithmetic average, a median could provide more accurate information. The median indicates that the studied companies employed some 90 people more at the end of 1994, which was 20 employees more than two years earlier. The enterprise managers estimate that the number of employees will start to fall in the second half of the decade. By the end of the decade the median will have decreased to the level of 1992.

Although the Estonian managers expect a decrease in personnel size by the end of the millenium, this decrease is mostly due to the dismissals of employees in large enterprises. Companies with over 100 employees will cut down their personnel while smaller companies will employ more people.

An illustration of this development is the falling share of companies with less than 10 employees. Their share is expected to fall from one quarter in 1992 to one tenth at the turn of the decade. During a corresponding period, the share of companies with 10-49 employees will increase from 13 to 39 per cent. No significant changes are believed to occur in other company categories.

Regardless of the fall in the personnel size, Estonian enterprise managers predict a substantial increase in the turnover. The rise largely results from huge growth expectations by one Estonian bank. Its manager believes that the turnover of the bank will increase by 40 times from 1994 till the end of the decade, when it would be 100 billion kroons. This growth expectation raises the average turnover of 1999 substantially. If the bank in question would be excluded from the sample, the average turnover would decrease from 1.2 billion to 326 million kroons.

As the average turnover of 300 million kroons may give distorted information on the financial state of the sample, the median may again produce more realistic information. The median in 1994 was 16 million kroons and in 1999 it is estimated to be 38 million kroons. Managers' predictions reflect their confidence in the future development.

Increasing turnover and decreasing personnel size result in the growing efficiency of employees. If this efficiency indicator is formed of the median turnover and personnel size, it becomes evident that the efficiency was doubled from 1992 to 1994. It is expected to increase further by the end of this decade, when the employees are predicted to be six times more efficient than in 1992.

The share of companies with a turnover less than 10 million fell from 55 per cent to less than 40 per cent between 1992 and 1994. The decrease is expected to continue further during the latter half of this decade as this share is estimated to be less than 15 per cent in 1999. At the same time, the shares of medium-sized (10-49.9 million kroons) and large enterprises (over 100 million kroons) have increased. While they represented 33 per cent in 1992, their share rose to 50 per cent in 1994. At the end of this decade they are expected to form three-fourths of the sample.

The majority of companies involved in foreign trade both exported and imported commodities. The geographical distribution of foreign trade indicates that the previously central position of the former SEV countries (over half of a company's exports or imports) has decreased. While the former SEV formed a third of foreign trade in 1992, it fell below one fifth in 1994. Trade with OECD has replaced the former SEV trade. The following table summarizes the transition of the financial state of the studied companies (e.g. Table 15).

Table 15. The transition of the company characteristics of the sample

	1992 (N= 82)	1994 (N=114)	1999 (est.) (N=114)
Personnel			
Average	475	369	297
Median	71	92	75
Distribution			
0-9	28.0%	17.5%	9.6%
10-49	13.4%	27.2%	34.2%
50-99	9.8%	7.9%	10.5%
over 100	48.8%	47.3%	45.6%
Turnover (mn EEK)			
Average	138	185	1234
Median	6	16	38
Distribution			
0.0 - 0.99	20.7%	11.4%	5.3%
1.0 - 9.99	34.1%	28.1%	8.8%
10.0 -49.99	23.2%	28.1%	38.6%
50.0 -99.99	12.2%	10.5%	10.5%
over 100.0	9.8%	21.9%	36.8%
Foreign Trade (mn EEK)			
<u>Exports</u>	(N=28)	(N=36)	(N=39)
Average	26	34	53
Median	2	5	13
Geographical distribution			
OECD-oriented	39.3%	52.8%	41.0%
Ex-SEV-oriented	32.1%	16.7%	12.8%
No clear orientation	28.6%	30.6%	46.2%
<u>Imports</u>	(N=29)	(N=36)	(N=32)
Average	20	22	42
Median	1	3	11
Geographical distribution			
OECD-oriented	31.0%	55.6%	40.6%
Ex-SEV-oriented	31.0%	19.4%	15.6%
No clear orientation	37.9%	25.0%	43.8%

Almost 30 enterprises of the sample had experienced a change in their ownership or funding capital before 1995. The funding capital of companies has been changed more frequently than state companies have been privatized. The slowness of privatization is illustrated by the fact that one third of the sample was in 1995 still in state or municipal ownership[72]. Only one company in the sample had become foreign-owned. Correspondingly, one company previously under foreign ownership was returned to local ownership.

This transformation has by no means come to an end since over 40 per cent of the enterprise managers still expect changes to occur during the second half of the decade. Estimates concerning the future transformation do not deviate significantly from the transformation already completed. In other words, the majority of the enterprise managers expect changes in the capital stock during this decade [73]. Despite considerable transformation pressures, 19 per cent of the sample is expected to remain in state or municipal ownership. The following table contains a summary of the changes occurred or predicted in the ownership and funding capital (e.g. Table 16.).

Table 16. The transition of ownership/funding capital

Transformation before 1995 (N=28)		Expected transformation before 2000 (N=50)	
Change to joint-stock company	28.6%	Change to joint-stock company	18.0%
Change to foreign ownership	3.6%	Change to foreign ownership	2.0%
Change from foreign ownership	3.6%	Centralization of ownership	4.0%
Privatization	28.6%	Privatization	30.0%
Capital stock change	35.7%	Capital stock change	46.0%

[72] Estonian state has received only 2.5 billion kroons from privatization during 1993-1995 (e.g. Kärmas, 1995b).

[73] This study was carried out before September, 1995 when Estonian government raised the minimum capital requirements of companies (e.g. Viron uusi liiketoimintalaki, 1995).

5.2. The Management Transition in Estonia

The managerial transition will be studied in three parts. The first part analyses the transition of the external management environment in Estonia. The second part studies the transformation of the organizational management functions. The third part investigates the transformation of the managerial functions.

5.2.1. The Transition of External Management Environment

Every fifth manager who participated in this research considers the state of the Estonian banking system 'good' in 1995. A corresponding number regards it as worse than 'average'. Confidence in the banking system of Estonia is not increased by the fact that some ten Estonian banks have gone bankrupt, merged with other banks or met with serious financial problems. The bankruptcies and mergers of commercial banks may not be over yet as there are still 21 commercial banks operating in the small Estonian market (e.g. Sôrg, 1994; 1995a; 1995b) [74].

Estonian managers seem to have relatively positive opinion about the Estonian banking system even though Latvia and Lithuania experienced bank crises in 1995. According to an Estonian expert, this positiveness

[74] A few foreign banks also operate in Estonia, such as American Bank of the Baltics and Finnish Merita. In addition to these foreign banks, several have opened their representative offices in Estonia (e.g. Sôrg, 1995a).

simply stems from that Estonia experienced the bank crisis already earlier [75]. A second explanation may be that Estonian managers are not aware of the problems in the Estonian banking system. The possible threats in the Estonian banking system are illustrated by a study which ranked every third Estonian bank lowest or the second lowest on the scale (e.g. Feldmann, 1996).

When analysing the Estonian banking system, one should pay attention to the starting point from where it has begun to develop. Even though Estonian banks still suffer from deficiencies, the system as a whole has been constructed fairly swiftly. This is reflected in the fact that nearly half of the managers believe that the banking system in Estonia has improved since independence (transition average 1.3) [76]. Only two per cent regard the transformation as negative.

These negative views are difficult to explain as the banking system in Estonia seems more reliable and effective than before. In this context, it is necessary to underline that the opinions do not emerge from the disintegration of the former Soviet banking system. One might have prefigured that the payments of the companies which are trading with the post-Soviet republics would suffer from the disintegration of the Soviet Union. However, the data do not support this assumption. All the negative views are articulated in the companies trading with OECD countries.

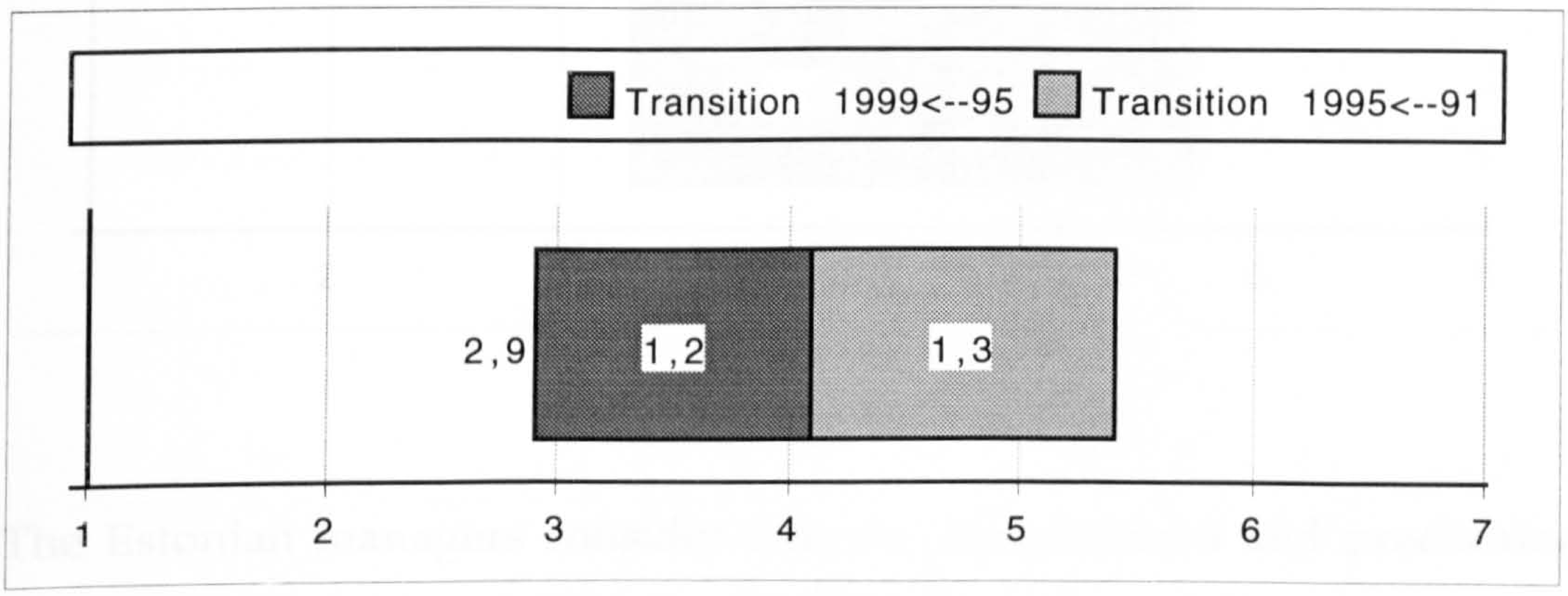
The Estonian managers believe the Estonian banking system will develop

[75] This is based on the estimate of Heino Tammiste.

[76] The term 'transition average' means the average of the Estonian managers' answers regarding transformation between two different points. Three different transition periods are examined in this study: 1991-1995, 1995-1999, and 1991-1999. The term 'state average' is also used here, meaning the average of the answers at a particular period. There are three periods to be examined: 1991, 1995, ja 1999.

to a more positive direction by the end of this decade (transition average 1.2). According to the estimates of the managers, the efficiency and reliability of the banking system will already be 'good' in 1999: state average 2.9 (e.g. Table 17.).

Table 17. The efficiency and reliability of the Estonian banking system [77]



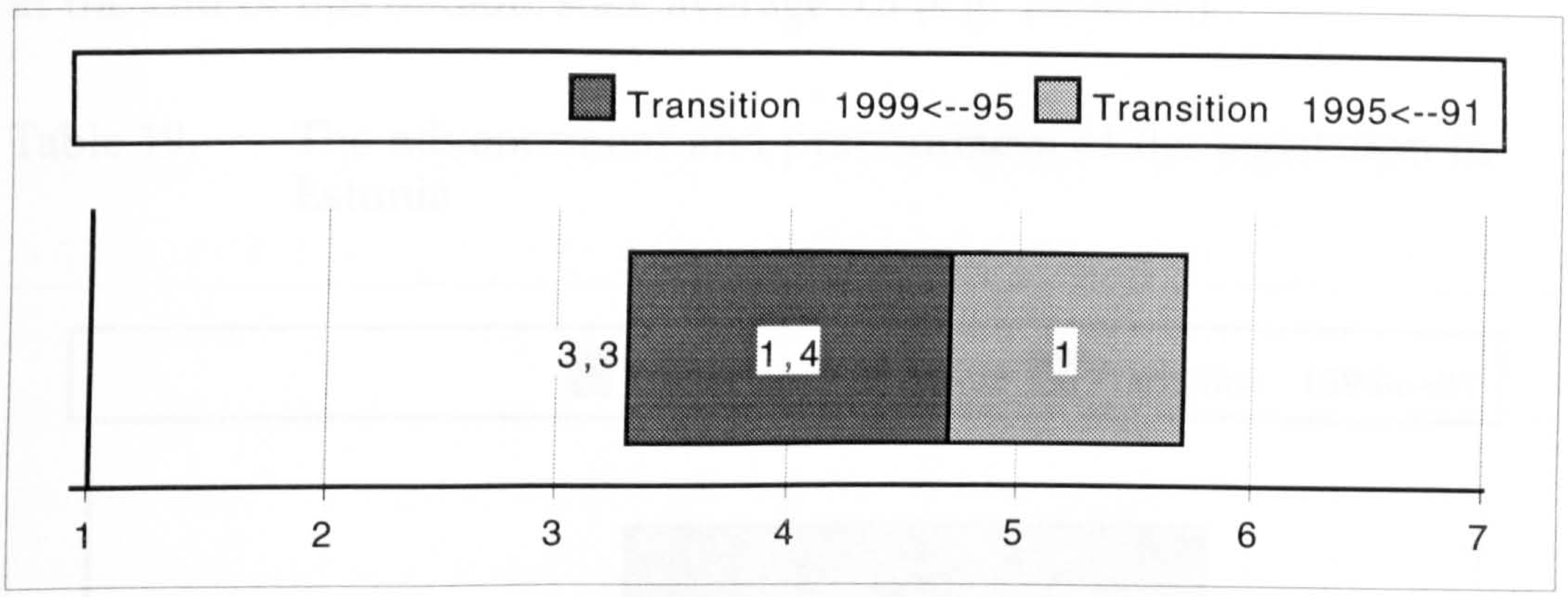
The opinions of the Estonian managers seem to indicate that chances of acquiring reasonably priced funding are very weak in Estonia. Although the term 'reasonably priced' is a relative concept, the views expressed by the Estonian managers can be more easily understood when one remembers that the interest rate of the short-term loans in Estonia was about 20-30 per cent at the time of the implementation of the empirical research. Such a high interest rate complicates the development of enterprise sector as new enterprises demand starting capital and old ones need investment capital for the modernization of production.

One fourth of the managers see improvement in the acquisition of funding since the first year of independence. Positive for future development is that none of the managers believe funding opportunities

[77] The explanations for numbers: 1=extremely good; 2=very good; 3=good; 4=average; 5=poor; 6=very poor; and 7=extremely poor.

will weaken during the latter half of this decade (e.g. Table 18.).

Table 18. Chances of finding reasonably priced funding in Estonia



The Estonian managers consider that the advancement and practicalness of the Estonian legislation were in 1995 almost 'poor' (state average 4.6). The appearance of these negative views comes as a slight surprise as the Estonian legislation is still among the most liberal and efficient in the entire former Soviet Union. However, being the best among the weak is not yet a great achievement.

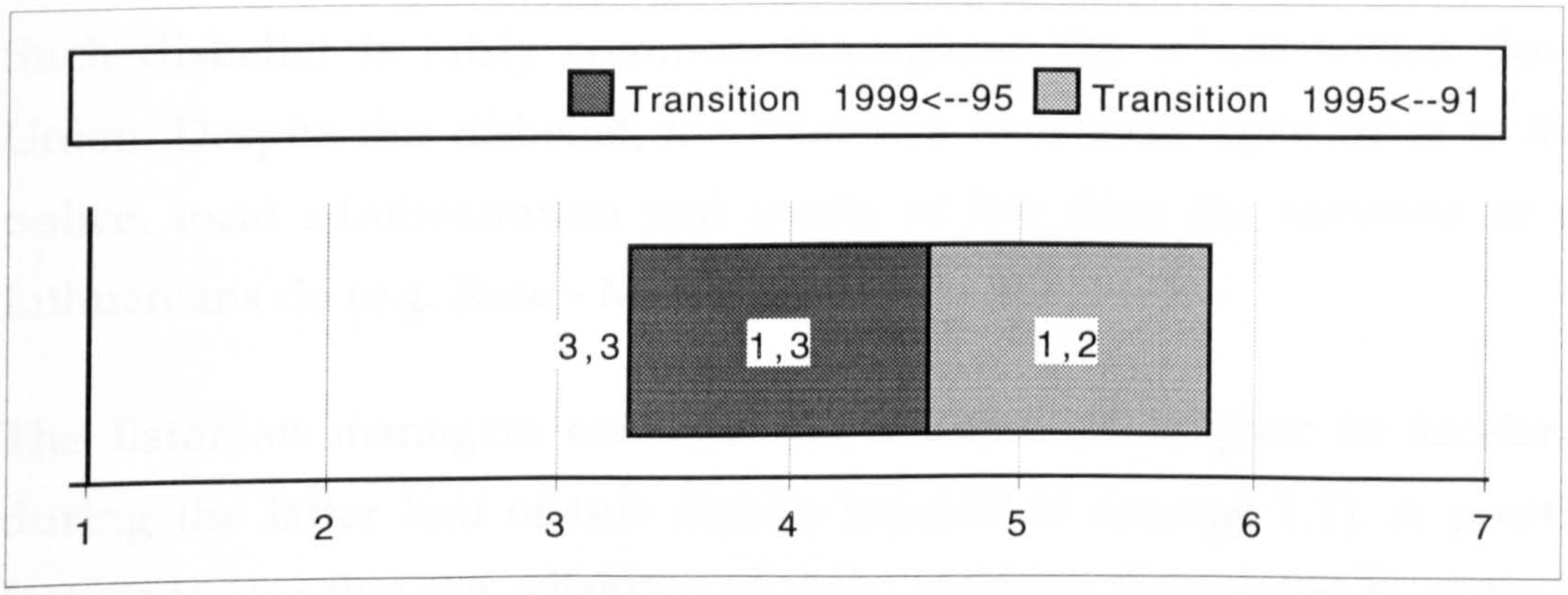
An Estonian expert explains this pessimism toward the legislation emerging from the enforcement of laws [78]. This is understandable as Estonia has attempted to adopt a Scandinavian-type legal system in just a few years' time, whereas Scandinavian countries developed their legislation systems for decades (e.g. Varul - Lappalainen, 1992; Sorainen, 1993; Viron uusi liiketoimintalaki, 1995).

Transformation from 1991 to 1995 is fairly considerable (transition average 1.2). Expectations toward a future legislative transformation do not

[78] The estimate is based on the interview with Heino Tammiste.

deviate much from the transformation accomplished so far (transition average 1.3). On the basis of the Estonian managers' answers, one might assume that the legislation would nearly have reached the level of 'good' at the end of this decade: state average 3.3 (e.g. Table 19.).

Table 19. The advancement and practicalness of the legislation in Estonia



More than half of the managers participating in this study are to some extent discontent with the authorities. Pessimistic attitudes toward the officials are not unexpected, as corruption, lack of efficiency and even errors are not unknown in Estonia. Dissatisfaction with the authorities illustrates the fact that the public sector has not managed to transform as rapidly as the enterprise sector. The difficulties of the public sector in adjusting to the transforming conditions have been further intensified by the cuts in finance directed to the public sector.

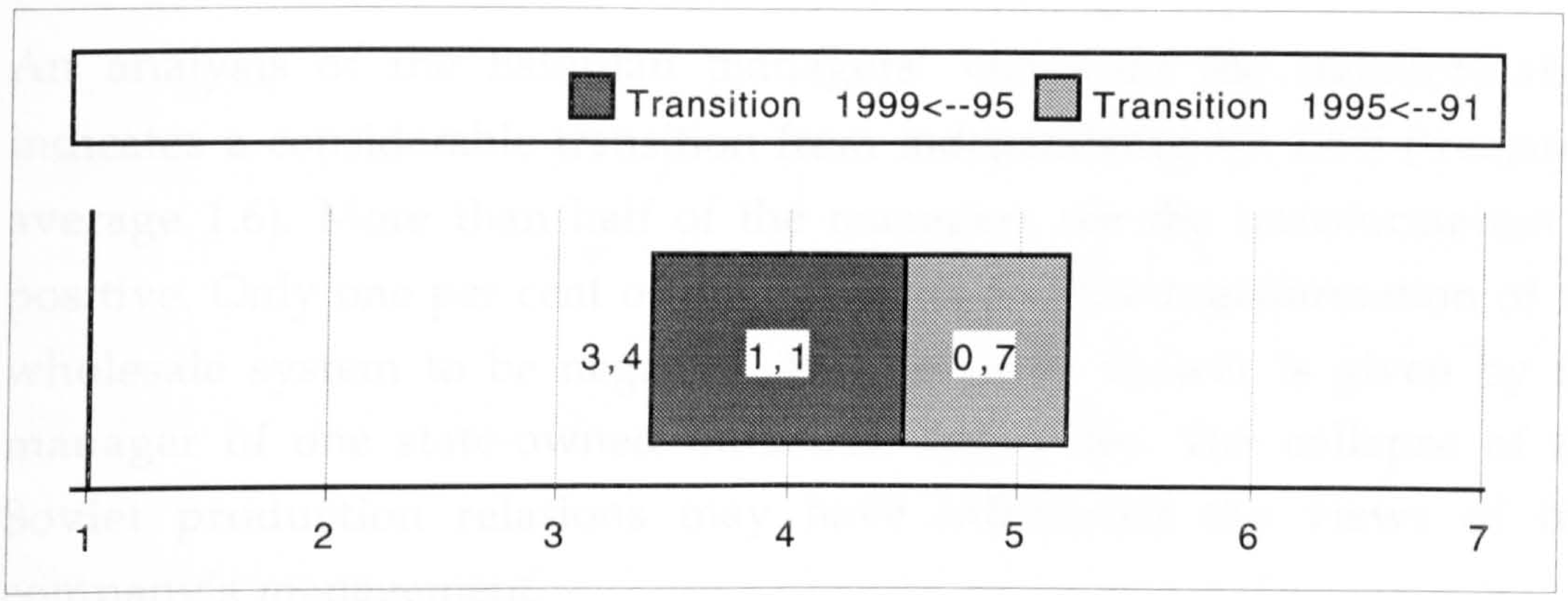
These cuts may have several secondary effects. First, the standard of living among civil servants may decrease relatively, thus increasing the probability of malpractice. Second, the amount of work may increase. The government cannot afford to employ as much new civil servants as the changed conditions would require. Third, the government lacks funding for retraining of its employees, which is in turn reflected in the slowness of procedures and even errors. Therefore, the occasional reappearance of 'Soviet-type bureaucracy' in some government institutions of Estonia may not be that surprising after all.

Transition from 1991 to 1995 is not considerable (transition average 0.7). Nearly nine managers out of ten believe that no transition has occured. Such disbelief is fairly common throughout the whole former Soviet Union. Despite this disbelief, the Estonians have more confidence in their police, local administration and courts of law than the Latvians or the Lithuanians do (e.g. Rose - Maley, 1994).

The Estonian managers estimate the transformation pace to accelerate during the latter half of this decade (transition average 1.1). A positive feature is also that the reliability of the authorities is expected to approach 'good' already in 1999 (state average 3.4). Only one per cent of the managers feel the situation will become worse towards the end of the decade.

On the basis of the research data, it is impossible to explain the reasons for such a pessimistic view. However, positive is that this particular company is not in private or foreign ownership, or involved in foreign trade. The lack of these features becomes positive since these characteristics can often make the company more vulnerable to the malpractice of the authorities (e.g. Table 20.).

Table 20. The reliability of the Estonian authorities



The Estonian managers consider that the state of the Estonian wholesale system was better than 'average' already in 1995 (state average 3.8). The satisfactory state of the wholesale system is not surprising as statistics also suggest a rapid development of the trade sector (cf. Appendix 2.). Such a positive development may be contributed, firstly, to the low starting costs required by the trade activities. Secondly, the development may originate in the companies exporting and importing goods. These companies have gradually created the foundations for the wholesale system in Estonia.

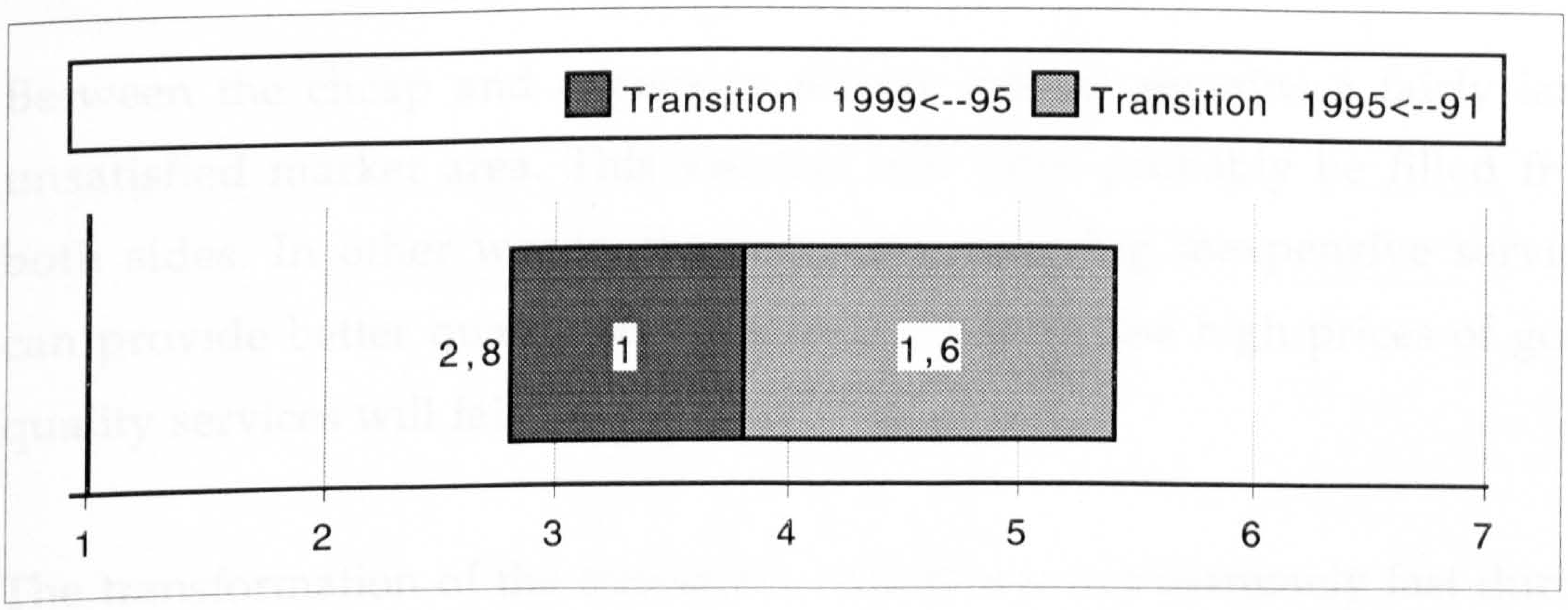
Also foreign wholesale companies, particularly from the Nordic countries, have entered the Estonian market. The strategy of the foreign wholesale companies very seldom includes operating only in Estonia but in all of the Baltic States. The usual reason for their entry in the Estonian market is that it is more advanced and less risky compared to the other Baltic States and Russia. Estonia has become their foothold into these markets.

Despite the rapid development of the Estonian wholesale system during the first half of this decade, the transformation is not complete yet. Presumably, a number of less efficient wholesale companies will have to merge with more successful ones. Mergers will be fairly common within the trade sector when several privately owned shops will have integrated into trade chains [79].

An analysis of the Estonian managers' views on the transformation indicates a considerable transition from independence till 1995 (transition average 1.6). More than half of the managers see the transformation as positive. Only one per cent of the managers feel the transformation of the wholesale system to be negative. This negative answer is given by the manager of one state-owned industrial enterprise. The collapse of the Soviet production relations may have influenced the views of this company's management.

Approximately one third of the enterprise managers believe the positive development of the wholesale sector will continue in the second half of the decade. However, the development is expected to slow down to some extent (transition average 1.0). All in all, Estonian managers feel that the Estonian wholesale system has transformed, in addition to the banking and legal systems, more rapidly than any other area of the external management environment (e.g. Table 21.).

Table 21. The state of the Estonian wholesale system [80]



[79] In 1995 the researcher interviewed the managing directors of two foreign-owned and one local wholesale company. At the request of the managers, their names will not be revealed.

[80] It is important to notice that the sum of the first (1991-1995) and the second transition (1995-1999) is not necessarily the same as the transformation of the whole decade (1991-1999). This is due to the different size of the sample during these transformation periods. Furthermore, rounding also creates differences (e.g. Appendix 7.).

Transport services are examined by comparing their price and quality. This method provides more information than the availability of services, which as such would have been an unreasonable question because the Estonian markets are not suffering from the shortage of services and goods. In this context one must nevertheless add that the information obtained from comparisons of quality and price becomes more complex as the estimates deal with both quality and price at the same time.

The Estonian managers have more negative views on the state of transport services in 1995 than that of the wholesale system (state average 4.1). These negative views may be explained by the poor quality and high cost of transport services. There are, on the one hand, fairly inexpensive but low quality transport services, and, on the other, good quality but overpriced services in Estonia. Inexpensive services are mostly offered by local companies which have not invested much in improving their transport services. Correspondingly, high prices are often required by foreign-owned and local companies which have made considerable investments in their transport equipment.

Between the cheap and expensive service market remains a fairly large unsatisfied market area. This vacuum will most probably be filled from both sides. In other words, the companies offering inexpensive services can provide better quality services and, similarly, the high prices of good quality services will fall [81].

The transformation of the transport services was not extremely fast during the first three years of independence (transition average 0.7). Nearly eight out of ten Estonian managers do not notice a considerable change. The majority of the rest see a positive development. Only four per cent of the

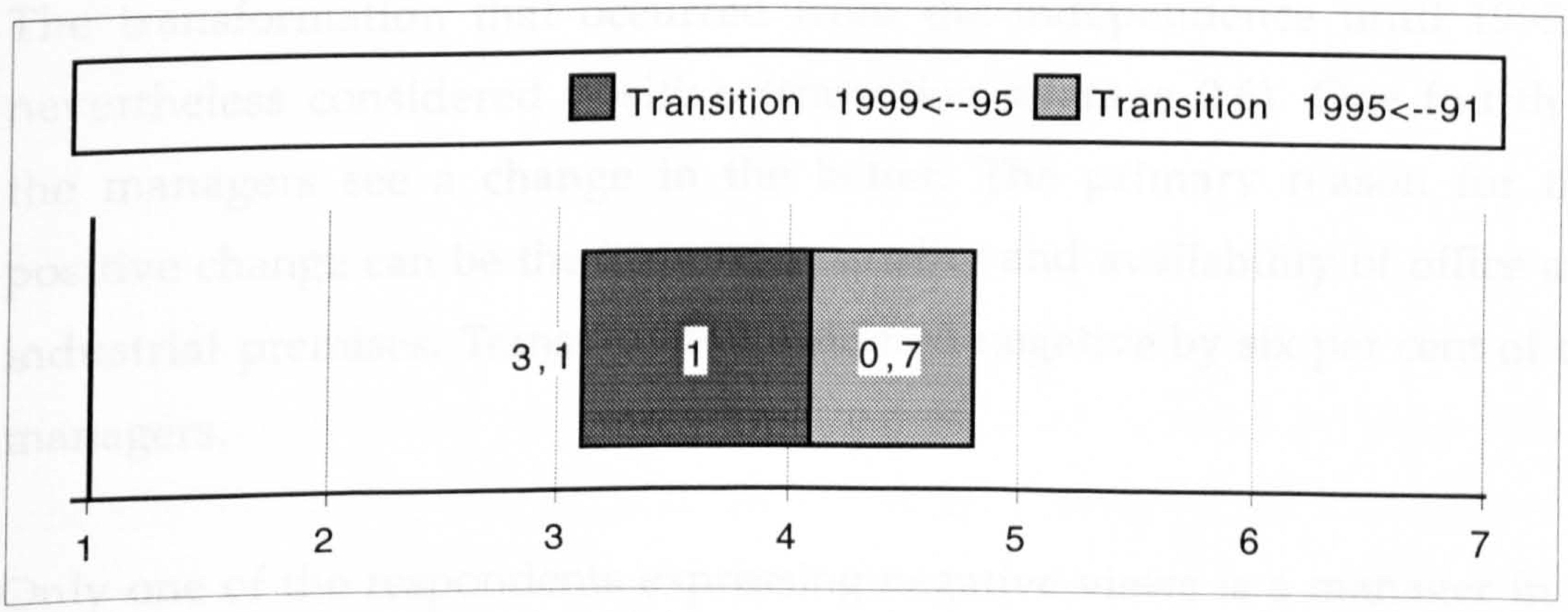
[81] The estimates are based on the interview with Heino Tammiste.

managers feel deterioration in the situation. None of these companies is involved in trade with former Soviet republics. Therefore, the collapse of the Soviet system cannot be regarded as the cause for this negative view.

One could have anticipated that the more 'distant regions' of Estonia might suffer from deteriorating transport services. However, the data do not support this assumption. Surprisingly, all the companies with these negative views operate in the capital city. Unfortunately, on the basis of the data it is impossible to find reasons for these pessimistic opinions.

Managers tended to have more positive expectations for the future transformation (transition average 1.0). Negative future scenarios are found among the companies operating in the finance sector. The imbalance of prices and quality in transport of valuables may be caused by the increasing crime, which forces banks to invest more in the security of their deliveries, thus inevitably raising the prices of transport services (e.g. Table 22.).

Table 22. The quality of transport services compared to the prices in Estonia



The quality of office and industrial premises compared to their prices is slightly weaker than the state of transport services in 1995 (state average 4.3). The poorer state may be explained by a severe fall in construction activity since the 1980s. The construction activity in the 1990s fell to one fifth of the eighties in all the Baltic States (e.g. Rakennustekniikka, 1995). Secondly, many of the premises poorly constructed during the Soviet era are rapidly decaying and becoming unfit for use. On account of these reasons, the supply of office and industrial premises has diminished. At the same time, the demand is increasing because of the foundation of a large number of new companies.

The imbalance between supply and demand is naturally reflected in the increasing prices of office and industrial premises. Their quality, however, has not improved at a similar rate. Tallinn, in particular, suffers from a severe lack of office premises. The lack of offices in Tallinn is indicated by the prices of apartments in Tallinn being 3-7 times higher than in other Estonian towns (e.g. Kuntsel, 1996). In fact, rents for office and industrial premises in Tallinn reach the Western level while their quality in most cases remains Soviet [82].

The transformation that occurred from the independence until 1995 is nevertheless considered positive (transition average 0.6). One fourth of the managers see a change in the better. The primary reason for this positive change can be the improving quality and availability of office and industrial premises. Transition is considered negative by six per cent of the managers.

Only one of the respondents expressing negative views is a manager in an industrial enterprise. One might have expected in advance that the decay

[82] This is based on the interview with Helka Leinonen.

of industrial premises, together with the decreasing state finance would have increased the complaints by the managers of industrial state enterprises. Quite unexpectedly, banks tend to have more negative views on transformation. In this context one must remember that banks are located in the city centres, where prices have usually ascended more rapidly than elsewhere.

Transformation in the future is expected to gain more strength than previously (transition average 1.0). Managers estimate that the prices compared to the quality of office and industrial premises will almost reach the level of 'good' in 1999: state average 3.3 (e.g. Table 23.).

Table 23. The quality of office and industrial premises compared to the prices in Estonia

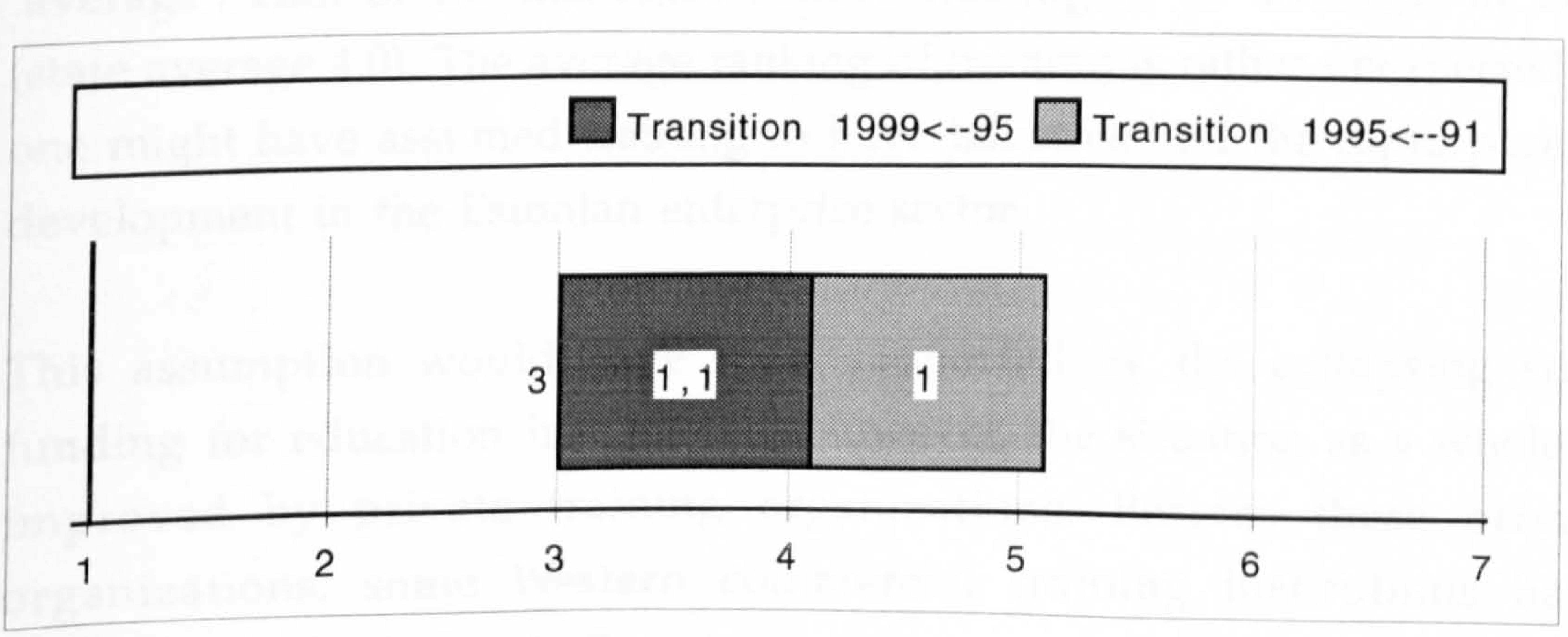
The quality of advertising channels compared to their prices is estimated in a similar manner than transport services (state averages 4.1). According to an Estonian expert, negative views are primarily caused by the prices of advertising, which are considered too high compared to the quality of advertising offered. The Estonian advertising market has experienced a very interesting phenomenon: the variety and quality of advertising channels have increased rapidly but their prices have also rocketed.

The rise of the prices in Estonia has occurred mainly in two ways. First, Western companies seem prepared to pay higher prices compared to the general price level, and therefore, they are one main reason for the increased price level. Secondly, foreign companies own some advertising and media companies, and hence increase prices also from 'within the advertising market' [83].

The balance between the prices and quality of advertising in general improved since the last year of Soviet rule till 1995 (transition average 1.0). One reason for the improving quality of advertising channels may be the entrance of foreign-owned advertising agencies in the Estonian markets. In other words, these foreign-owned service companies have followed their clients to Estonia (e.g. Liuhto - Hellman, 1993). At the same time, the supply of advertising services has been sufficiently large because numerous small enterprises have been established in Estonia.

The Estonian managers believe that the positive development will also continue during the latter half of this decade. This future transformation is expected to be slightly stronger than the transition accomplished so far: transition average 1.1 (e.g. Table 24.).

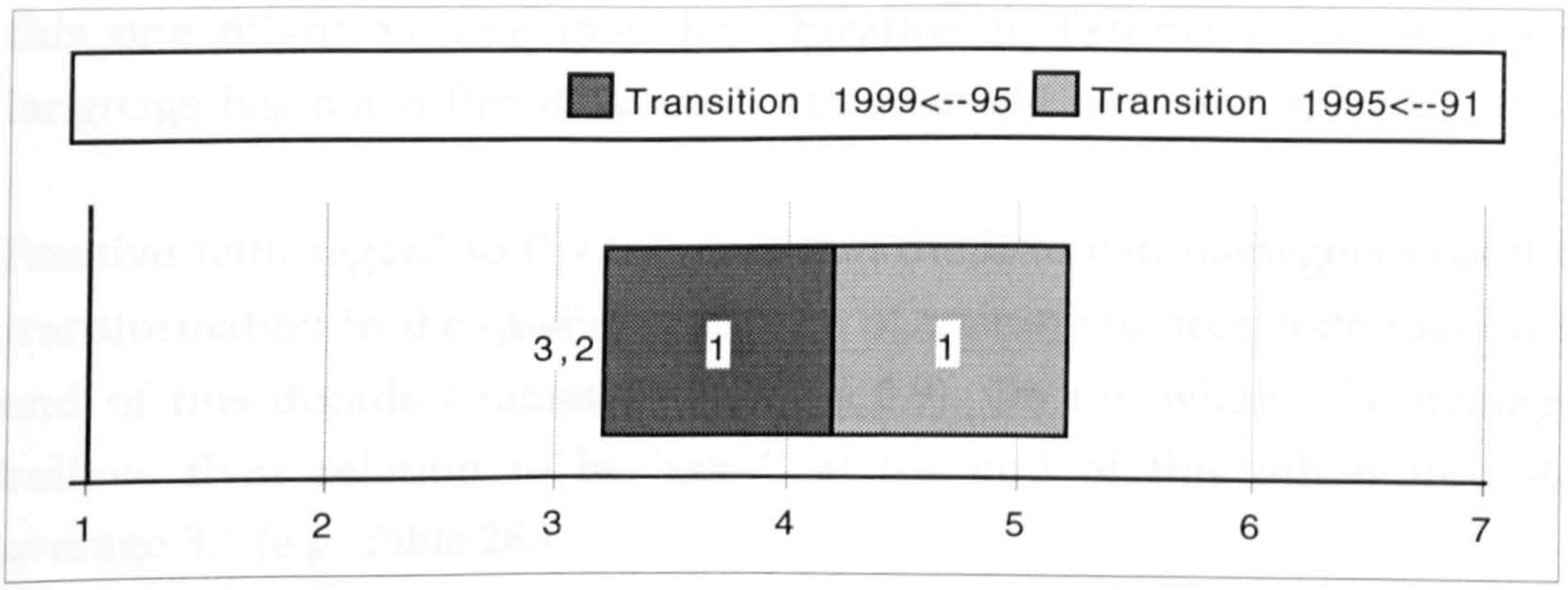
Table 24. The quality of advertising channels compared to the prices in Estonia



[83] The role of foreign enterprises in the whole Estonian advertising market is illustrated by the fact that eight out of the ten largest television advertisers are foreign companies (e.g. Rudi, 1995).

The answers given by the managers regarding the prices and quality of other services are to a large extent analogous with their views of the advertising market. In brief, this means that the quality of other services compared to their price was slightly below 'average' in 1995 (state average 4.2). Second, both the transformation accomplished and the one expected are regarded as positive (e.g. Table 25.).

Table 25. The quality of other services compared to the prices in Estonia



The Estonian managers' answers on the quality and price of training divide nearly symmetrically around the 'average'. Approximately one fourth of the managers consider the quality of training compared to its price better than 'average' and another fourth regard it as worse than 'average'. Half of the managers believe training to be 'average' in 1995 (state average 4.0). The average ranking of training is rather unexpected as one might have assumed training to have fallen behind the rapid pace of development in the Estonian enterprise sector.

This assumption would have been supported by the collapsing state funding for education institutions. However, the situation as a whole is improved by private training organizations. Besides these private organizations, some Western commercial training institutions have established subsidiaries in Estonia.

A positive transition occurred during 1991 to 1995 (transition average 0.7). It is regrettable that quite a few managers of the manufacturing companies believe the quality of training and its price have become more unbalanced. This might reveal that the technological education dating from the Soviet era has been damaged after Estonia declared its independence from the Soviet Union.

However, a positive characteristic is that there is no significant difference between ethnically Russian and Estonian managers' views. On the basis of this one might assume that the education in Estonia given in Russian language has not suffered as much as one might have anticipated.

Positive with regard to the future is that the Estonian managers expect the transformation in the quality and price of training to accelerate toward the end of this decade (transition average 0.9). On the whole, the managers believe their relation to be 'good' at the end of this millenium: state average 3.1 (e.g. Table 26.).

Table 26. The quality of training compared to the prices in Estonia

The managers' estimates concerning their security in Estonia reveal that they are concerned for their safety. In addition to funding channels, security was placed at the lowest in 1995 (state average 4.7). Managers' feel less secure on account of weakening police force and growing organized crime. The lack of security is recognized and acted upon, for instance, by a campaign against crime began by the former Minister for Internal Affairs, Edgar Savisaar, in the middle of 1995. Ironically, less than six months later he was dismissed from his post because accused of tapping his political opponents (the so called Estonian Watergate).

Quite surprisingly, the Estonian managers do not see much change in their feeling of security since the beginning of independence (transition average 0.0). The answers indicate that the managers felt lacking in security already in 1991. These results seem to shed new light on the development of unstable social conditions in the post-Soviet republics. In other words, managers were concerned for their security already during the Soviet era. Therefore, increasing insecurity cannot be interpreted only as a phenomenon created by the transition conditions.

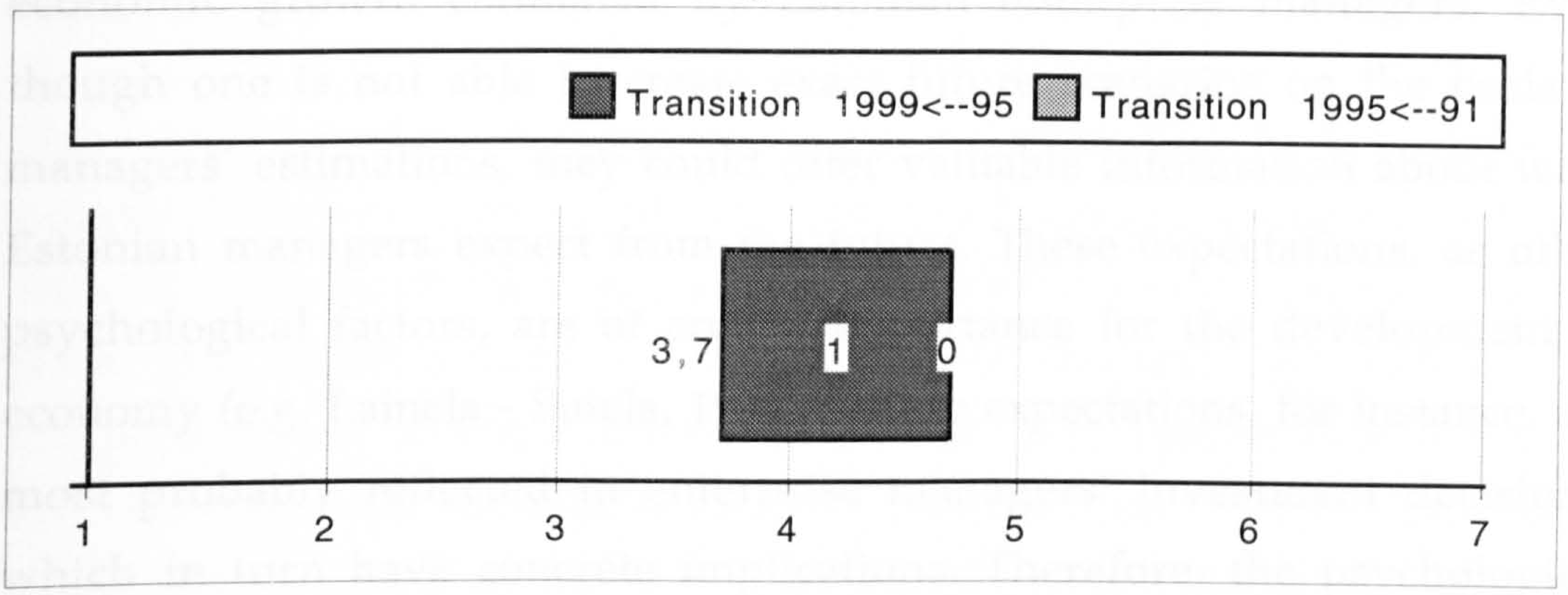
One cannot reconstruct any stereotype of the manager concerned for his safety on the basis of the research data. However, these findings do not support the assumption that crimes are mostly targeted against foreign-owned or small private companies involved in foreign trade.

Even though lacking security is usually connected to Russian-oriented trade, companies involved in Eastern trade do not see it threatening them. Surprisingly, every third manager in OECD trade believes that security has diminished, whereas only one tenth of the managers in former SEV trade feel similarly [84]. The future development of manager's security seems to

[84] Jüri Läänesaar and Ilmar Jôgi expressed views of managers' security that differed from the opinion of the present findings (e.g. Liuhto, 1996b).

indicate that the situation is expected to be slightly better than 'average' in 1999: state average 3.7 (e.g. Table 27.).

Table 27. The security of managers in Estonia



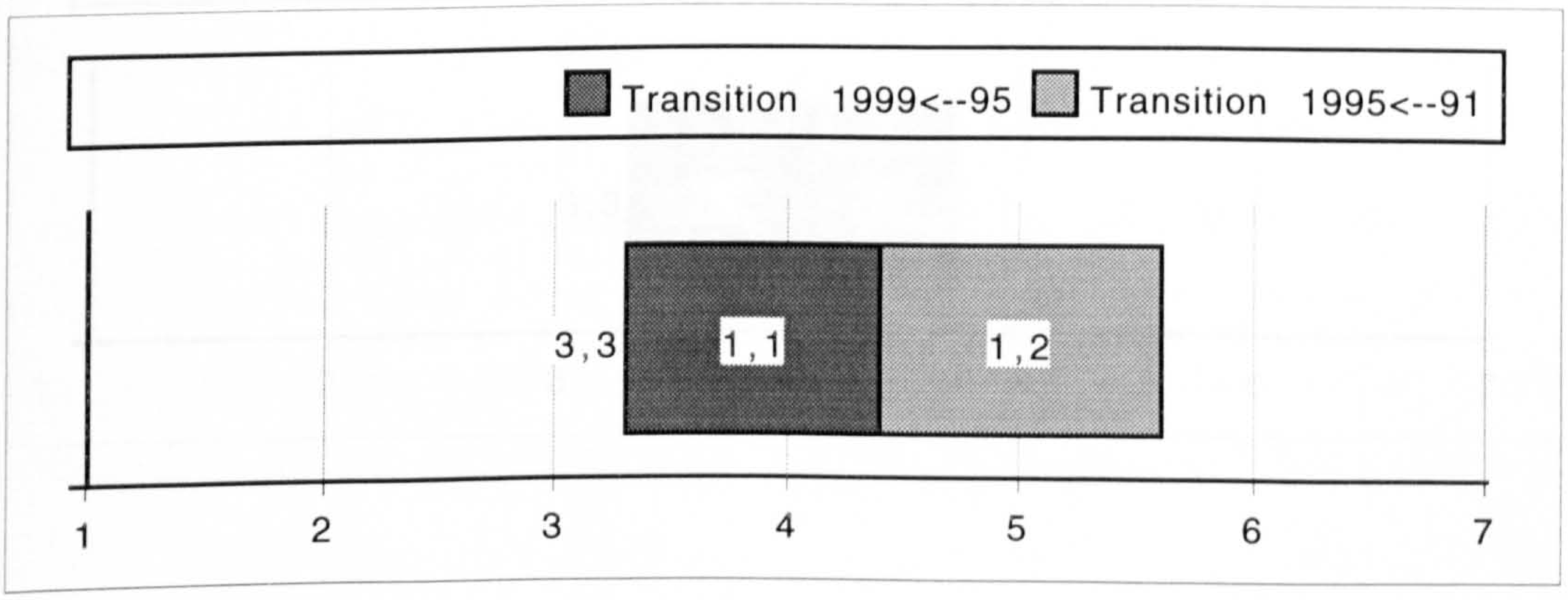
According to the Estonian managers, the state of their industry in general was worse than 'average' in 1995 (state average 4.4). Over one third of the Estonian managers believe the situation has improved since 1991. Only five per cent see deterioration in the state of their industry (transition average 1.2). The Estonian managers believe that transformation will slow down during the latter half of this decade (average 1.1.).

The enterprise managers expected the state of their industry to be nearly 'good' in 1999 (state average 3.3.). These answers given by the Estonian managers seem to reflect of their rather realistic attitudes toward economic growth. Rather than expecting economic miracles, they seem to place their faith in a steady positive growth. Whether this economic growth will reach the six-per cent-level predicted by Deutsche Bank in

1996 is difficult to estimate (e.g. Tiusanen, 1995a).

An important subject of further study would be the extent of annual economic growth estimated by Estonian enterprise managers. Even though one is not able to create exact future scenarios on the basis of managers' estimations, they could offer valuable information about what Estonian managers expect from the future. These expectations, as other psychological factors, are of crucial importance for the development of economy (e.g. Lainela - Sutela, 1994). Future expectations, for instance, are most probably reflected in enterprise managers' investment decisions, which in turn have concrete implications. Therefore, the psychological factors should not be excluded when estimating the future development of economy or even society as a whole (e.g. Table 28).

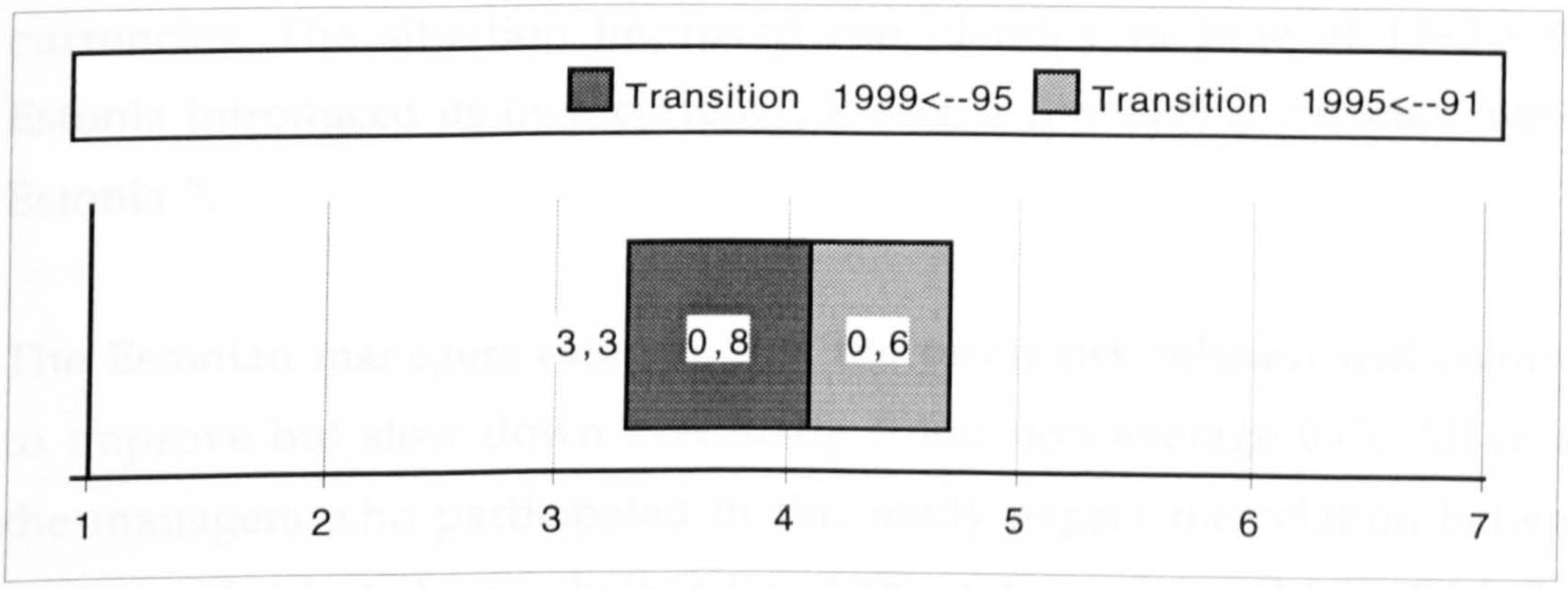
Table 28. The state of your industry in general



The answers given by the Estonian managers seem to suggest that competition in 1995 was not very hard. This is illustrated by the estimated 'average' state of competition (state average 4.1). However, competition has increased since 1991, when it was almost 'poor' (state average 4.7).

The transformation of competition can be described in the following manner: virginal markets of 1991 provided great opportunities but a difficult operation milieu, which kept the number of real competitors low. With the improvement of the operation milieu, the number of competitors has likewise increased. In addition, competition based on specialization will increase. Managers' answers indicate that competition will be nearly 'good' at the end of the decade: state average 3.3 (e.g. Table 29.).

Table 29. Competition within your industry



The Estonian managers gave answers which suggested that the relation between profits and risks in 1995 was slightly better than 'average' (state average 3.9) [85]. The relation has clearly improved since 1991 when the relation between profits and risks was regarded as 'poor' (state average 5.0).

The poor state in 1991 is most probably due to risks being extremely high. The major reason for this must have been the instability of the value of the rouble. An illustration of this was the high inflation rate of rouble in Estonia in 1991: over 300 per cent (cf. Appendix 1.).

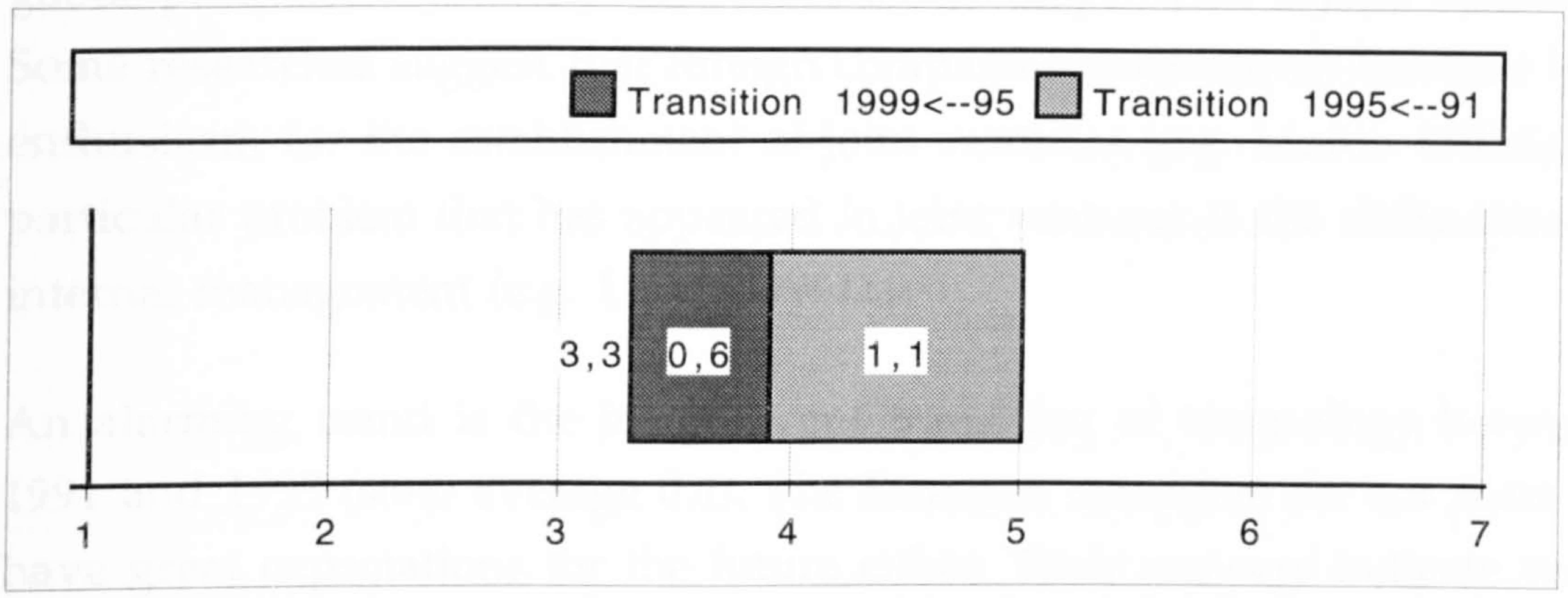
Estonian enterprise managers were constantly forced to fight against a high inflation. Some of them managed to convert their rouble funds into property which maintained its value, but some had to witness their rouble funds and outstanding payments lose their value. Due to the instability of the rouble, the Estonian economy experienced the dollarization and the markazation, which meant that payments were settled in foreign currencies. The situation improved considerably in June of 1992 when Estonia introduced its own currency, kroon, a convertible currency within Estonia [86].

The Estonian managers estimate that the profit-risk relation will continue to improve but slow down eventually (transition average 0.6). All in all, the managers who participated in this study expect the relation between profits and risks to be nearly 'good' in 1999: state average 3.3 (e.g. Table 30.).

[85] The political risk in Estonia is fairly low compared to other transition economies. According to Western managers, the political risk of the Baltics is on a level with Visegrád countries (e.g. Tiusanen, 1995a). Among the Baltic States, Estonia has the lowest risk level (e.g. Feldmann, 1995).

[86] The following works provide detailed descriptions of the introduction of kroon in Estonia: Kallas - Sôrg (1994), Lainela - Sutela (1994), and Kallas - Sôrg (1995).

Table 30. Profits related to risks within your industry



According to the Estonian managers, the quality of the technology used in their industry compared to its price was worse than 'average' in 1995 (state average 4.4.). The Estonian managers may have several reasons for expressing such views. For instance, the Soviet technology is poor in quality and functions unsatisfactorily. The general problem connected with Soviet technology is the excessive use of raw material and energy. Furthermore, Soviet technology is often considered slower, producing poorer quality, and functioning less consistently than Western technology.

Problems of Soviet technology have forced many Estonian companies to buy their production technology from the West. Since only very few Estonian enterprises possess sufficient financial resources for a comprehensive modernization of the production, many have bought second-hand machinery from the West. According to an Estonian expert, second-hand Western technology has not considerably improved the situation as the Western technology has also created many problems [87].

Due to the problems mentioned earlier, Estonian companies should invest in new Western technology. As their funding is usually in a fairly poor state, they have been obliged to start cooperation with Western companies (cf. Table 53.). There are several cooperation modes. For

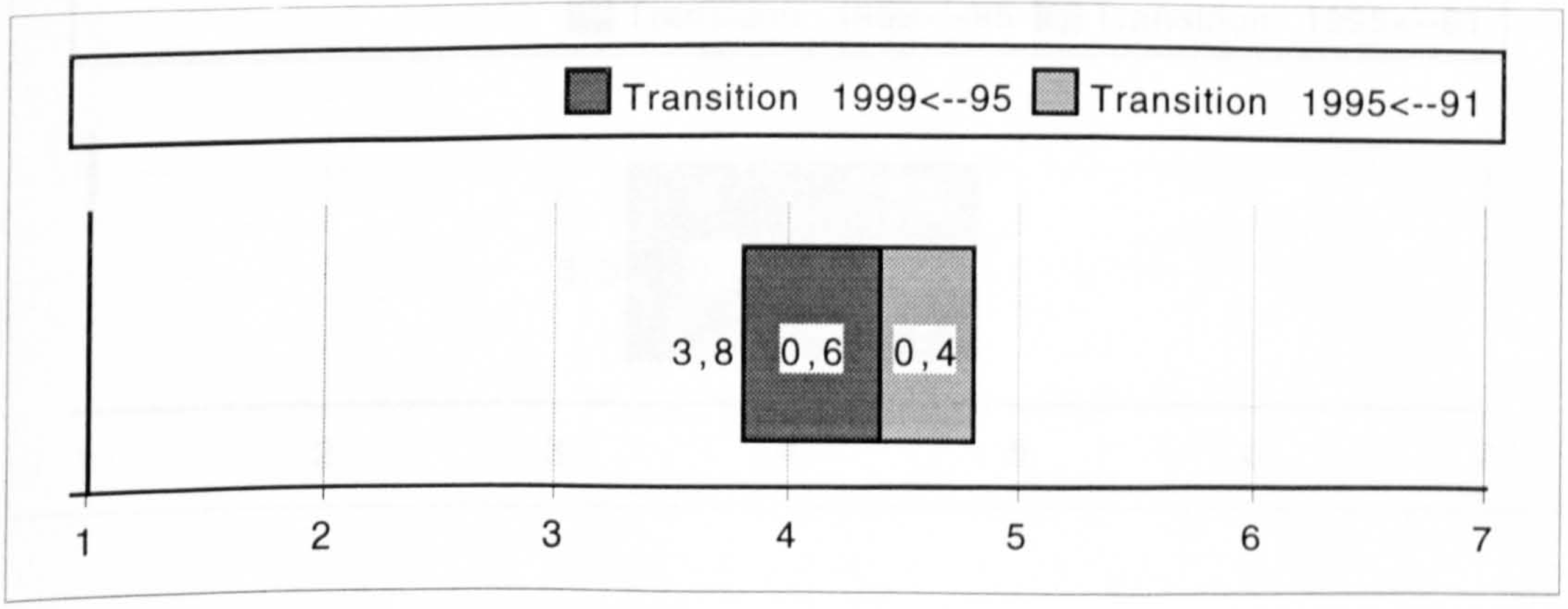
[87] This is based on the interview with Heino Tammiste.

instance, Estonian companies have paid for machinery and equipment in goods produced with them. A form of closer cooperation is joint ventures. Some researches suggest that foreign companies have shown less and less enthusiasm for the establishment of joint ventures (e.g. Liuhto 1995d). A particular problem that has appeared in joint ventures is the difficulties in internal management (e.g. Liuhto, 1991).

An alarming trend is the insignificant transition of technology between 1991 and 1995 (state average 0.4). The Estonian managers do not seem to have great expectations for the future either. Their answers indicate very slow development (transition average 0.6). As the slowly transforming technology poses a serious problem for the overall economic transformation, it would be vital to seek means to break this vicious technological and financial circle.

One solution might be found in outside financing. For instance, the PHARE programme of the European Union has coordinated some 76 million Ecus to Estonia during 1991 - 1996 (e.g. Kärmas, 1995a). Approximately one third of the PHARE funds in 1994 were directed to the development of the private sector and enterprise subsidies (e.g. European Commission, 1995). However, this share still represents only a fraction of all the funding required (e.g. Table 31.).

Table 31. The quality of the technology used in your industry compared to the prices

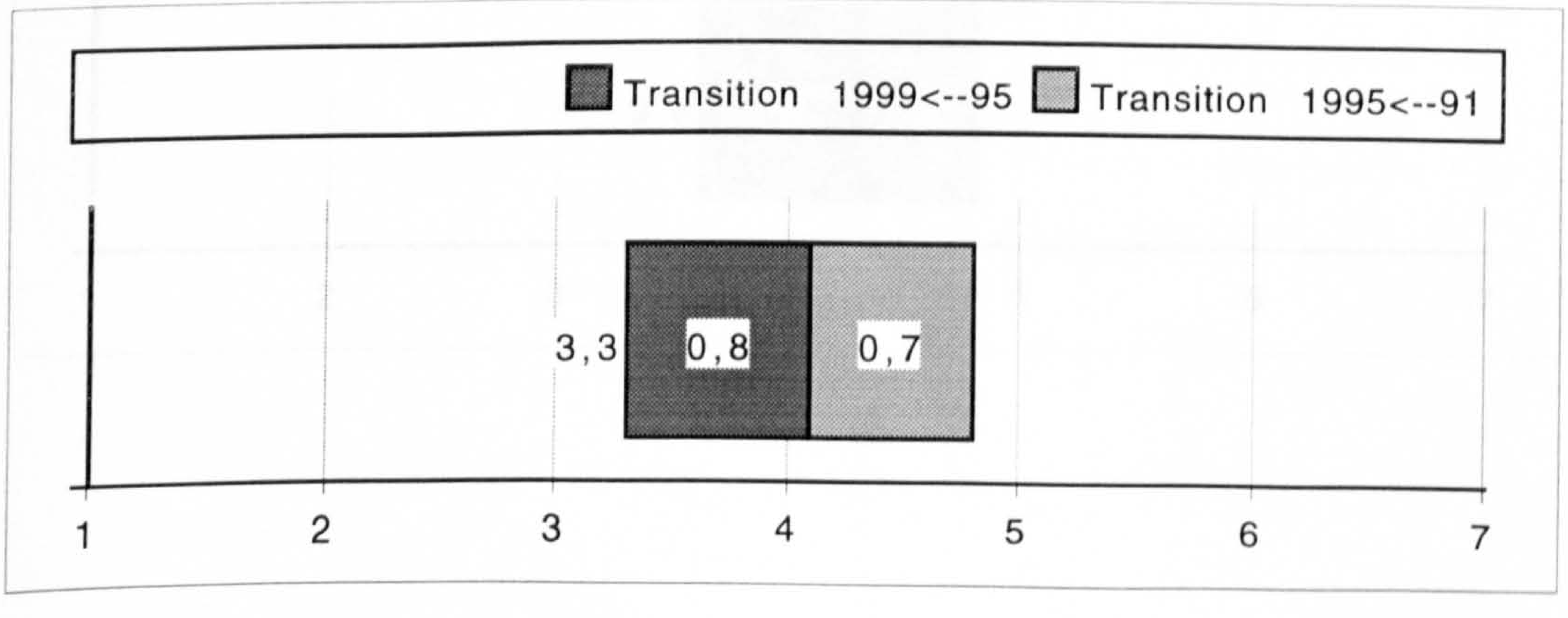


The Estonian managers believe that the balance between the quality and prices of raw material used in their industry was nearly 'average' in 1995 (state average 4.1). In spite of this average level, the answers are fairly positive. This may be explained by the fact that at the beginning of independence managers were frightened of shortage of raw material due to the collapse of Soviet industrial relations.

Although Estonian imports from the former Soviet Union fell drastically after the independence of Estonia, this decrease is compensated by growing Western imports. The increased Western share is not due to a decrease in the total value of the imports, but to an absolute increase in the Western role (cf. Appendix 1.).

The transformation in the quality and cost of raw material indicates positive change. Whereas the Estonian managers feel this relation to be 'poor' in 1991 (state average 4.8), the situation has improved by 0.7 units in 1995. The Estonian managers expect this transformation to speed up to some extent in the future (transition average 0.8). The quality of raw materials compared to the prices is expected to approach 'good' at the end of this decade: state average 3.3. (e.g. Table 32.).

Table 32. The quality of the raw materials used in your industry compared to the prices

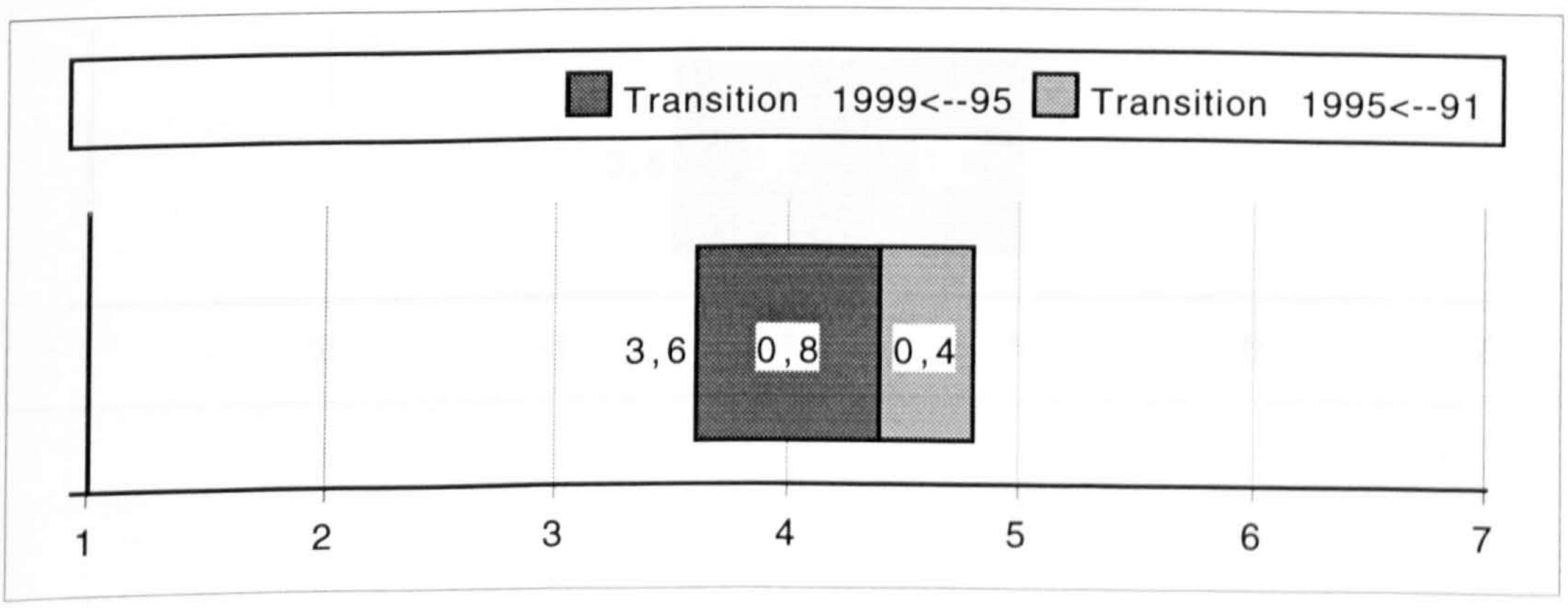


The views of the Estonian managers suggest discontentment with finding competent managers in 1995 (state average 4.4.). Lack of competent managers can be accounted for the deficient basic skills of management. This is understandable since business management has not been taught for very long in Estonia (e.g. Klaamann, 1992; Tamme, 1995).

According to an Estonian expert, an inadequacy most easily recognized is the limited foreign language skills of Estonian managers. Although the majority of the Estonian managers speak Russian and Finnish, these languages restrict their business contacts. The second major deficiency is their inefficient use of time (cf. Table 69.).

These data indicate that the skills of Estonian managers have improved at a fairly slow pace during the first independent years and 1995 (transition average 0.4). Estonian managers believe the transition will accelerate in the latter half of the decade (transition average 0.8). On the other hand, the availability of skilled managers is not estimated too positive even in 1999: state average 3.6 (e.g. Table 33.).

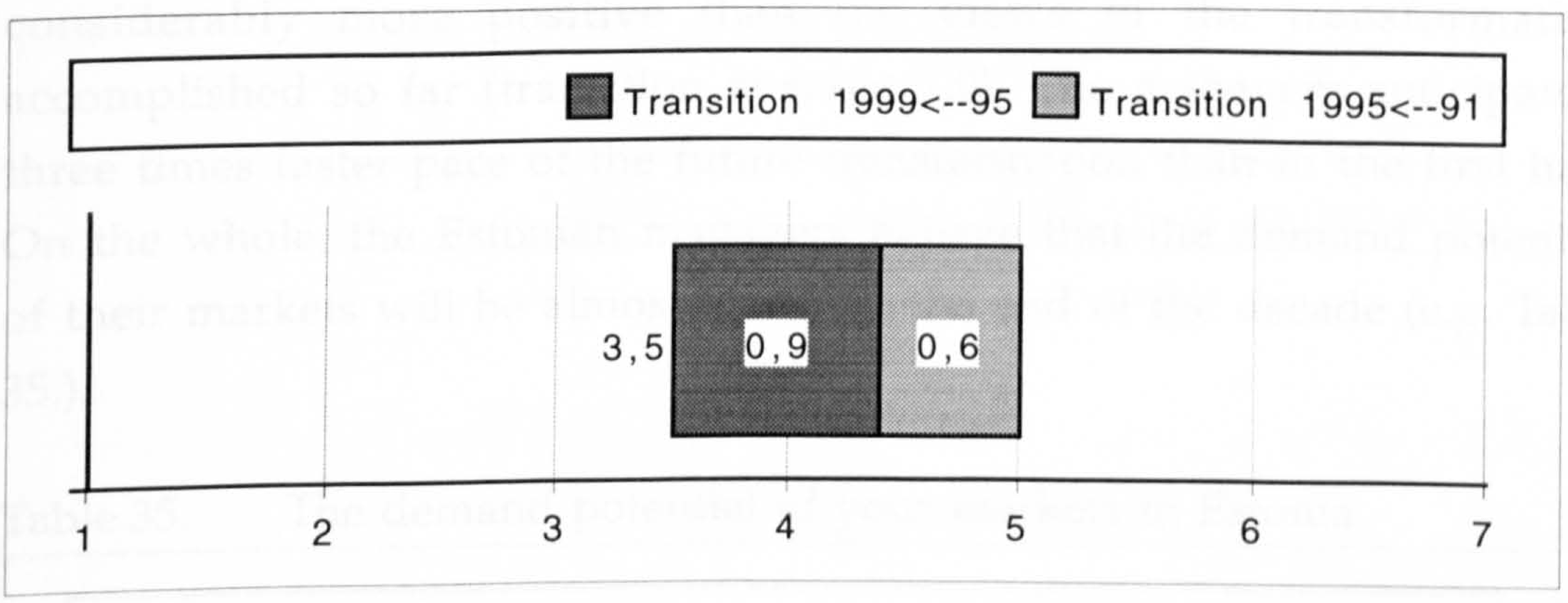
Table 33. The availability of skilled managers in your industry



The availability of other employees was at the same level as that of managers in 1995 (state average 4.4.). The answers given by the Estonian managers indicate that the situation has improved to some extent since 1991 (transition average 0.6). The transformation pace is expected to increase during the latter half of this decade (transition average 0.9). The availability of skilled employees is expected to be better than 'average' by the end of the 1990s (state average 3.5).

To summarize the views on the Estonian labour market, they seem to suggest that the transformation occurring in the labour market is a rather slow process. Nevertheless, the importance of this transformation remains crucial because the development of personnel resources more or less forms the backbone of the entrepreneurial and managerial transition in Estonia (e.g. Table 34.).

Table 34. The availability of skilled employees in your industry

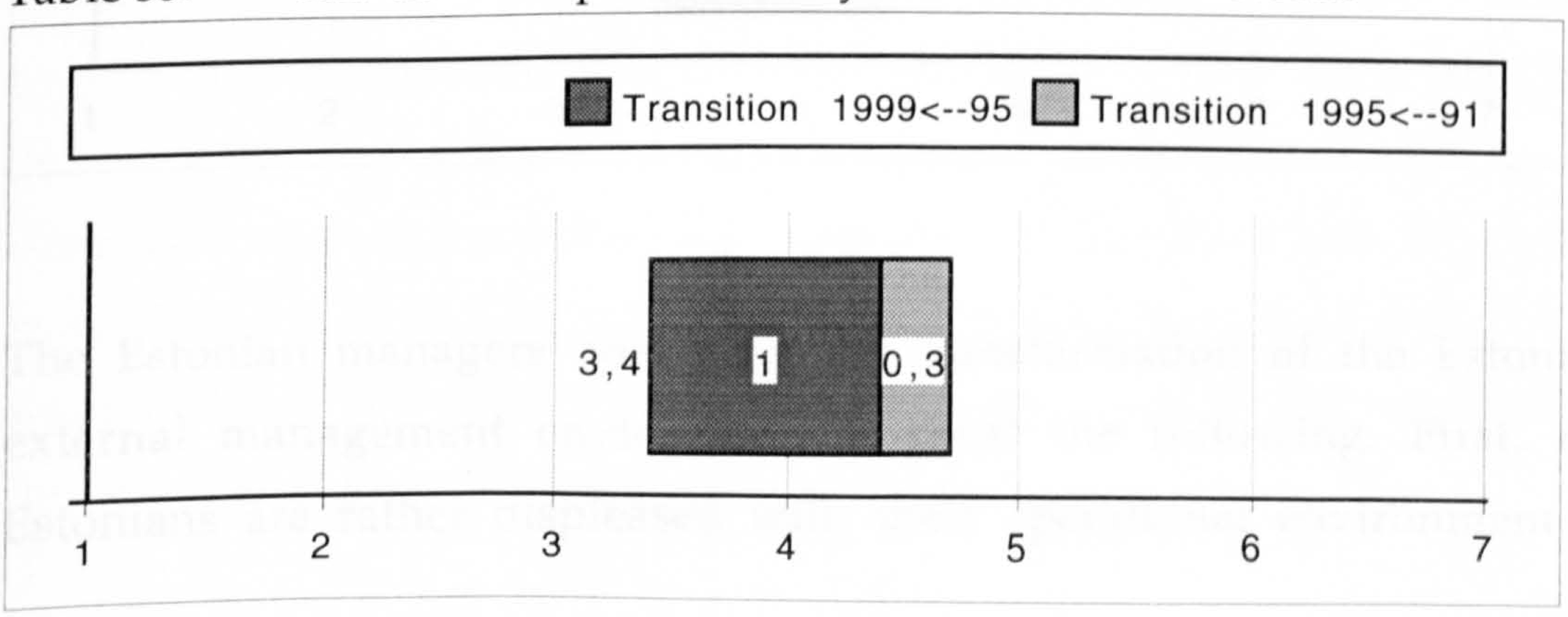


The managers seem to have surprisingly negative opinions of the demand potential in their markets (state average 4.4). Only a slight change can be observed (transition average 0.3). The transformation pace of demand potential is the second slowest after the transformation of security (cf. Table 27.).

The reasons behind this slow transition should be traced at least back to 1991 when Soviet Estonia was a producers' market. The market suffered from shortage of goods so the producers were also able to sell goods of an inferior quality. Currently, the goods exist in abundance but customers lack sufficient buying power to satisfy their needs. It is important to recognize that the estimation for demand remains nearly the same although the reasons behind it have transformed considerably. This phenomenon should be noticed also in other researches dealing with the transition economies. In other words, the research results can sometimes offer relatively distorted views on the reality.

When viewing the future expectations, one can notice that they are considerably more positive than the views of the transformation accomplished so far (transition average 1.0). The managers anticipate a three times faster pace of the future transformation than in the first half. On the whole, the Estonian managers believe that the demand potential of their markets will be almost 'good' at the end of the decade (e.g. Table 35.).

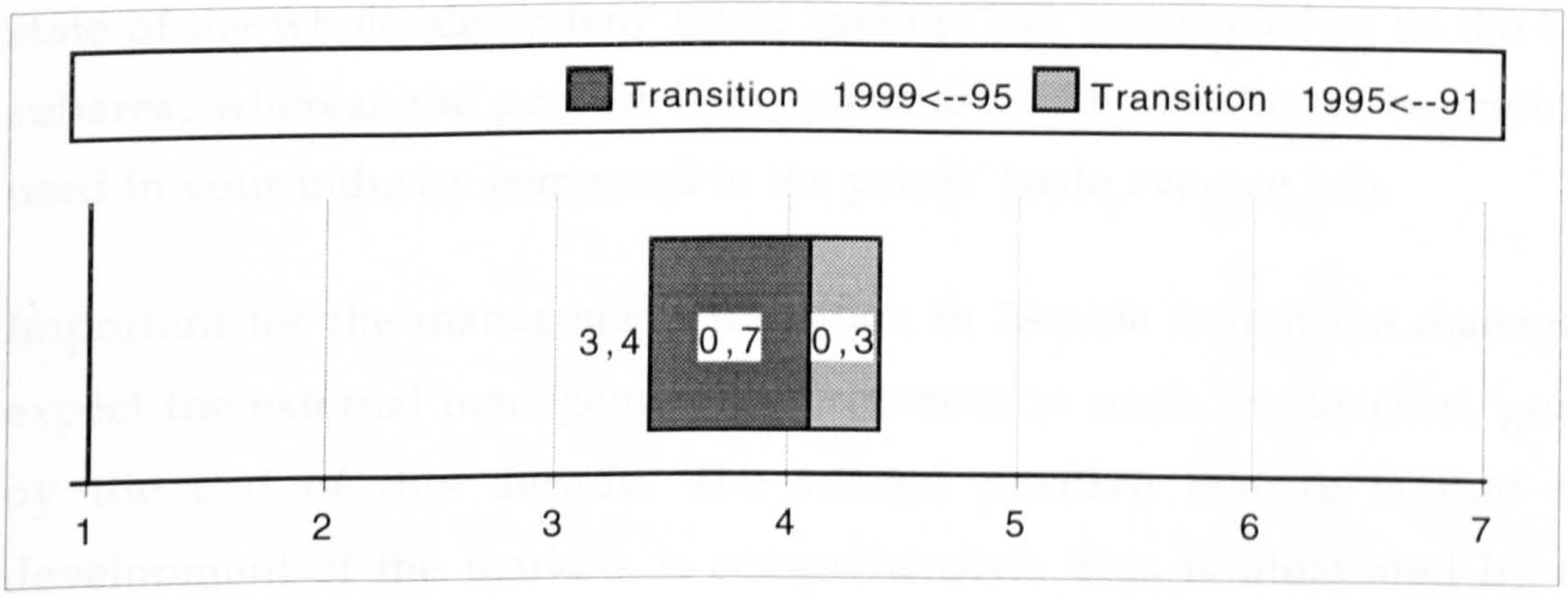
Table 35. The demand potential of your markets in Estonia



The Estonian managers estimate the stability of their markets 'average' in 1995 (state average 4.1). The stability of their markets has not altered much since 1991 (transition average 0.3). Three possible reasons can be found for this insignificant change. First, the markets have remained stable contrary to expectations. Second, the markets in 1991 were already turbulent. Third, a turbulent period may have occurred during these years. A combination of the latter two seems to be the most appropriate explanation.

The managers expect the transformation to accelerate during the latter half of this decade when it is estimated to be double the pace of the first period. The stabilization of the markets is a crucial phase in terms of entrepreneurial and managerial transformation because it can be seen to 'stabilize' the results accomplished so far. All in all, an important positive feature was that the managers anticipate the stability of their markets to be nearly 'good' in 1999: state average 3.4 (e.g. Table 36.).

Table 36. The stability of your markets in Estonia



The Estonian managers' views on the transformation of the Estonian external management environment suggest the following. First, the Estonians are rather displeased with their operational environment in

1991. They regard the situation in average as 'poor' (average of state averages 5.0). Regardless of this low ranking, Estonia probably had the best conditions to start from compared to other former Soviet republics (e.g. Van Arkadie - Karlson, 1992). However, the highest ranking among a poor group cannot be considered a great commendation for Estonia.

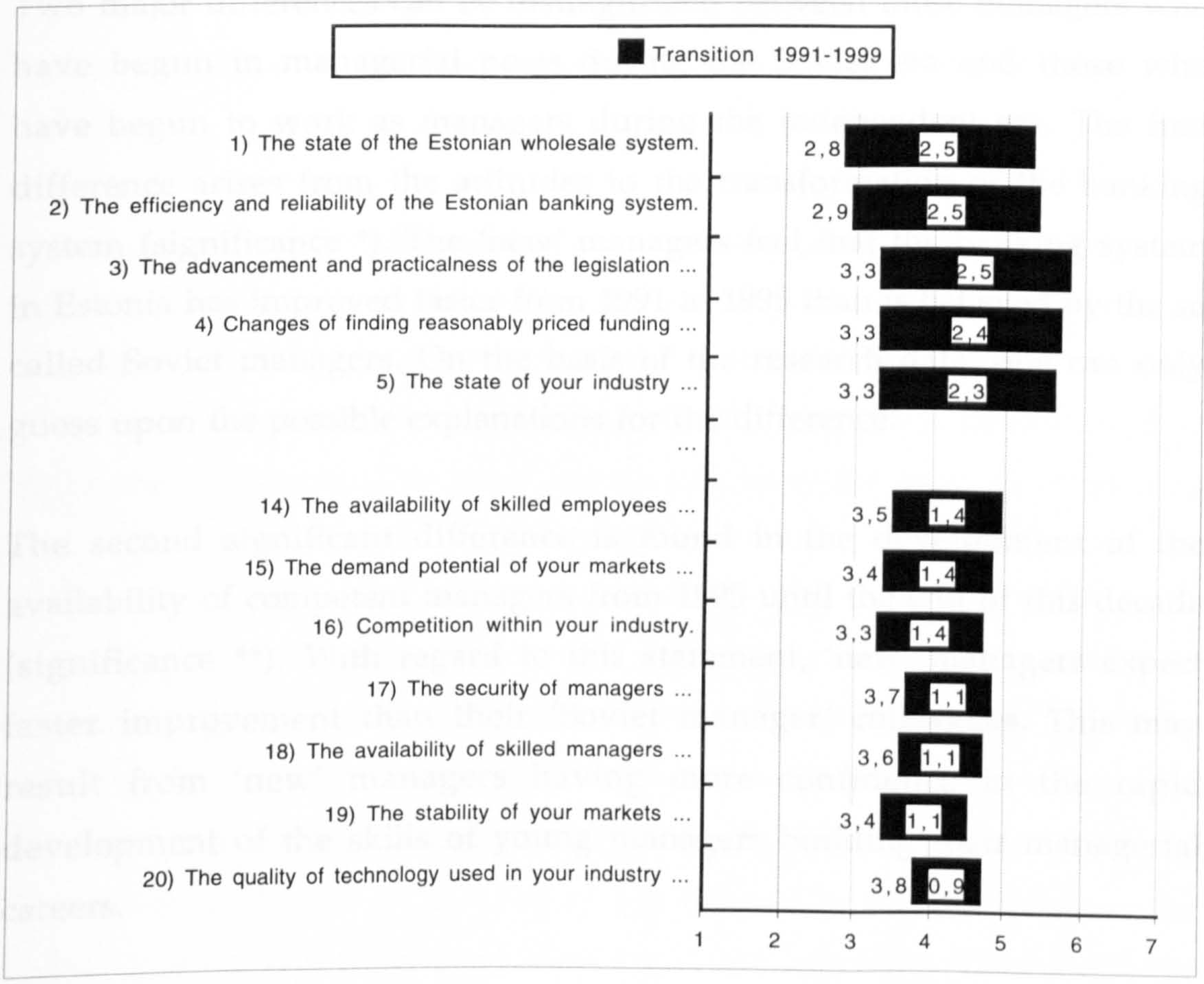
The Estonian managers see 'stability of your markets' (state average 4.4) among the best features of the Estonian external management environment in 1991. Correspondingly, the lowest grade is given for 'the advancement and practicalness of legislation' (state average 5.8). They give the lowest ranking for 'chances of finding reasonably priced funding' and 'security of managers' in 1995 (state averages 4.7). The best developed subarea is considered 'the state of wholesale system' (state average 3.8). On the whole, the Estonian managers regard their external management environment as nearly 'average' in 1995 (average of state averages 4.3).

By the end of this decade the state of external management environment is expected to be close to 'good' (average of state averages 3.3). In 1999 'the state of the wholesale system' (state average 2.8) is expected to be the best subarea, whereas the poorest is expected to be 'the quality of technology used in your industry compared to the prices' (state average 3.8).

Important for the management transition in Estonia is that the managers expect the external management environment to reach the level of 'good' by the end of this decade. The second positive feature is that the development of the markets is comprehensive. This is illustrated by the difference between the lowest and highest subareas which had diminished from 1.4 to 1.0 units. One must remember that the 'chain is as strong as its weakest link'. The third positive feature is the belief in the accelerating transformation toward the end of this decade.

An illustration of this is that the transition proceeded with an average pace of 0.7 units at the beginning of the 1990s, while it is expected to be 1.0 units during the latter half of the decade. This means that transition pace of this decade would be 1.7 units. The following table displays a summary of the subareas which are expected to transform fastest and slowest in the external management environment (e.g. Table 37.).

Table 37. The summary of the fastest and slowest transition factors in external management environment



There is only one significant difference between the companies established before 1991 and those founded during the independent Estonia [88]. The managers of the new companies feel that the future demand potential in the Estonian market will improve faster between 1995 and 1999 than is believed by the managers working in the companies which operated already during the Soviet time (significance *). One explanation may be that the position of new companies begins to improve faster when they have managed to find their place in the market.

Two major differences can be distinguished between those managers who have begun in managerial posts during the Soviet era and those who have begun to work as managers during the independent era. The first difference arises from the attitudes to the transformation of the banking system (significance *). The 'new' managers feel that the banking system in Estonia has improved faster from 1991 to 1995 than is believed by the so called Soviet managers. On the basis of the research data, one can only guess upon the possible explanations for the difference.

The second significant difference is found in the development of the availability of competent managers from 1995 until the end of this decade (significance **). With regard to this statement, 'new' managers expect faster improvement than their 'Soviet manager' colleagues. This may result from 'new' managers having more confidence in the rapid development of the skills of young managers building their managerial careers.

Geographically viewed (the capital city versus the rest of Estonia) the

[88] Differences have been analysed on the basis of the Pearson chi-square test. Significant difference in this context means a result where value is below 0.05 (significance *). Value less than 0.01 is distinguished by two asterisks (significance **). Value less than 0.001 is distinguished by three asterisks (significance ***).

answers reveal three significant results (significances *). The first one of them implies that the managers of the companies operating in the capital believe, more than the others, that reasonably-priced funding will become better available during 1991 and 1999.

However, this observation cannot be interpreted so that the companies in the capital city believe the banking system in Tallinn to improve more rapidly than in the rest of Estonia. Neither can it be explained by the financial state of the companies in Tallinn improving faster than in the other parts of the country. On the basis of the material collected in this study, one cannot pinpoint to any reason which could explain the difference.

Other geographical differences could be observed in the development of training and the quality and price of technology during the latter half of this decade. The managers operating in Tallinn believe the balance between quality and price of training will improve faster in Tallinn than in the rest of Estonia. This is not unexpected since the majority of training institutions are centralized in the capital of Estonia.

A contrary development could be seen with regard to the quality and price of technology. The fact that technology is expected to improve faster outside the capital should not lead to a situation in which the technological state of companies outside Tallinn would surpass the companies in Tallinn by the end of the 1990s. The balance between the quality and price of technology is achieved faster in other parts of Estonia mostly on account of their lower starting point for transformation than in Tallinn.

No significant differences can be found between the managers of the private and state enterprises. This is of course a positive result because it seems to suggest that the external management environment of Estonia allows neither of these company types a clear competitive advantage.

A comparison drawn between the foreign and Estonian-owned companies reveals only one significant result (significance *). The foreign-owned companies feel that the quality and prices of technology in Estonia have improved faster than is believed by Estonian companies. On account of the small number of major differences, one cannot conclude that the external management environment in Estonia would favour foreign-owned companies.

Foreign trade reveals one major difference in the improvement of the quality and cost of transport between 1991 and 1995 (significance *). The managers of the foreign trade companies feel that the balance between the quality and cost of transport has improved more than the companies involved in domestic trade. This observation could be interpreted so that the international transportation services have improved faster than transportation within Estonia. Particularly those companies which are involved in OECD trade see improvement in transport services. An interesting observation is that none of the companies involved in former Soviet and SEV trade see any deterioration in the state of transport services. Thus these results do not support the assumption that the disintegration of the Soviet Union would have seriously impeded the transport services.

When the small companies (less than 10 employees) are compared to the large enterprises (over 100 employees), two major differences can be found (significances *). The first one of them is 'the advancement and practicalness of legislation in Estonia'. The managers of large enterprises believe in a faster transformation from 1991 to 1999 than the managers of small companies.

The negative views of the latter group might spring from small companies having encountered legislative problems. This is comprehensible as the managers of small enterprises have been forced to apply rapidly changing laws by themselves because they can very rarely afford the services of their own legal advisor, whereas several large companies often have their own legal advisors.

The second difference is found in 'the quality of other services compared to the prices in Estonia'. More than managers in large enterprises, the managers in small ones believe that the quality and price of services in general will improve more rapidly during the latter half of this decade. The reason for this may be that at presently small companies usually find the use of outside services extremely expensive.

Summa summarum, the company characteristics do not create many significant differences. This may be interpreted so that the external management environment of Estonia neither favours nor discriminates certain types of company. This also means that the position of foreign-owned companies in the market is not significantly better than Estonian-owned companies. Secondly, state enterprises have not hidden themselves behind monopolies, but the requirements of the market economy conditions have been accomplished rather successfully in Estonia. Thirdly, the development of Estonian entrepreneurship and management is not considerably slowed down by the deficiencies in the external management environment.

5.2.2. The Transition of Organizational Management Functions

This section studies the transformation of management from an organizational perspective. In other words, the following examines the subareas related to the organizational management functions. The first subarea to be analysed is the production of the company.

The Estonian managers think that company's production technology was slightly worse than 'average' in 1995 (state average 4.1). Although these answers do not give flattering estimates on the state of production technology in Estonian companies, the overall state is nevertheless surprisingly good. One needs to remember that the basis for production-technological transformation in Estonian companies was fairly weak. The out-dated Soviet machinery and equipment together with difficulties in acquiring investment capital did not provide a good starting point for Estonian companies (cf. Tables 18. and 54.).

In spite of these problems, Estonian companies have managed to improve the quality of their technology since 1991 (transition average 0.7). Approximately every fifth enterprise manager sees positive development in the state of production technology in their company. Only one company sees deterioration in the quality of its production technology since the last Soviet year. This company is a state-owned company operating in manufacturing. One might have assumed in advance that the deterioration of technology would have been more common in industrial enterprises owned by the state. In this respect, state enterprises have succeeded in transforming better than expected.

Surprisingly, the Estonian managers feel that the quality of production technology used in their company is higher than in their industry in general (cf. Table 31.). No watertight conclusions can be drawn on grounds of this, but a possible explanation might be that the companies participating in this study are in a better position than the rest of the Estonian enterprise sector. This is not unexpected as small companies lacked enthusiasm to participate in this survey. This may signify that the transformation of the Estonian enterprise sector is probably slower than in this sample.

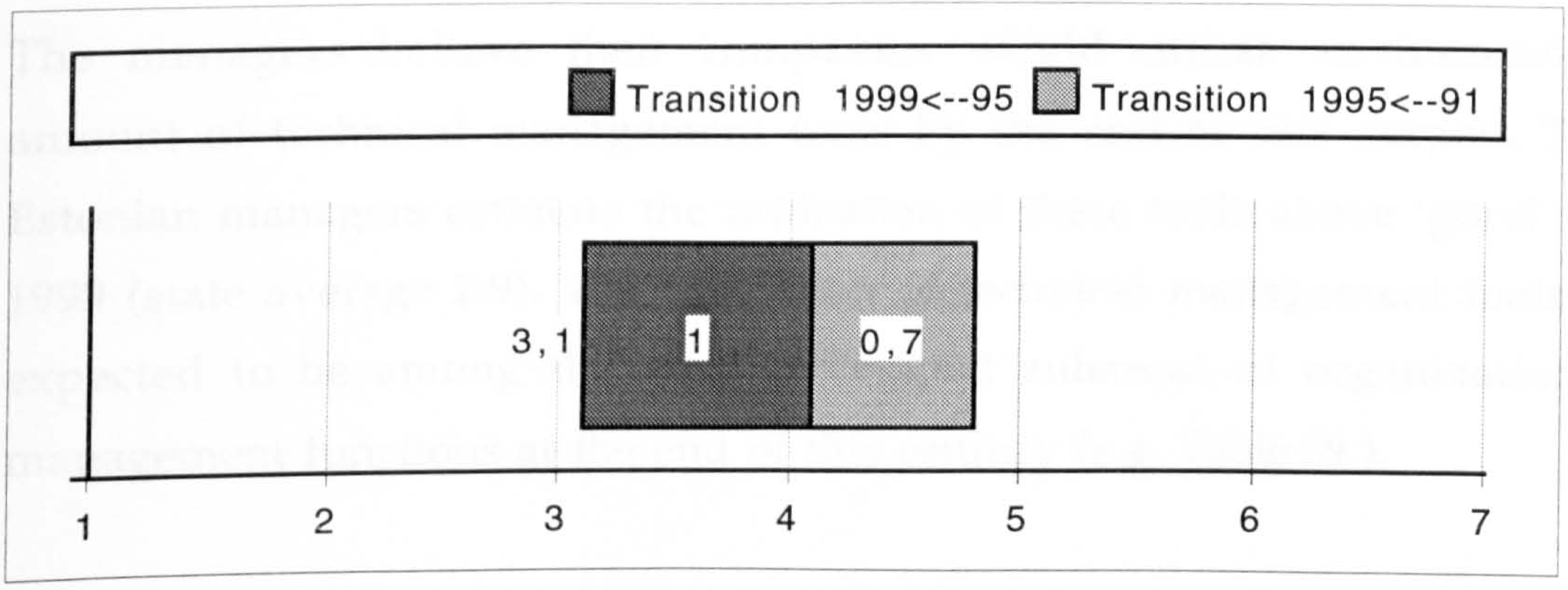
Another observation worth attention is that the quality of technology in foreign-owned companies has not improved significantly faster than in those enterprises under Estonian ownership. As such this result is rather unforeseen since a generally accepted view seems to support the assumption that Western ownership would introduce extensive modernization of production.

Positive for future transition is the Estonian managers' belief in the increasingly improving quality of their technology during the latter half of this decade (transition average 1.0). The managers believe the quality of technology will be 'good' in their company by 1999 (state average 3.1).

Although confidence in the future is positive in terms of transition, certain answers indicate that this confidence might be based more on hopes than realizable plans. This argument can be explained as the quality and price of the technology used in this industry are expected to improve quite slowly. This means that companies would be forced to pay relatively high prices for technology compared to its quality. Secondly, the managers' answers about the financial state of their company and reasonably-priced funding available outside their company indicate that financial difficulties seriously impede the modernization of company (cf. Tables 18. and 53.).

It seems quite improbable that Estonian companies would receive considerable funding from the stock market in the near future. Therefore, Estonian companies will have enormous difficulties in modernizing their production and thus improving their competitive position and financial state. Financing difficulties together with the deficient production technology may create a vicious circle hard to break (e.g. Table 38.).

Table 38. The quality of your production technology

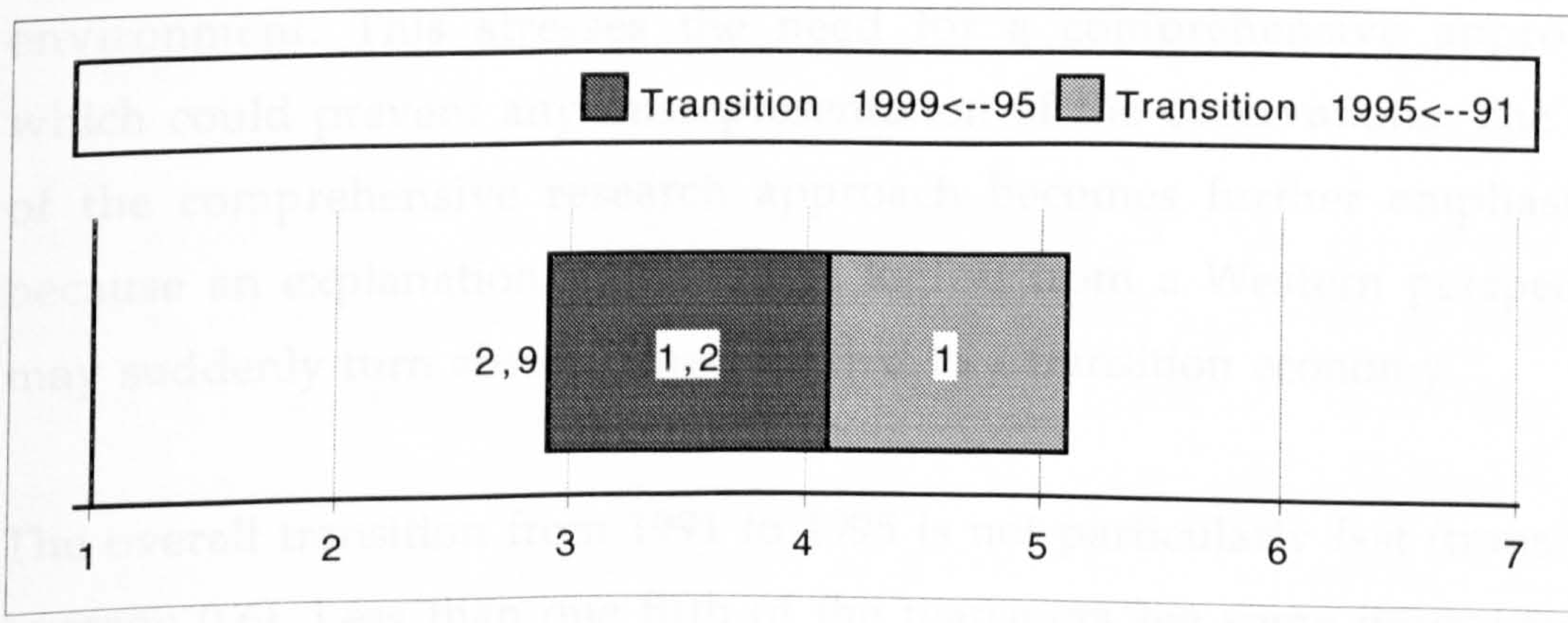


According to the Estonian managers, the state of their technical management tools was slightly below the 'average' in their company in 1995 (state average 4.1). Even though the state of these management tools still remains lower than 'average', the current state is rather good considering the fact that the Soviet era left the companies in 'poor' state (state average was 5.1 in 1991). Regardless of this low starting point, the utilization of technical management tools has developed rather rapidly (transition average 1.0).

Estonian experts argued that the development in the utilization of the technical management tools is largely dependent upon the computerization of companies. Although this transition has occurred swiftly, one must pay attention to the fact that very few Estonian companies have thoroughly computerized their manufacture or sales. Estonian companies still tend to use computers more as tools for financial management.

The managers believe their companies would utilize an increasing amount of technical management tools by the end of this decade. The Estonian managers estimate the utilization of these tools above 'good' by 1999 (state average 2.9). The utilization of technical management tools is expected to be among the most developed subareas of organizational management functions at the end of this century (e.g. Table 39.).

Table 39. The utilization of technical management tools in your company



The Estonian managers see the quality of the raw material supply network of the company somewhat worse than the previous subareas of management (state average 4.2). Even though the research data as such cannot provide the reason for these problems, one explanation could be found in the vulnerability of the supply network. The vulnerability may stem from the dependence of the company upon the deliveries of few raw material suppliers. The reliability of the raw material network is diminished by the unpredictability of suppliers. Besides that, due to the problems in the enforcement of legal sanctions, it is very difficult to receive any compensation for delays in deliveries.

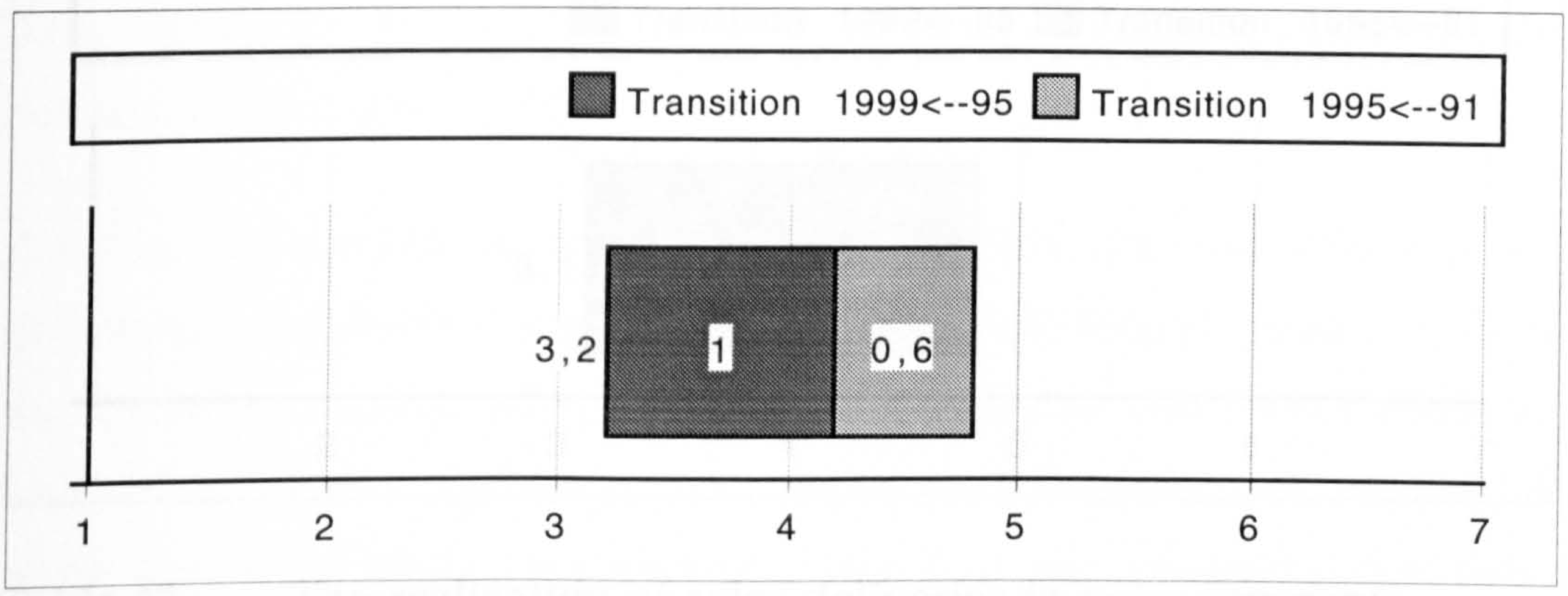
This in turn creates conditions where the company management encounters enormous difficulties while attempting to construct a protective system to ensure its raw material supplies. One means to solve this problem would be to decrease the size of raw material deliveries and acquire them from several suppliers. This would naturally increase the costs of raw material supplies.

The 'lesson' learned from this observation is that problems within the organization management may originate in the external operational environment. This stresses the need for a comprehensive approach, which could prevent any misrepresentation of the observations. The role of the comprehensive research approach becomes further emphasized because an explanation that appears logical from a Western perspective may suddenly turn absurd when applied to a transition economy.

The overall transition from 1991 to 1995 is not particularly fast (transition average 0.6). Less than one fifth of the managers see some improvement in the state of their raw material network. The transition pace is expected to nearly double during the latter half of this decade (transition average

1.0). On the whole, the raw material supply network of Estonian companies is expected to be nearly 'good' by 1999: state average 3.2 (e.g. Table 40.).

Table 40. The raw material supply network of your company



By the following questions, the researcher intended to control the way managers answered to the questionnaire. This was done by including two questions with an identical content but a slightly different form. These questions were 'the reliability of your sales deliveries' and 'the realization of sales deliveries in your company'. Despite the similar content of these questions, the answers given to them differ to some extent from one another.

One explanation for these deviant answers is that the managers understood the two terms differently [89]. A second explanation might of course be that managers answered these two questions, and hence the entire inquiry, carelessly. The latter option, however, seems unlikely since the answers on both subareas were on similar lines. This might lead one to assume that the Estonian managers did not answer this questionnaire

[89] The difference does not arise from a translation error because the translator from Finnish into Estonian was asked to pay special attention to these questions. After this another translator made a back-translation from Estonian into Finnish.

with their 'eyes closed'. Therefore, one can regard the research findings as quite reliable despite this difference (e.g. Tables 41. and 42.).

Table 41. The reliability of your sales deliveries

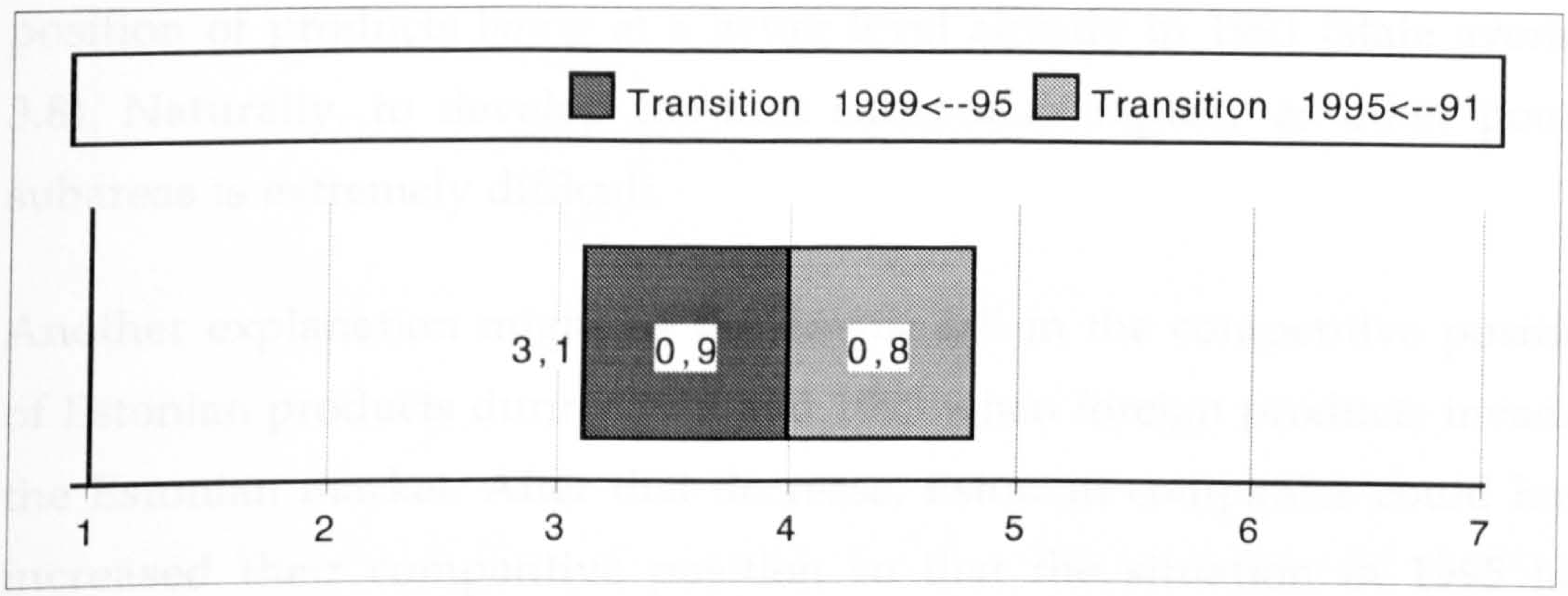
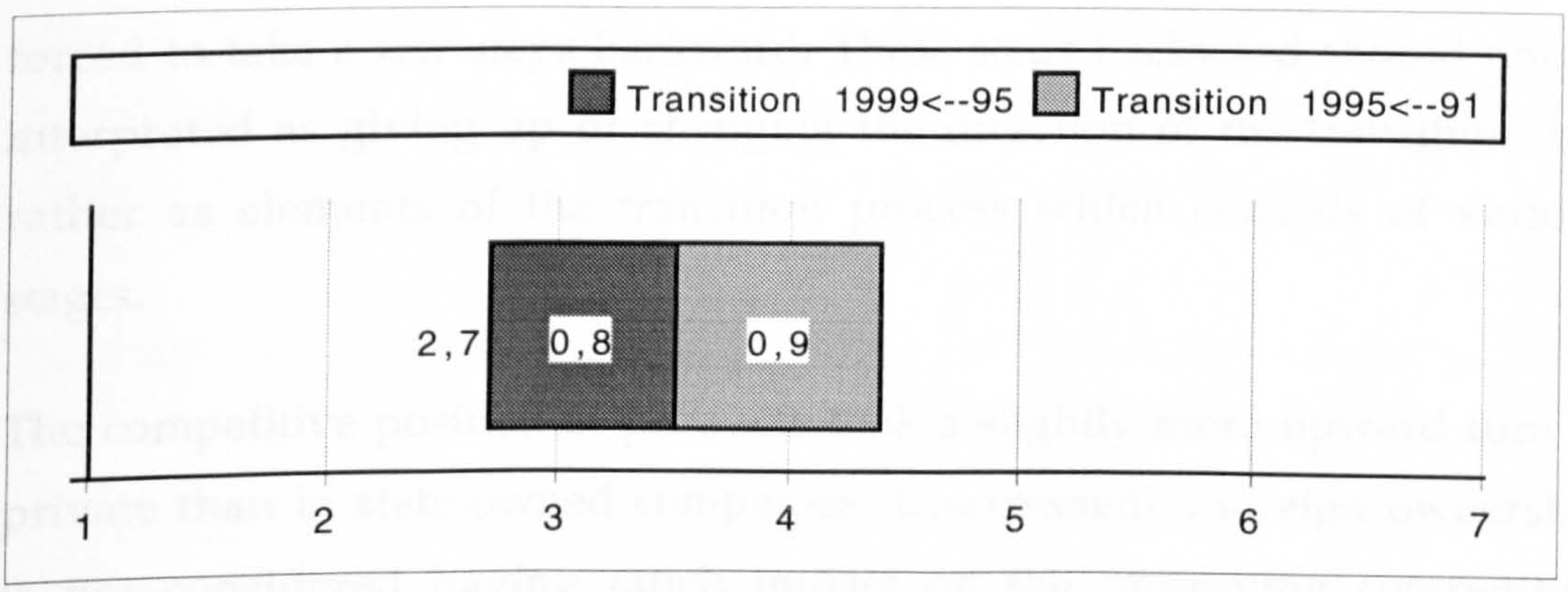


Table 42. The realization of sales deliveries in your company



The way the Estonian managers view the competitive position of their products in Estonia suggest that they seem fairly content with the situation in 1995 (state average 3.5). In fact, the competitive position of products in Estonia is ranked best in the organizational functions management, in addition to 'realization of sales deliveries in your company' and 'competitive position of your company in Estonia' (cf. Tables 42. and 56.).

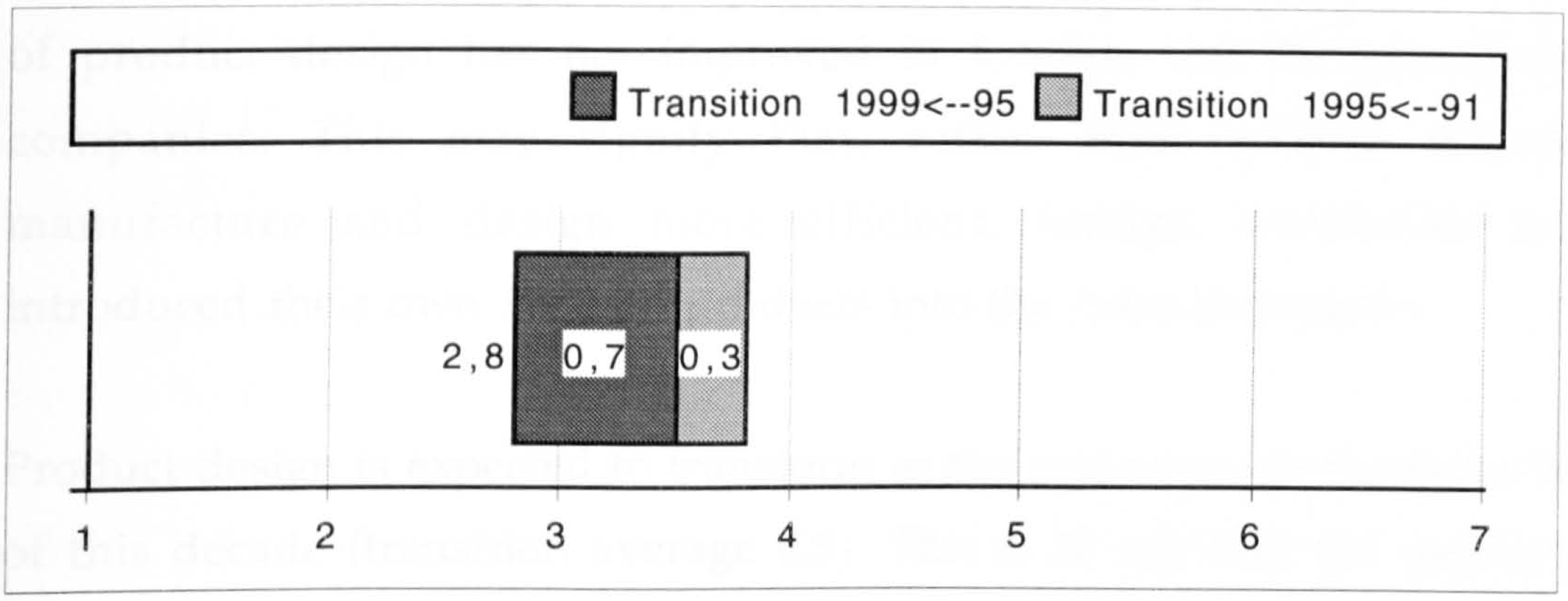
If one examines the transformation from 1991 to 1995, one can see that it is surprisingly insignificant (transition average 0.3). The competitive position of products is the slowest one of the organizational management functions to transform. This may largely stem from the competitive position of products being at a better level already in 1991 (state average 3.8). Naturally, to develop the best subarea as rapidly as other poorer subareas is extremely difficult.

Another explanation might be the drastic fall in the competitive position of Estonian products during 1992 and 1993 when foreign products invaded the Estonian market. After that decrease, Estonian companies could have increased their competitive position so that the situation in 1995 had improved from 1991. This may illustrate that the transformation process is not necessarily linear, but a transition to a market economy may be forced to take a few steps backward. These steps backward should not be interpreted as giving up or changing the direction of the transition, but rather as elements of the transition process which consists of various stages.

The competitive position of products took a slightly more upward turn in private than in state-owned companies. Unexpectedly, foreign ownership is not considered having much impact on the improving competitive position of products. This low influence of foreign-owned companies on the pace of transformation could also be observed in the development of the quality of technology (cf. Table 38.).

The Estonian managers estimate the future transition to double the pace of the transition accomplished so far (transition average 0.7). If this transformation is going to happen, the competitive position of products in Estonia will rise above 'good' by 1999: state average 2.8 (e.g. Table 43.).

Table 43. Competitive position of your products in Estonia



The managers think that the quality of the company's product design is somewhat better than 'average' in 1995 (state average 3.8). A number of Estonian products have received positive feedback on account of their unique design. For instance, the products of furniture and clothing industries have been highly commended. Estonian design seems to combine Nordic, German and Russian (Soviet) characteristics [90].

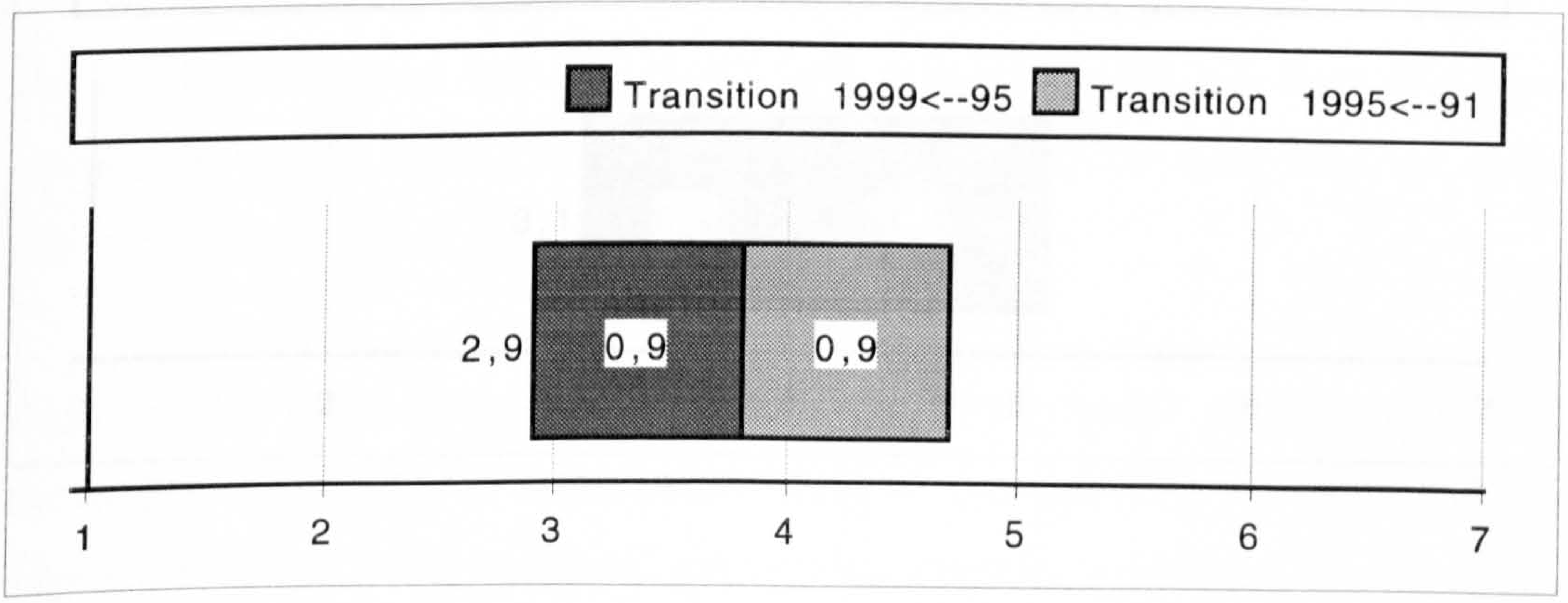
The transition of product design indicates that it developed from 'poor' in 1991 to 'average' in 1995. As a matter of fact, the estimation of its state in 1991 amounts to surprisingly high if one remembers how irrational it was for a company to develop its products within the Soviet system. In brief, an innovating company took a risk without a financial stimulus. This is based on two major factors. First, on grounds of the Sofia agreement innovations implemented by socialist companies were available for use by all socialist companies. Second, since innovations consumed extra time and money, they endangered the fulfilment of state plans set to the company (e.g. Berliner, 1988).

[90] This example is based on the interviews with Helka Leinonen, Jüri Läänesaar and Ilmar Jõgi.

Product design has developed most rapidly in companies involved in foreign trade, particularly in OECD trade. Rather unexpectedly, the quality of product design has not improved in foreign, but Estonian-owned companies. This may signify that, rather than making Estonian manufacture and design more efficient, foreign companies have introduced their own Western products into the Estonian market.

Product design is expected to transform at the same pace in the latter half of this decade (transition average 0.9). This is to say that the quality of product design is expected to rise above 'good' by 1999 (state average 2.9). On the other hand, one should not forget that the improvement of product design requires considerable investments or cooperation with Western enterprises. It is highly unlikely that companies' own investments alone could enable this development. This argument is explained by the financial state of most of the Estonian companies which does not allow any substantial investments in product design. Therefore, the alternative that remains is Western cooperation (e.g. Table 44.).

Table 44. The quality of your product design

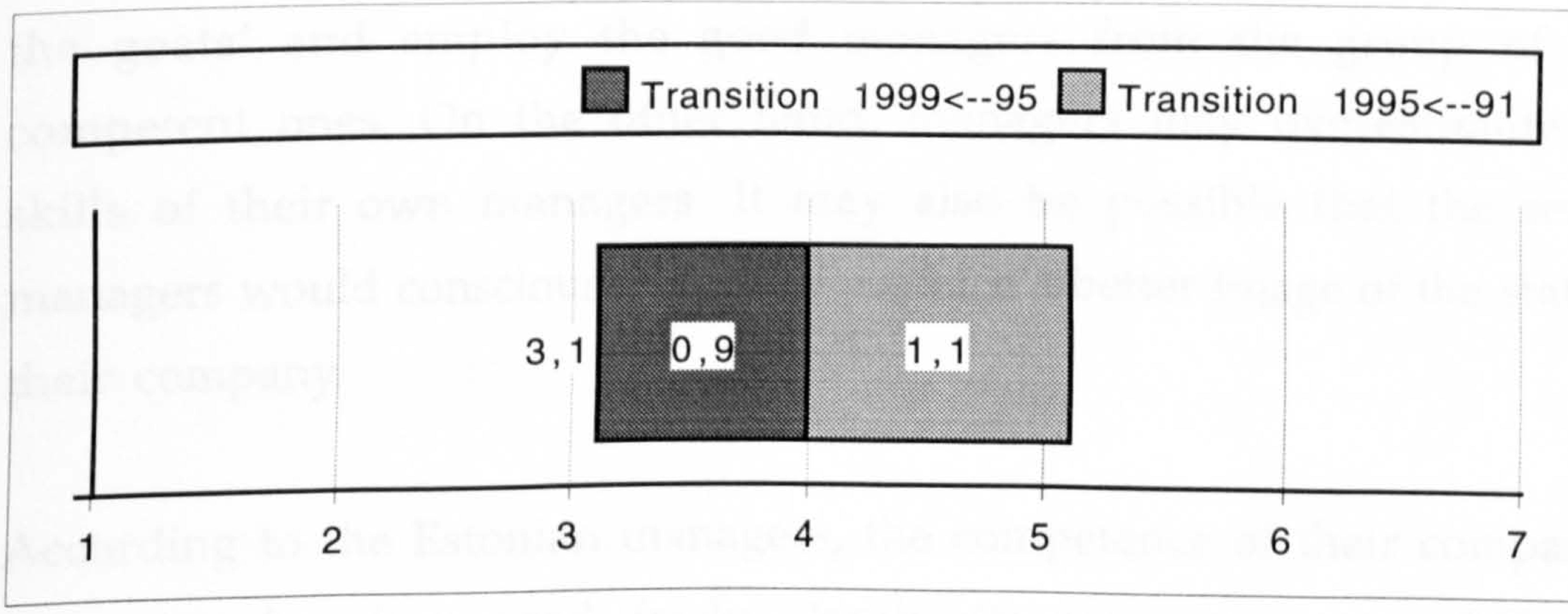


The Estonian managers regard the state of their information channels as 'average' in 1995 (state average 4.0). On the whole, the information channels improved during 1991 and 1995 most rapidly compared to nearly all the other organizational management functions (transition average 1.1). Only two subareas managed to develop at a similar speed: 'the utilization of advertising in your company' and 'the capacity of your company to change when the business environment requires' (cf. Tables 51. and 55.).

Only one enterprise manager feels the information channels have begun to function more inefficiently since 1991. This view comes from the manager of an industrial company owned by the state. Such a view hardly comes as a surprise since 'Soviet managers' lost many of their information channels with the collapse of the Soviet system.

Since the transition pace of information channels is among the strongest, it is not strange that this pace is expected to slow down to some extent during the latter half of this decade (transition average 0.9). If this transformation actually occurs, the level of information channels and their functioning will be nearly 'good' by 1999: state average 3.1 (e.g. Table 45.).

Table 45. The functioning of your information channels



The Estonian managers seem clearly content with the competence of their managers (state average 3.8 in 1995). Over one third of the senior managers evaluated the skills of their managers 'good', 'very good' or 'extremely good'. Even if these answers cannot directly be related to the skills of managers in market economies, these answers indicate positive development in the future.

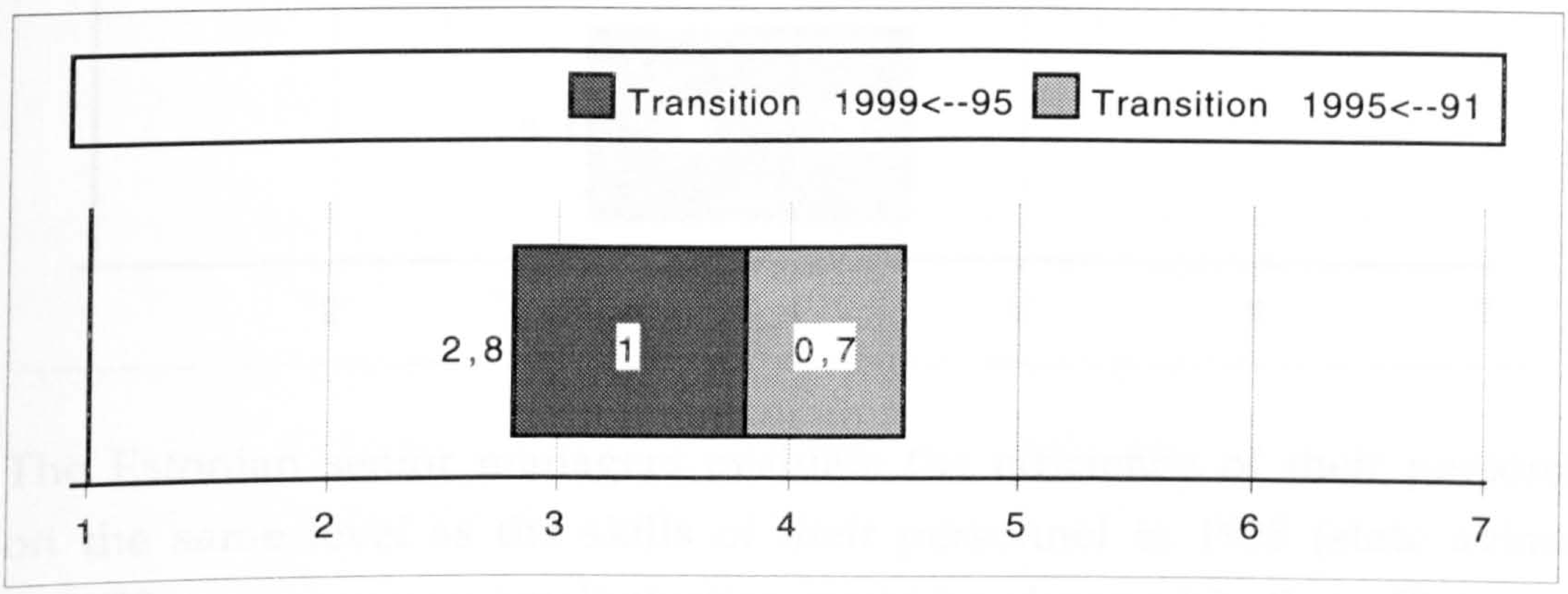
When viewing the skills of Estonian managers, one needs to point out that their business skills are often weaker than their technical competence. This simply originates in the Soviet tradition which, first and foremost, invested in technical, rather than business, training. Secondly, Estonian managers are in average less skilled in foreign languages.

Despite these positive answers, one should not forget that about one third of the managers who participated in this study consider it difficult to find skilled managers in the market (cf. Table 33.). This means that the majority of companies would have been lucky to separate 'the sheep from the goats' and employ the good managers from the group of less competent ones. On the other hand, managers may overestimate the skills of their own managers. It may also be possible that the senior managers would consciously want to produce a better image of the state of their company.

According to the Estonian managers, the competence of their company's managers has improved fairly slowly (transition average 0.7). An explanation for the change slower than average might be found in their starting point of 1991 which was almost the 'average'.

Positive in terms of the future is that the transformation pace is expected to increase during the latter half of this decade (transition average 1.0), thus raising the skills of managers above 'good' (state average 2.8). According to an Estonian expert, the managers would need training particularly in their time management (cf. Table 69.). The pressure for better planning and more efficient use of time is discussed in more detail later (e.g. Table 46.) [91].

Table 46. The skills of your managers



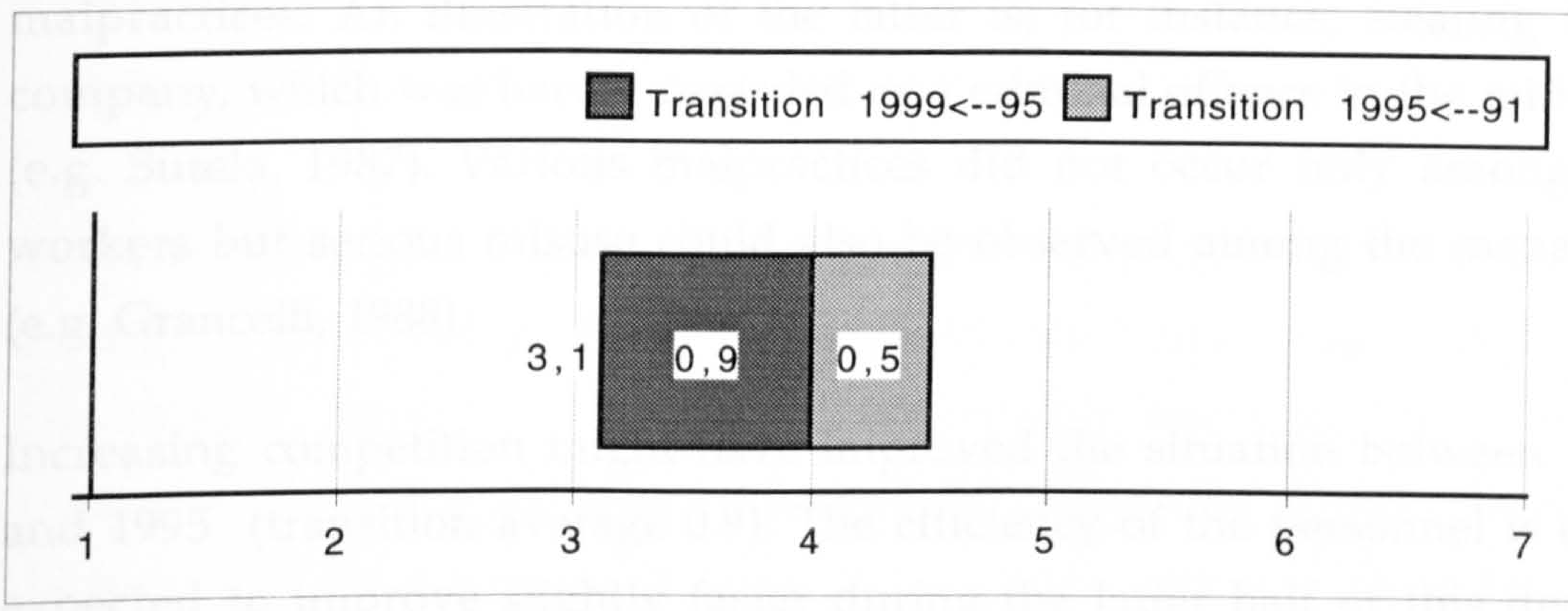
The Estonian managers' opinion about the state and transformation of their employees' competence is nearly identical to managers' skills. In other words, the state of their employees' competence was 'average' in 1995 (state average 4.0). Furthermore, the transformation since 1991 has occurred rather slowly which is due to the considerably better starting point (state average 4.5).

Another common feature between the managers' views is that the transformation pace is believed to accelerate substantially toward the end of this decade (transition average 0.9). Moreover, the enterprise managers evaluate their own employees with much better competence than the employees available in the market (cf. Table 34.). On the whole, one can

[91] This is based on the interview with Heino Tammiste.

state that the managers of the studied Estonian enterprises believe that the skills of their personnel will be nearly 'good' by 1999: state average 3.1 (e.g. Table 47.).

Table 47. The skills of your employees



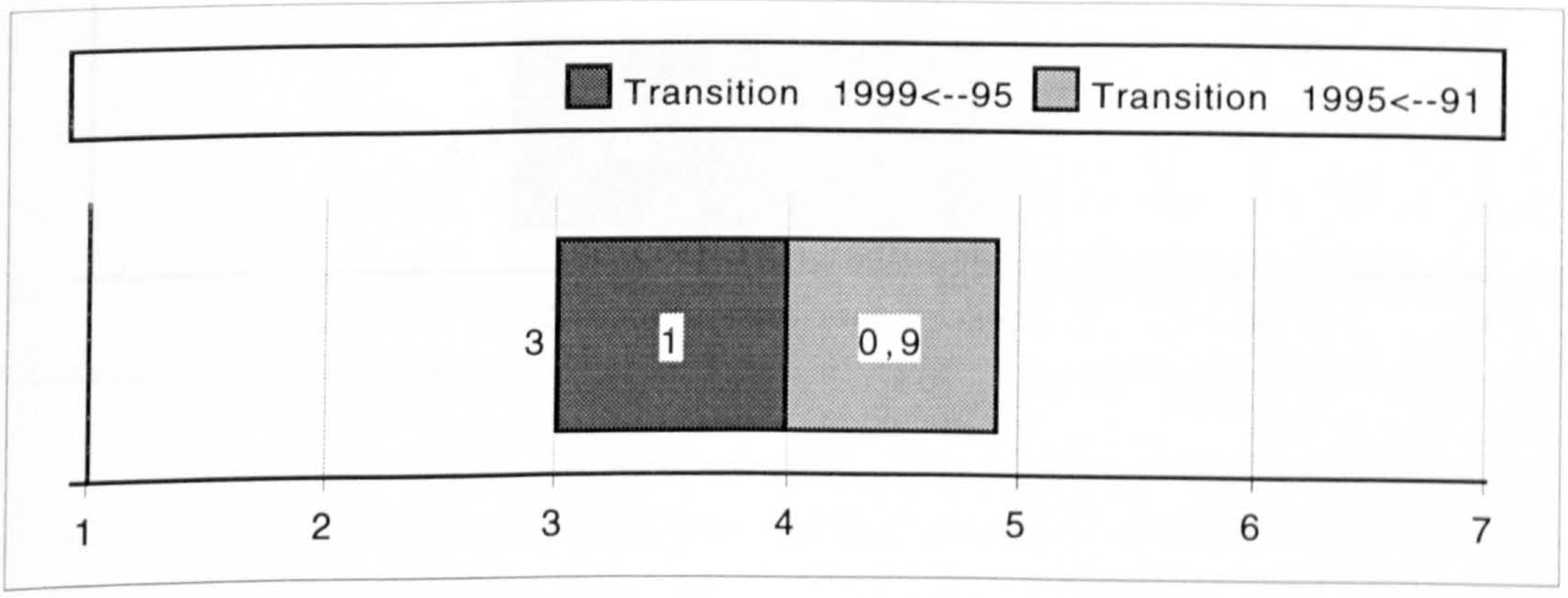
The Estonian senior managers evaluate the efficiency of their personnel on the same level as the skills of their personnel in 1995 (state average 4.0). However, one major distinction could be observed in that efficiency is considered to have transformed much more rapidly than skills. This is not unexpected because Soviet companies had a far greater number of employees than was necessary for normal capacity. In short, oversized personnel originates from the planned system, which forced the companies to prepare themselves in advance so they could meet the requirements of increasing production plans. This meant that the companies had to hoard workers beforehand because the Soviet labour market suffered from a shortage of manpower (e.g. Sutela, 1987).

Given these facts, it is hardly surprising that the Estonian managers rank the efficiency of their employees in 1991 nearly 'poor' (state average 4.9). Employees could not be made to work more efficiently by threatening them with sanctions since labour shortage enabled them to find basic work in some other Soviet organization. In a similar manner, means of motivation had largely become inefficient. A 'thirteen-month salary' was considered more of a natural practice than a bonus (e.g. Sutela, 1987). Hence, it is easy to understand the managers' difficulties in increasing the productivity of work.

Moreover, social absenteeism appeared in Soviet companies through the use of alcohol at work, unnecessary absences and various kinds of malpractices. An illustration of the latter is, for instance, stealing from company, which was hardly regarded as a criminal offence in the mid-80's (e.g. Sutela, 1987). Various malpractices did not occur only among the workers but serious misuse could also be observed among the managers (e.g. Grancelli, 1988).

Increasing competition might have improved the situation between 1991 and 1995 (transition average 0.9). The efficiency of the personnel is even expected to improve slightly faster during the latter half of this decade (transition average 1.0). The Estonian managers estimate that the efficiency of their company's staff will be 'good' by 1999: state average 3.0 (e.g. Table 48.).

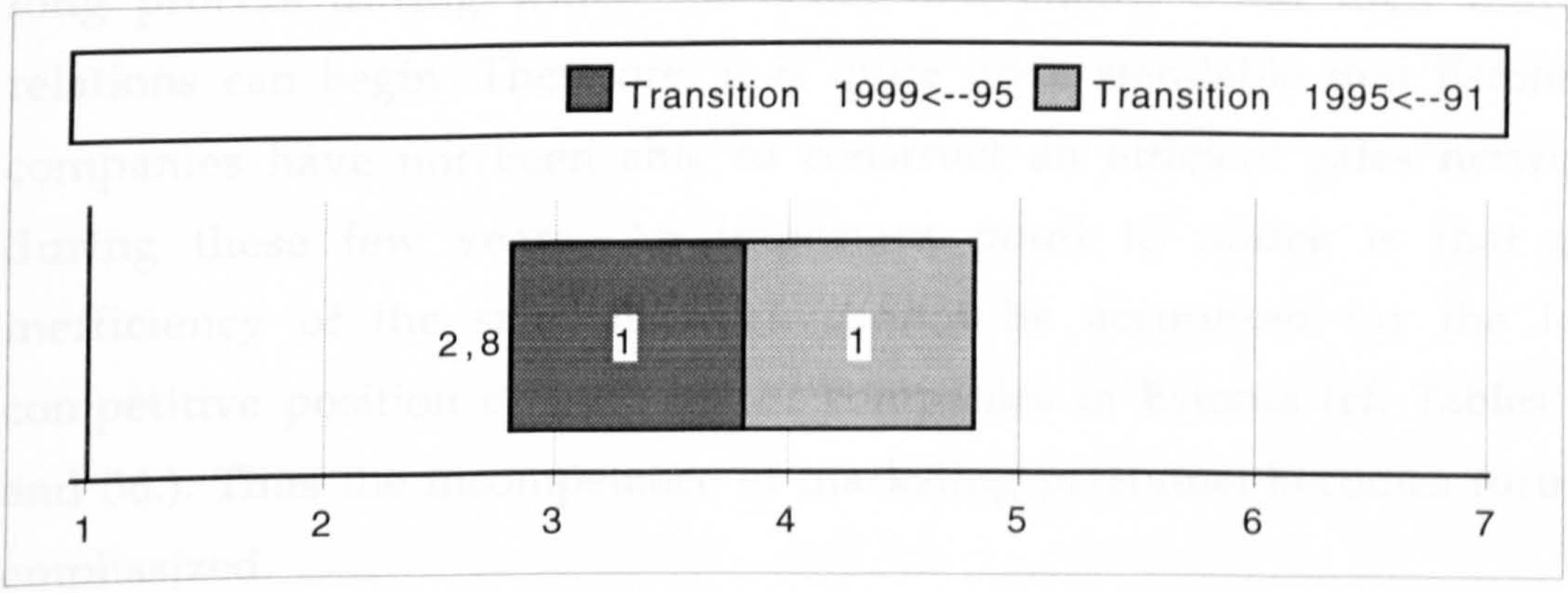
Table 48. The efficiency of your personnel



The reliability of the personnel has transformed more rapidly than the efficiency of the personnel (transition average 1.0). None of the managers who participated in this study see deterioration in reliability since the last Soviet year until 1995. Growing reliability may emerge from the increasing level of motivation among the personnel. On the other hand, increasing competition has forced employees to take their work more seriously if they want to maintain their positions.

Estonian managers expect the transformation pace to remain similar during the latter half of the 1990s as well (transition average 1.0). Rather surprisingly, however, three per cent of the managers believe the reliability of their employees will diminish. The data do not offer any stereotype of the companies sharing this negative view (e.g. Table 49.).

Table 49. The reliability of your personnel



The Estonian managers evaluate the efficiency of their sales network somewhat worse than the efficiency of their personnel in 1995 (state average 4.2). Several probable explanations can be found for the low estimates given to the sales network.

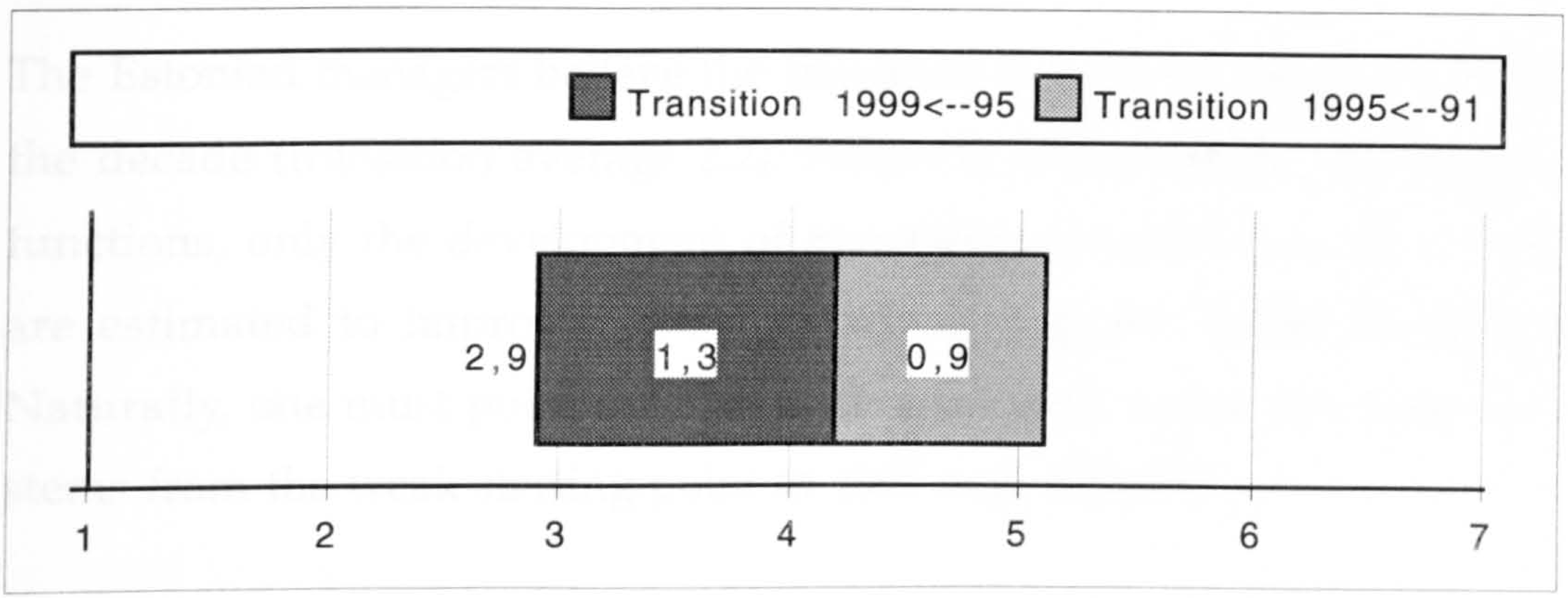
First, the skills of marketing personnel might not yet be as sophisticated as possible. According to Estonian experts, lack of sales experience was particularly evident in operations directed to Western markets. Experts stated that Estonian companies handled the production better than the marketing [92].

In addition to inexperience, the second explanation might be found in the time required by the construction of an efficient sales network. To function properly, the sales network must be based on known products and a good product image. When these basic factors are in order, the fairly long process during which the seller and clients build their mutual relations can begin. Therefore, it is quite understandable that Estonian companies have not been able to construct an efficient sales network during these few years. An important point to notice is that the inefficiency of the sales network cannot be accounted for the low competitive position of products or companies in Estonia (cf. Tables 43. and 56.). Thus the incompetence of marketing personnel becomes further emphasized.

The Estonian managers expect the sales network to improve essentially by the end of this decade. In fact, the future transformation of the sales network will be the fastest of all the other subareas of organizational management functions: transition average 1.3 (e.g. Table 50.).

[92] This is based on the interviews with Meelis Virkebau and Heino Tammiste.

Table 50. The efficiency of the sales network in your company



The Estonian managers seem to share a slightly negative view of the utilization of advertising in 1995 (state average 4.2). The inefficient use of advertising may stem from the rocketing prices of advertising channels, as well as from the inability of the marketing personnel to advertise their products. By combining the financial difficulties of Estonian companies and the rising prices of advertising services, one may find it easier to understand why the utilization of advertising is in many cases still in its infancy in Estonia (cf. Tables 24. and 53.).

The lack of advertising skills could be anticipated since Estonian companies did not advertise their products during the Soviet era. Moreover, only few Estonian managers have some training in advertising [93].

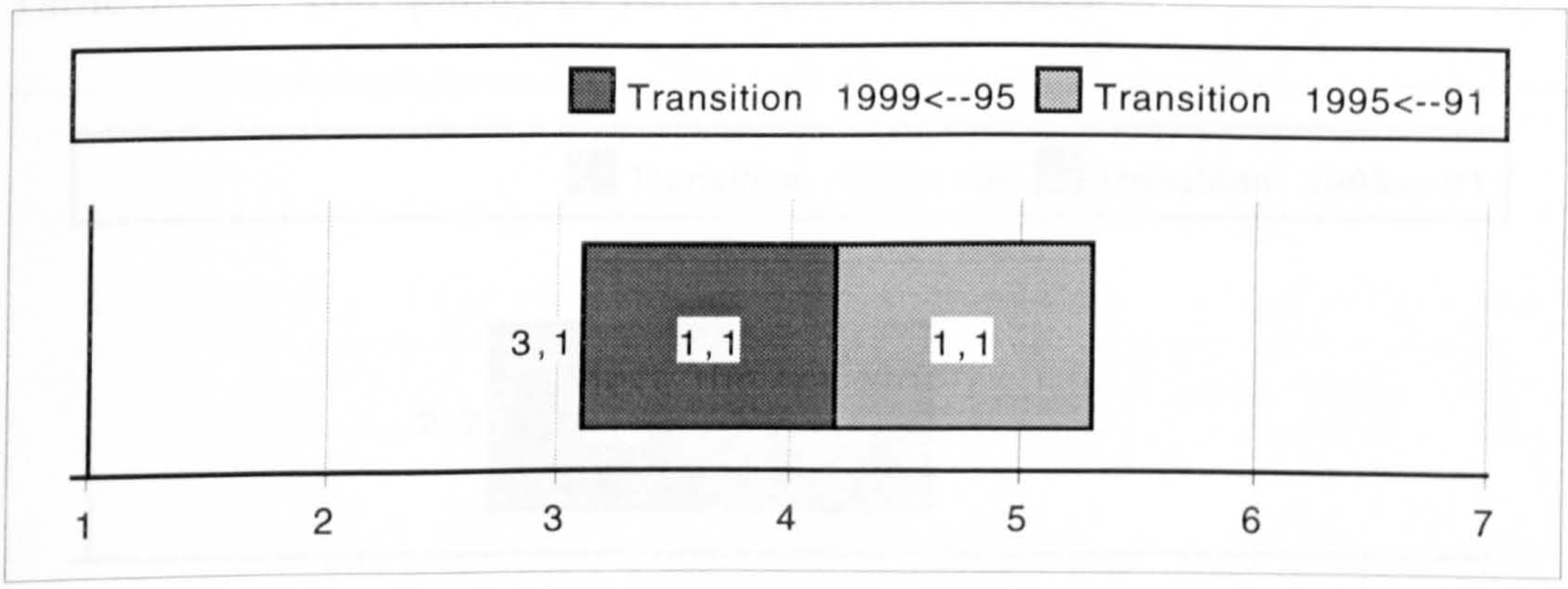
Although the situation in 1995 is not optimal, the utilization of advertising has become considerably more efficient since 1991 when it was estimated even below 'poor' (state average 5.3). In fact, the utilization of advertising was the second worst area in 1991 after the competitive

[93] This is based on the interview with Heino Tammiste.

position of the company outside Estonia (cf. Table 57.).

The Estonian managers believe the transition pace to be rapid throughout the decade (transition average 2.2). From the organizational management functions, only the development of management tools and sales network are estimated to improve as fast as advertising (cf. Tables 39. and 50.). Naturally, one must point out that such a transition pace to a large extent stems from the weak starting point in 1991 (e.g. Table 51.).

Table 51. The utilization of advertising in your company

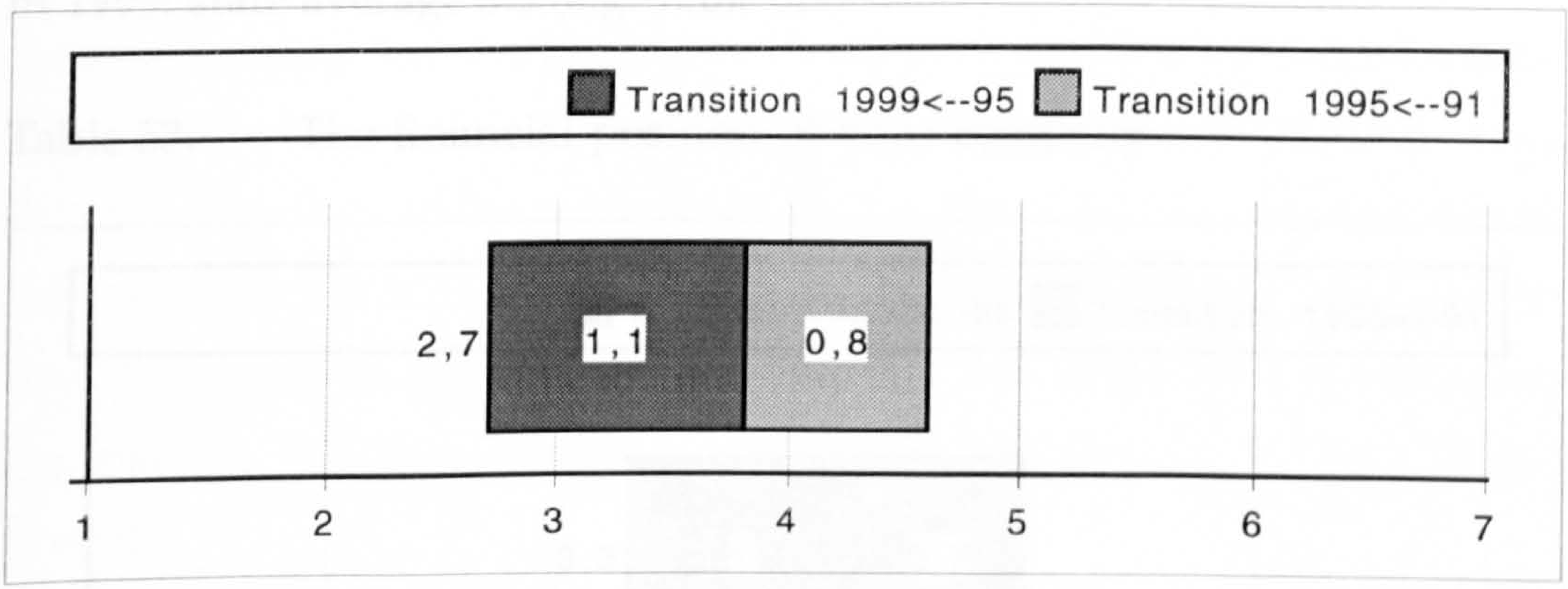


The Estonian managers rank the quality of customer service in their company better than 'average' in 1995 (state average 3.8). The state of customer service amounts to surprising heights if related to the fact that Soviet companies are generally considered as castles of non-customer-service. The main philosophy of these castles was 'the seller was the king and the client his servant'.

Surprisingly though, the research findings do not support the assumption of poor customer service during the last Soviet year. According to the Estonian managers, the state of customer service was not considerably worse than other other organizational management functions in 1991 (state average 4.6).

In this context one needs to underline that the estimation of one's own customer service is very subjective. Therefore, the position of the managers to evaluate their customer service may be somewhat biased. Therefore, these answers given by the managers should be viewed with some cautiousness. Most importantly, the state of customer service is believed to be better than 'good' by 1999: state average 2.7 (e.g. Table 52.).

Table 52. The quality of your customer services

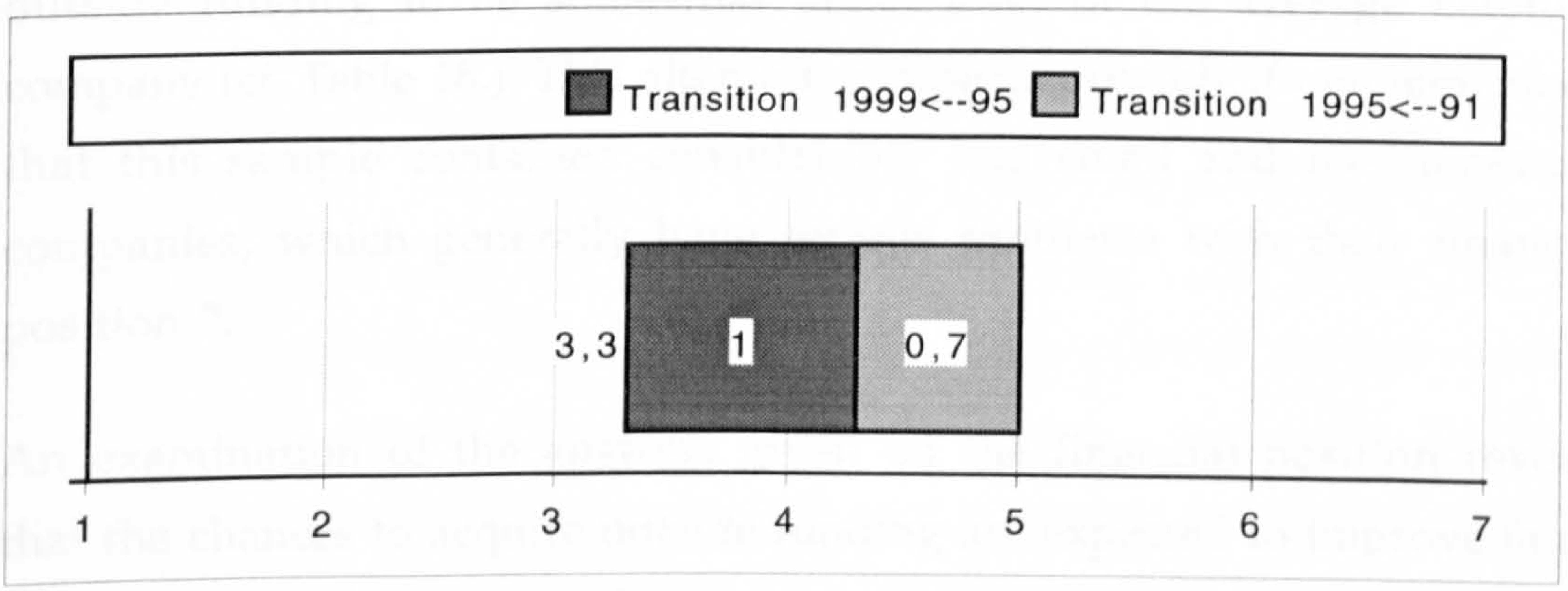


The Estonian managers' answers seem to suggest that the state of the financial position of Estonian companies was below the 'average' in 1995 (state average 4.3). Nearly half of the managers see the financial position of their company worse than 'average'. These answers indicate that the Estonian senior managers are rather displeased with the financial state of their company.

While comparing 1991 to 1995, one can see that the transformation has occurred fairly slowly (transition average 0.7). Four per cent of the managers feel the situation has deteriorated since 1991. Unexpectedly, only one of these companies is a state-owned enterprise. One could have anticipated that state enterprises in particular have suffered from the disintegration of the socialist system.

Positive for future is that the Estonian managers expect the transformation to intensify toward the end of this decade (transition average 1.0). Regardless of the increasing transition pace, the financial position of Estonian companies would still fail to reach the level of 'good' in 1999: state average 3.3 (e.g. Table 53.) [94].

Table 53. The financial position of your company



As became evident above, the Estonian managers do not consider their chances to acquire outside funding very optimistic. They estimate the possibilities to find outside finance even weaker than the financial position of their own company (state average 4.4). The acquisition of funding is further impeded by Estonian companies' difficulties in

[94] The improvement of the financial position in Estonian companies manifests, first and foremost, confidence in increasing self-financing, which in fact currently represents over 60% of the company funding (e.g. Kaubaleht, 1995b).

providing securities. The problem connected with securities is that Estonian companies possess only a restricted right to land ownership [95].

Since the immovables of many Estonian companies are insufficient, companies have difficulties in obtaining loans. Lack of securities often raises the interest rate of the loans so high that several Estonian companies face serious problems in the acquisition of outside funding. Had more of the small and medium-sized companies participated in this study, the answers would probably have been even more pessimistic.

A simultaneous analysis of the answers given to 'chances of finding reasonably priced funding in Estonia' and 'your chances of acquiring outside funding for development of company operations' reveals that the managers who participated in this study expect their chances to acquire outside funding to be somewhat better than in the average Estonian company (cf. Table 18.). This alternative appears possible if one remembers that this sample contained considerably less small and medium-sized companies, which generally have serious problems with their financial position [96].

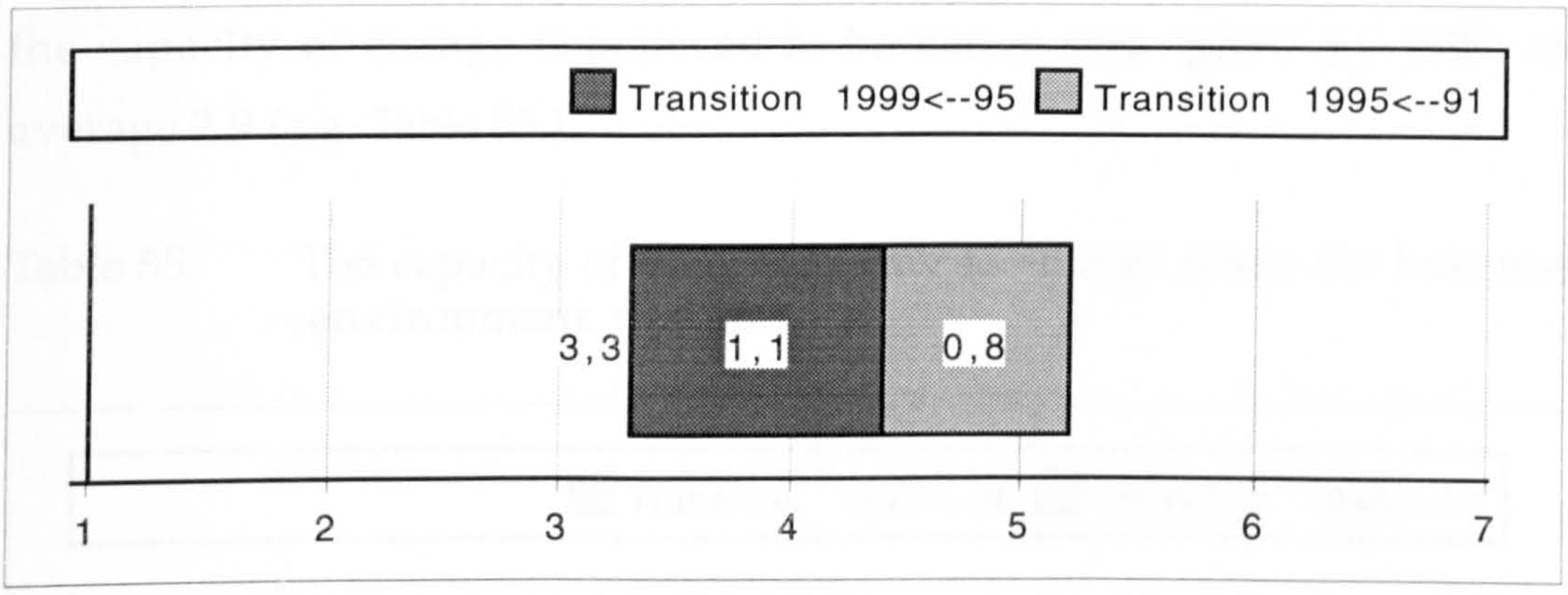
An examination of the answers given on the financial position reveals that the chances to acquire outside funding are expected to improve fairly rapidly if the years 1995 and 1999 are compared to one another (transition average 1.1). Particularly positive is that the majority of these Estonian managers believe the state of outside funding will approach 'good' in 1999 (state average 3.3). The future development, however, is overshadowed by

[95] The company has a restricted right to own the land it operates on.

[96] The weak financial position can be seen especially in small enterprises, of which 60-70% would need a loan of 100 000 -150 000 kroons (e.g. Tüllinen, 1995). Although no miracle cure can be expected for the financial position of small enterprises, The Estonian Small Enterprise Fund's 30 million kroons can aid the development of small enterprises in 1996 (e.g. Maack, 1995). This sum, however, is too modest since the majority of the Estonian companies are small enterprises.

three per cent of the enterprise managers who expect the situation to deteriorate. Interestingly, all of these enterprises operate in the finance sector (e.g. Table 54.).

Table 54. Your chances of acquiring outside funding for development of company operations

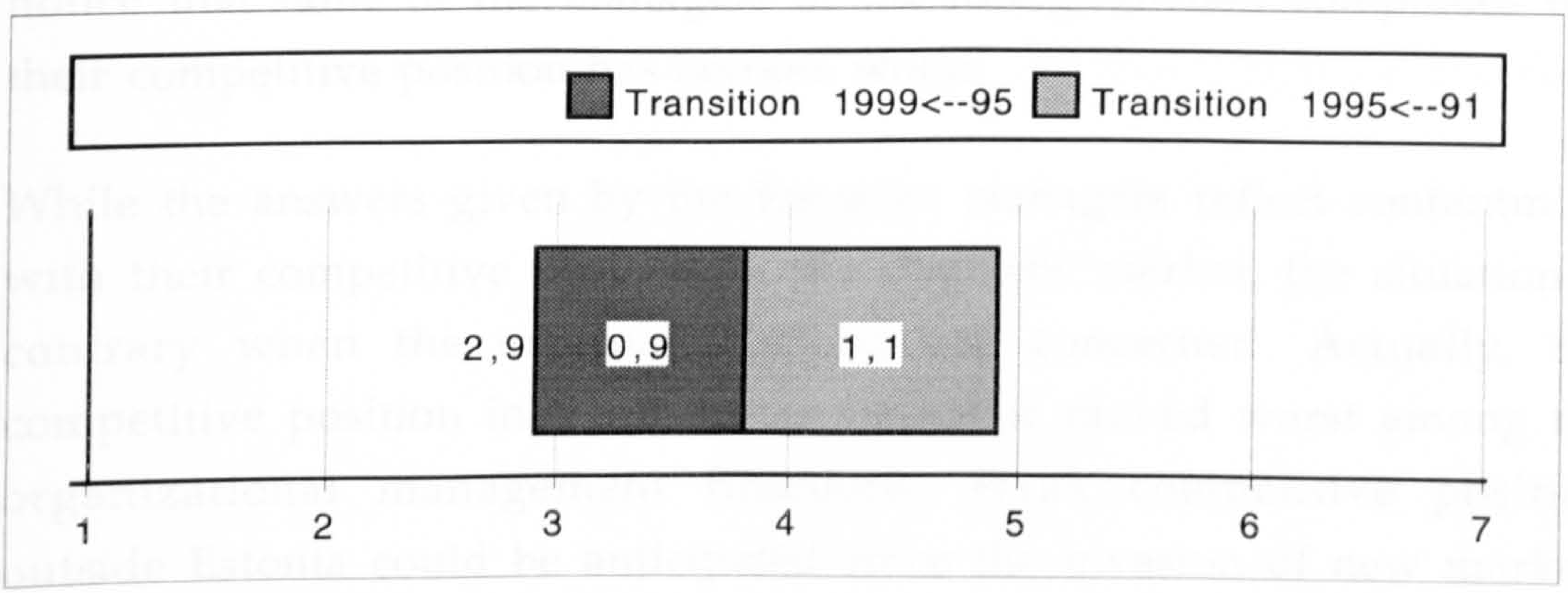


The Estonian managers view the capacity of their company to change rather positively. The capacity to change is considered better than 'average' in 1995 (state average 3.8). Even if these answers seem to support the Estonian companies' capacity to change, they should nevertheless be viewed with some criticism. In other words, although Estonian companies undoubtedly want to change, one cannot distinguish whether this is merely wishful thinking or whether they actually have resources to change. This means that change requires considerable financial resources, of which the Estonian companies have a serious shortage.

Another major factor in terms of change is the reaction time. That is, whether the companies react to a change in the market or whether they are able to predict this change. According to Estonian experts, Estonian companies have a tendency to react to changes taking place rather than prepare themselves for future changes [97].

The way the Estonian managers view the transformation indicates that the companies' capacity to change has improved considerably since 1991 (transition average 1.1). The transformation is expected to slow down to some extent at the end of this decade (transition average 0.9). However, the capacity of change is believed to be better than 'good' by 1999: state average 2.9 (e.g. Table 55.).

Table 55. The capacity of your company to change when the business environment requires



The data suggest that the Estonian managers see their company's competitive position clearly better in Estonia than abroad. Had more small and medium-sized companies participated in this study, the difference between the domestic and external markets would have been even greater. In 1995 the difference was one unit (state averages 3.5 and 4.5).

The results indicate that the Estonian managers are fairly content with their current competitive position in Estonia. The fact that the managers

[97] This is based on the interview with Heino Tammiste.

are pleased with their competitive position sheds some new light on several other subareas. This could be interpreted so that Estonian company managers believe they are sufficiently fit for competition within their own domestic market, regardless of their financing and technological problems.

When the transition of competitive position in Estonia is analysed further, one can observe that six per cent of the companies feel their competitive position has deteriorated. As could be expected, most of them were state-owned industrial enterprises, which, during the Soviet era, enjoyed a secured position in their domestic market. One should also notice that none of the managers of the foreign-owned companies feel their competitive position has become worse.

While the answers given by the Estonian managers reflect contentment with their competitive position in the domestic market, the situation is contrary when the external markets are concerned. Actually, the competitive position in the external market is ranked worst among the organizational management functions. Weak competitive position outside Estonia could be anticipated since the invasion of new markets requires a substantial amount of business experience in international markets, language skills, financial resources, and long-term activity. However, Estonian companies seem to suffer from deficiencies in each of these subareas. These shortcomings cannot be amended in a moment. Therefore, the competitive position in external markets is estimated to be only slightly better than 'average' in 1999 (state average 3.7).

An interesting fact is that every fourth of companies not presently involved in foreign trade believe their competitive position abroad would improve by 1999. This indicates that many Estonian companies are searching for business opportunities outside Estonia (e.g. Tables 56. and 57.).

Table 56. The competitive position of your company in Estonia

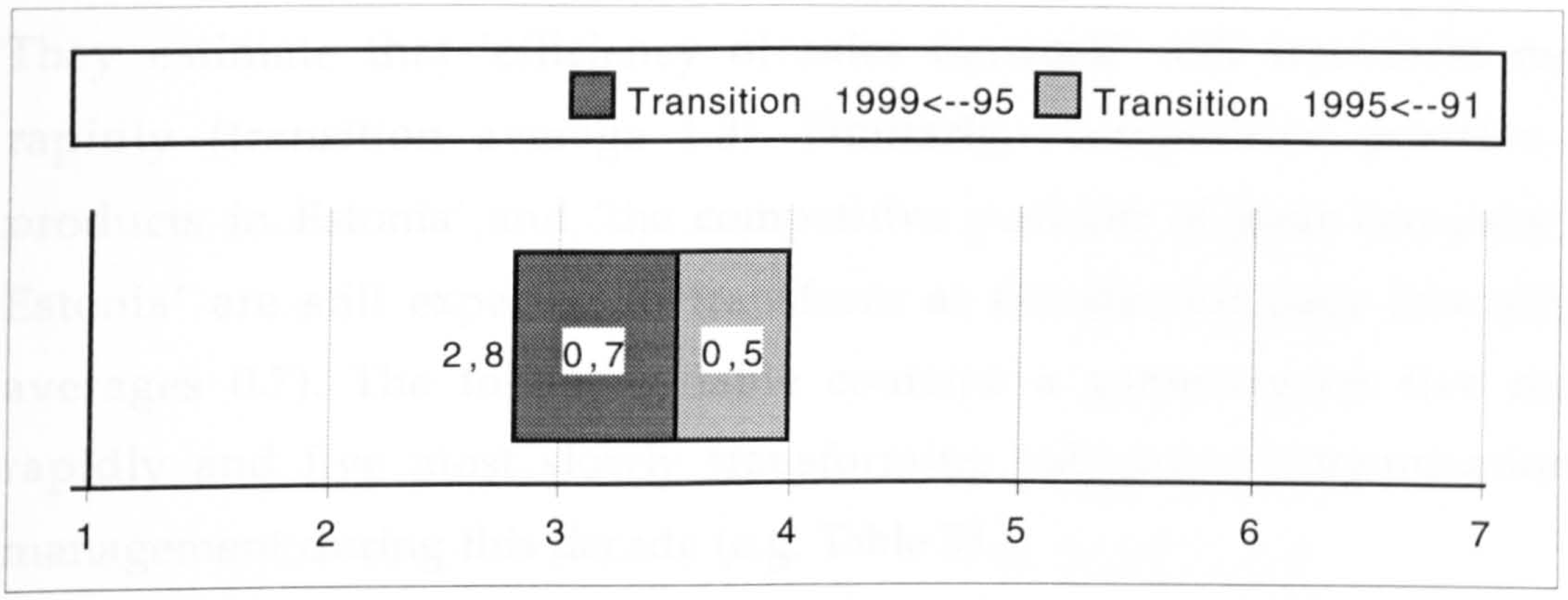
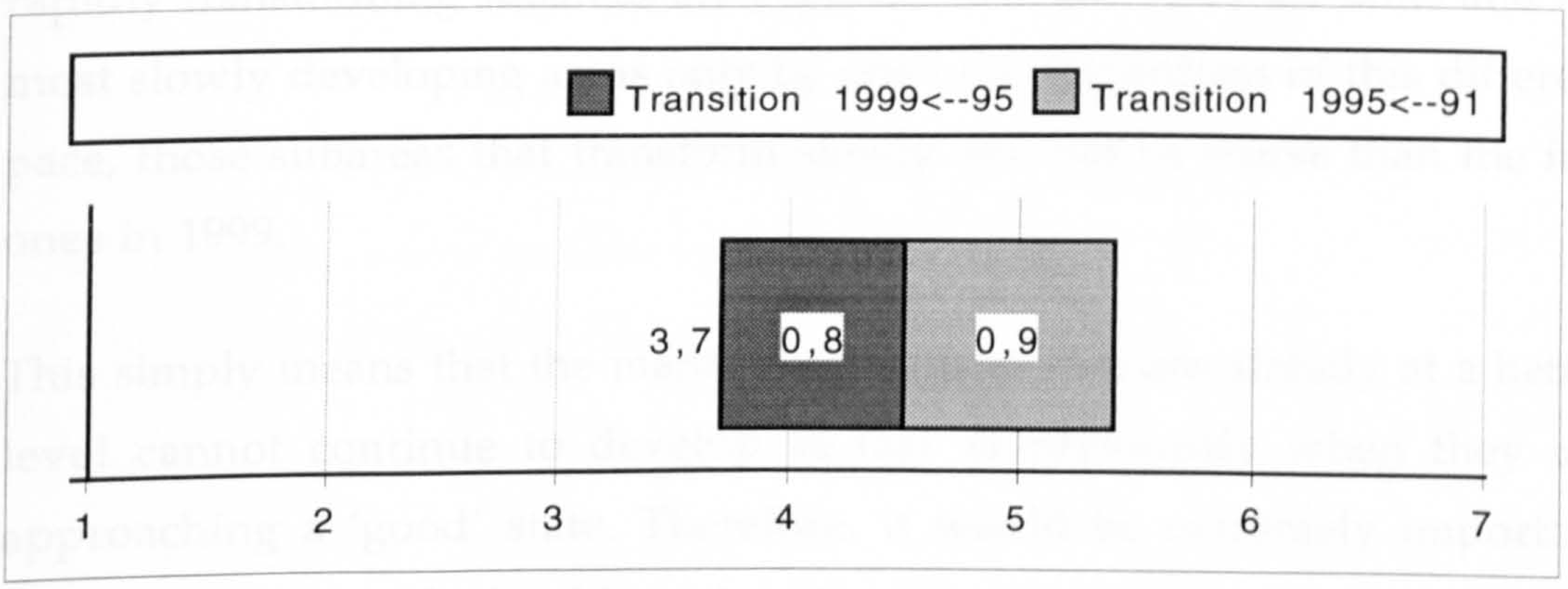


Table 57. The competitive position of your company outside Estonia



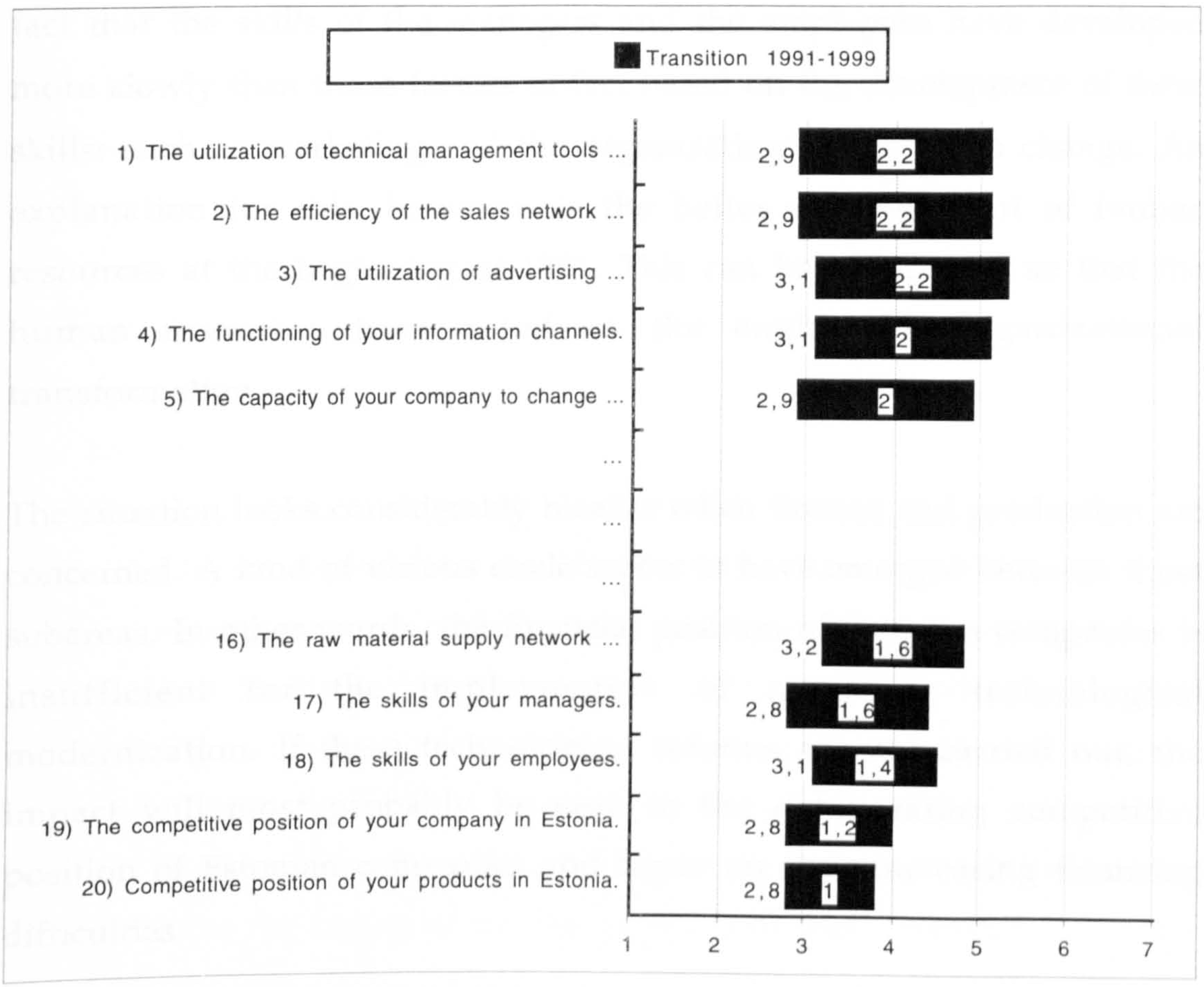
Summa summarum, the fastest areas to improve between 1991 and 1995 are 'functioning of information channels', 'utilization of advertising' and 'capacity to chance' (transition averages 1.1). Whereas the slowest subarea to develop is 'competitive position of products in Estonia' (transition average 0.3). On the other hand, the slow development may also result from this area being better than 'average' already in 1991. The overall pace of transformation since the last Soviet year until 1995 is 0.8, from 4.8 to 4.0.

The Estonian managers believe the transformation pace will accelerate during the latter half of this decade (average of transition averages 1.0). They estimate that 'efficiency of sales network' will transform most rapidly (transition average 1.3). Similarly, 'competitive position of products in Estonia' and 'the competitive position of your company in Estonia' are still expected to transform at the slowest pace (transition averages 0.7). The following table contains a summary on five most rapidly and five most slowly transforming subareas of organizational management during this decade (e.g. Table 58.).

The previous summary reveals a clear difference between the subareas developing most slowly and those improving most rapidly. The most rapidly transforming subareas are expected to improve by 2.2 units and the most slowly developing areas only by one unit. Regardless of this different pace, those subareas that transform slowly will not be worse than the fast ones in 1999.

This simply means that the managerial features that are already at a better level cannot continue to develop as fast as previously when they are approaching a 'good' state. Therefore, it would be extremely important that further research should not be directed at transformation only, but its final outcome. Although the transition is an interesting phenomenon as such, the main question is when the transformation will be over and these economies and companies can be regarded as market ones.

Table 58. The summary of the fastest and slowest transition factors in organizational management functions



A comparison between the five most rapidly and most slowly transforming subareas reveals a subtle contradiction. This stems from the fact that the skills of the managers and the employees have developed more slowly than those factors in fact based on the development of these skills: such as marketing and the organization's capacity to change. An explanation for this, however, is the better starting point of human resources at the beginning of 1991. This can be interpreted so that the human resources have acted as the engine for organizational transformation.

The situation looks considerably bleaker when finance and production are concerned. A kind of vicious circle seems to have emerged between these subareas. In other words, the financial position of Estonian companies is insufficient for the implemention of necessary technological modernization. If these technological reforms are not carried out, the impact will most probably be seen in the deteriorating competitive position of Estonian companies and hence on their increasing financing difficulties.

The Pearson chi-square test does not point to any significant differences between the organizations registered in the Soviet era and those registered after independence. However, differences begin to appear when the managers operating since the Soviet era are compared with the 'new' managers who came into their management positions after Estonia gained its independence. In general, one may state that the 'new' managers believe that the transformation in their organizations has occurred more rapidly.

However, on the basis of these observations, one cannot draw any watertight conclusions about the pace of management cultural transformation. Any concluding statements must pay attention to the fact that answers represent each manager's personal opinions. In spite of this limitation, one could argue, with some caution, that the managers who have operated already during the Soviet era alter their managerial practices more slowly than the 'new' managers. This may signify that the management cultural transformation will accelerate when the influence of Soviet management culture decreases among the top managers. To find more evidence for this preliminary hypothesis requires more qualitative research.

There are no major differences between the management of companies operating in the capital city and other parts of Estonia. This comes as a slight surprise since one might have anticipated that the enterprise management in the capital city would have transformed more rapidly than in other regions. According to a common view, the capital city is the regional engine pulling the transition towards a market economy in Estonia. However, the data do not support the assumption that Tallinn would also be the engine of the management cultural transition.

Surprisingly few differences can be found in the managerial transformation of companies in terms of ownership. Particularly interesting was the lack of significant differences between foreign and Estonian-owned companies. This observation does not support the assumption that foreign-owned companies are the forces driving the managerial transformation. Their guiding role should nevertheless not be forgotten. This might lead one to assume that the transition of management culture depends more on national characteristics than foreign influences.

A comparison between large and small enterprises reveals four significant differences in the organizational managerial transformation. The differences are as follows: 'the utilization of technical management tools in company', 'chances of acquiring outside funding', 'the capacity to change', and 'the competitive position of company in Estonia'. Interestingly, these subareas in small enterprises have transformed more rapidly than in large companies (excluding capacity to change). The situation is contrary when capacity to change is concerned. Large enterprises have managed to improve their capacity to change faster than small enterprises. The reason for different transformation pace originates to a large extent in the different starting points of the enterprises.

Reports describing financial difficulties of small enterprises seem to suggest that several small enterprises are in a vicious circle of finance and manufacture which can prevent their managerial transition (e.g. Tüllinen, 1995). The findings do not indicate that small enterprises would be drawn into this circle any more than the large enterprises. On the other hand, one may suspect that the small enterprises which participated in this survey are generally in a better shape than the small enterprise sector as a whole. Hence the optimistic view of the managers of small enterprises cannot be applied to the overall situation.

Another interesting finding is the existence of quite a few differences between ethnically Estonian and Russian managers. In general, the Russian managers seem to view transformation much more negatively than their Estonian colleagues. This observation, however, cannot be generalized since only a small number of ethnically Russian managers participated in this study. Regardless of this restriction, this result seems to increase the need for further comparative study between Estonian and Russian enterprise managers. Besides that, a comparison between Russian managers operating in Estonia and with their colleagues in Russia might prove a particularly fruitful subject of study. Such a study could reveal to what extent national business environment and ethnic culture affect the transformation of management culture.

5.2.3. The Transition of Managerial Functions

The aim of this section is to describe how managerial functions and the subareas of management connected to them have transformed. The emphasis is given on the subareas of management most relevant with regard to transformation. These subareas include the strategic dimensions of management and the shortcomings of Soviet management in terms of operating in a market economy.

Enterprise management in the former Soviet Union has been criticized for the lack of business idea thinking (e.g. Lawrence - Vlachoutsicos, 1990). The Estonian managers believe that the clarity of business idea was better than 'average' in 1995 (state average 3.5). The managers think business idea has become clearer since the last Soviet year until 1995 (transition average 0.9).

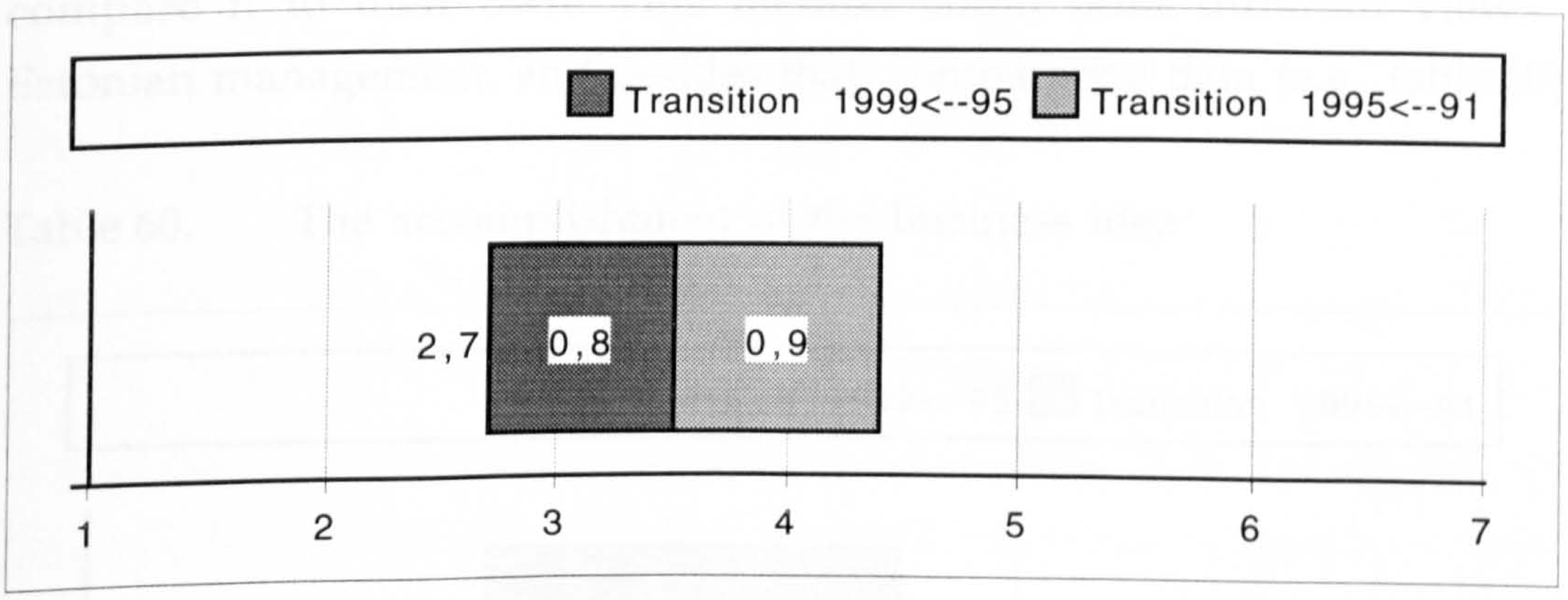
On the basis of data one cannot propose any exact explanation for such a development. However, one might be able to trace it to the increasing competition which is forcing managers to crystallize the business idea of the company. A second explanation for the clarification of business idea may be enterprise managers' belief in a more substantial change that has in fact taken place in reality.

It is important to underline that most of the respondents of this survey belong to the top management. Therefore, the collected information cannot give any suggestions how the clarity of business idea is experienced at the other levels of management. One should remember that business idea is not necessarily as clear at all the management levels as it is in the top management.

One should also point out that only those managers who were in a management post already under the Soviet era see some depreciation in business idea from 1991 till 1995. The reason for this might be the so called Soviet managers' greater difficulties in adjusting to their new environment than their 'new' manager colleagues.

The managers believe the business idea will crystallize toward the end of this decade (transition average 0.8). This would mean that the clarity of business idea will have reached a better level than 'good' by the end of this decade (state average 2.7). Three per cent of the managers think that business idea will become less clear during the latter half of this decade. These companies seem to have no distinctly common features between one another (e.g. Table 59.).

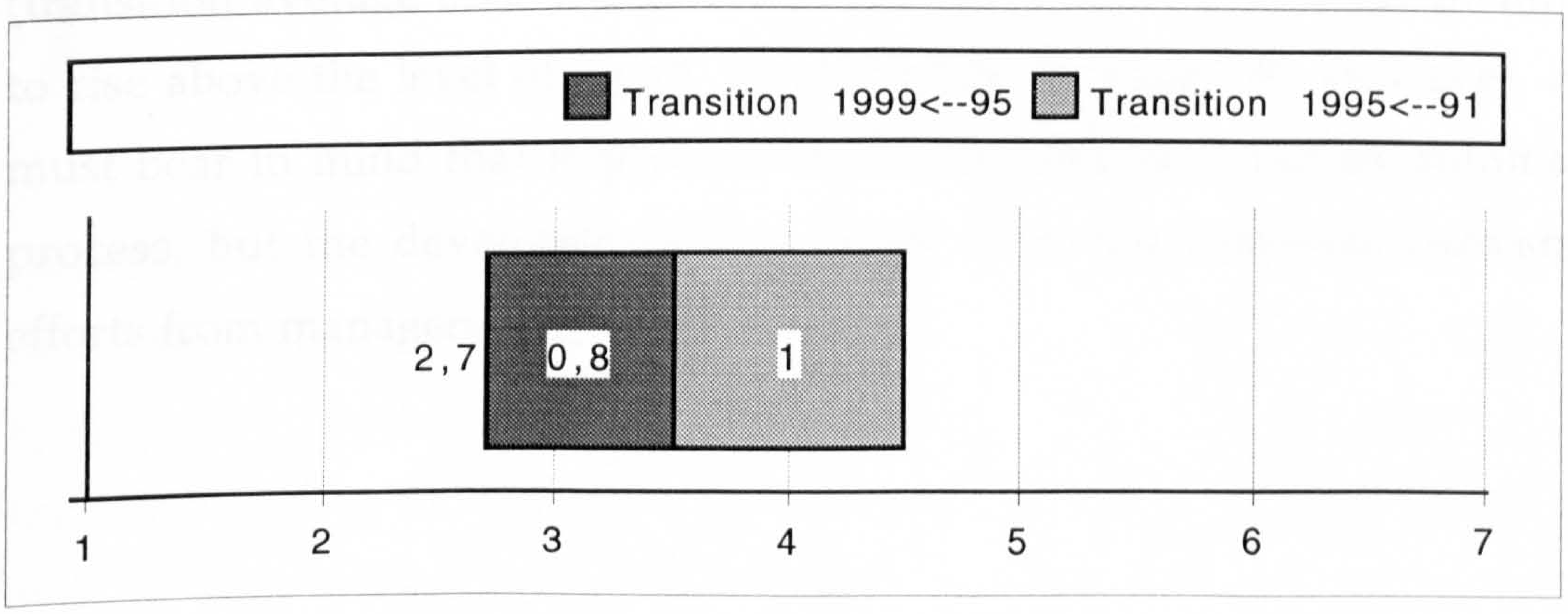
Table 59. The clarity of your company's business idea



A factor with at least similar importance than the clarity of the business idea is the way in which managers implement it. The data suggest that the accomplishment and clarity of the business idea were at the same level in 1995 (state averages 3.5). One may summarize the clarity and accomplishment of the business idea by stating that the estimates given create a fairly positive image of the transformation of the business idea thinking in Estonian management. According to the Estonian managers' own views, they no longer suffer from the obscurity of the Soviet business idea thinking.

In this context, one should view these answers with some cautiousness. In other words, is the transformation as great in reality than the Estonian managers themselves believe? Previous studies might lead one to assume that the self-image of management is often regarded as too rosy (e.g. Dlugosz, 1992). One way to unravel the relationship between self-image and 'real' management behaviour would be to ask foreign enterprise managers operating in Estonia to analyse Estonian management and compare it to their own. This method could offer different views on Estonian management, and besides that, comparative data (e.g. Table 60).

Table 60. The accomplishment of the business idea

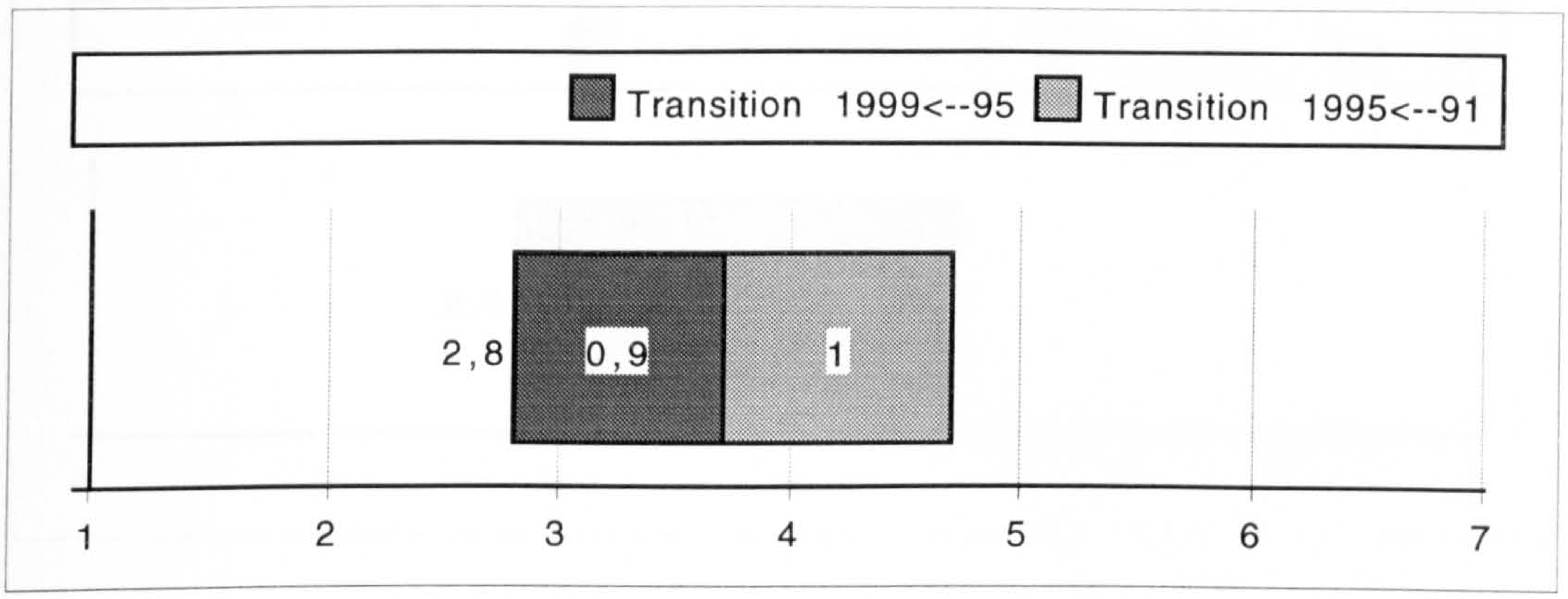


The strategic management is fairly tightly connected to the business idea thinking. The Soviet enterprise management has been criticized for the lack of strategic thinking (e.g. Mintzberg, 1992). In this context, one should emphasize that strategic management was not a duty of the Soviet enterprise manager, but was handled by organizations at the ministry level. Therefore, lack of strategic thinking in Soviet management cannot be blamed so much on managers but on the designers of that administrative system (e.g. Kornai, 1992).

The findings indicate that Estonian managers are discontent with the state of strategic planning during the last Soviet year (state average 4.7). This is not difficult to believe as the strategic planning of enterprise managers was restricted to planning company operations as efficiently as possible within certain limits, meaning within the framework of the state 'plans'/'orders'.

It is important that none of the managers feel the planning of strategies has deteriorated from the last Soviet year. The state of strategic planning is estimated to continue to improve during the latter half of the 1990s (transition average 0.9). The Estonian managers believe strategic planning to rise above the level of 'good' in 1999 (state average 2.8). However, one must bear in mind that improvement in this subarea is not an automatic process, but the development of strategic planning demands consistent efforts from managers (e.g. Table 61.).

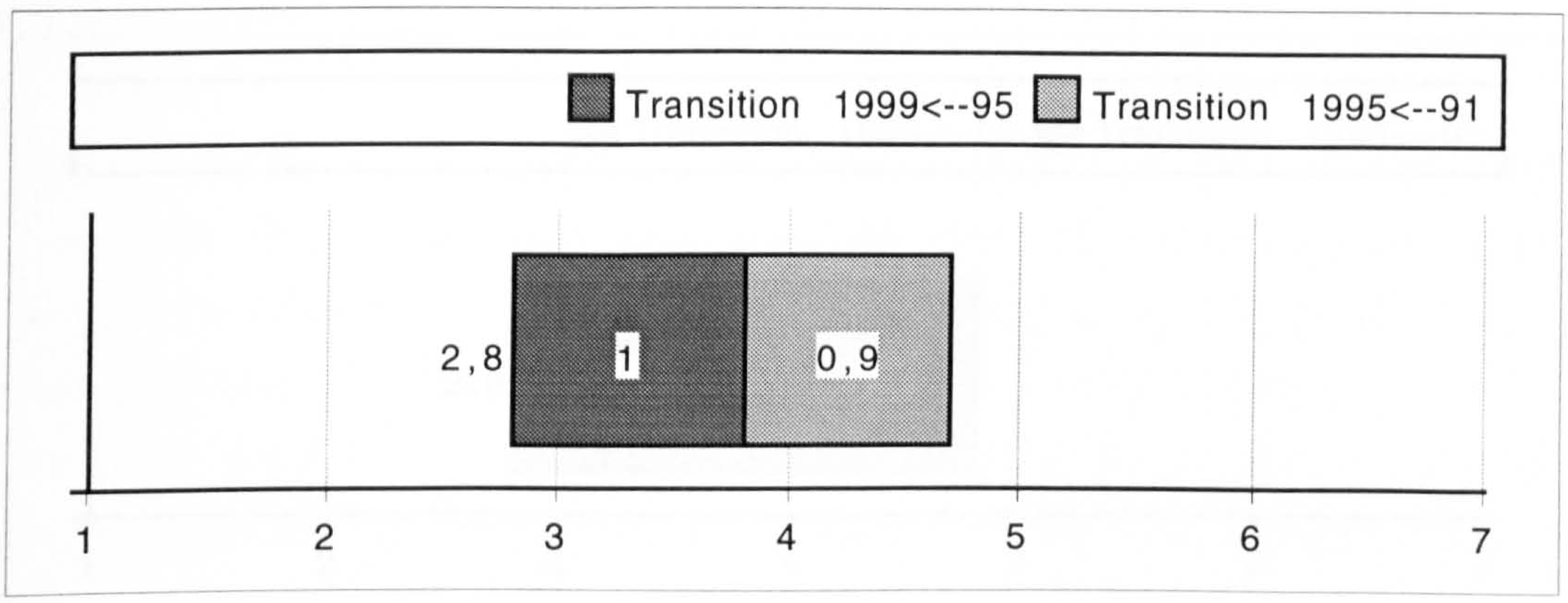
Table 61. The planning of company strategies



The Estonian managers' estimates suggest that the accomplishment of strategic plans fell a bit short of the level of planning in 1995 (state average 3.8). The difference is nevertheless so small that it is unlikely to create a situation where strategies are planned competently but accomplished poorly in practice.

Neither is there much deviation between the pace of transformation of strategic planning and accomplishment. Strategic planning is estimated to develop faster during the transformation period already accomplished, whereas the accomplishment of strategies is believed to improve more rapidly at the latter half of this decade. The Estonian managers estimate both of these strategic subareas to reach the level of 'good' by the end of the decade: state average 2.8 (e.g. Table 62.).

Table 62. The accomplishment of company strategies

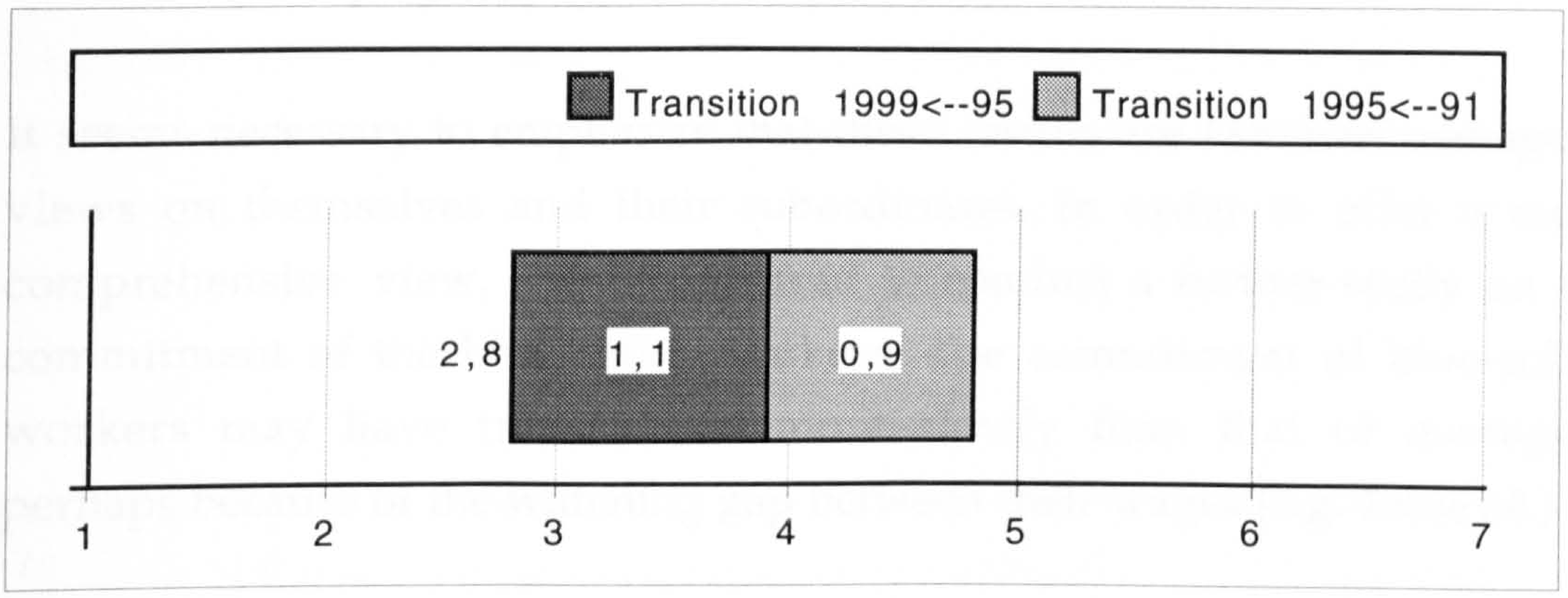


The control of company strategies is placed at a lower level than their accomplishment 1995 (state average 3.9). Lack of control is as such rather unexpected because Soviet management was typically expected to contain strict control of managerial orders (e.g. Lawrence - Vlachoutsicos, 1990).

The answers showing deficiencies in the control of strategies should not be overdramatized since only one per cent of the managers feel that control has diminished since the last Soviet year. Secondly, one must remember that control is only slightly worse than other strategic management areas and, therefore, the difference is not acute enough to endanger the strategic management as a whole.

To summarize the strategic management in Estonian companies, one can state that it is not the barrier of Estonian enterprise management. On the other hand, the Estonian managers themselves seem to expect deterioration at the level of strategic management when plans are applied in practice (e.g. Table 63.).

Table 63. The control of the accomplishment of strategies



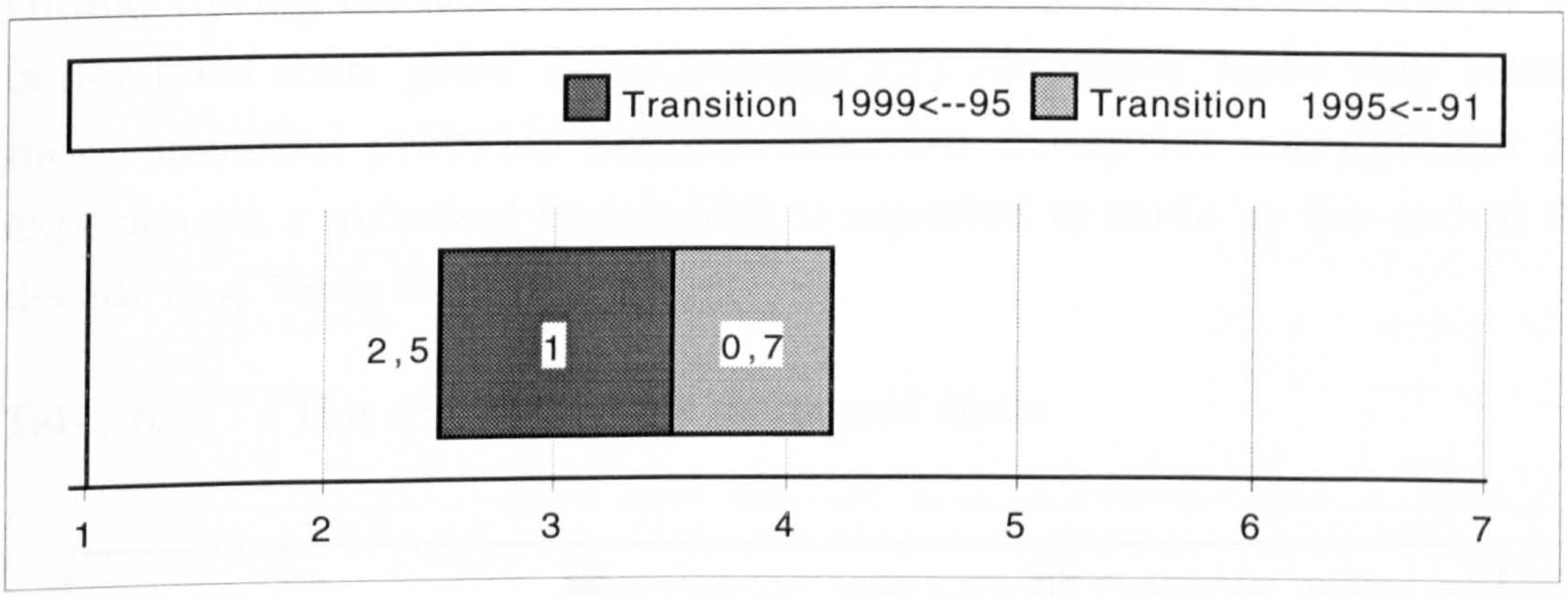
Another important dimension of management, in addition to business idea and strategic management, is the managers' commitment to the company goals. The managers who participated in this survey believe that the commitment of managers to goals is better than 'average' (state average 3.5).

Transformation since the last Soviet era has proceeded fairly peacefully (transition average 0.7). Such a relatively slow pace might be explained by the level of commitment which was at a satisfactory level in 1991 (state average 4.2.). One could assume on the basis of the answers that enterprise managers have been fairly committed to the goals of their company already during the Soviet era.

The Estonian managers believe commitment to company objectives will also improve during the latter half of the decade. In the background of managers' commitment may simply be more meaningful work, which increases the commitment of the managers. One should also remember that the growing sense of national identity among Estonian managers may likewise increase the level of commitment to the company goals. In other words, Estonian managers may manifest national spirit in the 'reconstruction' of Estonia and hence become more committed to the company, through which they can now concretely participate in this vast 'reconstruction project' (e.g. Liuhto, 1996b).

It seems necessary to emphasize that these results are Estonian managers' views on themselves and their subordinates. In order to offer a more comprehensive view, one would need to conduct a further study on the commitment of the blue-collar workers. The commitment of blue-collar workers may have transformed more slowly than that of managers perhaps because of the widening gap between their wages (e.g. Table 64.) [98].

Table 64. The commitment of managers to company goals



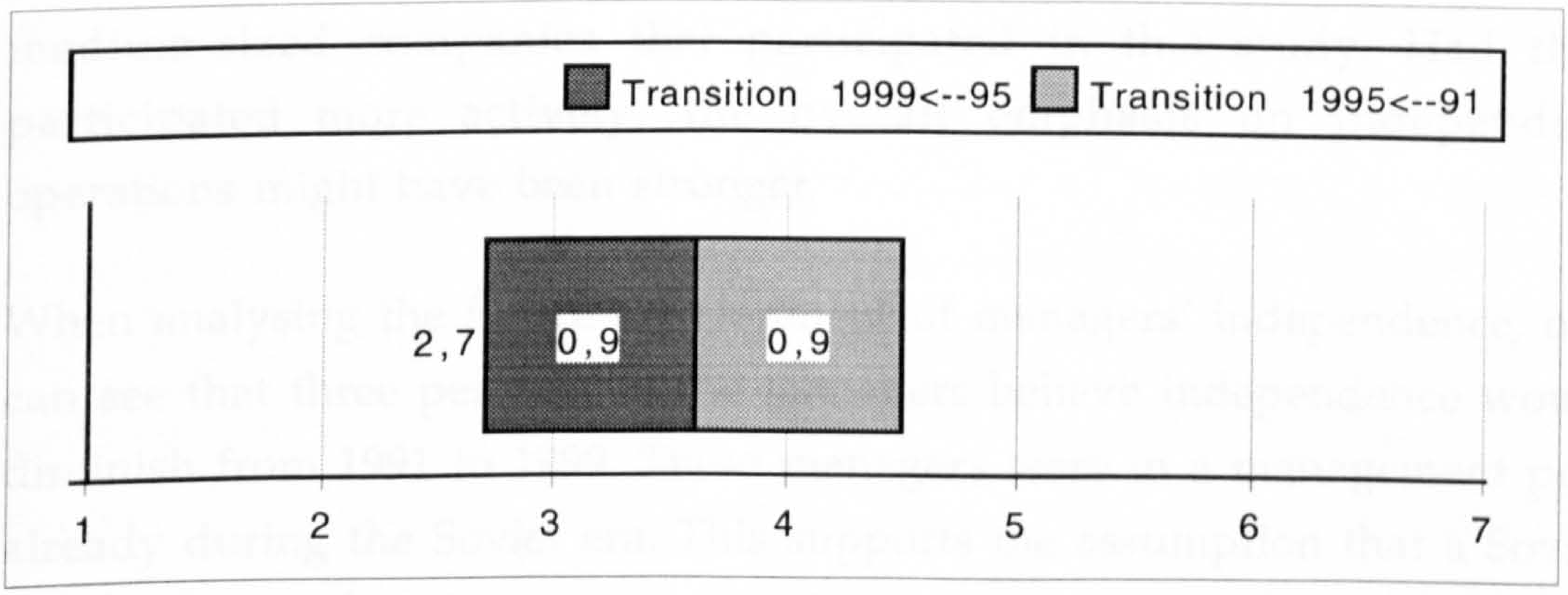
According to previous studies, there were a clear organizational hierarchy and clearly defined job descriptions in the Soviet organizations. Therefore, the Soviet organization was considered a fairly typical example of the *'Weberian'* or *'Tayloristic'* company which strictly separated the various organizational tasks from one another (e.g. Kozminski, 1993).

[98] The average salary of a managing director was some 2-3 times higher than that of a worker in 1995 (e.g. Elenurm, 1995; Môtsar, 1995a).

The estimates given by the managers give a contrary view on the clear division of jobs. The Estonian managers claim that during the last Soviet year the clarity of job description was not self-evident (state average 4.5). In this context, however, one should remember that the last Soviet year was extremely turbulent and most likely to have confused operations in Estonian companies. Therefore, the estimates of 1991 should not be generalized to the Soviet era on the whole.

Although one is unable to generalize this finding to the whole Soviet era, the data indicate clear development between the last Soviet year and 1995 (transition average 0.9). The transformation pace is expected to remain similar during the latter half of this decade when this subarea will be at a better level than 'good' (state average 2.7). Managers' tasks may become more specified probably because Estonian enterprise management has experienced a turbulent time which is expected to settle by the end of this decade (e.g. Table 65.).

Table 65. The specifity of the managers' tasks



The independence of managers in the Soviet organization was at least officially considered very restricted (e.g. Lawrence - Vlachoutsicos, 1990). Unofficially, Soviet managers may have had more freedom to act. However, these activities were not always completely legal, but not necessarily illegal either. They remained in a kind of non-legal zone which grew during Brezhnev's era when the problems of the Soviet economy forced the authorities to close their eyes from misuse so long as companies stayed within the plans set by the state (e.g. Millar, 1988).

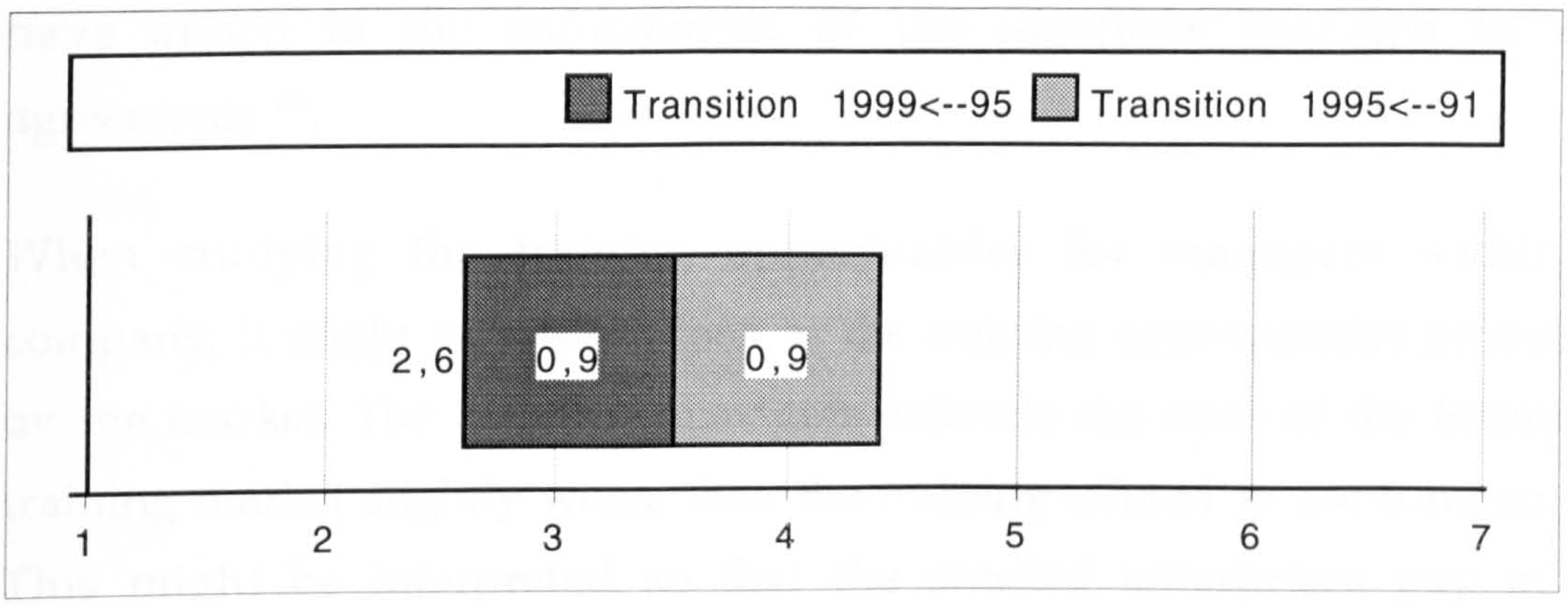
The answers of the managers indicate that the independence of managers was not considered poor during the last Soviet year (state average 4.4). The answers suggest that the independence of managers was at a satisfactory level already in 1995 (state average 3.5). An unexpected observation is that the attitudes of these managers do not emphasize the need to increase the managerial independence. The managerial attitudes will be discussed in more detail in the following section (cf. Table 85.).

This collectivity-oriented observation is, to a large extent, contrary to those proposed by a previous study which underlines the managers' need for independent activities (e.g. Vadi - Buono, 1995). Such contradictory results may be accounted for the fairly small number of small and medium-sized companies that participated in this study. Had they participated more actively, the overall emphasis on independent operations might have been stronger.

When analysing the future development of managers' independence, one can see that three per cent of the managers believe independence would diminish from 1991 to 1999. These managers were in a management post already during the Soviet era. This supports the assumption that a Soviet manager was able to operate more freely than is usually imagined (e.g. Table 66.) [99].

[99] Granick (1960, 161-162) claims that *"despite all the formal centralization, the individual plant director in Russia [meaning the Soviet Union] seems to be much more successful in building his own little empire than his counterpart in the American giant corporation"*.

Table 66. The independence of managers



According to the Estonian managers, training opportunities for managers in their company were in 1995 slightly better than 'average' (state average 3.7). In advance, one might have expected that large enterprises would have better capacities to train their managers than smaller companies. The research data, however, do not support this assumption.

According to an Estonian expert, in the transformation of training one needs to stress that training is no longer a Soviet type bonus which enabled Soviet managers to travel abroad. Current training is increasingly founded on the need for improvement in enterprise management. But the problem is the high turnover of managers in Estonia. Especially younger managers could be characterized as hyperactive in terms of their career advancement and changing their jobs. Turnover naturally decreases the enthusiasm of companies to invest in the training of their managers [100].

To prevent this from happening, some companies have obliged their managers to agree on certain periods during which managers commit

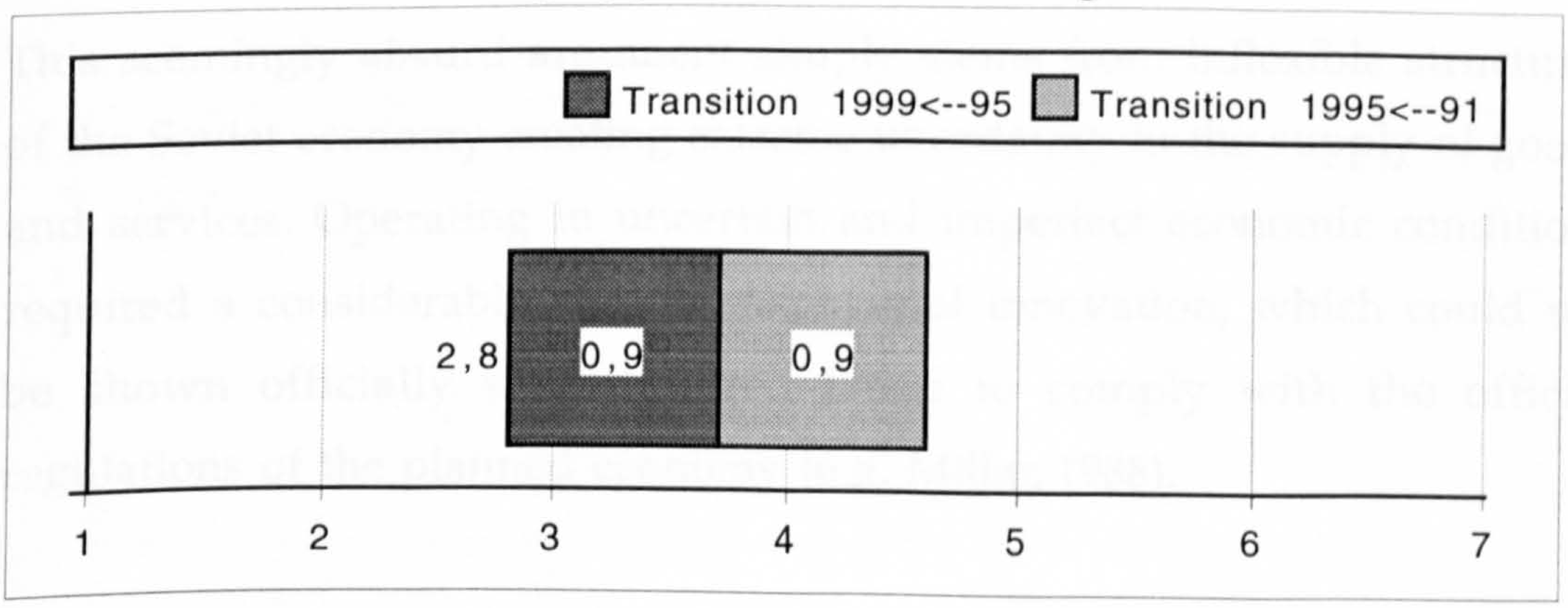
[100] This is based on the interview with Heino Tammiste.

themselves to the service of this particular company. Problematic is, however, whether these agreements are legally binding; some difficulties have arisen in the enforcement of the sanctions specified in the agreements [101].

When studying the training opportunities for managers within a company, it might be wise to look at the training opportunities provided by the market. The Estonian managers estimate the state of the Estonian training market slightly worse than the training offered in the companies. This might be interpreted so that the studied enterprises pay more attention to training than Estonian enterprises in average. This may stem from the studied enterprises being financially more stable than the average Estonian company, which may have enabled them to provide better training opportunities for their managers (cf. Table 26).

When the development of training opportunities is analysed, the enterprises in this sample have improved their training from the last Soviet year to 1995 (transition average 0.9). The transition pace is expected to continue strong during the latter half of this decade. The managers believe the training opportunities within the company to rise above 'good' by 1999: state average 2.8 (e.g. Table 67.).

Table 67. The training opportunities for managers



[101] This is based on the interview with Mika Kaukonen.

Soviet companies were traditionally considered avoiding innovation, which largely stems from the fact that producing innovations denoted risks without a financial bonus (e.g. Berliner, 1988). The avoidance of innovations at the organizational level may have reflected in the managers, thus diminishing their initiative. Furthermore, the task of improving operations was not a duty of the Soviet manager, but of higher administrative organs and special research institutes. Besides these facts, the Sofia agreement gave all the socialist enterprises a right freely to use any innovation accomplished by another socialist enterprise. Understandably, innovation in the traditional Soviet company was not necessarily on a level with enterprises operating in market economy.

In spite of this preconception, the answers given by the Estonian managers do not indicate that the initiative of Estonian managers would have been extremely poor in 1991 (state average 4.4). A possible explanation for this is the 'invisibility' of the managers' initiative. In other words, innovative skills were concentrated on how the company could, with least effort, meet its production requirements set by the state. In fact, the management of the Soviet company demanded a lot of creativity as its business environment was in some turbulence, despite its stagnant official facade.

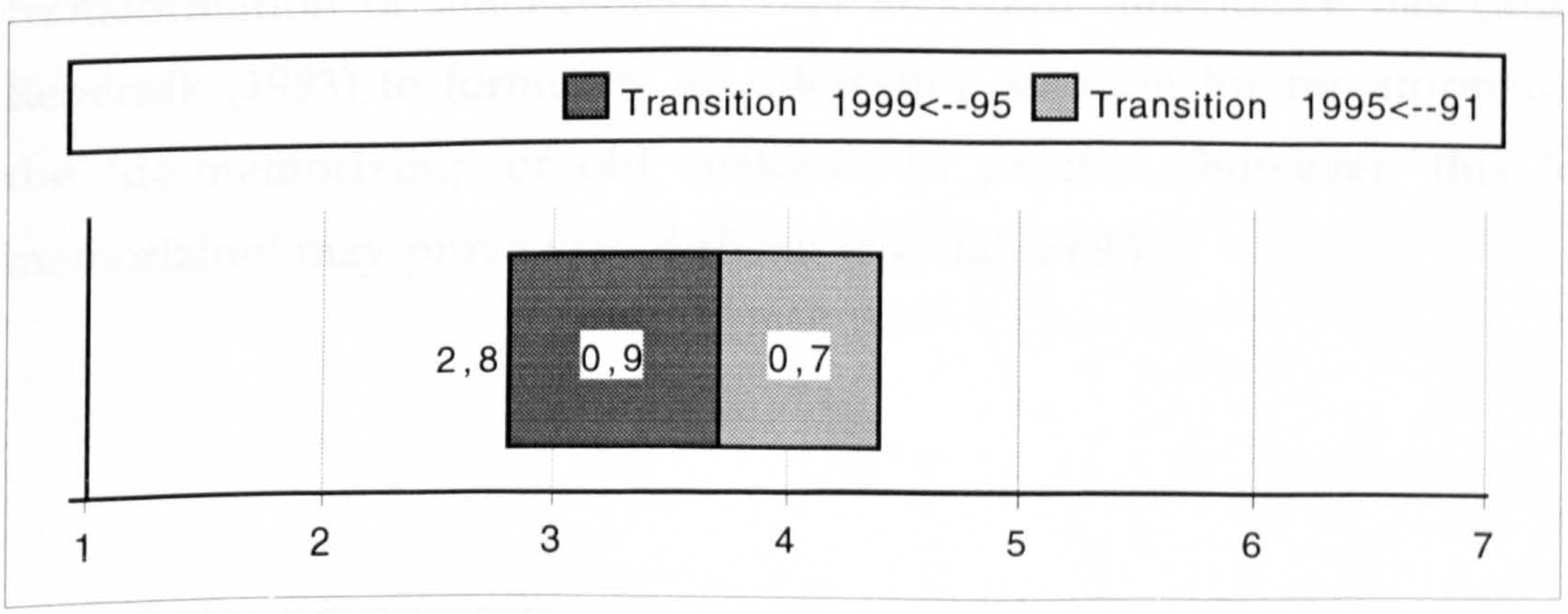
This seemingly absurd argument simply stems from inflexible structures of the Soviet economy creating extreme uncertainty in the supply of goods and services. Operating in uncertain and imperfect economic conditions required a considerable deal of managerial innovation, which could not be shown officially since it often failed to comply with the official regulations of the planned economy (e.g. Millar, 1988).

Previous studies indicate that Estonian managers often kept various operational models in their pockets (e.g. Nurmi - Üksvarav, 1994a). Exuberant ability to transform may manifest negatively in the breaking of rules and regulations. The second problem in overflowing initiative is that complex solutions may consume more time than actual business activities. In the end, business ideas and strategies may suffer from this 'operational flexibility'.

The Estonian managers believe the degree of initiative will improve in the future (transition average 0.9). These answers may be interpreted in various ways. First, this may signify managers' increasing initiative within the organization. Second, initiative may improve on account of more focus on the correspondence between initiative, business idea and strategies. Therefore, the improvement of initiative is not necessarily due to an increase in quantity, but to an improvement in quality.

However, disadvantageous for the future transformation is that three per cent of the managers estimate that initiative would diminish. These companies are all banks. One cannot explain this growing passivity of bank managers within the framework of this study, but further research would be required on this subject (e.g. Table 68.).

Table 68. The initiative of managers



The Estonian managers estimate the efficiency of the manager's use of time in 1995 among the poorest subareas of managerial functions, in addition to the control of strategies and the manager's capacities and will to change (state averages 3.9). For instance, top managers tend to pay invoices in person, which can easily be delegated to subordinates [102].

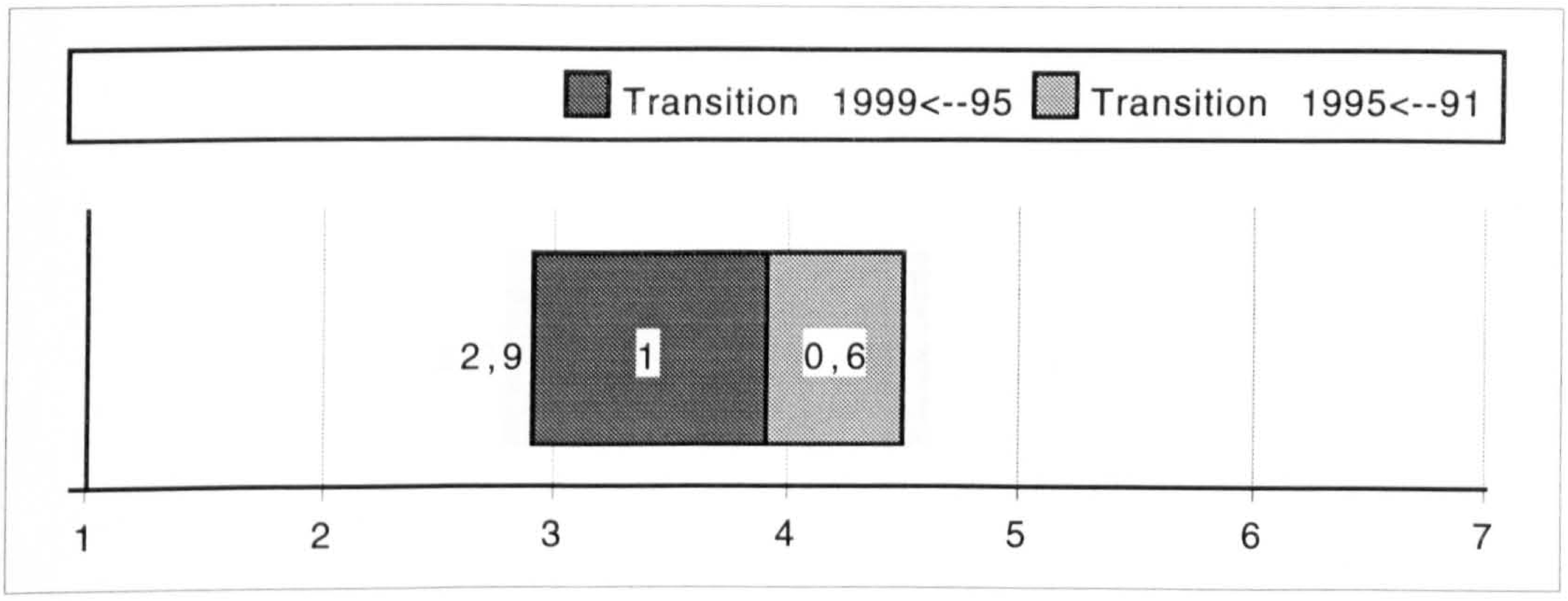
Currently, the reason for the Estonian managers' inefficient time management cannot be found in the deficient business environment. During the Soviet rule, for instance, the non-functioning of communication system diminished the managerial efficiency (e.g. Lawrence - Vlachoutsicos, 1990). But in contemporary Estonia these external problems are no longer severe enough to prevent the manager to use his time more efficiently.

The Estonian managers expect their time management to become more efficient during the latter half of this decade (transition average 1.0). In fact, they believe it to have risen above 'good' by 1999 (state average 2.9). Three per cent of the companies expect the managers' use of time to deteriorate. These are all Estonian-owned companies whose managers held management posts already during the Soviet era.

This is a subtle indication of Soviet principles causing some strain for the transformation of management. This awkward inheritance has caused Rebernik (1993) to formulate an interesting solution for transformation: the 'de-memorizing' of old customs. In practice, however, this 'de-memorizing' may prove very difficult (e.g. Table 69.).

[102] Based on the interview with Heino Tammiste.

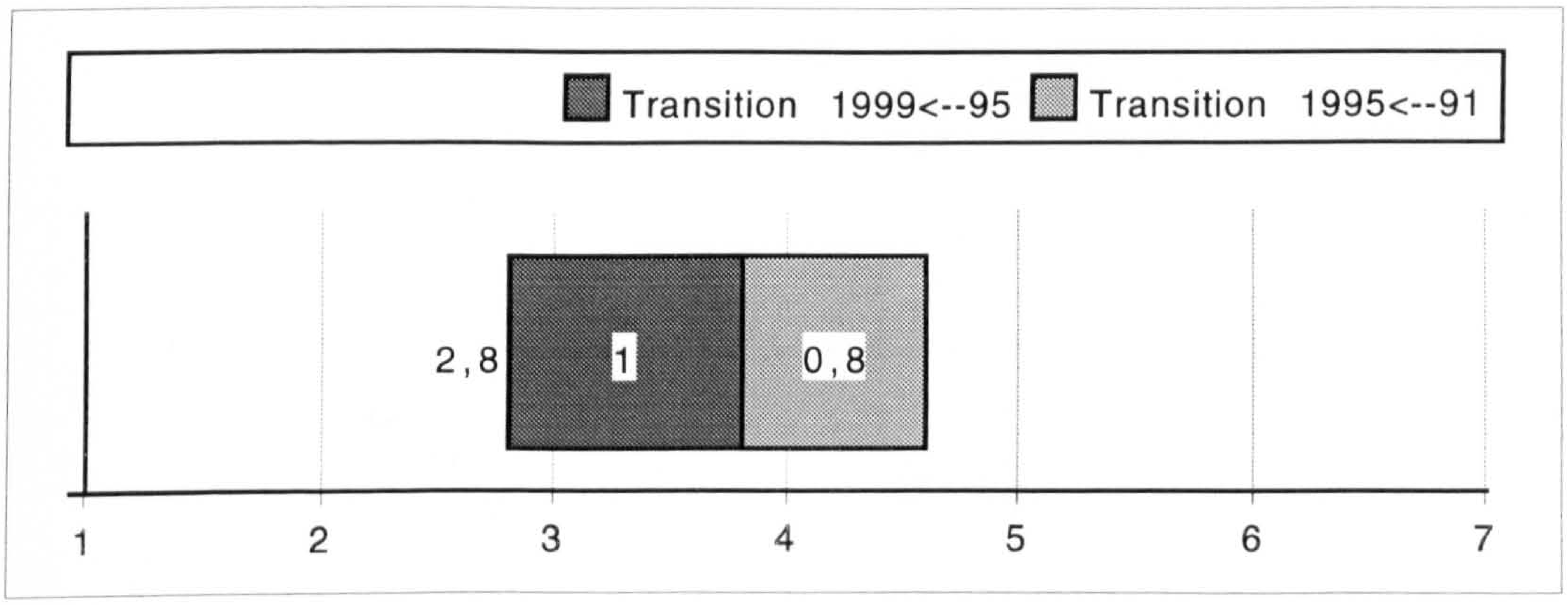
Table 69. The efficiency of the use of time by managers



The Estonian managers do not give flattering estimates for the motivation of managers in 1995 (state average 3.8). The deficiencies in motivation are naturally reflected in managers' job satisfaction. Dissatisfaction with work fairly rapidly creates increasing turnover of managers, which is presently very high in Estonia.

Although the motivation of Estonian managers seems lacking, improvement has taken place since 1991 (transition average 0.8). Motivation is believed to further improve during the latter half of this decade (transition average 1.0). The Estonian managers believed that the motivation of managers will have reached a level above 'good' by 1999: state average 2.8 (e.g. Table 70.).

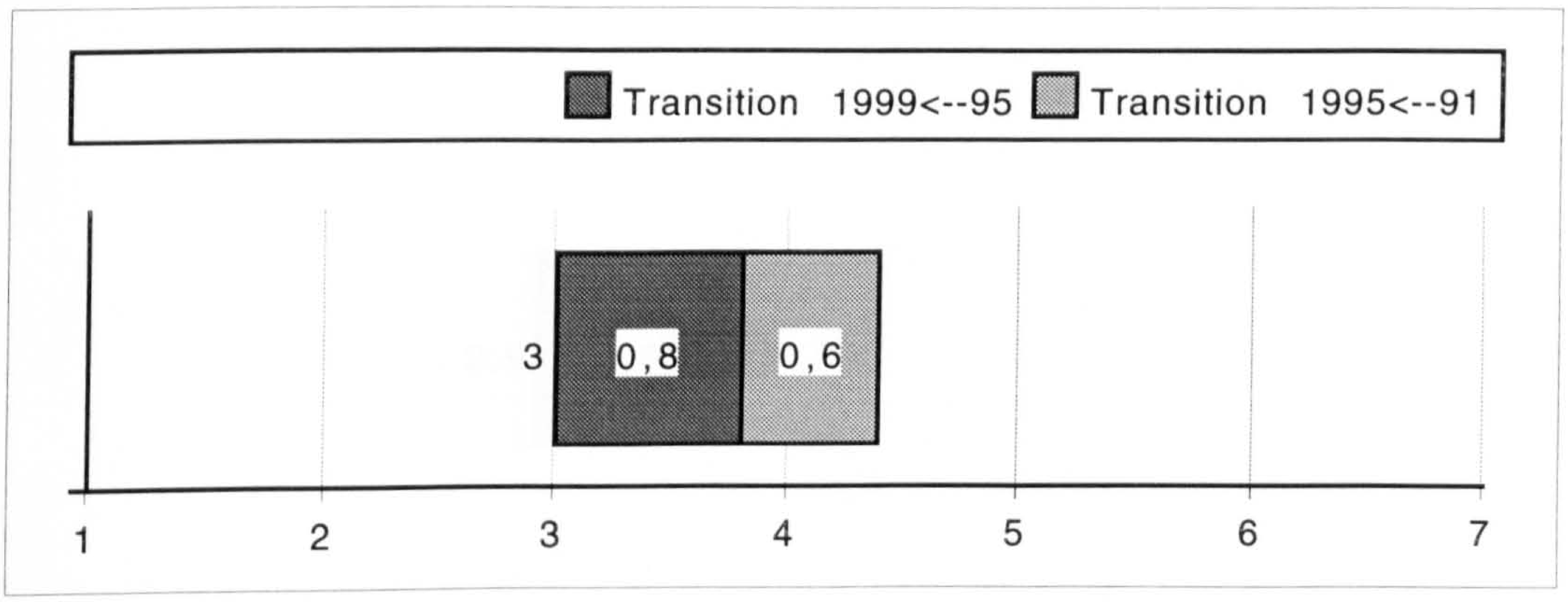
Table 70. The motivation of managers



According to the Estonian managers, the control of managers was not in the best possible state in 1995 (state average 3.8). Most probably, the Estonian top managers would like to increase the amount of control. This is understandable since the traditional control system is no longer functioning in these rapidly changing conditions. Control has especially diminished in state enterprises, which as such could be anticipated because, in general, the state cannot construct functioning control systems at the same pace as private enterprises.

As a whole, positive in this transition was that the Estonian managers believe it to accelerate to some extent in the latter half of the 1990s (transition average 0.8). The Estonian managers expect the level of control to be 'good' by 1999 (state average 3.0). This positive state may be due to the diminishing turbulence of the markets which will enable enterprises to create functioning control systems by the end of this decade (e.g. Table 71.).

Table 71. The control of managers

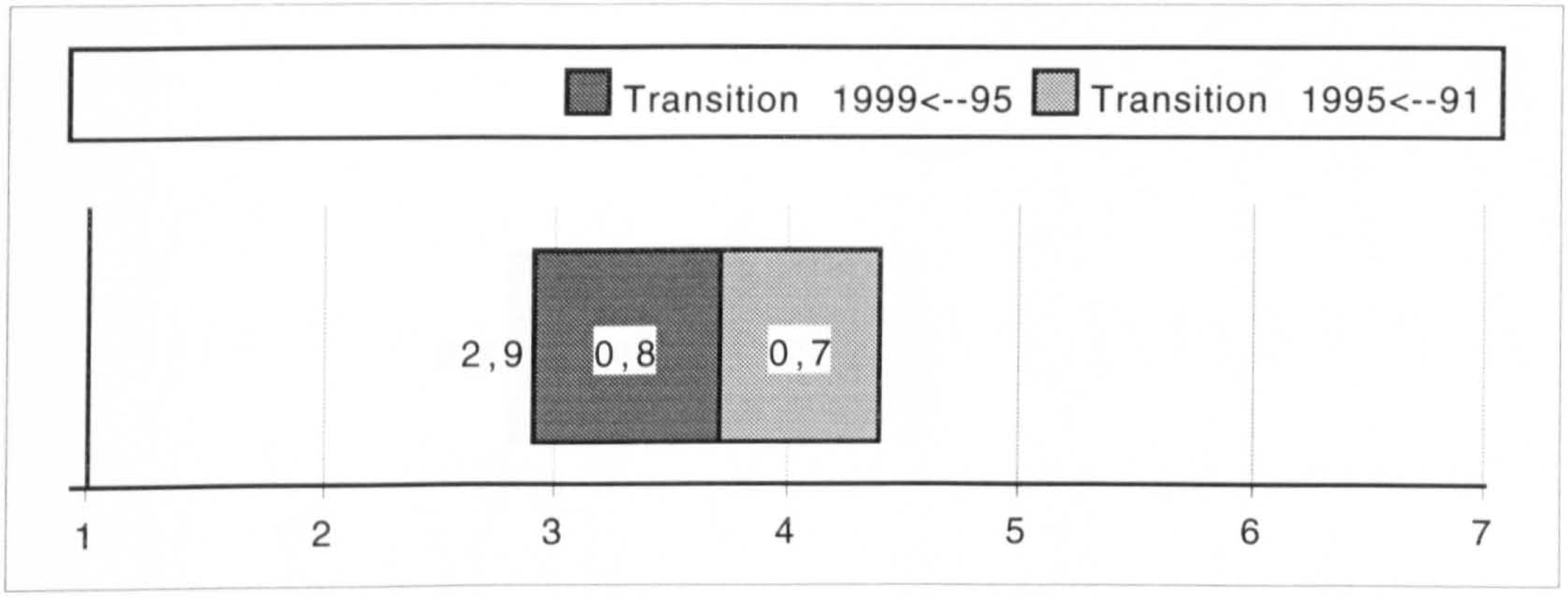


The views of the Estonian managers regarding the planning system of decision-making in 1991 do not deviate largely from the control of managers (state average 4.4). One could have prefigured that the planned economy would have taught Soviet managers all the secrets of planning. In this respect, one must remember that the Soviet planning system did not meet the requirements of managerial planning (Mintzberg, 1992).

Another significant finding is that in 1991 decisions were planned in a more systematic manner than strategies (cf. Table 61.). This result might lead one to assume that strategic management during the Soviet era was in a poorer shape than operational management. This is not a surprise since strategic management in Soviet organizations was limited because ministries were responsible for strategic management.

Positive for management transformation is that both strategic and operational management are expected to reach the same level by the end of this decade and thus the gap between strategic and operational management is no longer believed to exist (e.g. Table 72.).

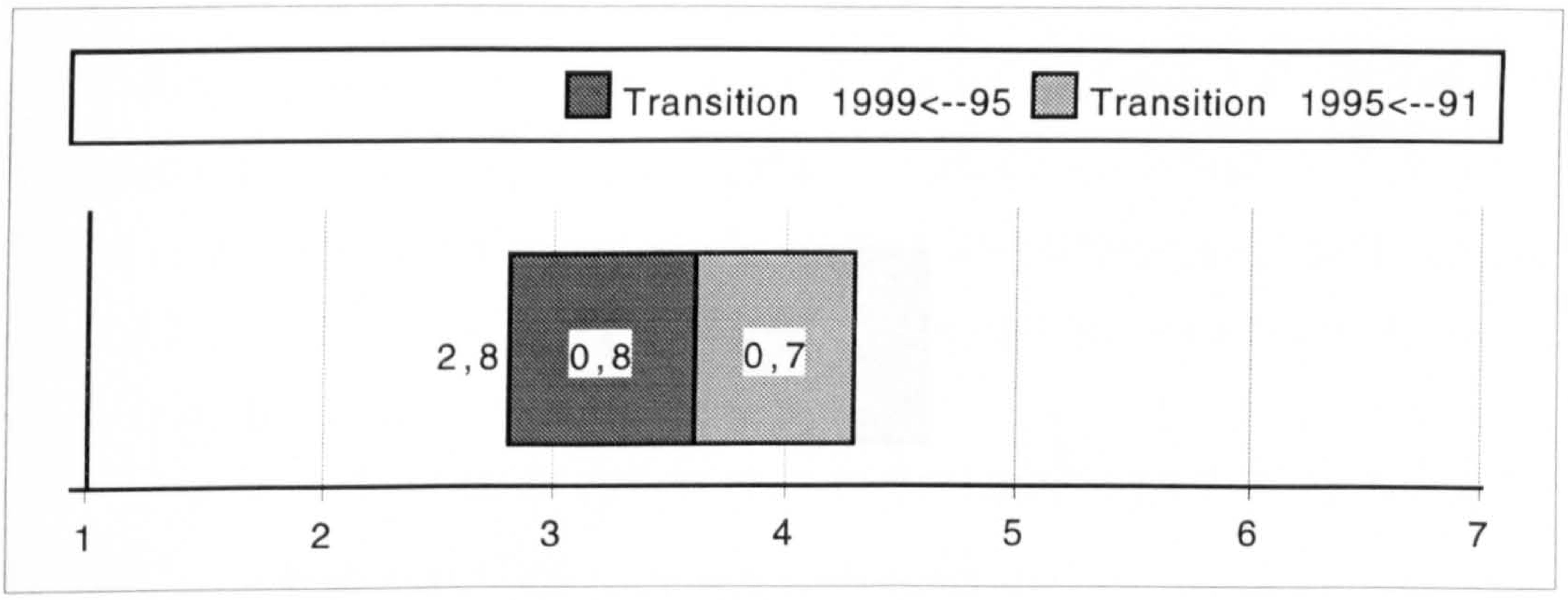
Table 72. The planning system of decision-making



At a better level than the planning system was the rapidness of decision-making in 1995 (state average 3.6). But this rapidness may occasionally even turn against itself. This means that fast decisions are naturally not synonymous with correct decisions. On the other hand, slow decision-making might be the most catastrophical alternative for enterprises operating in the turbulent conditions of the transition economies.

A positive aspect with regard to transformation is that none of the managers feel any deterioration in the situation since 1991. Transformation since the last Soviet year till 1995 is slightly slower than average (transition average 0.7). Although transformation is expected to accelerate to some extent at the end of the decade, it is still likely to remain slower than average (transition average 0.8). Despite the slower pace of transformation, the rapidness of decision-making will be above 'good' by 1999: state average 2.8 (e.g. Table 73.).

Table 73. The rapidness of decision-making

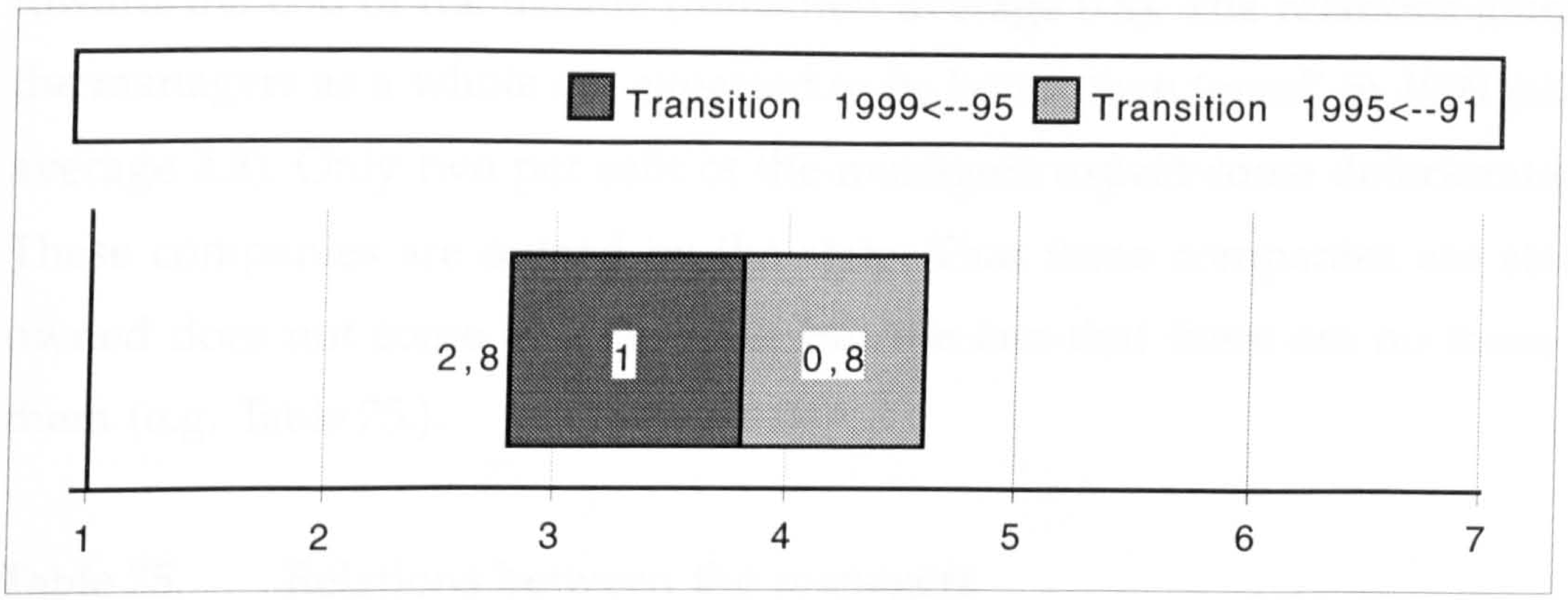


Soviet managers were typically believed to withhold information (e.g. Lawrence - Vlachoutsicos, 1990). The Estonian managers' views of the passing of information in 1991 indicate that this particular management field was not as problematic as commonly assumed (state average 4.6). These answers, however, should be viewed with some criticism.

The Estonian top managers' answers may not give the whole truth since the managers are usually in possession of the major information channels. Lack of information might have been more problematic among the middle management who do not necessarily obtain every piece of important information (e.g. Krips, 1992).

In general, the answers given by the Estonian managers suggest of improvement in the passing of information since the last Soviet year (transition average 0.8). This transformation is expected to continue as positive during the latter half of this decade (transition average 1.0) when the passing of information will have risen above the level of 'good' (state average 2.8). Unfortunately, three per cent of the companies believe the passing of information will deteriorate. All of these companies operate in the banking sector (e.g. Table 74.).

Table 74. The passing of information in your company

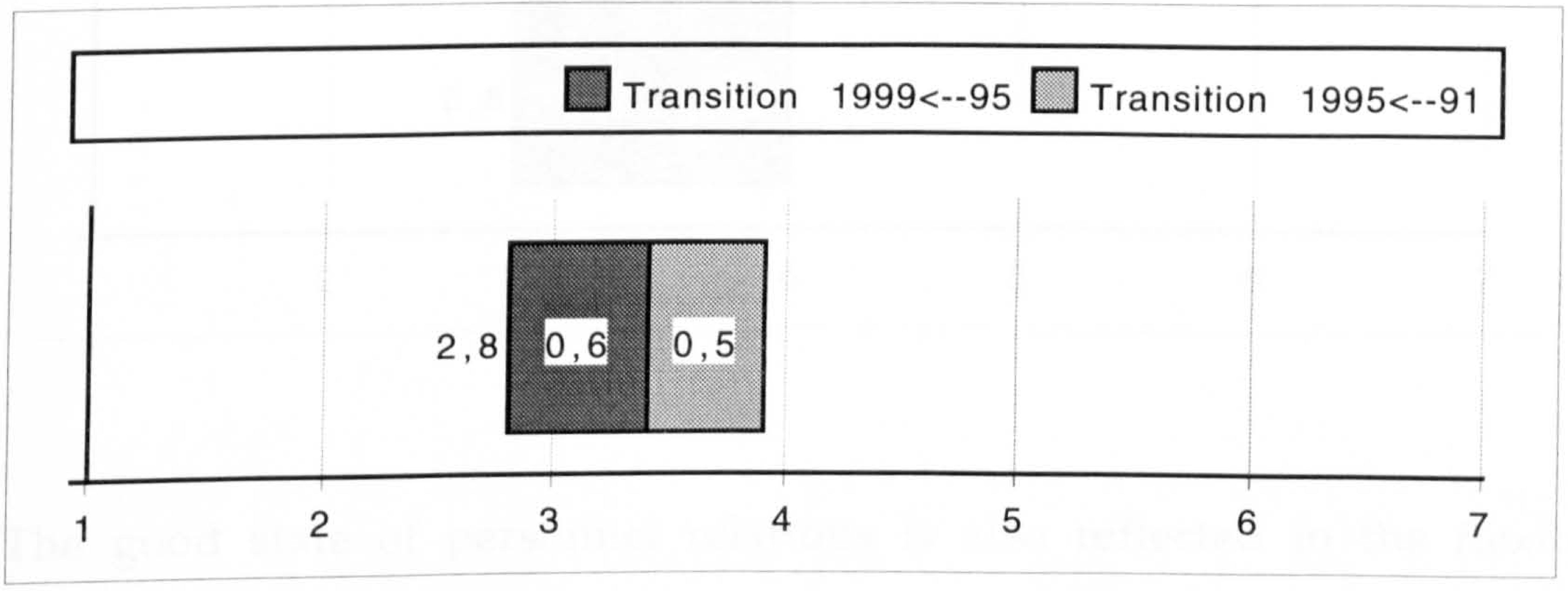


Relations between the Estonian managers were almost at the level of 'good' in 1995 (state average 3.4). In fact, the answers given by the Estonian managers suggest that the mutual relationships of managers are in a better state than other subareas studied here. This is rather surprising as one might have expected increasing competition and dismissals to have made their relations somewhat more strained.

Even though these answers give evidence of almost a 'good' team spirit among the managers in 1995, the current situation is not due to transformation occurring faster than the average, but simply to the managers' relations being better than other subareas already in 1991 (state average 3.9). In reality, personal relations have improved more slowly than other subareas (transition average 0.5).

When analysing the future expectations of the Estonian managers, it becomes apparent that the transformation pace continues to be the slowest toward the end of the decade (transition average 0.6). The relations among the managers as a whole are expected to be better than 'good' in 1999 (state average 2.8). Only two per cent of the managers expect some deterioration. These companies are owned by the state. That these companies are state-owned does not come as a surprise, but the fact that there are no more of them (e.g. Table 75.).

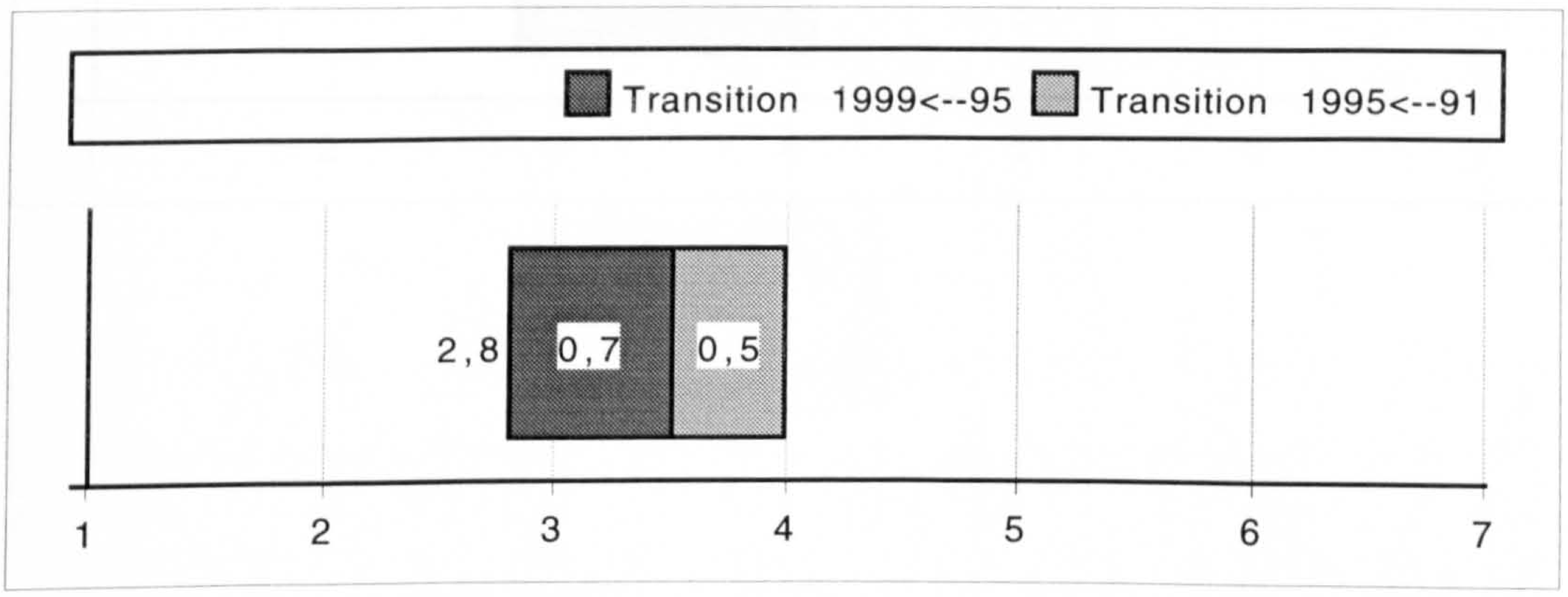
Table 75. Relations between the managers



According to the Estonian managers, relations between managers and employees are not distinctively different from relations between managers. It is important to notice that these views are expressed by the managers. Had the employees been inquired, they might have answered somewhat differently.

If these answers are interpreted regardless of this restriction, they seem to sketch an extremely positive image of the state of the organizational climate. The organizational climate seems even surprisingly good in conditions where several state-owned enterprises have been forced to make severe cuts among their personnel. If this good climate actually prevails in Estonian companies, it most certainly provides them with a fairly healthy basis for future transformation (e.g. Table 76.).

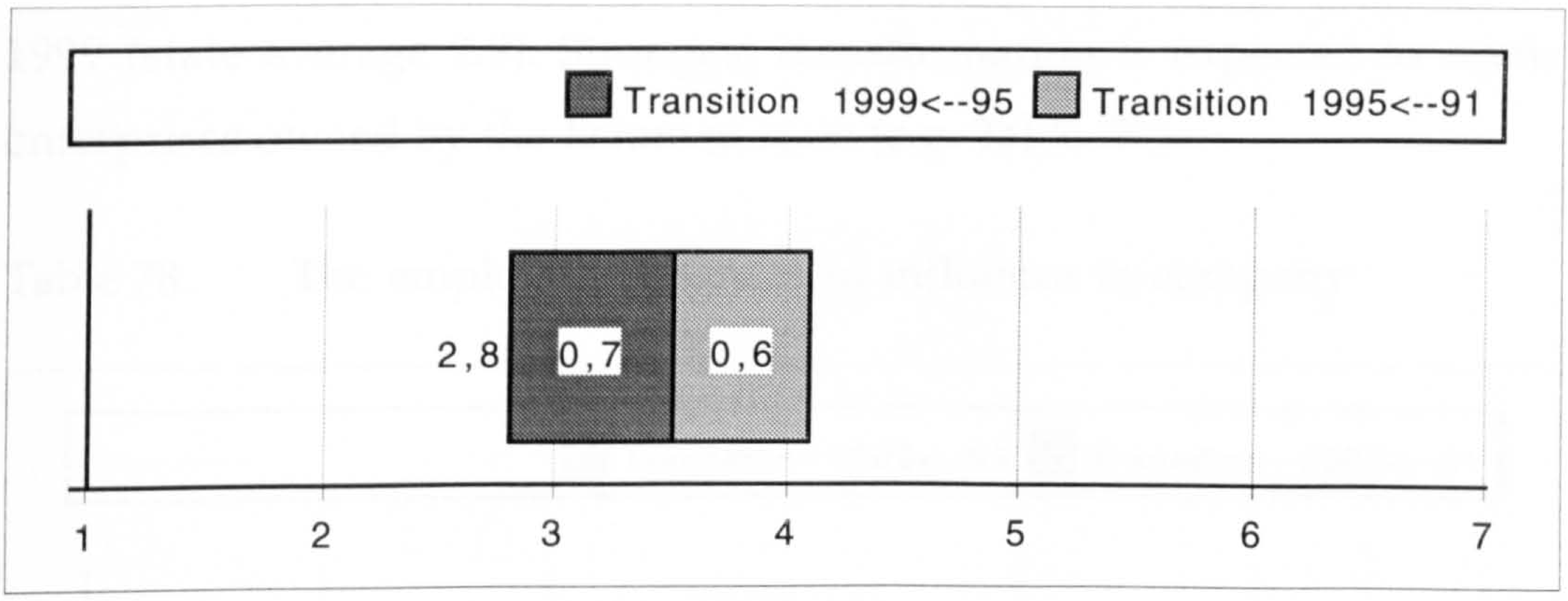
Table 76. Relations between the managers and the employees



The good state of personnel relations is also reflected in the flexible manner in which Estonian companies settled disagreements. The Estonian managers feel that conflicting opinions were solved in a fairly good manner in 1995 (state average 3.5). The data also show that transformation has been rather slow between 1991 and 1995 (transition average 0.6). An explanation for this may be that the starting level in 1991 was fairly satisfactory (state average 4.1).

Accelerating transformation shows green light for future development (transition average 0.7). Regrettably, three per cent of the companies do not see their future in such pleasant colours. The majority of these companies are, again, Estonian banks. The previous results have already pointed to the shadows in the future development of the Estonian banking sector (e.g. Table 77.).

Table 77. Solving differences in opinions

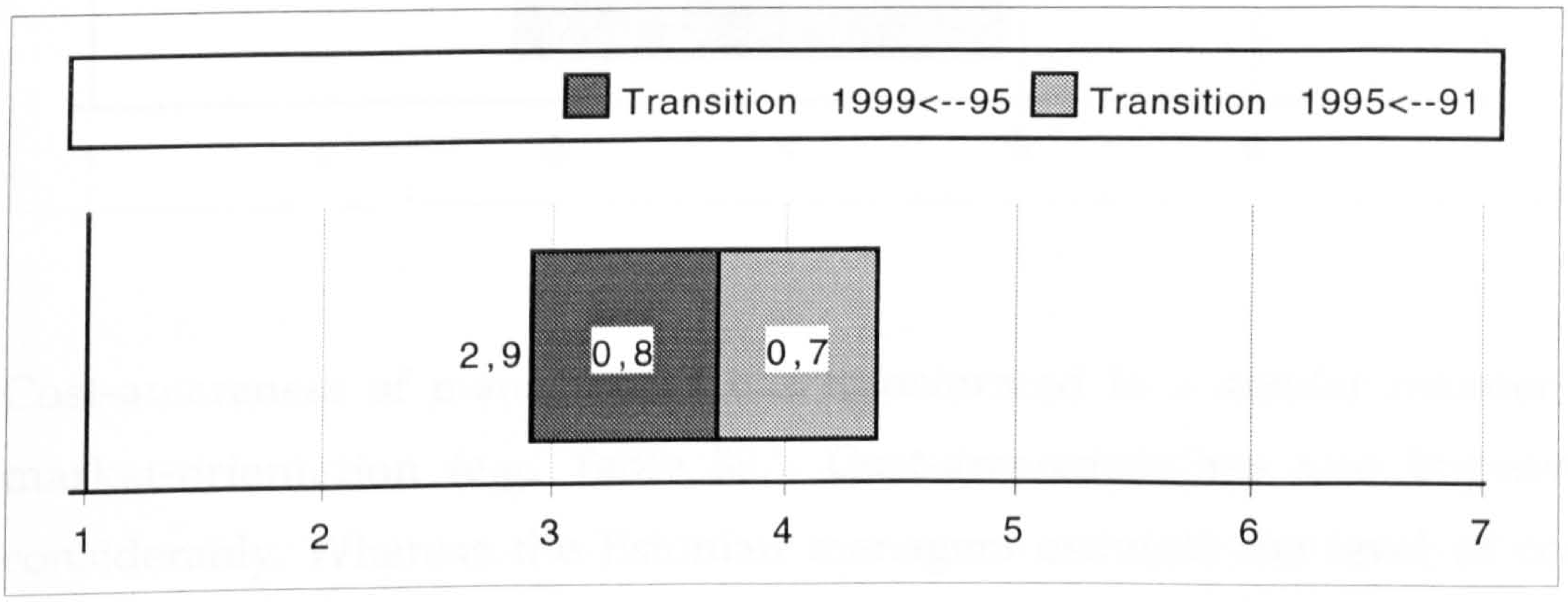


While the results above reflect a fairly strong team spirit in Estonian companies, it is important to notice that this situation may be due to the adjustment of the blue-collar workers to the goals defined by their managers. The workers do not necessarily have much influence in the management of the company. An illustration of this is that the employees' chances to influence the enterprise management are considered poorer than most of other subareas in 1995 (state average 3.7).

Positive, however, is that the chances of the employees to influence the management have improved since the last Soviet year (transition average 0.7). This finding supports the impression that during the Soviet era the employees had in practice much less influence on their company management than prescribed in the socialist ideology.

The managers estimate that the employees' chances to influence will continue to improve during the latter half of this decade (transition average 0.8). The managers believe that these will be better than 'good' by 1999 (state average 2.9). Strongest transformation is expected to occur in enterprises owned by the Estonian state (e.g. Table 78.).

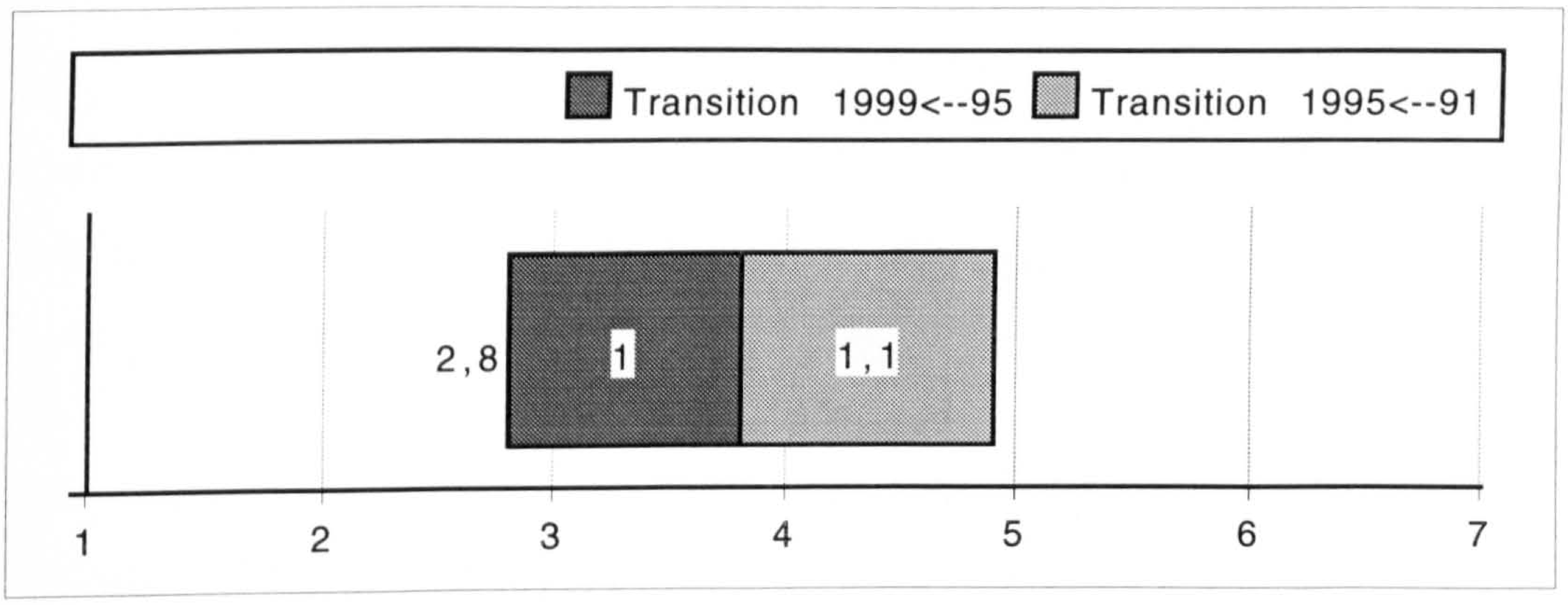
Table 78. The employees' chances to influence in company



The analysis of management's market-orientation indicates that it has improved most (transition average 1.1). This could be anticipated as market-orientation of management was poor during the Soviet era (state average 4.9). Actually, market-orientation is given the lowest grade in 1991. The greatest transformation has occurred in state-owned enterprises, of which nearly a half feel 'great positive transition' in market-orientation since 1991.

In terms of future development, it would be important for the transformation to continue at the same pace (transition average 1.0). The Estonian managers believe market-orientation to rise above 'good' by 1999 (state average 2.8). The engines of increasing market-orientation will be the Estonian-owned companies. This is supported by the fact that only one of the managers in the foreign-owned companies believes in a 'great positive transition' within his company (e.g. Table 79.).

Table 79. Market-orientation in management

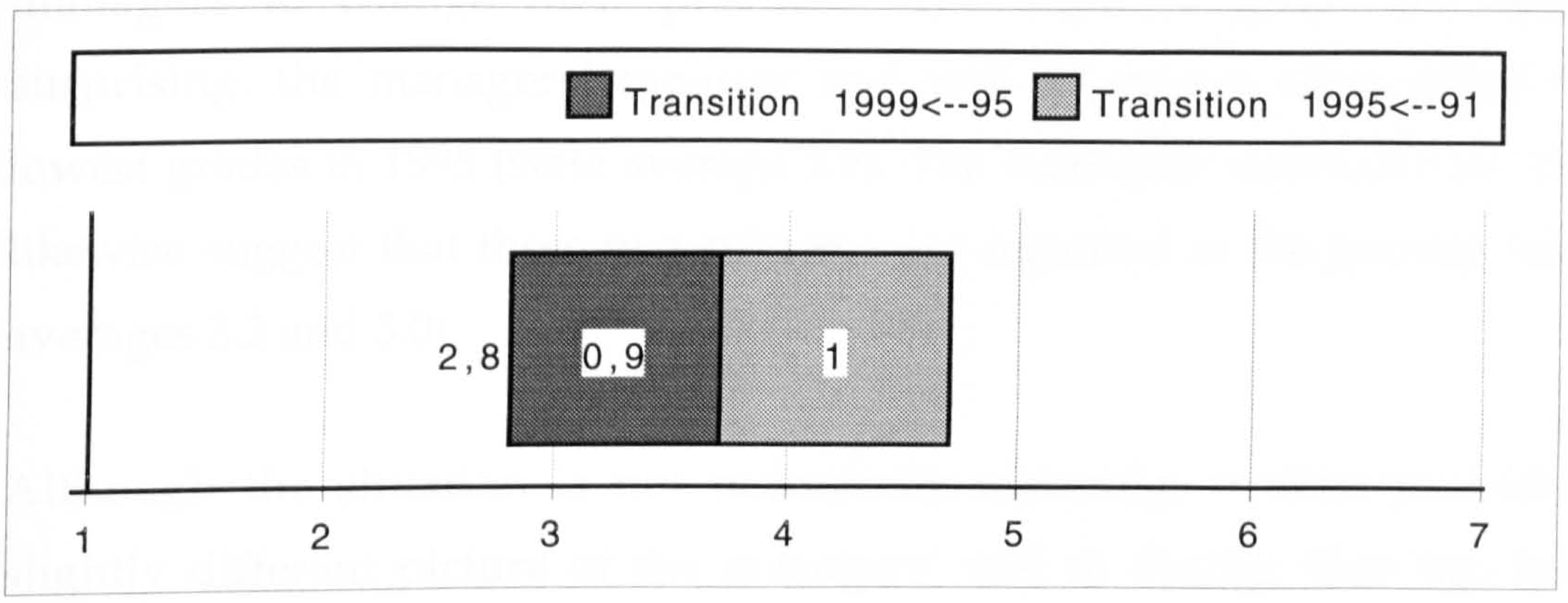


Cost-awareness of management has transformed in a similar manner to market-orientation (e.g. Table 80.). Cost-awareness has also improved considerably. Whereas the Estonian managers estimate the level of cost-awareness in 1991 nearly 'poor' (state average 4.7), they believe it to be above 'good' by 1999 (state average 2.8).

These two subareas of management were typically considered the most severe shortcomings of Soviet management (e.g. Lawrence - Vlachoutsicos, 1990). However, these answers given by the Estonian managers lead to an understanding of a substantially improved situation.

The improvement of cost-awareness is understandable in state-owned enterprises, in particular, which have been obliged to move from soft-budget constrain to hard-budget constrain (e.g. Kornai, 1992). This means that they can no longer resort to budget funding by the state but must fight for their survival. In terms of private enterprises, this transformation has been weaker simply because of them having operated on the self-financing principle from the beginning.

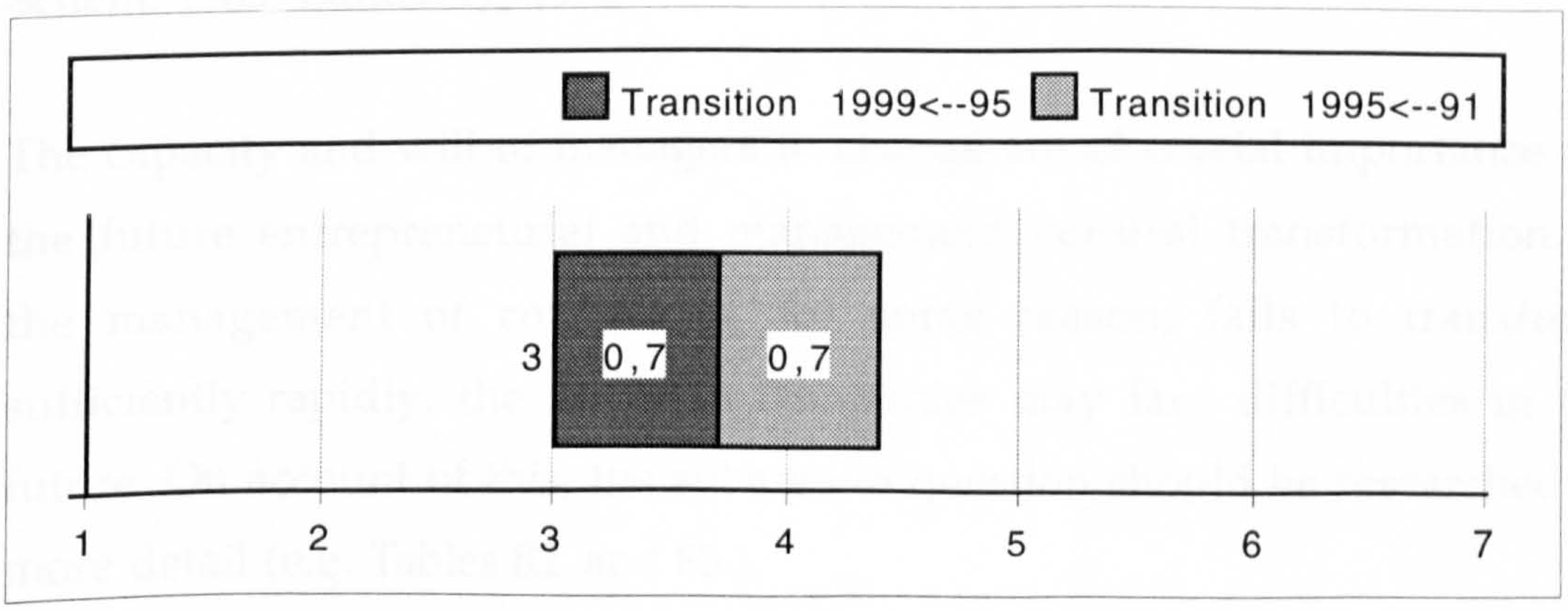
Table 80. Cost-awareness in management



In addition to the subareas discussed above, another major factor in the transformation of enterprise management is how managers relate to risk taking. The estimates of the Estonian managers in 1995 suggest that the willingness of managers to take risks was only slightly above 'average' (state average 3.7).

Although the situation was not the best possible, Estonian managers' willingness to take risks has improved since the last Soviet year (transition average 0.7). The situation as a whole is expected to develop in the future at a similar pace. A positive fact is that the Estonian managers believe their willingness to take risks to be 'good' by 1999: state average 3.0 (e.g. Table 81.).

Table 81. Willingness to take risks in management



The last two questions of this section deal with the capacity and will of the managers to change their practices. The answers given are rather surprising: the managers' capacity and will to change were given the lowest grades in 1995 (state average 3.9). The managers' estimates for 1999 likewise suggest that these two subareas are regarded as the poorest (state averages 3.2 and 3.0).

Although the situation is not necessarily alarming, it does provide a slightly different picture of the managers' will to change than has been suggested by previous studies, as well as the observations on the companies' transformation capacity made in this study (e.g. Nurmi - Üksvarav, 1994a; cf. Table 55.). One might have imagined in advance that enterprise managers are the engines of transformation, and, therefore, these answers should have transformed by far the most rapidly. The situation was nevertheless the opposite - but on what grounds?

One might begin to interpret these results by arguing that Estonian managers seem to react more to changes in their external managerial environment than actively strive to change the management of their companies. This finding corresponds to a large extent with previous studies which emphasize that changes occurring outside the company usually start management transformation within an organization (e.g. Schein, 1985; Lundberg, 1988).

The capacity and will of managers to change are of crucial importance for the future entrepreneurial and management cultural transformation. If the management of companies, for some reason, fails to transform sufficiently rapidly, the Estonian companies may face difficulties in the future. On account of this, the subarea in question should be researched in more detail (e.g. Tables 82. and 83.).

Table 82. Managers' capacities to change their practices

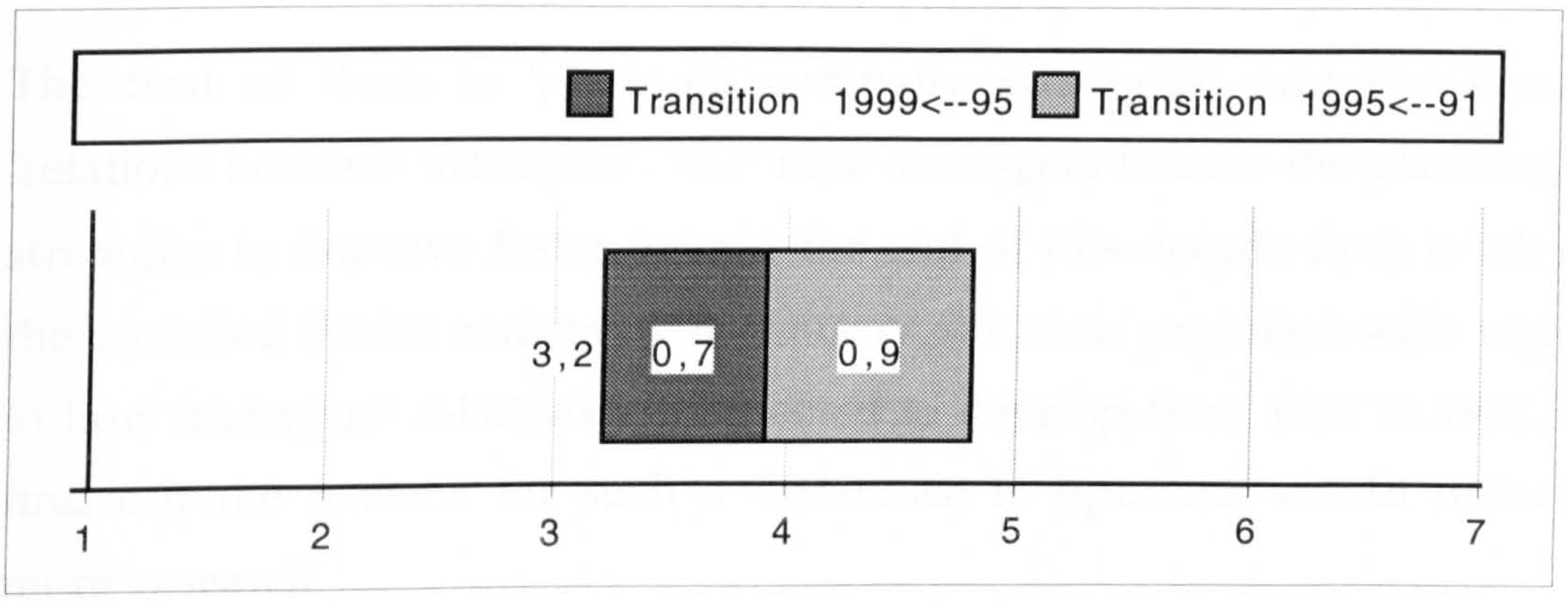
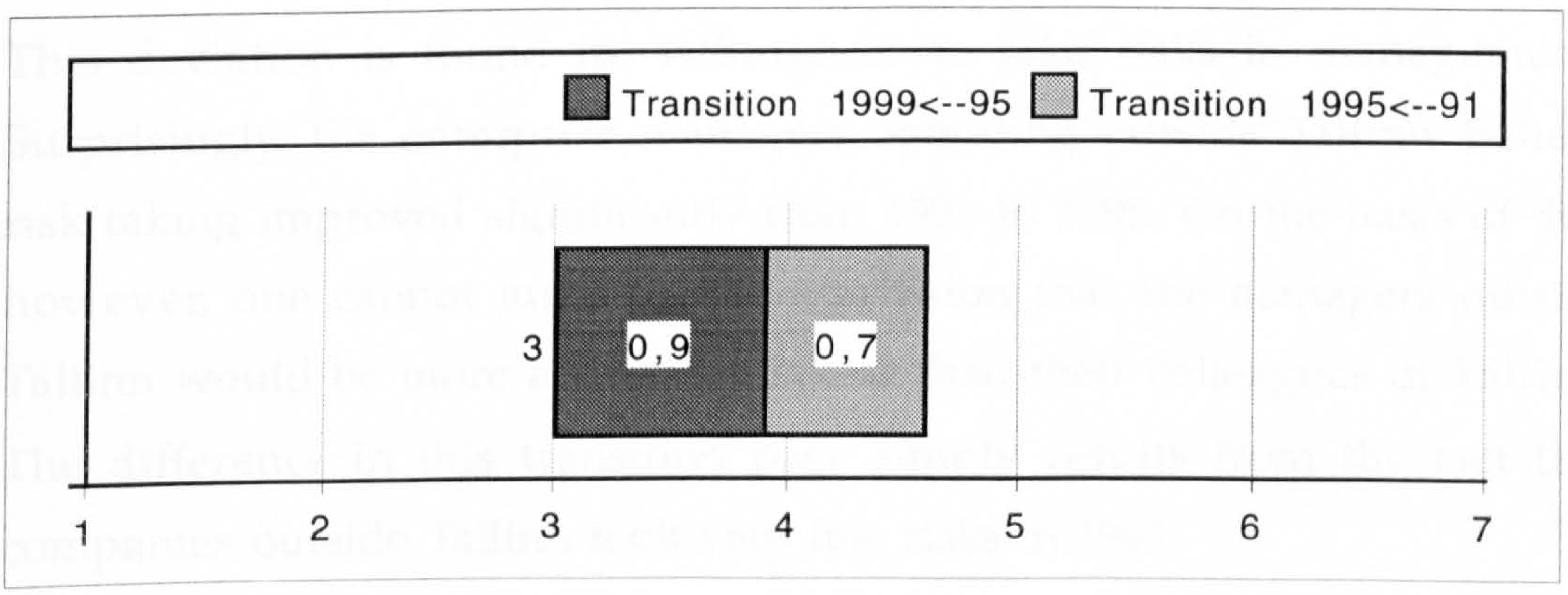


Table 83. Managers' will to change their practices



To summarize the transition of the managerial functions, one can state that no major variation exists between the companies established during the Soviet era and after Estonian independence. When comparing the managers who have operated since the Soviet era to the managers who started in their managerial posts after independence, two significant differences can be detected (significances *).

The first of them is 'planning company strategies' and the second 'relations between managers'. The 'new' managers believe the planning of strategies to improve faster toward the end of this decade than is felt by the so called Soviet managers. A contrary situation prevailed with regard to how managers' relations are expected to develop from 1991 to 1999. To find out the reasons for such a difference in opinions would demand more research.

A comparison of companies operating in Tallinn with those in other parts of Estonia reveals only one, but very crucial difference (significance **). This deviation is found in 'willingness to take risks in management'. Surprisingly, the enterprise managers operating outside Tallinn believe risk taking improved significantly from 1991 to 1995. On the basis of this, however, one cannot jump to the conclusion that the managers outside Tallinn would be more active risk takers than their colleagues in Tallinn. The difference in this transition pace simply results from the fact that companies outside Tallinn took very few risks in 1991.

A comparison of private enterprises with state-owned companies uncovers eight significant differences. In principle, transformation in state-owned companies has occurred more rapidly than in private enterprises. This may chiefly be due to the poorer starting point in state-owned enterprises, which automatically adds to the pace of transformation. Despite this relativity of change, it is important that the management of state-owned enterprises has been able to transform substantially.

An important difference (significance ***) appears in 'cost-awareness in management'. The managers of state-owned enterprises feel more strongly than their colleagues in private companies that cost-awareness in their company has improved. The ultimate explanation for this is that during the planned economy state enterprises operated under the protection of state funding. The transformation from the planned economy caused state funding to stop and hence the managers of state-owned enterprises have been forced to operate according to self-financing principles.

There is only one significant difference between Estonian and foreign-owned companies in the sample. This deviation is found in 'the motivation of managers' (significance *). In foreign-owned companies motivation has improved more rapidly than in Estonian companies. Generally speaking, the small differences in the transformation pace in Estonian and foreign-owned companies do not support the assumption that foreign companies are the self-evident driving force of transformation. In reverse terms, one can argue that the main force of the Estonian management transformation lays in the transition of national management culture. Foreign influence only provides the lubrication.

When comparing the companies with large personnel to those with less employees, one cannot notice that the management of small companies would transform more rapidly than large companies. This is rather unexpected since one might have anticipated that small units can develop their management faster than large companies.

This observation is particularly relevant in terms of the privatization of large state enterprises. Chopping them into too small pieces might endanger their operation. Most probably, the crucial factor for the economic transformation in Estonia would be the successfully accomplished managerial transition of middle-sized companies.

Managers ethnically Estonian or Russian expressed different opinions in several issues. This result, however, can be only taken as referential because only a very small number of Russian managers participated in this survey. Nevertheless, these differences force for a further research on this subject.

To summarize, one can state that the managerial functions in 1991 were given a grade approximately midway between 'average' and 'poor' (average of state averages 4.5). The best grade in the last Soviet year was given to 'relations between the managers' (state average 3.9) and the lowest to 'market-orientation in management' (state average 4.9).

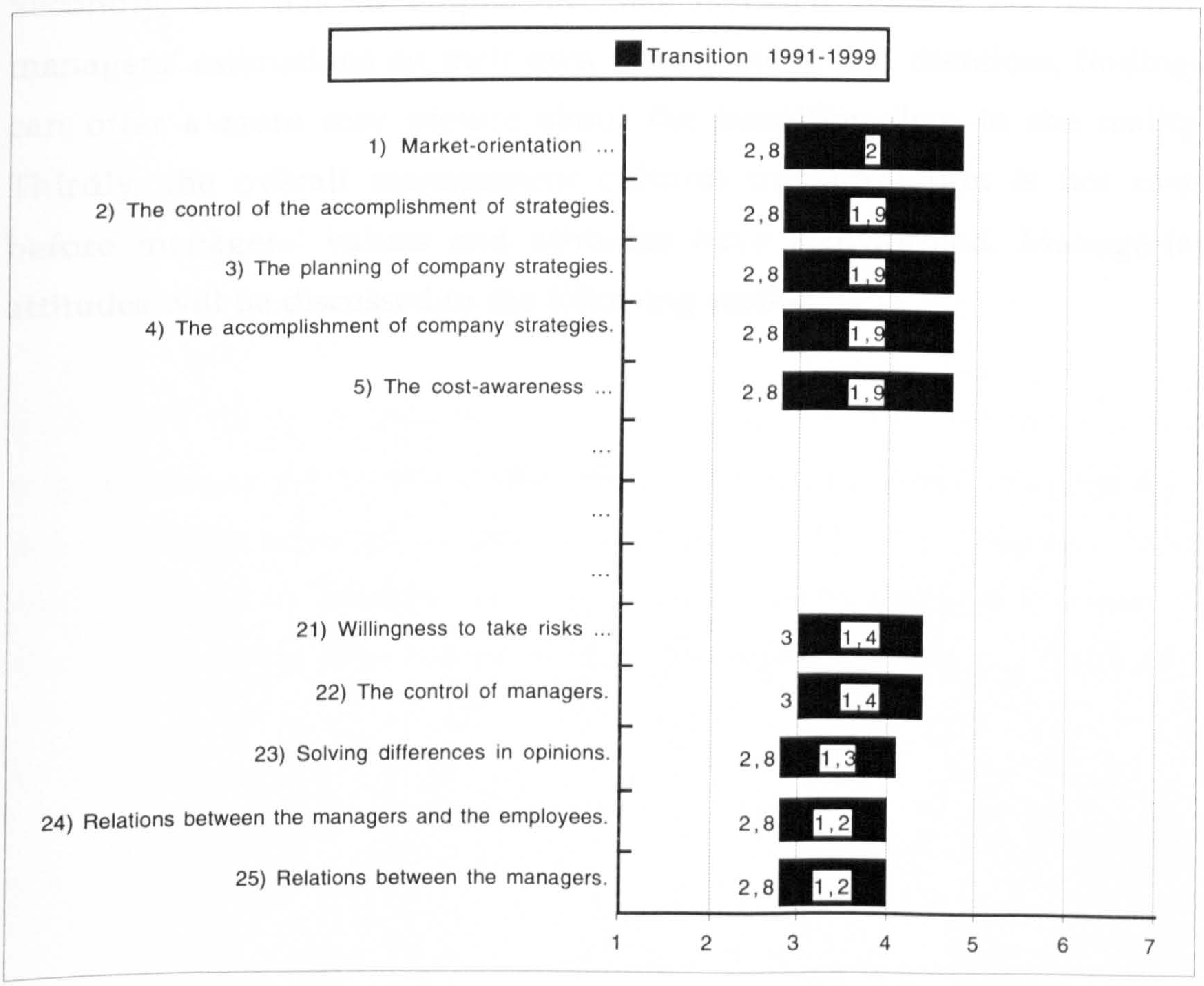
In 1995 the situation had changed to some extent as market-orientation no longer occupied the lowest level. The lowest grade now belonged to four managerial subareas: 'the control of the accomplishment of strategies', 'the efficiency of the use of time by managers', 'managers' capacities to change their practices', and 'managers' will to change their practices' (state averages 3.9). 'Relations between managers' still occupied the highest level (state average 3.4). As a whole, the managerial functions were at an average level in 1995 (average of state averages 3.7).

The managers' estimates for 1999 suggest that managerial functions will be better than 'good' (average of state averages 2.8). 'The commitment to company goals' is expected to hold the highest place (state average 2.5). On the other end of the scale is 'managers' capacities to change their practices' (state average 3.2).

On the basis of the data, one may suspect significant improvement in managerial functions during this decade. The functions which have advanced most rapidly are market-orientation, strategic management and cost-awareness. In this context, it is necessary to point out that the poor starting point of these functions has largely accounted for their transformation pace being considerably faster.

Correspondingly, the functions likely to develop most slowly are parts of the organizational climate, the control of managers and risk taking. Although these functions have developed more slowly than others, they will approach the level of 'good' by the end of this century (e.g. Table 84.).

Table 84. The summary of the fastest and slowest transition factors in managerial functions



One may state that the Estonian managers believe that most parts of management will be 'good' by the end of this decade. This does not necessarily mean that the management cultural transformation in Estonia would be over. One has to remember that enterprises which participated in this research can be regarded as a leading group in the transition of the Estonian enterprise sector. It will take considerably more time from the main group of the Estonian enterprises to reach the same level as presented in this study.

Secondly, one has to emphasize that research results are Estonian managers' estimations on their own management, and therefore, findings can offer a more rosy picture about the transition than in the reality. Thirdly, the overall management cultural transformation is not over before managers' values and attitudes have transformed. Managerial attitudes will be discussed in the following section.

5.3. Some Attitudes Held by Estonian Managers in 1995

This section examines the attitudes of Estonian managers in 1995. The focus on 1995 is drawn because it is not possible to use the method applied in the earlier sections as the evaluation of attitudes afterwards and in advance would endanger the reliability of findings. The answers given by the managers would in that case describe more of their attitudes towards transformation than the transformation of the attitudes themselves.

A methodological difference is also the five-point-scale used in the study of attitudes [103]. The seven-point-scale was not used in this context because the managers had to mark only one answer to each question, whereas in the other sections they had to mark three answers to each question.

Before embarking on analyses of attitudes held by Estonian managers, it may be necessary to point out that attitudes held by Estonian managers are not inevitably reflected in management in practice (e.g. Dlugosz, 1992). Attitudes held by Estonian managers toward some essential subareas of management have been summarized in the following table (e.g. Table 85.).

[103] The scale used is the following: 1 = I agree completely; 2 = I agree to some extent; 3 = difficult to say; 4 = I disagree to some extent; and 5 = I disagree completely.

Table 85. The attitudes of Estonian managers to some essential management areas in 1995 (whole numbers in per cents)

	1	2	3	4	5	AV	SD
1) A manager should not reveal his inadequacies to his subordinates as he will lose their respect.	02	15	07	55	21	3.8	1.00
2) A manager in the Estonian conditions cannot give his subordinates too much responsibility because most of them are incapable of independent action.	03	11	03	42	42	4.1	1.06
3) Specific orders should be used in management because they are the best means to make employees work.	30	46	05	14	04	2.1	1.11
4) The strict control of the employees is necessary as one can never be too careful in the present conditions.	08	37	17	37	02	2.9	1.06
5) I prefer operating alone to cooperation because I value independent decision-making.	01	11	06	53	30	4.0	0.94
6) In the Estonian conditions male managers are more efficient in average than female managers.	13	29	32	21	06	2.8	1.09
7) I pay attention to the social and environmental impact of my decisions more than other managers.	05	31	46	17	02	2.8	0.84
8) The profit-orientation in management has lead to a less attention paid to the employees.	03	17	29	32	20	3.5	1.17
9) The ethnic background is irrelevant in the employing of new personnel.	14	35	19	29	04	2.7	1.13
10) Foreign managers often underestimate local managers.	15	41	23	18	04	2.5	1.07
11) I carefully obey regulations even if the authorities would not notice slight misconduct.	10	53	12	21	05	2.6	1.07
12) Offering special benefits is a better means to motivate employees and increase their satisfaction than money.	10	37	14	35	04	2.9	1.12
13) I take more risks in management than the managers in general.	12	35	39	13	02	2.6	0.92
14) In the unstable conditions of Estonia it is no use to make long-term plans.	08	32	06	37	17	3.2	1.29
15) Estonian business management will have developed considerably by 2000 because the Soviet era could not repress the Estonian entrepreneurial spirit.	29	51	09	06	05	2.1	1.03

The answers given by the Estonian managers to the first statement indicate that the Estonian management style cannot be considered authoritarian, which was a typical characteristic of the Soviet era. Previous studies emphasize that during the Soviet era managers had adopted an authoritarian management style (e.g. Lawrence - Vlachoutsicos, 1990). These findings did in fact surprise an Estonian expert who argued that, in his opinion, Estonian managers still do not reveal their inadequacies to their subordinates but prefer to maintain a considerable distance between themselves and their subordinates [104].

The second statement deals with an area closely linked with the delegation of responsibility, which was usually considered a deficiency of Soviet management. Some earlier studies suggest that Soviet managers did not usually delegate responsibility (e.g. Lawrence - Vlachoutsicos, 1990). In this respect, the results of this survey deviate from these preconceptions since they illustrate how managers seem to have confidence in their subordinates' competence in independent work. Despite of this trust, managers often appear to carry out tasks which would have been more reasonable, in terms of more efficient time management, to delegate to subordinates (cf. Table 69.).

The readiness of managers to delegate seems to be contradicted by their attitude toward clearly defined orders (statement 3.). This contradiction is difficult to explain. One reason might be that managers believe in the activity of their subordinates but continue to have some doubts concerning their ability to do the correct things. In other words, a subordinate can be left to work independently only after having received precise instructions. Whether this can be regarded as real delegation is another issue altogether.

[104] This is based on the interview with Heino Tammiste.

The fourth argument concerns the importance of control, which was particularly emphasized during the Soviet era. One might have anticipated in advance that control would still be very strict on account of Soviet traditions as well as the increasing instability of the transition conditions. However, the Estonian managers do not overstress the role of strict measures of control.

The fifth argument aims at uncovering whether the Soviet-type collectivism exists in the Estonian management. The answers given by the Estonian managers seem to indicate that the Estonian management by no means overemphasized individual activity. While interpreting these attitudes concerning independence, one should remember that the level of managers' independence was fairly good already in 1995 (cf. Table 66.). This may signify that Estonian managers do not feel much need for increasing their independence. These answers may also be an illustration of Soviet-type collective practices which may still manifest in the attitudes of managers.

The sixth argument surveys the Estonian managers' attitudes toward masculinity, which was considered a fairly typical characteristic of Soviet management (e.g. Banai - Levicki, 1988). Yet the results here do not support the existence of masculinity in Estonian management. This seems to suggest that in the Estonian conditions the gender of the manager would not play such a big role. In this connection, one needs to point out that only few participants of the study were women. This finding underlines the importance of further study on this particular theme.

The Estonian managers' answers on their interest in social and environmental issues reveal that they seem to have a positive attitude toward social and environmental questions (statement 7.). Also according to a previous study, Estonian managers seem to regard environmental issues as extremely important for themselves (e.g. Liuhto, 1996b).

According to the Estonian managers, the increase in profit-oriented management has not considerably decreased the amount of the attention paid to the employees (statement 8.). One might have anticipated that increasing competition would have diminished managers' opportunities to take the interests of their employees into account.

Interestingly, the managers on the whole do not consider the ethnic background an essential factor when recruiting new employees (statement 9.) In this context, one should underline that one third of the managers feels that the ethnic background matters when recruiting a new employee. This does not necessarily mean that the ethnic discrimination would be strong in Estonia. The situation may sometimes remind of discrimination because some Russian workers speak Estonian surprisingly poorly. This inevitably affects the hiring of these people in tasks which require serving Estonian-speaking customers.

Closely connected to these ethnic issues is the foreign managers' attitudes to their Estonian colleagues (statement 10.) More than half of the Estonian managers feel that foreign managers underestimate the competence of Estonian managers. On the basis of these answers, it is impossible to find out whether this attitude of foreign managers is unfounded. To solve this, one would need to conduct an additional study which would examine the attitudes of foreign managers toward their Estonian colleagues. One must nevertheless remember that these views by Estonian managers do not always tell the whole story; they might even reflect of low self-esteem to which some previous studies have pointed (e.g. Lehtonen, 1992).

Transition management is typically characterized by appearances of various malpractices and disrespect of rules. The answers given by the Estonian managers indicate that they generally follow the rules even if slight disobedience would be hard to detect (statement 11.). Although these answers must be reviewed with some cautiousness, they seem to suggest that Estonian managers cannot be regarded as breaking rules and seeking loopholes. This can mean that honest managers operating in transition conditions are often accused of deeds conducted by a small minority.

The answers that the Estonian managers gave to means of motivation suggest that, by contrast to the Soviet time, fringe benefits are not considered a fundamentally better means of motivation than normal salary (statement 12.). These answers indicate that the Soviet shortage economy and its behaviour patterns are to some extent disappearing.

The managers who participated in this study feel that they took slightly more risks in their management than managers in general (argument 13.) These results do not seem to illustrate that Estonian management suffered from lacking risk-taking. However, neither can Estonian management be considered 'gambling' entrepreneurship which can be characterized by the maximization of profit by taking great risks (cf. Table 81.).

The statement 14 aimed at uncovering whether the rapidly changing conditions of the transition economy force managers to use short-term practices in the enterprise management. The majority believes that the present conditions in Estonia allow long-term planning. This is positive in terms of the future development because it sheds optimistic light on long-term activity.

The statement 15 examined how the Estonian managers viewed the future development. Their answers indicate that they expect the enterprise management to develop substantially by 2000 since the Soviet era was unable to destroy the Estonian entrepreneurial spirit.

The following questions are examined in the following: how Estonian managers feel their national culture reflected during the Soviet era, how they see the Soviet era affecting the current Estonian management culture, and, finally, how they view the future of managerial transformation (e.g. Table 86.).

Table 86. The Soviet influence on the Estonian management transformation (whole numbers in per cents)

	1	2	3	4	5	AV	SD
1) National cultural features are manifested more strongly in management than previously, because it was not useful to display national features in the management of Soviet companies operating in Estonia.	17	40	14	23	06	2.6	1.19
2) The Soviet management philosophy had no effect on enterprise management in Estonia, because only a few of the managers actually believed in the socialist doctrines.	09	32	06	40	14	3.2	1.24
3) The management cultural transition in Estonia will continue for several years, as, in the present conditions, many features not typical of the national culture of Estonia will be reflected in the Estonian management culture.	24	57	13	05	00	2.0	0.77

Nearly 60 per cent of the Estonian managers feel that national cultural characteristics are currently more strongly manifested in management than during the Soviet era, as then it was not useful to bring out national features since they might have caused serious personal difficulties for the managers.

There is a significant difference between the answers given by the managers of companies registered during the Soviet Estonia and those registered after independence (significance *). The managers of the first group feel that national cultural features are presently reflected more than they were during the Soviet era. These answers may originate in the fact that the 'new' managers do not conceive of the transformation similarly to the 'old' managers.

For these 'new' managers, the present conditions serve as the starting point, while the older managers comprehend the present conditions as a result of transformation. A point worth focusing is also that the industry, ownership, location or size of the company do not generate significant differences. Neither does the ethnic background.

A previous study has argued that Soviet ideologies did not have much impact on how people acted because only few believed in them (e.g. Shiller et al., 1992). The data, however, seem to indicate that Soviet management ideologies did have an effect on the Estonian management. In fact, the majority feels that the Soviet management ideology left its traces on the Estonian management. On the other hand, as many as 41 per cent do not consider the Soviet ideology having much impact.

Those managers who had operated already during Soviet Estonia feel more than their 'new' manager colleagues that Soviet management ideologies did not affect the Estonian management (significance *). An explanation for this view may be that these 'old' managers actually managed to repel Soviet ideologies. Although Soviet ideologies were not usually believed and swallowed as such, it is difficult to imagine that a 50-year-experiment would not have left any effect on the Estonians.

The Estonian managers are clearly of the opinion that the transformation of the Estonian management culture will continue for several years because, at the moment, management is affected by several features which are not typically Estonian. The manifestation of these non-Estonian features is understandable since the transition conditions may allow strange features to enter the Estonian management. Therefore, the current management should be considered 'a transformative management culture', instead of the rebirth of the traditional Estonian management culture.

This means that the Estonian management culture that prevailed during the 1920s and 1930s has not been re-emerged but replaced by 'a transformative management' culture which contains characteristics of both the Soviet culture and market economies. After this transition era, it seems probable that the Estonian management culture will move closer to those traditional roots that are typical of the Estonian identity. On the other hand, one should not forget the extent to which contemporary Estonia differs from Estonia during the 1920s and 1930s. Moreover, the transition economic conditions may inscribe features into the Estonian management culture which may never disappear.

Although various types of companies and managers were compared, their background information does not reveal considerable variation. This may illustrate, for instance, that the Estonian managers are fairly unanimous in two issues: the transformation of the management culture will continue for several years and the transition conditions introduce many such features into the Estonian management culture that are not necessarily typical of it.

5.4. The Summary of the Main Empirical Findings

One needs to state that several findings indicate that the sample can be considered consisting of a leading group of the managerial transformation. The sample may be seen to represent 'the élite' of the managerial transformation in Estonia. This may signify that the rest of the organization sector will transform more slowly than the sample. The extent to which the organization sector seems lacking in pace is impossible to answer within the framework of this study.

While summarizing the empirical observations, one can clearly state that the managers who participated in this study believe that all of the subareas of management will improve in a positive direction during this century. Managerial functions are evaluated higher at all times studied than the external management environment and organizational management functions. Managerial functions are evaluated 0.2-0.3 units better than organizational management functions in 1991, 1995, and 1999. Similarly, organizational management functions are evaluated 0.2-0.3 units better than the external management environment (e.g. Table 87.).

Table 87. The comparison of different aspects of the management transformation (averages of state averages)

	External management environment	Organizational management functions	Managerial functions
STATE IN 1991	5.0	4.8	4.5
STATE IN 1995	4.3	4.0	3.7
STATE IN 1999	3.3	3.0	2.8

The data indicate that Estonian managers seem most content with the activities of managers. While descending from the manager level to the organizational level, these estimates tend to fall slightly. And furthermore, a move from the organizational to the external management environment level indicates a similar decrease in the estimates. Regardless of the answers above, they should be reviewed with certain cautiousness. One must remember that an objective evaluation of one's own management behaviour can be a problematic issue.

In this context, it is necessary to underline that the empirical findings suggest that managers cannot be regarded as the self-evident transformation forces. The transformation is more based on reactions against changes occurring in the external management environment than on planned change. In other words, Estonian managers seem to remind more of censor to external change pressures, instead of a group actively wishing for change. As other previous researches have pointed out, such a phenomenon is not rare outside Estonia either because most of the changes within organizations originate in factors outside enterprises.

As one can observe in the previous table, each of the subareas has transformed at a fast pace. The transition is some 1.7 units in each managerial subarea between 1991 and 1999. During the first half of the 1990s, the transformation was about 0.7 units, whereas it is expected to be as much as 1.0 at the close of the decade. The expected acceleration came as a slight surprise, because in order to maintain the same transformation pace more transformation forces are required.

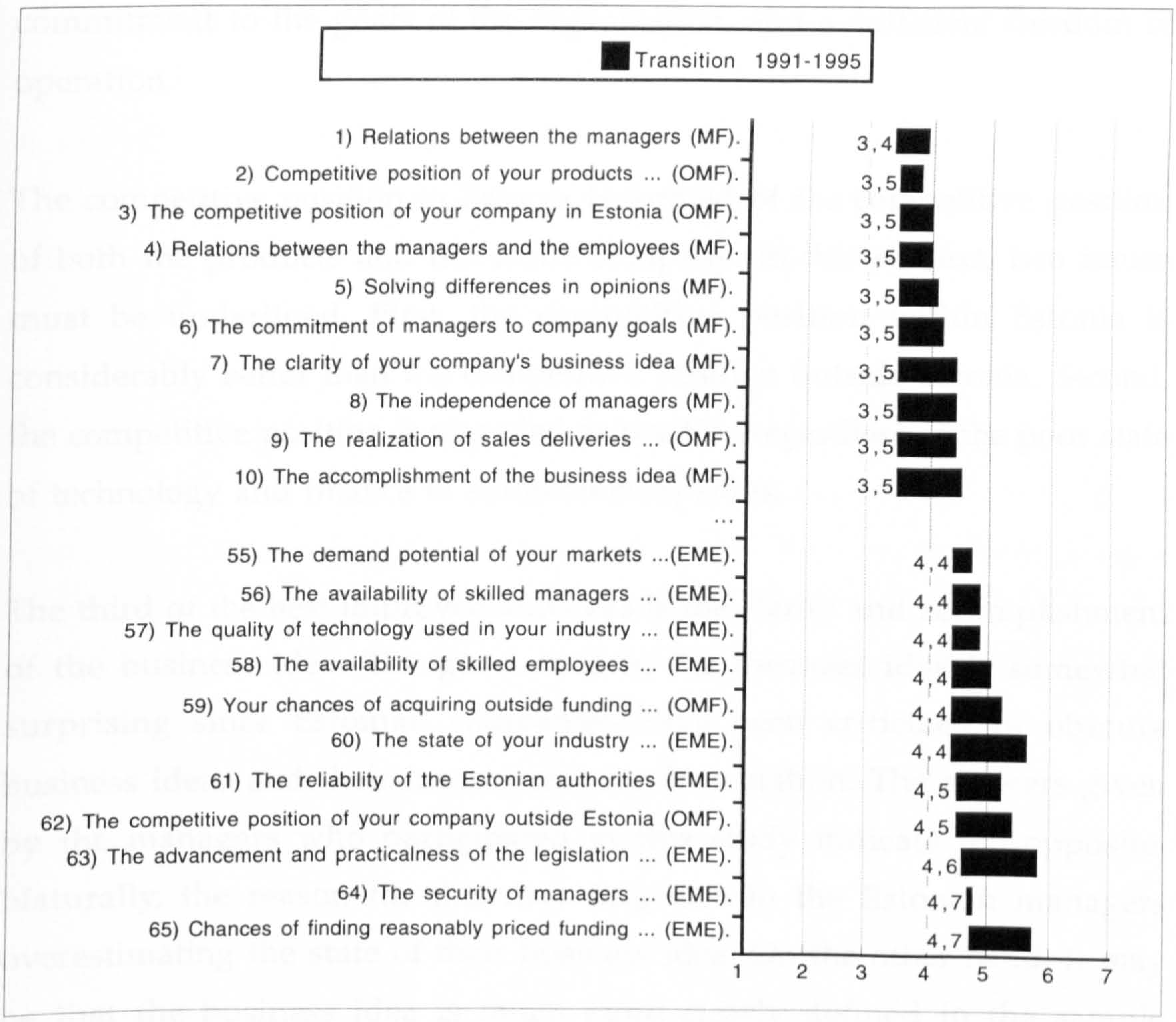
Despite the possibility of overoptimism, one should nevertheless not forget the impact of psychological factors on the economic development. To put it differently, it would not be a surprise if the organization sector could produce a better outcome in an atmosphere of optimism, than pessimism. Positive expectations are reflected in a confidence in the future development and in concrete measures stimulating the development. These measures ultimately form a virtuous circle which strengthens itself, sometimes even without a visible reason. Correspondingly, pessimistic views of future may reflect in a contrary manner so that the development drifts into a vicious circle difficult to break.

The situation as a whole is estimated 'poor' in 1991, 'average' in 1995, and 'good' in 1999. An interesting question is when the rest of the Estonian organization field will catch up with the present achievements of the sample. One should remember that the companies forming this sample can be regarded as 'model students' of transformation.

If the transition is examined in more detail, one can observe that in 1995 none of the subareas of the external management environment are ranked among the top ten. While examining the ten lowest, one can clearly see that the majority of them belong to external management environment. Some of these lowest subareas have transformed extremely rapidly. Therefore, one cannot draw a direct causal relationship between a weak state and a slow transformation, and correspondingly, between a strong state and a fast transformation (e.g. Table 88.).

On the basis of this finding, one could make a methodological contribution to forthcoming studies on transformation economies. In other words, vital for study is not only the pace, but also the result of transformation. One should always remember that transition is a relative concept. To illustrate this, a penniless person can double his fortune more easily than a multi-millionaire. For this reason, transformation study should evaluate the state of certain variables at the moments A and B, instead of asking them to evaluate the change between A and B. This is simply due to the first alternative containing more accurate data.

Table 88. The summary of Estonian management in 1995 [105]



[105] The abbreviation MF denotes 'managerial functions', OMF 'organizational management functions' and EME 'external management environment'.

While examining the estimations for 1995, one can see that the best subareas can be divided into three main categories: the organizational climate, the competitive position in Estonia, and the business idea. The organizational climate consists of functioning personnel relations, commitment to the goals of the organization, and a sufficient freedom of operation.

The competitive position in Estonia is formed of the competitive position of both the products and the entire company. In this context, two issues must be underlined. First, the competitive position within Estonia is considerably better than the competitive position outside Estonia. Second, the competitive position is regarded as positive regardless of the poor state of technology and finance in Estonian companies.

The third of the best improved subareas is the clarity and accomplishment of the business idea. The good state of the business idea is somewhat surprising since Estonian companies have been criticized of obscure business ideas and their inconsistent implementation. The answers given by the managers who participated in this study indicate the opposite. Naturally, the reason for this may originate in the Estonian managers overestimating the state of their business idea. On the other hand, it may be that the business idea is much more clearly defined in the sample compared to the Estonian enterprise sector as a whole.

The poorest ranking is given to the availability of factors of production, managers' insecurity and reliability of the authorities, deficiencies in legislation, competitive position outside Estonia, and the demand potential in Estonia.

Shortage of factors of production is particularly evident with regard to the availability of finance, technology and skilled personnel. Interesting is that enterprise managers do not regard the supply of raw material and transport of deliveries as particularly deficient. In advance, one might have anticipated that these subareas have suffered a great deal from the disintegration of the Soviet Union.

A second interesting feature concerned the difficulties in the availability of skilled personnel. This feature becomes interesting because companies, on the one hand, consider the labour market deficient, but on the other, seem fairly pleased with the state of their human resources.

An explanation for this might be found in the managers' tendency to overestimate the state of their human resources. Or perhaps these companies have managed to attract employees that are in average more trained than usually. If the latter explanation is correct, it would be among the most important contributions for why the companies in this sample belong to the top group of transformation. In other words, the transformation of Estonian companies might have been based on human resources and on a healthy organizational climate which have enabled a more rapid transformation.

A problematic area in the Estonian external management environment is managers' insecurity and unreliability of the authorities. The increasing crime manifests in the poor and slowly transforming state of managers' security. In terms of security, one needs to point out that it has not improved since the last Soviet year when it already was at a 'poor' state. This finding suggests that lack of security is not necessarily a product of the transition conditions but a phenomenon that existed already during the last years of Soviet rule.

The confidence in the authorities is also in a fairly poor state. One of the major reasons for this is the corruption and inefficiency of the authorities. The public sector has simply not been able to develop as fast as the enterprise sector. This could be interpreted so that the enterprises have a crucial role in the accomplishment of the economic transformation since the authorities cannot always guide the transformation but sometimes only follow it. It seems that the role of enterprises is particularly emphasized in the economic transition of Estonia.

That economic structures follow several steps behind the enterprise sector is also illustrated by the poor state of legislation in 1995. According to Estonian experts, the problem concerning legislation is not so much the inferiority of laws but the difficulties connected to their enforcement. Although the Estonian legislation can be regarded as among the most developed of the former Soviet economies, one needs to remember that being the best among the poor is not necessarily a credit as such.

The fourth major problem is the competitive position of companies outside Estonia. The difference between the competitive position inside and outside Estonia largely originates in the fact that the shortcomings of Estonian companies do not diminish their competitive position essentially because most of their rivals also more or less share the same problems. However, the competition in the world markets is a great deal harder. In reverse, this could mean that the invasion of foreign companies has not ruined the competitive position of at least the best Estonian companies within the Estonian borders.

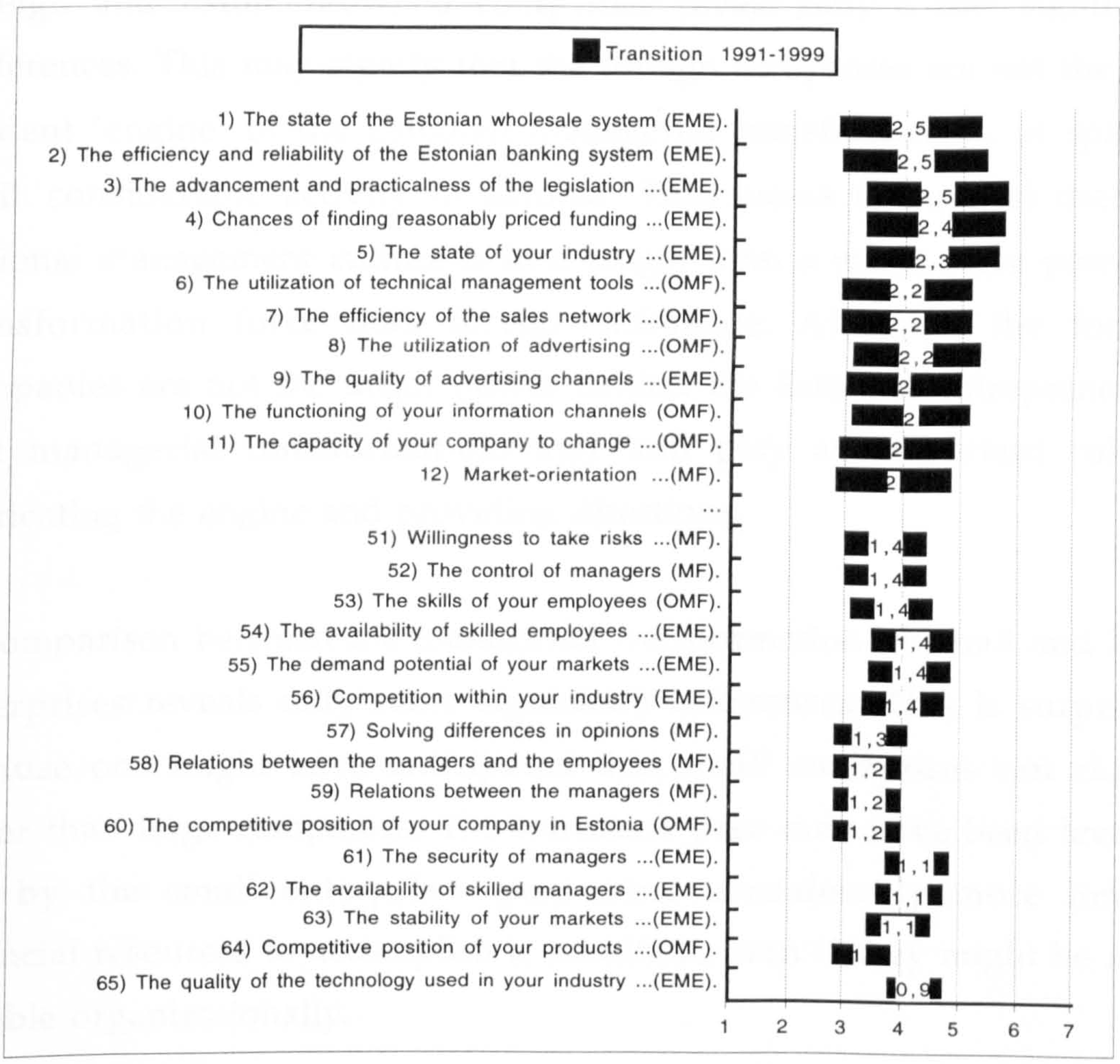
The fifth significant problematic area for Estonian companies is the lack of demand potential in the domestic market. This mainly stems from the low buying power of the Estonian market, which can be a result of the small size of the market.

Besides analysing the state of management in 1995, one needs to make a summary of the management transformation during the 1990s. In brief, one can state that the external management environment is expected to transform most strongly. This means that the important external subareas of organizational management would be almost at a 'good' level by 1999. This may be interpreted so that the external environment does not considerably slow down the managerial transformation within companies at the beginning of the next millenium. A summary of the management transformation is presented in the following table (e.g. Table 89.).

When the companies participated in the study are compared to each other, one can state that the managers who had operated already during the Soviet era usually evaluate transformation slightly slower than those managers who had begun in their managerial positions after the independence of Estonia. An explanation for this phenomenon may be that the managerial methods of the 'new' managers carry a less burdensome heritage of the Soviet economy than the managers operating since the Soviet era. Although these 'new' managers have not quite survived without Soviet 'bruises', the customs dating from the Soviet era have not been inscribed on their managerial style as markedly as the 'veteran' managers.

Rather surprisingly, there are relatively few major differences between the answers given by the private and the state enterprise managers. This could be interpreted, for instance, so that the Estonian market has not maintained the monopolistic structures which would protect the state enterprises from managerial transformation. In reverse, too, Estonian private enterprises have not collapsed the operational foundations for state enterprises, which have also gained a great amount of strength.

Table 89. The summary of Estonian management transition in the 1990s



Even more unexpected is that the answers given by the managers of foreign and Estonian-owned companies reveal only a few significant differences. This may signify that the foreign companies are not the self-evident 'engine' of the Estonian managerial transformation, in spite of their considerable activity in Estonia. This seems to suggest that the national management culture is in a longer term a much more powerful transformation force than foreign influence. Although the foreign companies are not the major power behind the Estonian entrepreneurial and managerial transformation, they still play an important role as lubricating the engine and providing directions.

A comparison between the managerial transformation in small and large enterprises reveals only some significant differences. This is surprising because one might have anticipated that small enterprises can change faster than large companies. The transition pace may have been levelled out by the small enterprises possessing considerably more limited financial resources to accomplish a transition, even if they might be more flexible organizationally.

Important in terms of the future development of the Estonian market would be the peaceful coexistence of small and large enterprises. Secondly, both construct a potential foundation for the expansion of the middle-sized company sector in Estonia. As a matter of fact, these middle-sized companies may prove the most optimal alternative for the future development of the Estonian economy.

The findings do not uncover significant differences between industries. Undoubtedly, the sample is far too small to embark on any detailed comparison of industries. Regardless of this limitation, one needs to point out that industrial categories are defined by the statistics, which do not necessarily reflect the main business relationships of the companies, that is, the extent to which particular companies are linked with the development of particular industries.

In this context, one needs to remember that more important than division by industry might be the actual relationships between companies. This relationship network may in fact manifest in the managerial transformation of the company more strongly than the general development of a certain industry. Therefore, industrial subcultures should not be taken as granted so long as indisputable empirical evidence supporting it does not exist.

Although the capital city of Estonia, Tallinn, is the unquestionable centre of the country's economic activity, the findings of this study do not indicate a considerable distinction between the managerial transformation in companies operating in the capital city and companies operating in the rest of Estonia.

Interestingly, there seems to be a great number of major differences between the managers with an ethnically Russian or Estonian background. But these differences must be related to with some cautiousness because only a very small number of ethnically Russian managers participated in this study.

To prove this observation would require additional study which should contain a considerably higher share of ethnically Russian managers. Another challenging subject for further research would be a comparison between Russians living in Estonia and those in Russia. This comparison might be able to uncover whether the nation-state environment is more influential than an ethnic culture on management culture.

Observations on the managers' attitudes in 1995 indicate that the issue whether the Soviet ideology influenced the Estonian management clearly divides the answers into two major categories. A subtle majority of the respondents believe that the Soviet ideology did have an impact on the Estonian management.

This is understandable as managers have not been able to, even if they had wanted to, completely block out the Soviet ideology which prevailed for 50 years. To illustrate the impossibility of such an act, one could compare it to a passive smoker who would certainly be affected by 50 years in a smoking room, even though he might not wish for it.

Secondly, the Estonian managers believe that national cultural features are at present slightly more reflected in management than during the Soviet era. In the former Soviet Union, the manifestation of national cultural features was considered less wise, especially during those periods when the disappearance of national cultures and the birth of Homo Sovieticus were emphasized.

Thirdly, the Estonian managers estimate that in the transition conditions several features that can be considered non-Estonian are reflected in the Estonian management. Therefore, the management cultural transformation will continue for several years in Estonia.

These findings may be interpreted so that the contemporary Estonian management culture is not a reincarnation of the first management cultural period during the 1920s and 1930s. This argument can be justified, first, on the grounds of traces left by the Soviet era on the Estonian management. Second, the economic milieu of both these periods is markedly different from one another so that ultimately a reincarnation would be nearly impossible even if the spirit of the old management culture had, for some reason, managed to stay untouched in Aladdin's lamp.

Finally, one must conclude that the transformation of the Estonian management culture was fairly rapid at the beginning of this decade and is expected to accelerate further toward the end of this decade. The empirical findings seem to emphasize that human resources, first and foremost, are in the background of managerial transformation. In the wake of these human resources, various subareas, marketing, in particular, have developed.

A contrary situation existed with regard to finance and technology. In fact, Estonian companies are suffering in the maelstrom of finance and technology. That is, technological shortcomings diminish the opportunity to increase the degree of processing and to improve the quality of products. These are in turn reflected in narrower profit margins and weaker financial positions which prevent the acquisition of new technology. To resolve this finance-technological dilemma might prove an extremely slow process without any outside support. With the help of outside financial support, this trap of non-development, in a country like Estonia, could fairly rapidly be transformed into a virtuous circle, which would then become a phenomenon supporting itself.

6. CONCLUSION

6.1. The Summary of the Research Results

The purpose of this research has been to describe the entrepreneurial and management cultural transition in Estonia in the 1990s. It is important to realize that the present transformation is by no means the first period of transition encountered by the enterprise sector and enterprise management in Estonia.

From the nation-state perspective, the first transition of Estonia occurred as early as in the 1920s. Interestingly, certain similarities can be found between the first and the present transition. At the beginning of both transition periods Estonia separated from a transnational economic system and began to construct economic foundations for an independent nation-state. A contrary transformation occured when Estonia was incorporated into the Soviet economy at the turmoil of the Second World War.

The research focused on the managerial transition in the 1990s since suitable empirical material which would have enabled a more extensive comparison between the different transition periods does not exist. According to the nation-state perspective, the transformation in the 1990s has been further defined to begin from the year when Estonia separated from the former Soviet Union. The last year of study extends to the last year of this millenium.

The research has examined the managerial transformation of Estonia comprehensively. Three main areas were described in the managerial transformation: external management environment, organizational management functions, and managerial functions. In addition to these, the attitudes of Estonian managers in 1995 were surveyed. A transformation analysis on the attitudes could not be conducted because it is highly likely that the answers of managers would have reflected attitudes to the transformation, instead of the transformation of attitudes.

The research was carried out as an inquiry which was participated by 114 managers of companies operating in Estonia. The companies were selected so that they would represent the entire organization sector in Estonia. Representativeness was defined according to the ownership, size, industry and place of registration of the company. In addition, the research aimed at including some 3-5 per cent ethnically Russian managers in the sample. On account of the high loss percentage of answers, the sample cannot provide a miniature picture of the whole organization sector.

The research data seem to indicate that the studied companies belong to 'the élite group' of the managerial transformation. In practice, this means that the findings cannot be generalized as such to the entire organization sector in Estonia. Instead, the starting point should rather be to consider the sample as providing guidelines for the transformation of the whole enterprise sector with a certain delay. On the basis of this research, however, one cannot estimate the length of this particular delay.

This study has been descriptive with the aim of examining how the transformation has been accomplished in the studied companies. With the help of empirical findings, the nature of entrepreneurial and managerial transition was attempted to be comprehended.

Before the major empirical findings are summarized, one needs to recapitulate briefly the transition of the Estonian enterprise sector. The starting point of entrepreneurial development on the eve of Estonian independence consisted of a small group of large state-owned enterprises, a manyfold number of small private enterprises concentrating on services, and approximately one thousand foreign-owned companies.

By the beginning of 1995, the share of the state organizations had decreased to less than two per cent. The reason for this was simply the registration boom of new organizations. All in all, by the beginning of 1995 there were over 80 000 organizations registered, which is twice the number at the beginning of 1992.

When analysing the entrepreneurial transformation in Estonia, it should be underlined that there seems to prevail rather a wide gap between the statistics and reality. Firstly, one should notice that only some 50 000 of all the 80 000 organizations registered in Estonia are actual business organizations. The rest are various kinds of associations and non-business organizations. Secondly, only about half of the registered business organizations are operating. Despite these facts, the growth of the enterprise sector has been enormous.

Besides the increase in the organization sector, another major transition has occured when the manufacture-centered Soviet system has transformed into a trade and service-oriented system. There are several reasons for the development. Firstly, the industrial state enterprises operating in Estonia were designed to serve the interests of the entire Soviet Union, instead of providing for the economic needs of Estonia. The oversized production of the Estonian economy had difficulties finding markets within, or even outside Estonia.

Secondly, private entrepreneurs lacked the sufficient capital to start their own production and, therefore, concentrated on less capital intensive activities, such as trade and services. The third major reason for the expanding trade-orientation was a gap in trade and services.

A notable characteristic in the economic transition is also the increasing role of the foreign trade in the Estonian economy. While at the turn of the 1990s only some ten per cent of the Estonian 'foreign trade' was directed outside the Soviet Union, the situation had fundamentally transformed by the mid-1990s. The share of Russia represented less than one third of the Estonian foreign trade in 1994. The Russian shares had been captured especially by the Nordic countries.

The openness of the Estonian economy is also indicated by a fairly numerous group of subsidiaries registered by foreign companies in Estonia. By the beginning of 1995, the number of the foreign-owned companies registered in Estonia was some 8 000. The foreign-owned enteprises represent some 12-16 per cent of the business organizations registered in Estonia. In addition to the registered foreign-owned companies, a substantial amount of other foreign companies operate in Estonia. The impact of foreign companies is difficult to evaluate in detail but an illustration of its scale is that Estonia has been invested most per capita among the transition economies after Hungary.

Geographically viewed, the organization sector of Estonia has not been greatly transformed. The shares of Tallinn and the surrounding Harju county have remained very significant, typically of the Soviet era. At the turn of 1995 these regions had more than half of all the registered Estonian organizations and even a more substantial number of the foreign-owned companies. On the whole, the northern regions were by far the most important economic centres in Estonia. This recapitulation of the entrepreneurial transformation above provides us with a somewhat wider framework within which to evaluate the managerial transition in Estonia.

The empirical findings of the managerial transition indicate that, according to the estimates of the Estonian managers, the external management environment, organizational management functions and managerial functions have transformed at a similar pace from 1991 to 1995. The Estonian managers expect the transformation to accelerate during the latter half of this decade. To summarize, one can state that in 1991 the management of Estonian companies was considered 'poor', in 1995 'average' and in 1999 already 'good'.

One needs to emphasize again that the findings are based on the Estonian managers' estimates on the state of the company they lead. Therefore, the views of Estonian managers on the management of their company can to some extent be questioned. Certain subareas seemed to be viewed even with an ungrounded optimism. As an example, one can mention their anticipations of the rise of the financial situation and the level of technology to nearly 'good' by 1999.

It is difficult to believe that the situation could improve this fast because the development of Estonian companies' operations requires outside funding. At this moment, however, it is extremely hard to acquire outside funding with a reasonable interest rate. If the Estonian companies cannot obtain outside investment funding, it seems very unlikely that they could make their production more efficient, improve their competitive position and hence their financial state in the future.

Although it seems that some of the answers reflect overoptimism, one should remember that optimistic views of the future can 'artificially' accelerate the pace of transformation. This confidence in the future may reflect in concrete measures which further strengthen the confidence and thus increase the positive practices in terms of the economy. The importance of psychological factors should not be underestimated in the development of transition economies.

The data also indicate that Estonian enterprise managers react more to changes taking place in the environment, instead of actively attempting to change the management of their company. Interesting is also that the organizations on the whole seem more prepared to adjust to a change than the managers. This is rather surprising since the managers are usually regarded as one of the major resources of transformation.

An interesting finding is also that the managerial transformation seems to occur faster in companies which have 'new' managerial blood. That is, the Soviet influences could be more easily forgotten if the company replaced some of its 'veteran' managers. An optimal solution would naturally be to employ such a person who carries no burden of the Soviet management. It is perhaps faster to teach a new management culture to an untouched manager than to make the old managers to de-memorize the previous managerial ideologies.

According to the Estonian managers, the strengths of the companies in 1995 were the organizational climate, the clarity and accomplishment of the business idea, and the competitive position within Estonia.

Correspondingly, one of main weaknesses was the competitive position outside Estonia. Lower rankings than the competitive position outside Estonia are given to the availability of outside funding, the security of managers and the advancement of legislation.

The difficulties connected to outside funding stem not so much from the lack of financial sources but from the high interest rate of funding. The poor state of managers' security does not result from the transition conditions. The answers given by the Estonian managers indicate that the reasons behind insecurity can be traced to Soviet society.

It is rather surprising that the Estonian managers still estimate the state of the legislation among the poorest areas in 1995. According to Estonian experts, the problems of the Estonian legislation are more connected to the enforcement of laws than their deficient content. The weak state of the legislation is a surprise because the legislative development in Estonia is regarded as among the fastest in the former Soviet Union. On the other hand, being the best among the weakest is not necessarily a good commendation.

The problems connected to laws, together with lack of confidence in the authorities, seem to manifest that the authorities in Estonia have not managed to follow the pace of the entrepreneurial and managerial transformation. This may be interpreted so that the enterprise sector is not only the accomplisher of economic reforms but also directs the transformation. The entrepreneurial transition in Estonia can to some extent be regarded as the engine of the economic transformation.

Even though the role of foreign companies in Estonia should not be underestimated, they are not the self-evident flagship of the entrepreneurial transformation. This may be suggested because the data do not reveal considerable differences in the transformation of the foreign-owned and the Estonian companies. On the basis of these empirical findings, one may assume that the entrepreneurial transformation is, first and foremost, dependent upon the transformation of the national management culture.

When evaluating the role of foreign influence in the transformation, one should bear in mind that a direct application management practices from developed market economies may prove a fairly unfunctional means for transition economies. In this context, one needs to stress that there is no such thing as the model example of market economy that should be copied. In a similar manner, the transition economies also differ from one another. Even though the transition economies might share the same direction, their transformation paths and pace will be distinct. This in turn emphasizes the differences in their national characteristics, as well as those in their economic resources and cultures.

While the above surveyed the strengths and weaknesses of Estonian companies in 1995, the following needs to focus on the overall transformation in the 1990s. Estonian managers' answers seem to suggest that the external management environment has transformed most forcefully. Among the three most rapidly transforming subareas are the wholesale system, banking system and legislation in Estonia. The main reason behind this rapid development is the fairly poor starting point of these subareas in 1991. Correspondingly, the subareas developing most slowly in principle included those which had a better starting level in the last Soviet year.

This signifies that the rapid transformation pace does not necessarily mean that this specific subarea would be at a considerably better level than a more slowly transforming area. A simple explanation for this is that it is easier to improve a weak subarea than an area which is already in a relatively good state. Therefore, transition study should not only concentrate on the pace of transformation but also on the outcome of the transformation. A narrow focus on transformation may only lead conclusions astray.

In the research, the managerial transformation between the companies was compared. On the basis of the comparison, one could not discover significant differences between various industries. Although the size of the sample should be larger in order to draw final conclusions, at least the data do not support the assumption of industrial cultures.

In this connection, one needs to remember that the statistics do not necessarily reflect the actual interaction of companies, which should act as the basis of defining subcultures. On the whole, the industrial subculture thinking should perhaps be compensated with a more functional alternative, such as the 'network cultures'. The fundamental idea behind the network cultures is that the culture of organizations is generated in the interaction of the company's interest groups. This 'network culture' thinking requires substantial amount of redefining in order to create factors which would enable definition of various network cultures.

It is interesting to observe that the managerial transformation in private companies is not considerably faster than in state enterprises. One might have anticipated that the management of private enterprises would transform much more rapidly than the management of state enterprises. Lack of difference can be explained by the starting point being extremely poor in some of the state enterprises, which thus automatically increased the pace of transformation.

As an example one can mention the cost-awareness which has improved faster in state enterprises than in private companies. However, this cannot be interpreted so that the cost-awareness in state enterprises would currently be better than in private enterprises, but so that the transition has forced state enterprises to pay attention to the costs. Private enterprises have been compelled to be aware of their costs since the beginning of the operations.

There can be noticed surprisingly few differences between large and small enterprises. It might have been possible to assume in advance that internal management transforms much faster in small enterprises which do not share the bureaucratic practices typical for large enterprises. The findings do not seem to give an unambiguous support for this hypothesis.

It is important to underline that the transformation is not necessarily linear. This becomes evident in the evaluation of the stability of the Estonian market in 1991 and 1995. The answers given by the Estonian managers suggest that the transformation has been very insignificant. At first sight, this is difficult to comprehend because the stagnate Soviet system has indeed become extremely turbulent.

An explanation for this small change might stem from the fact that an extremely strong transformation occurred between those years. In other words, the stability may have decreased drastically during 1992 and 1993, after which it improved substantially in 1994. Therefore, the final outcome is that the stability is nearly identical in 1991 and 1995.

The non-linear character of transformation should also be remembered when viewing the transition from a more abstract level. To put it differently, a step backward does not mean that the transformation would have made a complete reverse turn. The transformation is constructed of various unpredictable stages that by no means always follow one another linearly. A step backward does not signify giving up transformation but may be a compulsory step so that future hurdles could be cleared.

Correspondingly, one can state that the launching of transformation does not mean that it will end up in the desired goal. In other words, even if the answers given by the Estonian managers shed positive light on the future development, the acceleration of the transformation cannot be taken as granted. Therefore, some cautiousness is always due in the evaluation of the data. It may be that sometimes the answers are more wishes than reality. The Estonian managers sometimes seem to expect for an improvement without changing the management.

Although economic statistics indicate the indisputable role of Tallinn in the Estonian economy, there are surprisingly few significant differences between the companies operating in the capital city and the rest of the country. Therefore, the research findings do not seem to support the role of Tallinn as the flagship of the Estonian managerial transformation.

Even though the geographical comparison does not generate many major deviations between the studied companies, it is interesting that the ethnic background of the managers seems to have a considerable impact on the pace of the managerial transformation. Generally speaking, one can state that the managers with an ethnically Estonian background usually relate more positively to the transformation than their Russian colleagues living in Estonia.

This may be explained by the Russian managers' loss of privileges after the disintegration of the Soviet system. One needs to remember that all-union companies, which usually had Russian managers, suffered most in the current transformation. However, these observations on Estonian managers and their Russian colleagues living in Estonia should be viewed with some criticism because the number of Russian managers participating in this study is very small. The findings nevertheless seem to press urgently for further study on this theme.

While analysing the attitudes shared by the Estonian managers, one could argue that the Estonian managers believe that the national cultural features are presently more strongly manifested in the Estonian management than they were during the Soviet era.

The impact of the Soviet ideology on the Estonian management divide the sample into two groups. Those managers who had operated since the Soviet era believe, more than their colleagues from the independent era, that the Soviet ideology did not affect the Estonian management. One reason might be that the managers who had held their positions already during the Soviet era did not feel that the Soviet ideology as such had an impact. Nevertheless, it is difficult to believe that a 50-year 'experiment' would have not left a single trace on the Estonian management.

Whereas the answers on the influence of Soviet ideology on Estonian management divide the managers into two groups, they are quite homogeneous when the future transformation is concerned. The Estonian managers believe that the managerial transformation will continue for several years, since the present transformation conditions introduce many non-traditional features in the Estonian management culture.

This may be interpreted so that the currently prevailing period of management culture should not be considered a reincarnation of the 1920s and 1930s' Estonian management culture, but a specific 'transformative management culture'. 'Transformative management culture' may pass rather quickly and the management culture can then increasingly turn toward its own cultural inheritance.

On the other hand, the transition period may inscribe long-term or even permanent features on the Estonian management culture, features which are originally alien to the particular national culture. The transformation period, despite its name, should not be regarded as an era without any impact on the future development of the Estonian management culture.

6.2. Suggestions for Further Research

The study of transformation is made particularly challenging by the subject of study which is not fixed but continuously running ahead and generating more interesting subjects of study. This section presents some of the findings which should be taken into account in future research.

To begin with, it would be necessary to reconduct this study in the future. Reconduction would be of crucial importance because the findings of this study about transformation are based on the estimations of the past, the present and the future proposed by Estonian managers. A more reliable method of research would be to repeat this study every five years, so that the answers would reflect more of the current moment, instead of only estimations.

Another reason why this study should be reconducted is that the transformation of attitudes cannot actually be examined in advance or afterwards. Such a situation would have brought out more of the managers' attitudes toward transformation than the transformation of attitudes. The importance of studies analysing attitudinal transformation is underlined by the fact that attitudes and values in general transform more slowly than the visible features of management.

In addition, one should emphasize that some studies fail because focusing only on the transformation pace. It is not rare that the findings of the transition pace are used as the absolute outcome of the transformation. Due to this possibility for misrepresentation, it would be more reliable to compare two periods of time to one another than to study the change that has occurred between them. The reason for this is that through the first method one can obtain much more accurate information.

Besides the methodological issues, comparative study might be able to shed some new bright light on the transformation. For instance, a comparative study could be conducted in the former Soviet republics. The comparative study might offer interesting information about the similarities and differences between the transition in the former Soviet republics. This comparison should be extended to include Eastern European transition economies and market economies.

Likewise fascinating would be to compare the Russian managers living in Estonia to their colleagues in Russia. These comparisons might be able to tackle the question: which affects management more, national environment or ethnic cultural background? This could provide information about the nation-state versus ethnic culture debate between various schools of organizational culture.

Important for future study, in addition to the expansion of the field, would be its deepening. In this respect, case studies would play an important role. Through case studies one could analyse the reasons for the transformation in more detail. Moreover, it would be extremely important that the study would not only concentrate on the top management but would also include the middle management and even employees. Then one might be able to better comprehend the accomplishment of the managerial transformation in the entire organization.

The empirical research on organizational transformation is very scarce rather deficient methodologically. Due to these shortcomings, there are almost as many views of transformation as there are scholars writing about it. Researches so far have not been very cumulative. The formulation of transformation theories requires a substantial amount of further empirical observations and research cooperation. This cooperation should extend over national and disciplinary borders. Lack of cooperation will seriously impede the creation of theoretical models for transformation from the planned economy towards a market economy.

REFERENCES

Aaltio-Marjosola, Iiris (1991) *Change in a Business Enterprise - Studying a Major Organizational Change and Its Impact on Culture*, Acta Academiae Oeconomicae Helsingiensis, Helsinki School of Economics and Business Administration, Series A:80; Helsinki

Aaltio-Marjosola, Iiris (1994) From a "Grand Story" to Multiple Narratives ?: Studying an Organizational Change Project, *Journal of Organizational Change Management* 7/5, pp. 56-67

Abercrombie, Nicholas (1990) The Privilege of the Producer, In *Enterprise Culture*, Ed. by Russell Keat and Nicholas Abercrombie, Routledge, London, pp. 171 - 185

Abrahamson, Eric - Fombrun, Charles J. (1994) Macrocultures: Determinants and Consequences, *Academy of Management Review* 19/4, pp. 728-755

Adler, Nancy J. (1983) A Typology of Management Studies involving Culture, *International Journal of Business Studies* 14/2, pp. 29-47

Adler, Nancy J. (1984) Understanding the Ways of Understanding Cross-cultural Management - Methodology reviewed, In *Advances in International Comparative Management, A research annual*, Vol. 1, Ed. by Richard N. Farmer, JAI Press Inc. Greenwich, pp. 31-67

Adler, Nancy J. (1991) *International Dimensions of Organizational Behavior*, PWS-Kent Publishing Company, Boston

Adler, Nancy J. - Bartholomew, Susan (1992) Academic and professional communities or discourse: generating knowledge on transnational human resource management, *Journal of Business Studies* 23/3, pp. 551-569

Adler, Nancy - Jellinek, Mariann (1986) Is "Organization Culture" Culture Bound?, *Human Resource Management* 25/1, pp. 73-90

Agarwal, Ram Swarup (1982) *Organization and Management*, Tata McGraw-Hill Publishing Company LTD, New Delhi

Ahde, Pasi - Rajasalu, Teet - Kaubi, Johannes - Kilvits, Kaarel - Veski, Ellen - Venesaar, Urve - Laving, Jüri - Kukk, Kalev (1993) Economic Structures, In *Estonia and Finland: A Retrospective Socioeconomic Comparison*, Ed. by Olev Lugus and Pertti Vartia, ETLA publication, Series b 86, Taloustieto Co, Helsinki, pp. 67-167

Ahlman, Erik (1976) *Kulttuurin perustekijöitä*, Gummerus, Jyväskylä

Ajiferuke, Musbau - Boddewyn, J. (1970a) "Culture" And Other Explanatory Variables in Comparative Management Studies, *Academy of Management Journal* 13/2, pp. 153-163

Ajiferuke, Musbau - Boddewyn, J. (1970b) Socioeconomic Indicators in Comparative Management, *Administrative Science Quarterly* 15/4, pp. 453-458

Alkula, Tapani - Pöntinen, Seppo - Ylöstalo, Pekka (1994) *Sosiaalitutkimuksen kvantitatiiviset menetelmät*, WSOY, Juva

Allaire, Yvan - Firsirotu, Michaela E. (1984) Theories of Organizational Culture, *Organization Studies* 5/3, pp. 193-226

Allen, Robert F. (1985) Four Phases for Bringing About Cultural Change, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 332-369

Alvesson, Mats - Berg, Per-Olof (1988) *Företagskultur och organisationssymbolism*, Studentlitteratur, Lund

American Heritage Dictionary (1976) Houghton Mifflin, Boston

Anderson, R. G. (1983) *A Dictionary of Management Terms*, Macdonald & Evans Ltd., Estover

Andrle, Vladimir (1976) *Managerial Power in the Soviet Union*, Saxon House/Lexington Books, Westmead & Lexington

Ansoff, Igor H. (1979) *Strategic Management*, The Macmillan Press LTD, Hong Kong

Antal, Ariane Berthoin (1993) Cultures and Fictions in Transition: Challenges Facing Managers and Employees in East German Companies, *Journal of General Management* 19/1, pp. 76-87

Ariko MG (1994) Tippijuht peaks olema loovan, *Äripäev* 31.08.1994, Tallinn

Armstrong, John A. (1978) *Ideology, Politics, and Government in the Soviet Union*, Fourth edition, Praeger Publishers, New York

Armstrong, Michael (1990) *Management Processes and Functions*, Management Studies, London

Arutiunian, Iu. - Drobizheva, L. M. - Zelenchuk, U. S. (1984) A Preliminary Ethnosociological Study of Way of Life, *Soviet Sociology* XXII/4, pp. 29-69

Banai, Moshe - Levicki, Cyril J. (1988) Europe, In *Comparative Management: A Regional View*, Ed. by Raghu Nath, Ballinger Publishing Company, Cambridge, pp. 97-137

Bank of Finland (1995) *The development of exchange rate of SUR in 1991*, unpublished report, Helsinki

Barrett, G. - Bass, B. (1970) Comparative surveys of managerial attitudes and behavior, In *Comparative Management: Teaching, training, and research*, Ed. by J. Boddewyn, New York University Press, New York, pp. 197-217

Bauer, Raymond A. - Inkeles, Alex - Kluckhohn, Clyde (1959) *How The Soviet System Works: Cultural, Psychological, and Social Themes*, Harvard University Press, Cambridge, Massachusetts

Beck, Brenda E. F. - Moore, Larry F. (1985) Linking the Host Culture to Organizational Variables, In *Organizational Culture*, Ed. by Peter J. Frost, Larry F. Moore, Meryl Reis Louis, Craig C. Lundberg and Joanne Martin, Sage Publications, London, pp. 335-354

Berg, Per-Olof (1985) Organization Change as a Symbolic Transformation Process, In *Organizational Culture*, Ed. by Peter J. Frost, Larry F. Moore, Meryl Reis Louis, Craig C. Lundberg and Joanne Martin, Sage Publications, London, pp. 281-299

Berliner, Joseph S. (1957) *Factory and Manager in the USSR*, Harvard University Press, Cambridge, Massachusetts

Berliner, Joseph S. (1988) *Soviet Industry: from Stalin to Gorbachev - essays on management & innovation*, Edward Elgar Publishing Company Limited, Aldershot

Berrien, F. Kenneth (1970) A super-ego for cross-cultural research, *International Journal of Psychology* 5, pp. 33-39

Bloor, Geoffrey - Dawson, Patrick (1994) Understanding Professional Culture in Organizational Context, *Organization Studies* 15/2, pp. 275-295

Borsos, Julianna (1994) *Foreign Companies in Estonia - Industrial Environment and Experiences*, The Research Institute of the Finnish Economy, Helsinki

Borsos, Julianna (1995) *Domestic Employment Effects of Finnish FDIs in Eastern Europe*, The Research Institute of the Finnish Economy, Helsinki

Bowditch, James L. - Buono, Anthony F. (1993) *A Primer on Organizational Behavior*, Second edition, John Wiley & Sons, New York

Brown, M. A. (1976) Values - A Necessary but Neglected Ingredient of Motivation on the Job, *Academy of Management Review* 1/1976, pp. 15-23

Burrows, Roger (1991) Introduction: entrepreneurship, petty capitalism and the restructuring of Britain, In *Deciphering the Enterprise Culture*, Ed. by Roger Burrows, Routledge, London, pp. 1-16

Business International (1988) *Doing Business with Eastern Europe*, Business International Ltd., London

Caves, Richard E. (1980) Industrial Organization, Corporate Strategy and Structure, *Journal of Economic Literature* 18/1, pp. 64-92

Chatman, Jennifer (1991) Matching People and Organizations: Selection Socialization in Public Accounting Firms, *Administrative Science Quarterly* 36/3, pp. 459-484

Chatman, Jennifer A. - Jehn, Karen A. (1994) Assessing the Relationship between Industry Characteristics and Organizational Culture: How different can you be ?, *Academy of Management Journal* 37/3, pp. 522-553

Child, John (1981) Culture, Contingency, and Capitalism in the Cross-National Study of Organizations, In *Research in Organizational Behaviour*, Vol. 3, Ed. by L. L. Cummings and B. W. Staw, JAI Publishers, Greenwich, pp. 303-356

Child, John - Kieser, Alfred (1979) Organizational and managerial roles in British and West German companies: an examination of the culture-free thesis, In *Organizations Alike and Unlike: International and inter-institutional studies in the sociology of organizations*, Ed. by Cornelis J. Lammers and David J. Hickson, Routledge and Kegan Paul, London, pp. 251-271

Chukanova, O. A. ed. (1980) *Sodruzestvo Stran-Chlenov SEV: Politiko-ekonomicheskiy Slovar-spravochnik*, Political Literature Publishing House, Moscow

Clark, Burton R. (1972) The Organizational Saga in Higher Education, *Administrative Science Quarterly* Vol. 17, pp. 178-184

Clarke, Liz (1994) *The Essence of Change*, Prentice-Hall, New York

Clemens, Walter C. Jr. (1991) *Baltic Independence and Russian Empire*, Macmillan Academic and Professional Ltd., London

Cockburn, Patrick (1989) *Getting the Russia Wrong - The End of Kremlinology*, Verso, London

Crozier, M. (1973) The Cultural Determinants of Organizational Behavior, In *Environmental Settings in Organizational Functioning*, Ed. by Anant R. Negandhi, Kent State University, Kent, pp. 49-58

Culbert, Samuel - McDonough, John (1990) The Concept of Framing as a Basis for Understanding a Blind Spot in the Way Managers Field Power, In *Advances in Organization Development*, Vol 1, Norwood

Czarniawska-Joerges, Barbara (1992) *Exploring Complex Organizations: A cultural perspective*, Sage, London

Dandridge, Thomas (1988) Work Ceremonies: Why Integrate Work and Play, In *Inside Organizations -Understanding the Human Dimension*, Ed. by Michael Owen Jones, Michael Dane Moore and Richard Christopher Snyder, Sage publications, Newbury Park, pp. 251-260

Davis, Stanley M. (1984) *Managing Corporate Culture*, MA Ballinger, Cambridge

Davis, Stanley M. (1985) Culture Is Not Just an Internal Affair, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 137-147

Davis, Tim R. V. (1985) Managing Culture at the Bottom, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 163-183

Deal, Terrence E. - Kennedy, Allan A. (1982) *Corporate Cultures - The Rites and Rituals of Corporate Life*, Addison-Wesley Publishing Company Inc., London

Deitzer, Bernard A. - Shilliff, Karl A. - Jucius, Michael J. (1979) *Contemporary Management Concepts*, Grid Publishing Company, Columbus

Denison, Daniel R. (1990) *Corporate Culture and Organizational Effectiveness*, John Wiley & Sons, New York

Denzin, Norman K. (1978) *The Research Act*, Second edition, McGraw-Hill, New York

Dewhirst, Martin - Farrell, Robert eds. (1973) *The Soviet Censorship*, The Scarecrow Press Inc., Metuchen

Dlugosz, Miroslaw (1992) Post-Communist Executives and New Management Freedoms: A gaming/simulation study, *Scandinavian Journal of Management* 8/3, pp. 237-246

Downey, Kirk H. - Ireland, R. Duane (1979) Quantitative versus Qualitative: Environmental Assessment in Organizational Studies, *Administrative Science Quarterly* 24/4, pp. 630-637

Drenth, Pieter J. D. (1985) Cross-cultural organizational psychology: challenges and limitations, In *Managing in Different Cultures*, Ed. by Pat Joynt and Malcolm Warner, Universitetsforlaget As, Oslo, pp. 23-38

Dyer, Gibb W. Jr. (1985) The Cycle of Cultural Evolution in Organizations, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 200-229

EBRD (1996) Transition report 1996, European Bank for Reconstruction and Development, London

ECE (1994a) *Economic Bulletin for Europe*, Secretariat of the Economic Commission of Europe, United Nations, New York

ECE (1994b) *Economic Survey of Europe in 1993-1994*, Secretariat of the Economic Commission of Europe, United Nations, New York

ECE (1995) *Economic Bulletin for Europe*, Economic Commission for Europe, United Nations, New York

Eesti Statistika (1935) *Toodang ja Tööjõud Suurtööstuses 1934 a.*, Riigi Statistika Büroo, Tallinn

Eesti 1920-1930 (1931) Riigi Statistika Keskbüroo, Tallinn

EKI (1992) *Baltic Facts 1991*, Second edition, Estonian Institute for Market Research, Tallinn

Ekonomi (1991) Tulosajattelu Eestin tätä päivää, *Ekonomi* 9/91, pp. 12-14

Eldridge, J. E. T. - Crombie, A. D. (1974) *A Sociology of Organizations*, George Allen and Unwin, London

Elenurm, Tiit (1986) *Juht uuendused organisatsioon*, Valgus, Tallinn

Elenurm, Tiit (1989) *Inimene ja uuendused muutuvas organisatsioonis*, Valgus,Tallinn

Elenurm, Tiit (1995) Mitu nuppu juhi töölauale ?, *Äripäev* 04.12.1995

England, George W. - Harpaz, Itzhak (1983) Some methodological and analytic considerations in cross-national comparative research, *Journal of International Business Studies* 14/2, pp. 49-59

Estonian Ministry of Economy (1995) *Eesti Majandusülevaade 1994-1995*, Eesti vabariigi majandusministeerium, Tallinn

ETK (1935a) *Juhatuskiri ametnikele ja teenijaile*, Eesti Tarvitajate-ühisuste Keskühistus, Tallinn

ETK (1935b) *Juhatuskiriärijuhile*, Eesti Tarvitajate-ühisuste Keskühistus, Tallinn

European Commission (1995) *Phare vuosikertomus 1994*, Brussels

Everett, James E. - Stening B. W. - Longton, P. A. (1982) Some evidence for an international managerial culture, *Journal of Management Studies* 19/2, pp. 153-162

Farmer, Richard. N. - Richman, Barry. M. (1965) *Comparative Management and Economic Progress*, Richard D. Irwin Inc., Homewood

Feldman, Steven P. (1986) Management in context: An essay on the relevance of culture to the understanding of organizational change, *Journal of Management Studies* 23/6, pp. 587-607

Feldmann, Mati (1995) Eesti, Läti ja Leedu maarisk on vôrreldav, *Äripäev* 20.10.1995

Feldmann, Mati (1996) Risk alanes omakapitali kasvu tôttu, *Äripäev* 05.01.1996

Forehand, G. - Gilmer, B. (1964) Environmental variation in studies of organizational behavior, *Psychological Bulletin*, 62, pp. 361-382

Gagliardi, Pasquale (1986) The Creation and Change of Organizational Cultures: a conceptual framework, *Organization Studies* 7/2, pp. 117-134

Geertz, Clifford (1973) *The Interpretation of Cultures*, Basic Books, New York

Gersick, Connie J. G. (1991) Revolutionary Change Theories: A Multilevel Exploration of the Punctuated Equilibrium Paradigm, *Academy of Management Review* 16/1, pp. 10-36

Gilbert, J. P. (1982) *Les Entreprises des Pays de Cas*, Universite de Paris, Paris

Glasser, Alan (1982) *Research and Development Management*, Prentice-Hall, Englewood Cliffs

Goodenough Ward H. (1981) *Culture, Language and Society*, Second edition, The Benjamin/Cummings Publishing Company Inc., California

Gordon, George G. (1985) The Relationship of Corporate Culture to Industry Sector and Corporate Performance, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 103-125

Gordon, George G. (1991) Industry determinants of organizational culture, *Academy of Management Review* 16/2, pp. 396-415

Gordon, George G. - Cummins, Walter M. (1979) *Managing Management Climate*, Lexington Books, Lexington

Gorniak, Jaroslaw (1995) Leftism, Achievement Orientation, and the Basic Dimensions of the Socio-Economic and Political Attitudes in the Baltic Countries in Comparison with Seven Other Central and East European Countries - A Review of Survey Results, In *Proceedings of Conference "Micro-Economic Transition"*, Stockholm School of Economics in Riga, August 16-19, 1995, Riga

Grancelli, Bruno (1988) *Soviet Management and Labor Relations*, Allen and Unwin, Boston

Granick, David (1960) *The Red Executive*, Doubleday & Company, New York

Granick, David (1972) *Managerial Comparisons of Four Developed Countries: France, Britain, United States, and Russia*, Cambridge

Granick, David (1979) Managerial incentive systems and organizational theory, In *Organizations Alike and Unlike: International and inter-institutional studies in the sociology of organizations*, Ed. by Cornelis J. Lammers and David J. Hickson, Routledge and Kegan Paul, London, pp. 76-96

Grazianni, Giovanni (1984) Des Multinational a l'Est, *Revue d'Economie Industrielle* No. 28

Gregory, Kathleen L. (1983) Native-view Paradigms: Multiple Cultures and Culture Conflicts in Organization, *Administrative Science Quarterly* 28/3, pp. 359-376

Gruen, Walter (1968) Soviet Psychology's Concept of Personality as Represented at the 1966 Moscow Congress, *Soviet Studies* XX/4., pp. 499-510

Gunz, Hugh - Whitley, Richard (1985) Managerial Culture and Industrial Strategies in British Firms, *Organization studies* 6/3, pp. 247-273

Haas, Robert W. - Wotruba, Thomas R. (1983) *Marketing Management*, Business Publications Inc., Plano

Harris, Philip R. (1985) *Management in Transition*, Jossey-Bass Publisher, San Francisco

Heller, Frank A. (1985) Some Theoretical and Practical Problems in Multi-National and Cross-Cultural Research on Organizations, In *Managing in different cultures*, Ed. by Pat Joynt and Malcolm Warner, Universitetsforlaget AS, Oslo, pp. 11-22

Hendry, John - Hope, Veronica (1994) Cultural Change and Competitive Performance, *European Management Journal* 12/4, pp. 401-406

Hickson, David J. - Hinings C. R. - McMillan, C.J. - Schwitter, J. P. (1977) The Culture-Free Context of Organization Structure: A Trinational Comparison, In *Culture and Management*, Ed. by Theodore D. Weinshall, Penguin Modern Management Readings, Harmondsworth, pp. 354-382

Hinkkanen-Lievonen, Merja-Liisa (1984) *British Trade and Enterprise in the Baltic States 1919-1925*, Studia Historica, Helsinki

Hofstede, Geert (1980) *Cultures Consequences: International Differences in Work-related Values*, Sage publications, Beverly Hills

Hofstede, Geert (1983) The cultural relativity of organizational practices and theories, *Journal of International Business Studies* 14/2, pp. 75-89

Hofstede, Geert (1984) *Cultures Consequences: International Differences in Work-related Values*, Abridged edition, Sage publications, Newbury Park

Hofstede, Geert (1991) *Cultures and Organizations - Software of Mind: Intercultural Cooperation and Its Importance for Survival*, McGraw-Hill Book Company, Cambridge

Hofstede, Geert - Bond, Michael Harris - Luk, Chung-leung (1993) Individual Perceptions of Organizational Cultures: A Methodological Treatise on Levels of Analysis, *Organization Studies* 14/4, pp. 483-503

Hofstede, Geert - Ohayv, Denise Daval (1987) *Diagnosing Organizational Cultures*, Institute for Research on Intercultural Cooperation, Working Paper 87-1

Holt, David H. - Ralston, David A. - Terpstra, Robert H. (1994) Constraints on Capitalism in Russia: The Managerial Psyche, Social Infrastructure and Ideology, *California Management Review*, Spring, pp. 124-141

Hsu, Cheng-Kuang - Marsh, Robert M. - Mannari, Hiroshi (1983) An Examination of Determinants of Organizational Structure, *American Journal of Sociology* 88, pp. 975-996

IMF (1992) *Economic Review - Estonia*, International Monetary Fund, Washington

Informare (1992a) *Foreign Economic Relation of Estonia*, Informare Ltd., Tallinn

Informare (1992b) *Invest in Estonia*, Informare Ltd., Tallinn

Jankowicz, A. D. (1994) The New Journey to Jerusalem: Mission and Meaning in the Managerial Crusade to Eastern Europe, *Organization Studies* 15/4, pp. 479-507

Jaques, Elliot (1951) *The changing culture of a factory*, Tavistock, London

Jaques, Elliot (1953) On the Dynamics of Social Structure: A Contribution to the Psycho-Analytical Study of Social Phenomena, *Human Relations* 6, pp. 3-24

Jenks, Chris (1993) *Culture - Key Ideas*, Routledge, London

Jermier, John M. (1991) Critical Epistemology and the Study of Organizational Culture: Reflections on Street Corner Society, In *Reframing Organizational Culture*, Ed. by Peter J. Frost, Larry F. Moore, Meryl Reis Louis, Craig C. Lundberg and Joanne Martin, Newbury Park, pp. 223-240

Jick, Todd D. (1979) Mixing Qualitative and Quantitative Methods: Triangulation in Action, *Administrative Science Quarterly* 24/4, pp. 602-611

Jones, Gareth R. (1983) Transaction costs, property rights, and organizational culture: an exchange perspective, *Administrative Science Quarterly* 28/3, pp. 454-467

Jones, Michael Owen (1988) In Search of Meaning - Using qualitative methods in research and application, In *Inside Organizations - Understanding the Human Dimension*, Ed. by Michael Owen Jones, Michael Dane Moore and Richard Christopher Snyder, Sage publications, Newbury Park, pp. 31-47

Junnola, Reijo - Juuti, Pauli (1993) *Arvot ja johtaminen*, JTO research series No. 7, Tampere

Juuti, Pauli (1992) *Yrityskulttuurin murros*, Aavaranta series No. 31, Tampere

Kahla, Elina - Tulisalo, Timo (1995) *Lähialueiden liikkeenjohdon koulutus*, Helsinki School of Economics and Business Administration, Publication D-213, Helsinki

Kallas, Siim - Sôrg, Mart (1994) *Currency Reform in Estonia*, Institute of Economics, Estonian Academy of Sciences, Working paper No. 9, Tallinn

Kallas, Siim - Sôrg, Mart (1995) Currency Reform in Estonia, In *Transforming the Estonian Economy*, Ed. by Olev Lugus and George A. Hachey Jr., Institute of Economics, Estonian Academy of Sciences, Tallinn, pp. 50-70

Kallio, Marjana (1990) *Suomalais-neuvostoliittolaiset yhteisyritykset*, SITRA publication, Helsinki

Katila, Raimo (1990) *Suomalais-neuvostoliittolaiset yhteisyritykset SNTL:ssa - oikeudelliset ongelmat*, Finnish-Soviet Chamber of Commerce publication, Helsinki

Kaubaleht (1995a) Keskmine Eesti juht on nooremas keskeas haritud mees, *Kaubaleht* 15.05.1995

Kaubaleht, (1995b) Ettevôtlust rahastatakse oma taskust, *Kaubaleht* 06.11.1995

Kavass, Igor I. - Sprudzs, Adolph eds. (1972) *Baltic States: A study of their origin and national development; their seizure and incorporation into the U.S.S.R.*, Third reprint, William S: Hein & Co., Inc., New York

Kelley, Lane - Whatley, Arthur - Worthley, Reginald (1987) Assessing the Effects of Culture on Managerial Attitudes: A Three-culture test, *International Journal of Business Studies* 14/2, pp. 17-31

Kiezun, Witold (1991) *Management in Socialist Countries: USSR and Central Europe*, Walter de Gruyter, Berlin

Kilmann, Ralph H. - Saxton, Mary J. - Serpa, Roy (1985) Introduction: Five Key Issues in Understanding and Changing Culture, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 1-16

King, Gundar J. (1995) Values on the Road to the Market, In *Proceedings of Conference "Micro-Economic Transition"*, Stockholm School of Economics in Riga, August 16-19, 1995, Riga

Kilvits, Kaarel (1994) *Current State of Estonian Industry*, The Research Institute of the Finnish Economy, Discussion paper No. 500, Helsinki

Kilvits, Kaarel (1995) *Industrial Restructuring in Estonia*, Institute of Economics, Estonian Academy of Sciences, Preprint 43, Tallinn

Kivikari, Urpo (1991) *The Current Situation and the Possible Developments in the Baltic Republics and the Sankt Petersburg Region*, Turku School of Economics and Business Administration, Institute for East-West Trade, Series C1/91, Turku

Kivikari, Urpo (1992) *Trade Reorientation in the Baltic Republics*, Turku School of Economics and Business Administration, Institute for East-West Trade, Series C5/92, Turku

Kivikari, Urpo (1996) *Hansan perilliset: Itämeren talousalue*, Otava, Helsinki

Klaamann, Vaho (1992) Entrepreneurship: Motivation and Environment, In *Proceedings of the 7th Nordic Conference on Small Business*, Business Research Center, Turku School of Economics and Business Administration, June 4-6, 1992 Turku, Finland, pp. 813-823

Klaamann, Vaho (1994) *Eesti ettevôtluskeskkond ja suurimad probleemid aastal 1994,* EVEA research, Press conference report, Tallinn

Kluckhohn, Florence Rockwood - Strodtbeck, Fred (1961) *Variations in Value Orientations,* Greenwood Press, Westport

Knudesen, K. (1982) Management Subculture: Research and Change, *Journal of Management Development*

Kornai, Janos (1992) *The Socialist System - The Political Economy of Communism,* Oxford University Press, Oxford

Kosonen, Paavo (1994) *Corporate Transformation and Management,* Acta Academiae Oeconomicae Helsingiensis, Helsinki School of Economics, Series A:98; Helsinki

Kozminski, Andrzej K. (1993) *Catching Up? - Organizational and Management Change in the ex-Socialist Block,* State University of New York Press, Albany

Krips, Heiki (1992) Leadership and Social Competence in the Declining Years of Communism, *Small Group Research* 23/1, pp. 130-145

Kroeber, Alfred L. - Kluckhohn Clyde (1952) *Culture: A Critical Review of Concepts and Definitions,* Papers of the Peabody Museum of American Archeology & Ethnology 47/1, Harvard University, Cambridge

Kuc, Bolec - Hickson, David J. - McMillan, Charles (1980) Centrally Planned Development: a comparison of Polish factories and its equivalents in Britain, Japan, and Sweden, *Organization Studies* 25/3, pp. 253-270

Kuddo, Arvo (1995) Investment policy in Estonia in a transitional period, *Interregional workshop on structural investment policy for transition to a market economy,* United Nations Department for Development Support and Management Services (UNDDSMS) in collaboration with the Government of Kazakhstan, May 16-19, 1995, Almaty

Kuntsel, Monika (1996) Olukord Tallinna korteriturul eelmisel aastal, *Äripäev* 29.01.1996

Künnappas, Teodor - Järvesoo, Elmar (1978) The Structure of Higher Education and Research, In *A Case Study of Soviet Republic - The Estonian SSR,* Ed. by Tönu Parming and Elmar Järvesoo, Westview Press, Boulder, pp. 343-368

Kärmas, Mihkel (1995a) Brüsseli rahakontirauad avanevad, *Kaubaleht* 31.07.1995

Kärmas, Mihkel (1995b) Erastamistulu ületab 2,5 mld krooni, *Kaubaleht* 11.12.1995

Lainela, Seija (1994) Baltian maat vuonna 1993, *Review of Economies in Transition,* Unit For Eastern European Economies, Bank of Finland, Helsinki, pp. 21-39

Lainela, Seija (1995) Baltian maat vuonna 1994, *Review of Economies in Transition,* Unit For Eastern European Economies, Bank of Finland, Helsinki, pp. 25-45

Lainela, Seija - Sutela, Pekka (1994) *The Baltic Economies in Transition,* Bank of Finland A:91, Helsinki

Laurent, André (1989) A Cultural View of Organizational Change, In *Human Resource Management in International Firms: Change, Globalization, Innovation,* Ed. by Paul Evans, Yves Doz and André Laurent, Macmillan, London, pp. 83-94

Laurila, Juhani (1993) Suoran sijoitustoiminnan kehittyminen Venäjällä ja Suomen lähialueilla, *Review of Economies in Transition,* Bank of Finland, Unit for East European Economies, pp. 33-61

Lawrence, Paul R. - Vlachoutsicos, Charalambos (1990) *Behind the Factory Walls: Decision Making in Soviet and US Enterprises*, Harvard Business School Press, Boston

Leblebici, H. - Salancik, G. R. (1989) The Rules of Organizing and the Managerial Role, *Organization Studies* 10/3, pp. 301-325

Lehtonen, Jaakko (1993) Suomalaisuus, Suomi-kuva ja kansainvälistymisen haasteet, In *Kulttuurien kohtaaminen - näkokulmia kulttuurienväliseen kanssakäymiseen*, Ed. by Jaakko Lehtonen, University of Jyväskylä, Jyväskylä, pp. 7-30

Leimann, Jaak (1980) Ispolzovanie i obutchenie gruppovoy rabote v upravlenii, In *Proceedings of seminar "Problemy primenehiya kollektivnyh i kollegialnyh form upravlenya na predpryjatyah (objedineniah)"*, February 21-22, 1980, Tallinn, pp. 40-45

Leimann, Jaak - Mesipuu, Jüri (1980) *Majandusjuhi koolitamine*, Valgus, Tallinn

Lévi-Strauss, Claude (1979) *Structural Anthropology*, Reprint, Penguin Books Ltd., Harmondsworth

Lewis, Dianne S. (1994) Organizational Change: Relationship between Reactions, Behaviour and Organizational Performance, *Journal of Organizational Change Management* 7/5, pp. 41-55

Linstead, Stephen - Grafton-Small, Robert (1992) On Reading Organizational Culture, *Organization Studies* 13/3, pp. 331-355

Liuhto, Kari (1991) *The Interaction of Managerial Cultures in Soviet-Finnish Joint Ventures - Including Estonian-Finnish Joint Ventures*, Turku School of Economics and Business Administration, Institute for East-West Trade, Series B10/91, Turku

Liuhto, Kari (1992a) *Viro-selviytymisopas suomalaiselle yrittäjälle*, Turku School of Economics and Business Administration, Institute for East-West Trade, Turku

Liuhto, Kari (1992b) *Developing Estonian Entrepreneurship in Economic Transition*, Turku School of Economics and Business Administration, Institute for East-West Trade, Series C4/92, Turku

Liuhto, Kari (1993) *Creating New Managerial Concept To Replace Management Sovieticus - Managerial Transition in the former Soviet Union and Eastern Europe*, Turku School of Economics and Business Administration, Institute for East-West Trade, Series B4/93, Turku

Liuhto, Kari (1994a) *Viro-selviytymisopas suomalaiselle yrittäjälle*, Second revised version, Turku School of Economics and Business Administration, Institute for East-West Trade, Turku

Liuhto, Kari (1994b) *Ulkomaiset investoinnit Viroon - tilastoja ja totuuksia*, Turku School of Economics and Business Administration, Institute for East-West Trade, Turku

Liuhto, Kari (1994c) *A Comparison of Foreign NEPmen and Contemporary Joint Ventures in Russia - A Historical View in Predicting Future Development*, Turku School of Economics and Business Administration, Institute for East-West Trade, Series C1, Turku

Liuhto, Kari (1995a) Entrepreneurial and Managerial Evolution in Estonia - A Historical approach to the Contemporary Phenomenon, In *Proceedings of Sixth ENDEC conference*, December, 8-9, 1995, Shanghai, pp. 261-270

Liuhto, Kari (1995b) Statistical Illusions of Joint Ventures in Russia, St. Petersburg: New Klondyke or Unusual Flower-Growing Swamp?, *SLOVO: A Journal of Contemporary Russian and East European Affairs* 8/1, pp. 102-117

Liuhto, Kari (1995c) The Transition of the National Management Culture in Estonia in the 1990s, In *Proceedings of Chemnitzer Ostforum "Wandel von Unternehmenskulturen in Ostdeutschland und Osteuropa"*, March 6-9, 1995, Chemnitz-Czwickau

Liuhto, Kari (1995d) Foreign Investment in Estonia: A Statistical Approach, *Europe-Asia Studies (formerly Soviet Studies)* 47/3, pp. 507-525

Liuhto, Kari (1996a) Entrepreneurial Transition in Post-Soviet Republics: Estonian Path, *Europe-Asia Studies (formerly Soviet Studies)* 48/1. pp. 121-140

Liuhto, Kari (1996b) Estonian Enterprise Managers at the Gate of European Union, *Management International Review - MIR* 3/96, pp. 267-280

Liuhto, Kari (1996c) The Transformation of Enterprise sector in Estonia - Historical approach to the contemporary transition, *Journal of Enterprising Culture* 4/3, pp. 317-329

Liuhto, Kari - Hellman, Pasi (1993) The Impact of Transforming Eastern Europe on Foreign Investment Strategies - Estonia from the Perspective of a Foreign Service Company, In *Proceedings of the 6th Bi-Annual World Marketing Congress, AMAC-conference*, July 15-19, 1993, Istanbul

Locke, Robert (1985) The relationship between educational and managerial cultures in Britain and West Germany: A comparative analysis of higher education from a historical perspective, In *Managing in Different Cultures*, Ed. by Pat Joynt and Malcolm Warner, Universitetsforlaget AS, Oslo, pp. 166-214

Lorsch, Jay W. (1985) Strategic Myopia: Culture as an Invisible Barrier to Change, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 84-102

Louis, Meryl Reis (1985) Sourcing Workplace Cultures: Why, When, and How, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 126-136

Lugus, Olev - Hachey, George Jr. eds. (1995) *Transforming the Estonian Economy*, Institute for economics, Estonian Academy of Sciences, Tallinn

Lugus, Olev - Vartia, Pertti eds. (1993) *Estonia and Finland: A Retrospective Socioeconomic Comparison*, ETLA publication, Series b 86, Taloustieto Co, Helsinki

Lugus, Olev - Venesaar, Urve - Vitsur, Endel (1991) *Development of Entrepreneurship in Estonia*, Estonian Academy of Sciences, Institute of Economics, Preprint 36, Tallinn

Lundberg, Craig (1985) On the Feasibility of Cultural Interventions in Organizations, In *Organizational Culture*, Ed. by Peter J. Frost, Larry F. Moore, Meryl Reis Louis, Craig C. Lundberg and Joanne Martin, Sage Publications, London, pp. 169-185

Maack, Katrin (1996) Väikeettevôtja saab laenata riiklikust fondist, *Äripäev* 22.01.1996

Majandusteated (years: 1935-1940) *Majandusteated - Weekly Bulletin of the Institute of Economic Research*, Tallinn

Malinowski, Bronislaw (1944) *A Scientific Theory of Culture and Other Essays*, The University of North Carolina Press, Chapel Hill

Malpass, R. S. (1977) Theory and method in cross-cultural psychology, *American Psychologist* 32/12, pp. 1069-1079

Mandel, Meelis (1995) Eestisse investeeritud ligi 500 miljonit dollarit, *Äripäev* 19.07.1995

Martin, Joanne - Siehl, Caren (1983) Organizational culture and counterculture: an uneasy symbiosis, *Organizational Dynamics*, Autumn, pp. 52-65

Martin, Joanne - Feldman, Martha S. - Hatch, Mary Jo - Sitkin, Sim B. (1983) The Uniqueness Paradox in Organizational Stories, *Administrative Science Quarterly* 28/3, pp. 438-453

Matejka, Harriet (1988) More Joint Enterprises within CMEA, In *Planned Economies: Confronting the Challenges of the 1980s*, Ed. by John Hardt and Carl H. MacMillan, Cambridge University Press, Cambridge, pp. 171-189

Mead, George (1963) *Mind, Self, and Society: from the standpoint of a social behaviorist*, 12th impr., Chigago

Meggison, Leon C. - McCann, Eugene C. (1965) Applicability of Management Principles in Underdeveloped Economies, In *International Handbook of Management*, Ed. by Karl Ettinger, McGraw-Hill, New York, pp. 17-24

Millar, James R. (1988) The Little Deal: Brezhnev's Contribution to Acquisitive Socialism, In *Soviet Society & Culture*, Ed. by Terry Thompson and Richard Sheldon, Westview Press, London, pp. 3-19

Miller, Edwin L. (1984) Comparative Management Conceptualization: An assessment, In *Advances in International Comparative Management, A research annual*, Vol. 1, Ed. by Richard N. Farmer, Jai Press Inc. Greenwich, Connecticut, pp. 69-82

Mintzberg, Henry (1992) FORUM: Learning in (and from) Eastern Europe, *Scandinavian Journal of Management* 8/4, pp. 335-338

Mirvis, Philip (1985) Managing Research while Researching Managers, In *Organizational Culture*, Ed. by Peter J. Frost, Larry F. Moore, Meryl Reis Louis, Craig C. Lundberg and Joanne Martin, Sage Publications, London, pp. 201-221

Morris, Tom - Pavett, Cynthia M. (1991) Competing in Europe: Cultural Considerations in International Technology Transfer, *Tabled paper of 17th Annual EIBA Conference "An Enlarged Europe in Global Economy"*, December 15-17, 1991, Copenhagen

Mygind, Niels ed. (1995) *Privatization and Financial Participation in the Baltic Countries*, Copenhagen Business School, Copenhagen

Môtsar, Selle (1995a) Seadused firma oskusteavet ja saladusi ei kaitse, *Äripäev* 07.08.1995

Môtsar, Selle (1995b) Palk on erutav tabu, *Äripäev* 23.10.1995

Nath, Raghu (1969) A Methodological Review of Cross-Cultural Management Research, In *Comparative Management and Marketing: Text and Readings*, Ed. by J. Boddewyn, Scott, Foresman and Company, Glenview, pp. 195-223

Nath, Raghu (1986) Role of Culture in Cross-cultural and Organizational Research, In *Advances in International Comparative Management, A research annual*, Vol. 2, Ed. by Richard N. Farmer, JAI Press Inc. Greenwich, Connecticut, pp. 249-267

Negandhi, Anant R. (1979) Convergence in organizational practices: An empirical study of industrial enterprises in developing countries, In *Organizations Alike and Unlike: International and inter-institutional studies in the sociology of organizations*, Ed. by Cornelis J. Lammers and David J. Hickson, Routledge and Kegan Paul, London, pp. 332-345

Negandhi, Anant R. (1984) Management in the Third World, In *Advances in International Comparative Management, A research annual*, Vol. 1, Ed. by Richard N. Farmer, Jai Press Inc. Greenwich, Connecticut, pp. 123-154

Negandhi, Anant R. (1985) Management in the Third World, In *Managing in Different Cultures,* Ed. by Pat Joynt and Malcolm Warner, Universitetsforlaget AS, Oslo, pp. 69-97

Nove, Alec (1992) *An Economic History of the U.S.S.R. 1917-1991- new and final edition,* Penguin Books, London

Nurmi, Raimo (1978) *A note on samples and generability in empirical studies of business economics,* Studies and Research reports, Publications of the Turku School of Economics, Series A - 5, pp. 71-80

Nurmi, Raimo (1982) *Cross-cultural Comparisons of Organizations, Methodological Reflections,* Reprint, Publications of the Turku School of Economics, Series A - 2: 1982, Turku, pp. 264-277

Nurmi, Raimo (1983) *Aristotle and Management,* Publications of Turku School of Economics, Special issue of the publication "Studies in Marketing and Business Administration",Turku

Nurmi, Raimo - Üksvarav, Raoul (1993) How Estonian Managers Experienced the Transformation to Independence and Market Economy in 1990-1991, *Management International Review - MIR* 33/2, pp. 171-181

Nurmi, Raimo - Üksvarav, Raoul (1994a) *Estonia and Finland: Culture and Management, A Conjenctural Presentation,* Turku School of Economics and Business Administration, Series A-9:1994, Turku

Nurmi, Raimo - Üksvarav, Raoul (1994b) Fenno-Ugric Core Values ? The Case of Estonia and Finland, In *EIASM Workshop om Cross Cultural Perspectives: Comparative management and Organization,* November 11-13, 1994, Henley Management College, U.K.

Nurmi, Raimo - Üksvarav, Raoul (1995) Estonian and Finnish Management, In *Proceedings of Chemnitzer Ostforum "Wandel von Unternehmenskulturen in Ostdeutschland und Osteuropa",* March 6-9, 1995, Chemnitz-Cwickau

Ogburn, William F. - Nimkoff, Meyer F. (1964) *Sociology,* Fourth edition, Houghton Mifflin Company, Boston

Ouchi, William G. (1981) *Theory Z: How American Management can Meet the Japanese Challenge,* Addison-Wesley, Reading

Pascale, Richard T. - Athos Anthony G. (1981) *The Art of Japanese Management,* Simon & Schuster, New York

Peltonen, Matti (1991) *Johtamisen käsitteistöä,* Aavarantasarja No. 3, Third revised version, Aavaranta Oy, Oitmäki

Pennings, Johannes M. - Gresov, Christopher G. (1986) Technoeconomic and structural correlates of organizational culture, *Organization studies* 7/4, pp. 317-334

Peters, Thomas J. - Waterman, Robert H. (1982) *In Search for Excellence: Lessons from America's Best Run Companies,* Harper and Row, New York

Pettigrew, Andrew (1979) On Studying Organizational Cultures, *Administrative Science Quarterly* 24/4, pp. 570-581

Phatak, Arvind V. (1992) *International Dimensions of Management,* Third edition, PWS-Kent Publishing Company, Boston

Pheysey, Diana C. (1993) *Organizational Cultures: Types and Transformations,* Routledge, London

Pihlamägi, Maie (1992a) *Tööstuspoliitika ja Tööstuse Arengu Üldjooni Eesti Vabariigis 1920. aastatel*, EMI Teataja, Tallinn

Pihlamägi, Maie (1992b) Eesti Vabariigi Valitsuse Tööstuspoliitika 1930 Aastal, *Proceedings of the Estonian Academy of Sciences, Humanities and Social Sciences*, Reprint 41/3, pp. 205-215

Piispanen, Antti (1996) *Baltian ja Venäjän lähialueiden potentiaali suomalaisille yrityksille*, ETLA, Helsinki

PlanEconReport (1989) Update on Soviet joint ventures, *PlanEconReport* 5/41

Podsakoff, Philip M. - Dorfman, Peter W. - Howell, Jon P. - Todor, William D. (1986) Leader Reward and Punishment Behaviors: A preliminary test of a culture-free style of leadership effectiveness, In *Advances in International Comparative Management, A research annual*, Ed. by Richard N. Farmer, Vol. 2, JAI Press Inc. Greenwich, Connecticut, pp. 95-138

Pondy, Louis (1983) The Role of Metaphors and Myths in Organization and in the Facilitation of Change, In *Organizational Symbolism*, Ed. by Louis R. Pondy, Peter J. Frost, Gareth Morgan and Thomas C. Dandridge, JAI Press Inc., Greenwich, pp. 157-166

Poom, Eduard (1932) *Moodne töötehnika ja majanduskriis, Ratsionaliseerimine töös ja majanduses*, Eesti Kirjanduse Seltsi Kirjastus, Tartu

Radcliffe-Brown, Alfred R. (1965) *Structure and function in Primitive Society*, The First Paperback edition, The Free Press, New York

Raelin, Joseph A. (1986) *The Clash of Cultures: Managers and Professionals*, Harvard Business School Press, Boston

Rajasalu, Teet (1990) *Estonian economy and its development problems*, Estonian Academy of Sciences, Institute of Economics, Report 1, Tallinn

Rajasalu, Teet (1993) *Estonian Economy: Spring 1993*, Estonian Academy of Sciences, Institute of Economics, Report 1, Informare Ltd., Tallinn

Rajasalu, Teet (1994) *Estonian Economy: Spring 1994*, Estonian Academy of Sciences, Institute of Economics, Report 2, Informare Ltd., Tallinn

Rakennustekniikka (1995) *Rakennusmarkkinat Itämeren aluelle*, Tampere

Raun, Toivo U. (1987) *Estonian and Estonians*, Hoover Institution, Stanford University, Hoover Press, California

Ray, Carroll Axtell (1986) Corporate culture: the last frontier of control, *Journal of Management Studies* 23/3, pp. 287-297

Rebernik, Miroslav (1993) De-memorizing as a First Step in Teaching and Practicing Entrepreneurship, In *Proceedings of International Management Development Association "Managing East-West Business in Turbulent Times"*, Ed. by Erdener Kaynak and Jarmo Nieminen, Turku, June 3-6, 1993, pp. 504-516

Redding, Gordon S. (1994) Comparative Management Theory: Jungle, Zoo or Fossil Bed?, *Organization Studies* 15/3, pp. 323-359

Reichers, Arnon - Schneider, Benjamin (1990) Climate and Culture: An Evolution of Constructs, In *Organizational Climate and Culture*, Ed. by Benjamin Schneider, Jossey-Bass Publishers, San Francisco, pp. 5-39

Reinap, Aivar (1995) Erastamisprotsess jõudnud viimasesse kolmandikku, *Äripäev* 13.10.1995

Review of Economies in Transition (years: 1992, 1993, 1994 , 1995, and 1996), Unit for Eastern European Economies, Bank of Finland, Helsinki

Reynolds, Paul D. (1986) Organizational Culture as Related to Industry, Position and Performance: a preliminary report, *Journal of Management Studies* 23/3, pp. 333-345

Riit, Pärtel (1996) The share of foreign capital, Estonian Economy 1995-1996, Ministry of Economic Affairs of the Republic of Estonia, Tallinn, ss. 38-43

Rikson, Liaa (1994) Piirikonniti suureneb kontrast tööturul, *Äripäev* 22.06.1994

Rogatsi, Inna (1991) *Särjetty sukupolvi: Kymmenen käskyä Neuvostoliitosta,* Werner - Söderström Oy, Porvoo

Rokeach, Milton (1973) *The Nature of Human Values,* Free Press, New York

Róna-Tas, Ákos (1994) The First Shall Be Last ? Entrepreneurship and Communist Cadres in the Transition from Socialism, *American Journal of Sociology,* pp. 40-69

Ronen, Simcha (1986) *Comparative and Multinational Management,* John Wiley & Sons, New York

Rose, Randall A. (1988) Organizations as multiple cultures; a rules theory analysis, *Human Relations* 41/2, pp. 139-170

Rose, Richard - Maley, William (1995) *Nationalities in the Baltic States - A survey study,* Studies in Public Policy No. 222, University of Strathclyde, Glasgow

Rozental, Väinu (1995) Pooled registeeritud firmadest on Tallinnas, *Äripäev* 03.10.1995

Rue, Leslie W. - Holland, Phyllis G. (1989) *Strategic Management: Concepts and Experiences,* Second edition, McGraw-Hill International Editions, New York

Rudi, Erle (1995) Välisfirmad on suurimad reklaamiandajad Eestis, *Äripäev* 15.12.1995

Ryavec, Karl W. (1969) Soviet Industrial Managers, Their Superiors and the Economic Reform: A study of an attempt at planned behavioral change, *Soviet Studies* XXI/2, pp. 208-229

Ryukina, R. V. - Pavlenko, S. Iu. (1988) Managerial Behavior of Executives of Agricultural Enterprises, *Soviet Sociology* 27/3, pp. 61-79

Ränk, Gustav (1978) Ethnographic Studies, In *A Case Study of Soviet Republic - The Estonian SSR,* Ed. by Tõnu Parming and Elmar Järvesoo, Westview Press, Boulder, pp. 319-339

Saar, A. (1980) General data, In *Soviet Estonia,* Ed. by L. Valt, Valgus Publishers, Tallinn, pp. 7-9

Sackmann, Sonja A. (1991) *Cultural Knowledge in Organizations: Exploring the Collective Mind,* Sage Publications, Newbury Park

Samovar, Larry A. - Porter, Richard E. - Jain, Nemi C. (1981) *Understanding Intercultural Communication,* Wadsworth, Belmont

Sathé, Vijay (1983) Implications of Corporate Culture: A Manager's Guide to Action, *Organizational Dynamics,* Autumn, 12, pp. 4-23

Sathé, Vijay (1985a) *Managerial Action and Corporate Culture,* Irwin, Homewood

Sathé, Vijay (1985b) How to decipher and Change Corporate Culture, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 230-261

Scanlan, Burt - Keys, Bernard (1983) *Management and Organizational Behavior*, Second edition, John Wiley & Sons, New York

Schein, Edgar H. (1965) *Organizational Psychology*, Prentice Hall, Englewood Cliffs

Schein, Edgar H. (1983) The role of the founder in creating organizational culture, *Organizational Dynamics*, Summer, pp. 13-28

Schein, Edgar H. (1985a) *Organizational Culture and Leadership: A Dynamic View*, Jossey-Bass Publishers, San Francisco

Schein, Edgar H. (1985b) How Culture Forms, Develops, and Changes, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 17-43

Schein, Edgar H. (1989) Organizational Culture: What it is and How to Change it, In *Human Resource Management in International Firms: Change, Globalization, Innovation*, Ed. by Paul Evans, Yves Doz and André Laurent, Macmillan, London, pp. 56-82

Schein, Edgar H. (1991a) The Role of the Founder in the Creation of Organizational Culture, In *Reframing Organizational Culture*, Ed. by Peter J. Frost, Larry F. Moore, Meryl Reis Louis, Craig C. Lundberg and Joanne Martin, Newbury Park, pp. 14-25

Schein, Edgar H. (1991b) What is Culture?, In *Reframing Organizational Culture*, Ed. by Peter J. Frost, Larry F. Moore, Meryl Reis Louis, Craig C. Lundberg and Joanne Martin, Newbury Park, pp. 243-253

Schwarz, Hoard - Davis, Stanley M. (1981) Matching Corporate Culture and Business Strategy, *Organizational Dynamics*, Summer, pp. 30-48

Sekaran, Uma (1983) Methodological and Theoretic Issues and Advancement in Cross-Cultural Research, *Journal of International Business Studies* 14/2, pp. 61-73

Sekaran, Uma - Martin, Harry J. (1982) An examination of the psychometric properties of some commonly researched individual differences, job and organizational variables in two cultures, *Journal of International Business Studies* 13/1, pp. 51-65

Sepp, Urmas (1995) Estonia's Transition to a Market economy 1995, *Review of Economies in Transition* 5/1995, Unit for Eastern European Economies, Bank of Finland, Helsinki

Serpell, Robert (1978) *Kulttuuri ja käyttäytyminen*, Weilin-Göös, Espoo

Shama, Avraham (1993) Management Under Fire: The Transformation of Managers in the Soviet Union and Eastern Europe, *Academy of Management Executive* 7/1, pp. 22-37

Shiller, Robert J. - Boycko, Maxim - Korobov, Vladimir (1992) Hunting for Homo Sovieticus: Situational versus Attitutional Factors in Economic Behavior, *Brookings Papers on Economic Activity* 1:1992, pp. 127-194

Shirivastava, Paul (1985) Integrating Strategy Formulation with Organizational Culture, *Journal of Business Strategy* 5/3, pp. 103-110

Shlapentokh, Vladimir (1989) *Public and Private Life of the Soviet People*, Oxford University Press, New York

Siehl, Caren (1985) After the Founder: an opportunity to manage culture, In *Organizational Culture*, Ed. by Peter J. Frost, Larry F. Moore, Meryl Reis Louis, Craig C. Lundberg and Joanne Martin, Sage Publications, London, Sage publications, London, pp. 125-140

Siehl, Caren - Martin, Joanne (1988) Measuring Organizational Culture Mixing Qualitative and Quantitative Methods, In *Inside Organizations - Understanding the Human Dimension*, Ed. by Michael Owen Jones, Michael Dane Moore and Richard Christopher Snyder, Sage publications, Newbury Park, pp. 79-103

Sinclair, John (1994) Reacting to What ?, *Journal of Organizational Change Management* 7/5, pp. 32-40

Singh, Jodinger P. (1990) Managerial Culture and Work-related Values in India, *Organization Studies* 11/1, pp. 75-101

Slider, Darrell (1991) Embattled Entrepreneurship: Soviet Cooperatives in an Unreformed Economy, *Soviet Studies* 43/5, pp. 797-821

Smircich, Linda (1983) Concepts of Culture and Organizational Analysis, *Administrative Science Quarterly* 28/3, pp. 339-358

Smircich, Linda - Morgan, Gareth (1982) Leadership: The Management of meaning, *Journal of Applied Behavioral Science* 18/3, 257-273

Smith, Peter B. (1992) Organizational Behaviour and National Culture, *British Journal of Management* 3/1, pp. 39-50

Smith, Peter B. - Peterson, Mark F. (1988) *Leadership, Organizations and Culture*, SAGE publications, London

Sorainen, Aku (1993) *A Foreign Investor in the Baltics*, Lakimiesliiton kustannus, Helsinki

Stewart, Rosemary (1982) *Choices for the Manager*, Prentice-Hall, Englewood Cliffs

Storm, Rachel (1991) New Dreams for Old, *International Management*, May, pp. 40-43

Suhonen, Pertti (1988) *Suomalaisten arvot ja politiikka*, WSOY, Porvoo

Susi, Heino (1978) Selected Aspects of Scientific Research, In *A Case Study of Soviet Republic - The Estonian SSR*, Ed. by Tönu Parming and Elmar Järvesoo, Westview Press, Boulder, pp. 369-390

Sutela, Pekka (1987) *Neuvostoliiton vaikeuksien vuodet: tie Gorbatsovin talouspolitiikkaan*, Helsinki

Sutela, Pekka (1991) *Economic Thought and Economic Reform in the Soviet Union*, Cambridge University Press, Cambridge

Suutari, Vesa (1993) *International Differences in Leadership Ideologies of Managers*, Licenciate Thesis in Management and Organization, Faculty of Business Adminisration, Department of Management and Organization, University of Vaasa, Vaasa

Sôrg, Mart (1994) *Banking reform in Estonia*, Institute of Economics, Estonian Academy of Sciences, Working paper No. 10, Tallinn

Sôrg, Mart (1995a) *Banking reform*, In *Transforming the Estonian Economy*, Ed. by Olev Lugus and George A. Hachey Jr., Institute of Economics, Estonian Academy of Sciences, Tallinn, pp. 71-91

Sôrg, Mart (1995b) Väikpankade môttekusest, *Äripäev* 20.12.1995

Taaler, Jaan (1995) *Economic Reforms: The Main Stages, Programmes and Evaluations, In Transforming the Estonian Economy*, Ed. by Olev Lugus and George A. Hachey Jr., Institute of Economics, Estonian Academy of Sciences, Tallinn, pp. 1-15

Takala, Tuomo (1985) *Values, ethical theories and three ideologies of the social responsibility of the firm*, University of Jyväskylä, Department of Economics and Management, Working paper 59/1985, Jyväskylä

Takala, Tuomo (1991) *Managerial Beliefs Concerning Social Responsibility of the Firm: A Trial to Identify and Understand Entrepreneurs' and Managers' Social Responsibility Beliefs as Discoursive Phenomenon*, University of Jyväskylä, Studies in Computer Science, Economics and Statistics 16, Jyväskylä

Tammann, August (1925) *Uus ärijuht veste ühe ühingus kasumisest*, Eesti Tarvitajate Keskühistus, Tallinn

Tamme, Hannes (1995) Viis aastat ärikoolitust, *Äripäev* 17.06.1995

Tayeb, Monir (1988) *Organizations and National Culture: A comparative analysis*, SAGE Publications, London

Tayeb, Monir (1994) Organizations and National Culture: Methodology Considered, *Organization Studies* 15/3, pp. 429-446

Terpstra, Vern - David, Kenneth (1985) *The Cultural Environment of International Business*, South-Western Publishing Co., Cincinnati

The Oxford Dictionary for the Business World (1993) Oxford University Press, Oxford

Thompson, John L. (1990) *Strategic Management: Awareness and Change*, Chapman and Hall, London

Tint, Andres (1995) *Majanduse mahuline muutus*, Eesti Majandusülevaade 1994-1995, Estonian Ministry of Economy, Tallinn, pp. 9-16

Tiusanen, Tauno (1991) *The Baltic States - a survey for further industrial cooperation*, Nordic Council of Ministers, NORD 1991:35, Copenhagen

Tiusanen, Tauno (1993) *The Baltic States - Small Countries in Transition*, EVA publication, Helsinki

Tiusanen, Tauno (1995a) Balttitaloudet pieniä mutta hypyt hurjia, *Talouselämä* 40/1995, pp. 44-45

Tiusanen, Tauno (1995b) *Thirty-five Ways of Doing Business in Transitional Economies: Western Companies in Baltic Europe*, Helsinki University of Technology, Lifelong Learning Series 4/1995, Espoo

Tonska, Arnold (1936) *Juht ja mass, Juhtimisproblemaatika põhijooni*, Eesti Kirjantuse Kooperatiiv, Tartu

Tosi, Henry L. - Carroll, Stephen J. (1982) *Management*, Second edition, John Wiley & Sons, New York

Triandis, H. C. - Vassiliou, V. - Vassiliou G. - Tanaka, Y. - Shanmugan, T. (1972) *The Analysis of Subjective Culture*, John Wiley & Sons Inc., New York

Trice, Harrison M. (1991) Comments and Discussions, In *Reframing Organizational Culture*, Ed. by Peter J. Frost, Larry F. Moore, Meryl Reis Louis, Craig C. Lundberg and Joanne Martin, Newbury Park, pp. 298-308

Trice, Harrison M. - Beyer, Janice M. (1984) Studying Organizational Cultures Through Rites and Ceremonials, *Academy of Management Review* 9/4, pp. 653-669

Trice, Harrison M. - Beyer, Janice M. (1985) Using Six Organizational Rites to Change Culture, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 370-399

Trompenaars, Fons (1993) *Riding the Waves of Culture: Understanding Cultural Diversity in Business*, The Economist Books, London

Tung, Rosalie L. (1986) Towards a Systems Model of Comparative Management, In *Advances in International Comparative Management, A research annual*, Vol. 2, Ed. by Richard N. Farmer, JAI Press Inc. Greenwich, Connecticut, pp. 233-247

Tunstall, W. Brooke (1985) Breakup of the Bell System: A Case Study in Cultural Transformation, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 44-65

Turner, Barry A. (1971) *Exploring The Industrial Subculture*, Macmillan, London

Tylor, Edward B. (1871) *Primitive Culture: Researchers into the Development of Mythology: Philosophy, Religion, Language, Art and Custom*, Vol. 1, Henry Holt, New York

Tööstus (1939) *Tööstus 1937a. Majandusloenduse andmed*, Riigi Statistika Keskbüroo, Tallinn

Tüllinen, Ulvi (1995) Väikeettevôtjaid ahistab rahapuudus, *Äripäev* 22.12.1995

Vadi, Maaja - Buono, Anthony F. (1995) Collectivism and Individualism in Estonia: An Exploratory Study of Societal Change and Organizational Orientation, In *Proceedings of Conference "Micro-Economic Transition"*, Stockholm School of Economics in Riga, August 16-19, 1995, Riga

Wallace, Anthony F. C. (1970) *Culture and Personality*, Second edition, Random House, New York

Van Arkadie, Brian - Karlson, Mats (1992) *Economic Survey of the Baltic States: The Reform Process in Estonia, Latvia and Lithuania*, Pinter Publishers, London

Van de Ven, Andrew H. - Poole, Marshall Scott (1995) Explaining Development and Change in Organizations, *Academy of Management Review* 20/3, pp. 510-540

Van Maanen, John - Barley, Stephen R. (1984) Occupational communities: culture and control in organizations, In *Research in Organizational Behavior*, Vol 6. Ed. Larry L. Cummings and Barry M. Staw, JAI Press, Greenwich, CT, pp. 287-365

Warner, Malcolm (1994) Organizational Behavior Revisited, *Human Relations* 47/10, pp. 1151-1166

Varul, Paul - Lappalainen, Vesa A. (1992) *Viron kaupallista lainsäädäntöä*, Lakimiesliiton kustannuksia, Helsinki

Watson, Tony J. (1994) *In Search of Management: culture, chaos & control in managerial work*, Routledge, London

Webber, Ross A. (1977) Convergence or divergence ?, In *Culture and Management*, Ed. by Theodore D. Weinshall, Penguin Modern Management Readings, Harmondsworth, pp. 39-55

Webster's Ninth New Collegiate Dictionary (1985), Merriam Webster Inc., Springfield

Weick, K. E. (1985) The Significance of Corporate Culture, In *Organizational Culture*, Ed. by Peter J. Frost, Larry F. Moore, Meryl Reis Louis, Craig C. Lundberg and Joanne Martin, Sage Publications, London, pp. 381-390

Wells, Patricia Atkinson (1988) The Paradox of Functional Dysfunction in a Girl Scout Camp: Implications of Cultural Diversity for Achieving Organizational Goals, In *Inside Organizations - Understanding the Human Dimension*, Ed. by Michael Owen Jones, Michael Dane Moore and Richard Christopher Snyder, Sage publications, Newbury Park, pp. 109-117

Venesaar, Urve - Vitsur, Endel (1995) *Development of Entrepreneurship*, In Transforming the Estonian Economy, Ed. by Olev Lugus and George A. Hachey Jr., Institute of Economics, Estonian Academy of Sciences, Tallinn pp. 187-207

White, Leslie A. (1949) *The Science of Culture - A Study of Man and Civilization*, Farrar, Straus and Company, New York

White, Leslie A. - Dillingham, Beth (1973) *The Concept of Culture*,Burgess Publishing Company, Minneapolis

White, Stephen (1991) *Gorbachev and after*, Cambridge University Press, Cambridge

Vickers, G. (1965) *The Art of Judgement*, Chapman & Hall, London

Wiersema, Margarethe F. - Bantel, Karen A. (1992) Top Management Team Demography and Corporate Strategic Change, *Academy of Management Journal* 35/1, pp. 91-121

Wilczynski, J. (1976) *The Multinationals and East-West Relationism*, The Macmillan Press Ltd., London

Wilkins, Allan - Ouchi, William G. (1983) Efficient Cultures: Exploring the Relationship between Culture and Organizational Performance, *Administrative Science Quarterly* 28/3, pp. 468-481

Wilkins, Alan L. - Patterson, Kerry J. (1985) You Can't Get There From Here: What Will Make Culture-Change Projects Fail, In *Gaining Control of the Corporate Culture*, Ed. by Ralph H. Kilmann, Mary J. Saxton, Roy Serpa and associates, Jossey-Bass Publishers, San Francisco, pp. 262-291

Williams, Allan - Dobson, Paul - Walters, Mike (1989) *Changing Culture: New organizational approaches*, Institute of Personnel Management, London

Viron uusi liiketoimintalaki (1995) Yrityksen tietokirjat, Kauppakaari-yhtymä Oy, Helsinki

Xueref, Carol (1988) *Guide to joint ventures in the USSR*, International Chamber of Commerce, Paris

Yhteisyritykset Neuvostoliitossa (1989) KPMG-Wider publication, Helsinki

Üksvarav, Raoul (1974) *Organisatsioon ja juhtmine sotsialistlikus majanduses*, Valgus, Tallinn

Üksvarav, Raoul (1978) *Majandusjuht, tema töö ja tegevus*, Valgus, Tallinn

Üksvarav, Raoul (1985) *Organisatsioon ja inimine*, Valgus, Tallinn

Üksvarav, Raoul (1988) Organisatsiooni- ja juhtimisprobleemide käsitlemise väljakujunemine Eesti NSVs, In *Organisatsiooni- ja Juhtimismötte areng Eestin NSVs*, Ed. by K. Gerndorf, Tallinna Polütehniline Instituut, Tallinn

Üksvarav, Raoul (1991a) *Executive vs Government in Estonia*, Unpublished preliminary case report

Üksvarav, Raoul (1991b) From Planned to Market Economy: The Estonian Case, *Business in Contemporary World*, Summer, pp. 63-71

Üksvarav, Raoul - Nurmi, Raimo (1993) *Estonian Economy and Management in the Early 1990s*, Turku School of Economics and Business Administration, Series A-4:1993, Turku

Statistics of Ministries of Estonia, Estonian Statistical Office and Estonian Enterprise Register

INTERVIEWS (in chronological order)

Mika Kaukonen, managing director, LEAF-Estonia, January 14th, 1995, Tallinn, Estonia

Heino Tammiste, managing director of Enterprise Association of Pärnu, February 3rd, 1995, Pärnu, Estonia

Maie Pihlamägi, scientific secretary of Institute of History, Estonian Academy of Sciences, June 13. 1995, Tallinn, Estonia

Alexander Bakirov, director of Enterprise Development Department, Estonian Ministry of Economy, August 31th, 1995, Tallinn, Estonia

Helka Leinonen, trade commissioner of Finnish Foreign Trade Association in Estonia, August 31th, 1995, Tallinn, Estonia

Jüri Läänesaar, managing director of Ariko MG, August 31th, 1995, Tallinn, Estonia

Ilmar Jõgi, project director of Ariko MG, August 31th, 1995, Tallinn, Estonia

Meelis Virkebau, managing director, Kreenholm Holding LTD, September 28th, 1995, Tallinn, Estonia

Heino Tammiste, managing director of Enterprise Association of Pärnu, January 18th, 1996, Pärnu, Estonia

In addition, during January-February in 1995 the researcher interviewed three managing directors in wholesale trade, who did not want their names revealed in public.

APPENDIX 1. Transition of Estonian economy in the first half of the 1990s

	1990 [106]	1991	1992	1993	1994
GNP	- 6.5%	-11.0%	-21.6%	-6.6%	4.0%
Distribution of GNP					
Agriculture&forestry	xx	16.6%	12.4%	10.3%	7.3%
Fishery	xx	2.1%	0.8%	0.6%	0.5%
Mining	xx	1.8%	2.6%	2.3%	1.8%
Industry	xx	36.3%	30.4%	24.0%	17.9%
Energy	xx	1.9%	4.6%	4.3%	2.8%
Construction	xx	6.7%	4.9%	5.8%	5.1%
Trade	xx	8.0%	13.8%	13.9%	22.7%
Restaurant&catering	xx	0.9%	1.5%	1.8%	1.2%
Transport	xx	6.9%	12.6%	14.2%	11.4%
Finance&insurance	xx	0.9%	1.5%	1.8%	3.1%
Real estate&bus. serv.	xx	1.8%	5.7%	8.0%	6.1%
Others	xx	16.1%	9.2%	13.0%	20.1%
Industrial product.	-1.0%	- 9.0%	-38.9%	-26.6%	- 5.6%
Agricultural prod.	-13.1%	-20.7%	-22.0%	-17.0%	-10.0%
Inflation	79%	303%	953%	35%	42%
Foreign trade (mn EEK) [107]					
Exports	xx	510	5 548	10 642	16 947
Imports	xx	445	5 127	11 848	21 535
Balance	xx	65	421	- 1 206	- 4 588
Geographical distribution of foreign trade [108]					
CIS	xx	78.4%	38.3%	25.7%	26.9%
EFTA	xx	3.0%	31.2%	35.0%	35.2%
EU	xx	1.9%	14.1%	20.7%	21.1%
CEE	xx	12.6%	11.3%	10.7%	9.6%
Other	xx	4.3%	5.3%	7.9%	7.2%
Unemployment	xx	0.4%	0.9%	1.9%	1.5%

Sources: EKI (1992, 78); Rajasalu (1994, 8-19); Lainela (1995, 30); Review of Economy in Transition no. 3 (1995, 72); Taaler (1995, 8) and Tint (1995, 16)

[106] Many of the 1990 figures have not been listed here because the available statistics could not be integrated into this table directly. According to the information from the statistical office of Soviet Estonia, the share of agriculture and forestry in 1990 was 19.9%, industry 49.2%, construction 10.5%, trade 6.2% and other branches 14.2%. The total value of Soviet Estonian foreign trade was 7 billion SUR, of which exports formed 3.1 and imports 3.9 billion roubles, thus the balance of foreign trade was 0.8 billion negative for Soviet Estonia. Of Soviet Estonian foreign trade 76.3% was directed to other Soviet republics (Liuhto, 1992a, 9). The major trade partners outside the Soviet Union were Germany 11.4%, Finland 11.1% and Czechoslovakia 7.9% (EKI, 1991, 78).

[107] Eight Estonian Kroons (EEK) equal to one Deutsch Mark (DEM).

[108] The geographical distribution of GNP and foreign trade was based on the first six months of 1994.

APPENDIX 2. Organizational transition in Estonia from 1992 to 1995

	1/1992		2/1995	
Total number	35500		83771	
Distribution by personnel size				
0-4	67.7%		81.4%	
5-9	9.9%		6.8%	
10-19	7.2%		4.7%	
20-49	7.4%		4.0%	
50-99	3.4%		1.6%	
100-199	1.9%		0.8%	
200-499	1.7%		0.4%	
500-999	0.6%		0.1%	
over 1000	0.3%		0.1%	
Distribution by industry				
Agriculture&forestry	13.0%		12.9%	
Fishery	0.3%		0.3%	
Mining	0.1%		0.1%	
Industry	13.4%		10.6%	
Energy	0.4%		0.5%	
Construction	7.9%		5.0%	
Trade	20.8%		37.1%	
Restaurant&catering	7.2%		4.4%	
Transport	4.6%		3.7%	
Finance&insurance	0.9%		0.9%	
Real estate&bus. serv.	12.2%		10.8%	
Others	19.1%		13.7%	
Ownership structure				
State & municipal	25.2%		1.4%	
Cooperative	17.8%		7.7%	
Private	8.3%		2.4%	
Joint stock-company	32.0%		83.5%	
Other	16.7%		5.0%	
Geographical distribution				
Harju county	40.8%		46.9%	
Tallinn		33.4%		40.7%
Hiiu county	1.4%		0.9%	
Ida-Viru county	8.3%		6.9%	
Kohtla-Järve		2.6%		1.7%
Narva		3.2%		2.2%
Sillamäe		0.3%		0.6%
Jõgeva county	2.9%		2.3%	
Järva county	3.9%		2.5%	
Lääne county	2.5%		2.4%	
Lääne-Viru county	3.9%		4.0%	
Põlva county	1.9%		2.9%	
Pärnu county	8.0%		6.6%	
Pärnu		3.4%		3.3%
Rapla county	2.3%		2.1%	
Saare county	2.8%		2.7%	
Tartu county	11.4%		10.5%	
Tartu		6.6%		6.9%
Valga county	2.2%		2.4%	
Viljandi county	5.6%		4.2%	
Võru county	2.2%		2.7%	

Source: Liuhto (1996a, 121-140)

APPENDIX 3. The transition of foreign direct investments in Estonia in the first of half the 1990s [109]

	1/1991	**10/1991**	**7/1992**	**1/1995**
Organisations	414	1 116	2 759	7 700
Main partners				
Finland	50%	41%	50%	52%
USSR/CIS	17%	32%	20%	14%
Sweden	15%	13%	12%	11%
Germany	4%	4%	3%	4%
USA	5%	4%	3%	4%
Others	9%	6%	12%	15%
Investments (mn)	66.3 SUR	189.9 SUR	2 000 EEK	3 400 EEK
Main investors				
Sweden	9%	32%	30%	28%
Finland	25%	22%	24%	22%
USSR/CIS	29%	23%	22%	13%
USA	4%	3%	3%	7%
Germany	2%	1%	2%	4%
Others	31%	19%	19%	26%

Sources: Lainela (1995, 37), Liuhto (1995d, 507-525), and Priit (1996, 42)

[109] Statistics on the total foreign investment are automatically distorted on account of their inability to protect themselves against inflation, as enterprises do in reality (Liuhto, 1995b, 102-117). In 1991 January, the commercial rate of dollar was 166 roubles, while it was 171 roubles in 1991 November. It is important to notice that the tourist exchange rate in November 1995 was already 4700 roubles (Bank of Finland, 1995, 1).

APPENDIX 4. Questionnaire

Basic information about your company:

Year of establishment __________ Location (county)__________________

Industry____________________ Number of employees (31.Dec.1994)______

Turnover in 1994 (EEK)______________________________________

Value of exports in 1994________ Value of imports in 1994 ____________

Major countries of export (%) Major countries of import (%)

1. ______________( ) 1. ______________( )

2. ______________( ) 2. ______________( )

3. ______________( ) 3. ______________( )

Majority of ownership (circle the correct alternative)

(1) Private (2) Juridicial persons (3) State/municipal

Foreign ownership in your company (circle the correct alternative)

(1) None (2) Yes (share of total capital - %) ____________

country of origin ____________

Development of operations:	**31 Dec.1992** (if your company had not yet been registered, mark the situation at the end of the first year)	**31 Dec.1999** (estimation)
Number of employees	________________	______________
Annual turnover (EEK)	________________	______________
Annual value of exports	________________	______________
Annual value of imports	________________	______________
Major countries of export (%)	1. __________( )	1. _______( )
	2. __________( )	2. _______( )
	3. __________( )	3. _______( )
Major countries of import (%)	1. __________( )	1. _______( )
	2. __________( )	2. _______( )
	3. __________( )	3. _______( )

Has the ownership of your company been altered after the registration? (1) No (2) Yes (how) ______________

Will there be changes in the ownership by the year 2000 ? (1) No (2) Yes (what) ______________

The background of the respondent:

Your post in the company__________ How long have you held this post? ________

Were you employed in management post before the Estonian independence (circle the correct alternative)

(1) no

(2) yes where ? (a) state enterprise (b) joint venture (c) cooperative
(d) other

total number of years ____________________

Education___________ Year of birth__________ Your mother language ___________

I) Estimate the state of the Estonian markets and your industry

1) Use X to indicate your opinion about the Estonian markets and your industry on the eve of the Estonian independence. If your company had not yet been founded at that time, state your opinion about the Estonian markets and your industry at the end of the year of registration.

2) Use [ ] to indicate your opinion about the present state of the Estonian markets and industry

3) Use O to evaluate the state of the Estonian markets and your industry in 1999.

Marks:

X = 1991
[ ] = 1995
O = 1999

Scale:

1 = extremely good
2 = very good
3 = good
4 = average
5 = poor
6 = very poor
7 = extremely poor

EACH QUESTION SHOULD HAVE THREE MARKS - FOR INSTANCE:

0) The position of private enterprises in Estonia.	1	(2)	[3]	4	X	6	7
1) The efficiency and reliability of the Estonian banking system.	1	2	3	4	5	6	7
2) Chances of finding reasonably priced funding in Estonia.	1	2	3	4	5	6	7
3) The advancement and practicalness of the legislation in Estonia.	1	2	3	4	5	6	7
4) The reliability of the Estonian authorities.	1	2	3	4	5	6	7
5) The state of the Estonian wholesale system.	1	2	3	4	5	6	7
6) The quality of transport services compared to the prices in Estonia.	1	2	3	4	5	6	7
7) The quality of office and industrial premises compared to the prices in Estonia.	1	2	3	4	5	6	7
8) The quality of advertising channels compared to the prices in Estonia.	1	2	3	4	5	6	7

9) The quality of other services compared to the prices in Estonia.	1	2	3	4	5	6	7
10) The quality of training compared to the prices in Estonia.	1	2	3	4	5	6	7
11) The security of managers in Estonia.	1	2	3	4	5	6	7
12) The state of your industry in general.	1	2	3	4	5	6	7
13) Competition within your industry.	1	2	3	4	5	6	7
14) Profits related to risks within your industry.	1	2	3	4	5	6	7
15) The quality of the technology used in your industry compared to the prices.	1	2	3	4	5	6	7
16) The quality of the raw materials used in your industry compared to the prices.	1	2	3	4	5	6	7
17) The availability of skilled managers in your industry.	1	2	3	4	5	6	7
18) The availability of skilled employees in your industry.	1	2	3	4	5	6	7
19) The demand potential of your markets in Estonia.	1	2	3	4	5	6	7
20) The stability of your markets in Estonia.	1	2	3	4	5	6	7

II) Evaluate the state of your company

1) Use X to evaluate the state of your company on the eve of Estonian independence. If your company had not yet been founded, give your evaluation about the state of your company at the end of the year of registration.
2) Use [ ] to evaluate the present state of your company.
3) Use O to evaluate the state of your company in 1999.

Marks:

X = 1991
[] = 1995
O = 1999

Scale:
1 = extremely good
2 = very good
3 = good
4 = average
5 = poor
6 = very poor
7 = extremely poor

EACH QUESTION SHOULD HAVE THREE MARKS:

1) The quality of your production technology.	1	2	3	4	5	6	7
2) The utilization of technical management tools in your company.	1	2	3	4	5	6	7
3) The raw material supply network of your company.	1	2	3	4	5	6	7
4) The reliability of your sales deliveries.	1	2	3	4	5	6	7
5) Competitive position of your products in Estonia.	1	2	3	4	5	6	7
6) The quality of your product design.	1	2	3	4	5	6	7
7) The functioning of your information channels.	1	2	3	4	5	6	7
8) The skills of your managers.	1	2	3	4	5	6	7
9) The skills of your employees.	1	2	3	4	5	6	7
10) The efficiency of your personnel.	1	2	3	4	5	6	7
11) The reliability of your personnel.	1	2	3	4	5	6	7
12) The efficiency of the sales network in your company.	1	2	3	4	5	6	7
13) The utilization of advertising in your company.	1	2	3	4	5	6	7

14) The quality of your customer services.	1	2	3	4	5	6	7
15) The financial position of your company.	1	2	3	4	5	6	7
16) Your chances of acquiring outside funding for the development of company operations.	1	2	3	4	5	6	7
17) The capacity of your company to change when the business environment requires.	1	2	3	4	5	6	7
18) The realization of sales deliveries in your company.	1	2	3	4	5	6	7
19) The competitive position of your company in Estonia.	1	2	3	4	5	6	7
20) The competitive position of your company outside Estonia.	1	2	3	4	5	6	7

III) Evaluate the management of your company

1) Use X to evaluate the state of the Estonian market on the eve of the Estonian independence. If your company had not yet been founded, evaluate the state of the markets at the end of the year of registration of your company.
2) Use [ ] to evaluate the present state of the Estonian markets.
3) Use O to evaluate the state of the Estonian markets in 1999.

Marks:

X = 1991
[] = 1995
O = 1999

Scale:
1 = extremely good
2 = very good
3 = good
4 = average
5 = poor
6 = very poor
7 = extremely poor

EACH QUESTION SHOULD HAVE THREE MARKS:

1) The clarity of your company's business idea.	1	2	3	4	5	6	7
2) The accomplishment of the business idea.	1	2	3	4	5	6	7
3) The planning of company strategies.	1	2	3	4	5	6	7
4) The accomplishment of company strategies.	1	2	3	4	5	6	7
5) The control of the accomplishment of strategies.	1	2	3	4	5	6	7
6) The commitment of managers to company goals.	1	2	3	4	5	6	7
7) The specifity of the managers' tasks.	1	2	3	4	5	6	7
8) The independence of managers.	1	2	3	4	5	6	7
9) The training opportunities for managers.	1	2	3	4	5	6	7
10) The initiative of managers.	1	2	3	4	5	6	7
11) The efficiency of the use of time by managers.	1	2	3	4	5	6	7
12) The motivation of managers.	1	2	3	4	5	6	7
13) The control of managers.	1	2	3	4	5	6	7
14) The planning system of decision-making.	1	2	3	4	5	6	7
15) The rapidness of decision-making.	1	2	3	4	5	6	7
16) The passing of information in your company.	1	2	3	4	5	6	7
17) Relations between the managers.	1	2	3	4	5	6	7

18) Relations between the managers and the employees.	1	2	3	4	5	6	7
19) Solving differences in opinions.	1	2	3	4	5	6	7
20) The employees chances to influence in company.	1	2	3	4	5	6	7
21) Market-orientation in management.	1	2	3	4	5	6	7
22) Cost-awareness in management.	1	2	3	4	5	6	7
23) Willingness to take risks in management.	1	2	3	4	5	6	7
24) Managers´ capacities to change their practices.	1	2	3	4	5	6	7
25) Managers´ will to change their practices.	1	2	3	4	5	6	7

IV) Give your opinion about the following statements:

Scale:

1 = I agree completely
2 = I agree to some extent
3 = difficult to say
4 = I disagree to some extent
5 = I disagree completely

1) A manager should not reveal his inadequacies to his subordinates as he will lose their respect.	1	2	3	4	5
2) A manager in the Estonian conditions cannot give his subordinates too much responsibility because most of them are incapable of independent action.	1	2	3	4	5
3) Specific orders should be used in management because they are the best means to make employees work.	1	2	3	4	5
4) The strict control of the employees is necessary as one can never be too careful in the present conditions.	1	2	3	4	5
5) I prefer operating alone to cooperation because I value independent decision-making.	1	2	3	4	5
6) In the Estonian conditions male managers are more efficient in average than female managers.	1	2	3	4	5
7) I pay attention to the social and environmental impact of my decisions more than other managers.	1	2	3	4	5
8) The profit-orientation in management has lead to a less attention paid to the employees.	1	2	3	4	5
9) The ethnic background is irrelevant in the employing of new personnel.	1	2	3	4	5
10) Foreign managers often underestimate local managers.	1	2	3	4	5

11) I carefully obey regulations even if the authorities would not notice slight misconduct. 1 2 3 4 5

12) Offering special benefits is a better means to motivate employees and increase their satisfaction than money. 1 2 3 4 5

13) I take more risks in management than the managers in general. 1 2 3 4 5

14) In the unstable conditions of Estonia it is no use to make long-term plans. 1 2 3 4 5

15) Estonian business management will have developed considerably by 2000 because the Soviet era could not repress the Estonian entrepreneurial spirit. 1 2 3 4 5

V) What is your opinion about the following statements

Scale:

1 = I agree completely
2 = I agree to some extent
3 = difficult to say
4 = I disagree to some extent
5 = I disagree completely

1) National cultural features are manifested more strongly in management than previously, because it was not useful to display national features in the management of Soviet companies operating in Estonia. 1 2 3 4 5

2) The Soviet management philosophy had no effect on enterprise management in Estonia, because only a few of the managers actually believed in the socialist doctrines. 1 2 3 4 5

3) The management cultural transition in Estonia will continue for several years, as, in the present conditions, many features, not typical of the national culture of Estonia, will be reflected in the Estonian management culture. 1 2 3 4 5

APPENDIX 5. The state of the external management environment in 1995 (N=114 - %) [110]

	1	2	3	4	5	6	7	AV	SD
1) The efficiency and reliability of the Estonian banking system.	00	00	21	59	15	05	01	4.1	0.79
2) Chances of finding reasonably priced funding in Estonia.	00	01	07	33	40	19	01	4.7	0.91
3) The advancement and practicalness of the legislation in Estonia.	00	00	04	44	48	03	02	4.6	0.70
4) The reliability of the Estonian authorities.	00	00	08	39	46	05	02	4.5	0.79
5) The state of the Estonian wholesale system.	00	02	36	46	14	02	00	3.8	0.78
6) The quality of transport services compared to the prices in Estonia.	00	01	17	56	22	04	00	4.1	0.76
7) The quality of office and industrial premises compared to the prices in Estonia.	00	00	11	55	28	06	00	4.3	0.74
8) The quality of advertising channels compared to the prices in Estonia.	00	01	20	50	24	06	00	4.1	0.83
9) The quality of other services compared to the prices in Estonia.	00	01	14	53	28	04	00	4.2	0.76
10) The quality of training compared to the prices in Estonia.	00	01	25	49	22	04	00	4.0	0.81
11) The security of managers in Estonia.	00	00	08	33	39	18	02	4.7	0.92
12) The state of your industry in general.	00	01	07	55	28	08	02	4.4	0.83
13) Competition within your industry.	00	00	23	51	21	04	02	4.1	0.87
14) Profits related to risks within your industry.	00	03	36	40	13	04	04	3.9	1.05
15) The quality of the technology used in your industry compared to the prices.	00	02	17	50	11	08	12	4.4	1.27
16) The quality of the raw materials used in your industry compared to the prices.	00	02	30	38	23	04	03	4.1	1.02
17) The availability of skilled managers in your industry.	00	00	20	50	14	04	13	4.4	1.22
18) The availability of skilled employees in your industry.	00	00	13	45	30	10	02	4.4	0.91
19) The demand potential of your markets in Estonia.	00	01	19	38	28	13	01	4.4	1.00
20) The stability of your markets in Estonia.	00	05	24	40	22	08	01	4.1	1.02

[110] The explanations for abbreviations: AV=average and SD=standard deviation.

APPENDIX 6. The transition of the external management environment 1991-1995 (N=82 - %) [111]

	GPT	PT	NOT	NT	GNT	AV	SD
1) The efficiency and reliability of the Estonian banking system.	15	31	52	01	01	1.3	1.17
2) Chances of finding reasonably priced funding in Estonia.	05	21	68	05	01	1.0	1.29
3) The advancement and practicalness of the legislation in Estonia.	05	29	65	00	01	1.2	0.99
4) The reliability of the Estonian authorities.	00	12	86	01	00	0.7	0.86
5) The state of the Estonian wholesale system.	16	37	46	00	01	1.6	0.95
6) The quality of transport services compared to the prices in Estonia.	01	19	77	03	01	0.7	1.10
7) The quality of office and industrial premises compared to the prices in Estonia.	11	15	68	06	00	0.6	1.36
8) The quality of advertising channels compared to the prices in Estonia.	10	20	66	04	00	1.0	1.25
9) The quality of other services compared to the prices in Estonia.	11	18	70	01	00	1.0	1.16
10) The quality of training compared to the prices in Estonia.	07	10	79	02	01	0.7	1.22
11) The security of managers in Estonia.	04	07	73	10	06	0.0	1.45
12) The state of your industry in general.	10	24	62	04	01	1.2	1.24
13) Competition within your industry.	06	22	65	05	02	0.6	1.39
14) Profits related to risks within your industry.	17	18	62	03	01	1.1	1.43
15) The quality of the technology used in your industry compared to the prices.	08	09	79	04	01	0.4	1.26
16) The quality of the raw materials used in your industry compared to the prices.	08	12	75	03	02	0.7	1.23
17) The availability of skilled managers in your industry.	04	11	78	03	04	0.4	1.26
18) The availability of skilled employees in your industry.	03	09	86	01	01	0.6	1.00
19) The demand potential of your markets in Estonia.	01	04	90	01	04	0.3	1.15
20) The stability of your markets in Estonia.	04	08	81	04	04	0.3	1.28

[111] The explanations for abbreviations: GPT= great positive transition; PT=positive transition; NOT=no transition; NT=negative transition; and GNT=great negative transition. GPT denotes a situation where transition is 3 or more to a positive direction. PT denotes positive transition of 2 units. The sizes of NT and GNT correspond to these but in the opposite direction. NOT denotes a situation where the difference between times is 1, 0 or -1.

APPENDIX 7. The transition of the external management environment 1991-1999 (N=82 - %)

	GPT	PT	NOT	NT	GNT	AV	SD
1) The efficiency and reliability of the Estonian banking system.	56	28	16	00	00	2.5	1.29
2) Chances of finding reasonably priced funding in Estonia.	52	31	14	03	01	2.4	1.37
3) The advancement and practicalness of the legislation in Estonia.	50	39	11	00	00	2.5	0.91
4) The reliability of the Estonian authorities.	21	46	32	01	00	1.8	1.01
5) The state of the Estonian wholesale system.	56	28	15	01	00	2.5	1.33
6) The quality of transport services compared to the prices in Estonia.	19	41	38	01	01	1.6	1.39
7) The quality of office and industrial premises compared to the prices in Estonia.	29	22	46	00	02	1.6	1.51
8) The quality of advertising channels compared to the prices in Estonia.	35	35	29	00	01	2.0	1.59
9) The quality of other services compared to the prices in Estonia.	30	38	30	01	00	1.9	1.32
10) The quality of training compared to the prices in Estonia.	22	38	35	04	01	1.6	1.54
11) The security of managers in Estonia.	16	22	56	05	01	1.1	1.57
12) The state of your industry in general.	48	32	17	03	01	2.3	1.67
13) Competition within your industry.	30	24	38	05	04	1.4	1.89
14) Profits related to risks within your industry.	31	30	35	01	04	1.6	1.77
15) The quality of the technology used in your industry compared to the prices.	17	17	60	04	03	0.9	1.69
16) The quality of the raw materials used in your industry compared to the prices.	20	32	47	01	00	1.5	1.36
17) The availability of skilled managers in your industry.	15	28	54	01	01	1.1	1.41
18) The availability of skilled employees in your industry.	22	32	41	03	03	1.4	1.52
19) The demand potential of your markets in Estonia.	16	38	43	02	01	1.4	1.35
20) The stability of your markets in Estonia.	11	32	52	03	03	1.1	1.48

APPENDIX 8. The transition of the external management environment 1995-1999 (N=114 - %)

	GPT	PT	NOT	NT	GNT	AV	SD
1) The efficiency and reliability of the Estonian banking system.	03	21	75	00	01	1.2	1.01
2) Chances of finding reasonably priced funding in Estonia.	09	34	57	00	00	1.4	0.97
3) The advancement and practicalness of the legislation in Estonia.	04	27	69	00	00	1.3	0.89
4) The reliability of the Estonian authorities.	04	21	75	01	00	1.1	0.97
5) The state of the Estonian wholesale system.	04	25	70	00	02	1.0	1.01
6) The quality of transport services compared to the prices in Estonia.	03	21	75	01	01	1.0	1.12
7) The quality of office and industrial premises compared to the prices in Estonia.	02	22	75	00	01	1.0	0.88
8) The quality of advertising channels compared to the prices in Estonia.	04	23	72	00	01	1.1	0.99
9) The quality of other services compared to the prices in Estonia.	04	22	71	03	00	1.0	0.91
10) The quality of training compared to the prices in Estonia.	03	25	69	01	02	0.9	1.05
11) The security of managers in Estonia.	05	25	68	03	00	1.0	1.05
12) The state of your industry in general.	04	28	67	01	01	1.1	1.03
13) Competition within your industry.	04	24	69	01	03	0.8	1.32
14) Profits related to risks within your industry.	03	12	82	03	01	0.6	1.15
15) The quality of the technology used in your industry compared to the prices.	07	13	79	00	02	0.6	1.18
16) The quality of the raw materials used in your industry compared to the prices.	05	13	81	01	00	0.8	0.84
17) The availability of skilled managers in your industry.	02	13	85	00	00	0.8	0.92
18) The availability of skilled employees in your industry.	05	22	71	02	01	0.9	1.10
19) The demand potential of your markets in Estonia.	07	17	75	00	01	1.0	0.91
20) The stability of your markets in Estonia.	08	11	80	02	00	0.7	1.09

APPENDIX 9. The state of organizational management functions in 1995 (N=114 - %)

	1	2	3	4	5	6	7	AV	SD
1) The quality of your production technology.	00	05	23	39	30	02	02	4.1	0.98
2) The utilization of technical management tools in your company.	01	02	18	51	22	04	03	4.1	0.98
3) The raw material supply network of your company.	00	02	23	48	18	00	09	4.2	1.14
4) The reliability of your sales deliveries.	00	07	30	44	07	00	11	4.0	1.30
5) Competitive position of your products in Estonia.	02	11	37	39	07	00	04	3.5	1.09
6) The quality of your product design.	01	06	28	49	14	01	01	3.8	0.92
7) The functioning of your information channels.	00	04	21	54	16	04	01	4.0	0.88
8) The skills of your managers.	01	03	31	48	17	01	00	3.8	0.82
9) The skills of your employees.	00	02	22	60	13	02	02	4.0	0.82
10) The efficiency of your personnel.	00	02	22	51	24	01	00	4.0	0.76
11) The reliability of your personnel.	02	05	32	44	15	02	01	3.8	0.96
12) The efficiency of the sales network in your company.	00	02	22	43	27	03	04	4.2	1.00
13) The utilization of advertising in your company.	01	02	22	42	25	05	04	4.2	1.06
14) The quality of your customer services.	00	07	31	44	16	00	02	3.8	0.93
15) The financial position of your company.	00	02	25	26	33	12	02	4.3	1.10
16) Your chances of acquiring outside funding for development of company operations.	01	03	23	29	27	11	07	4.4	1.27
17) The capacity of your company to change when the business environment requires.	01	06	29	45	16	02	02	3.8	0.98
18) The realization of sales deliveries in your company.	01	12	41	37	00	06	03	3.5	1.01
19) The competitive position of your company in Estonia.	02	13	34	38	09	00	04	3.5	1.12
20) The competitive position of your company outside Estonia.	01	03	17	41	18	04	17	4.5	1.41

APPENDIX 10. The transition of organizational management functions in 1991-1995 (N=82 - %)

	GPT	PT	NOT	NT	GNT	AV	SD
1) The quality of your production technology.	04	13	83	01	00	0.7	1.02
2) The utilization of technical management tools in your company.	06	19	75	00	00	1.0	0.97
3) The raw material supply network of your company.	03	15	81	01	00	0.6	0.98
4) The reliability of your sales deliveries.	04	18	77	01	00	0.8	0.98
5) Competitive position of your products in Estonia.	04	05	87	04	01	0.3	1.06
6) The quality of your product design.	07	14	79	00	00	0.9	0.92
7) The functioning of your information channels.	10	26	63	00	01	1.1	1.15
8) The skills of your managers.	03	12	83	00	03	0.7	0.92
9) The skills of your employees.	06	00	91	01	01	0.5	0.89
10) The efficiency of your personnel.	04	11	84	01	00	0.9	0.84
11) The reliability of your personnel.	03	12	86	00	00	1.0	1.00
12) The efficiency of the sales network in your company.	09	15	75	01	00	0.9	1.08
13) The utilization of advertising in your company.	09	19	72	00	00	1.1	0.95
14) The quality of your customer services.	04	14	81	01	00	0.8	0.89
15) The financial position of your company.	08	11	78	03	01	0.7	1.19
16) Your chances of acquiring outside funding for development of company operations.	10	12	74	03	01	0.8	1.21
17) The capacity of your company to change when the business environment requires.	10	16	73	01	00	1.1	1.12
18) The realization of sales deliveries in your company.	12	09	80	00	00	0.9	1.10
19) The competitive position of your company in Estonia.	06	12	75	05	01	0.5	1.29
20) The competitive position of your company outside Estonia.	08	27	64	00	01	0.9	1.22

APPENDIX 11. The transition of organizational management functions in 1991-1999 (N=82 - %)

	GPT	PT	NOT	NT	GNT	AV	SD
1) The quality of your production technology.	25	35	38	00	03	1.7	1.30
2) The utilization of technical management tools in your company.	40	35	23	01	01	2.2	1.33
3) The raw material supply network of your company.	19	30	49	01	00	1.6	1.15
4) The reliability of your sales deliveries.	23	33	43	01	00	1.7	1.23
5) Competitive position of your products in Estonia.	10	22	62	05	01	1.0	1.31
6) The quality of your product design.	18	39	43	00	00	1.8	1.13
7) The functioning of your information channels.	31	40	28	01	00	2.0	1.21
8) The skills of your managers.	13	40	48	00	00	1.6	1.02
9) The skills of your employees.	13	34	53	00	01	1.4	1.21
10) The efficiency of your personnel.	24	46	30	00	01	1.9	1.20
11) The reliability of your personnel.	21	36	42	00	01	1.7	1.18
12) The efficiency of the sales network in your company.	34	33	33	00	00	2.2	1.24
13) The utilization of advertising in your company.	37	35	27	00	01	2.2	1.31
14) The quality of your customer services.	22	44	32	01	01	1.9	1.23
15) The financial position of your company.	20	40	38	01	01	1.7	1.36
16) Your chances of acquiring outside funding for development of company operations.	29	38	33	00	01	1.9	1.40
17) The capacity of your company to change when the business environment requires.	32	28	41	00	00	2.0	1.21
18) The realization of sales deliveries in your company.	21	30	50	00	00	1.7	1.28
19) The competitive position of your company in Estonia.	14	31	52	04	00	1.2	1.46
20) The competitive position of your company outside Estonia.	31	28	41	00	00	1.7	1.28

APPENDIX 12. The transition of organizational management functions in 1995-1999 (N=114 - %)

	GPT	PT	NOT	NT	GNT	AV	SD
1) The quality of your production technology.	04	20	73	02	01	1.0	0.85
2) The utilization of technical management tools in your company.	07	25	65	02	02	1.2	1.07
3) The raw material supply network of your company.	04	16	79	00	01	1.0	0.69
4) The reliability of your sales deliveries.	03	13	84	00	00	0.9	0.73
5) Competitive position of your products in Estonia.	01	05	93	01	00	0.7	0.66
6) The quality of your product design.	04	14	80	01	01	0.9	0.74
7) The functioning of your information channels.	04	13	80	01	02	0.9	0.79
8) The skills of your managers.	05	13	79	01	02	1.0	0.84
9) The skills of your employees.	04	09	85	01	02	0.9	0.86
10) The efficiency of your personnel.	06	11	81	00	02	1.0	0.83
11) The reliability of your personnel.	05	13	79	01	02	1.0	1.00
12) The efficiency of the sales network in your company.	08	28	62	01	01	1.3	0.78
13) The utilization of advertising in your company.	08	23	66	01	02	1.1	0.99
14) The quality of your customer services.	07	14	77	02	01	1.1	0.88
15) The financial position of your company.	09	15	72	03	01	1.0	0.98
16) Your chances of acquiring outside funding for development of company operations.	06	25	67	02	01	1.1	1.08
17) The capacity of your company to change when the business environment requires.	04	17	78	01	00	0.9	0.78
18) The realization of sales deliveries in your company.	05	11	83	00	01	0.8	0.70
19) The competitive position of your company in Estonia.	03	11	86	00	01	0.7	0.90
20) The competitive position of your company outside Estonia.	05	10	84	01	00	0.8	0.83

APPENDIX 13. The state of managerial functions in 1995 (N=114 - %)

	1	2	3	4	5	6	7	AV	SD
1) The clarity of your company's business idea.	03	12	40	32	09	01	03	3.5	1.11
2) The accomplishment of the business idea.	01	12	40	34	10	01	02	3.5	1.02
3) The planning of company strategies.	00	08	31	41	18	02	00	3.7	0.91
4) The accomplishment of company strategies.	00	06	37	38	16	03	01	3.8	0.94
5) The control of the accomplishment of strategies.	00	03	30	43	18	05	01	3.9	0.93
6) The commitment of managers to company goals.	01	09	37	43	09	01	00	3.5	0.85
7) The specifity of the managers' tasks.	02	06	30	51	10	01	00	3.6	0.85
8) The independence of managers.	03	07	42	38	10	00	00	3.5	0.87
9) The training opportunities for managers.	02	10	34	35	16	04	01	3.7	1.09
10) The initiative of managers.	03	02	37	45	13	01	00	3.7	0.86
11) The efficiency of the use of time by managers.	01	02	26	49	20	03	00	3.9	0.85
12) The motivation of managers.	00	03	36	40	18	02	01	3.8	0.89
13) The control of managers.	00	03	37	45	10	02	03	3.8	0.94
14) The planning system of decision-making.	00	02	39	45	14	00	01	3.7	0.79
15) The rapidness of decision-making.	01	05	40	38	17	00	00	3.6	0.85
16) The passing of information in your company.	02	04	30	43	18	03	00	3.8	0.94
17) Relations between the managers.	01	13	39	40	06	00	02	3.4	0.94
18) Relations between the managers and the employees.	00	11	38	44	08	00	00	3.5	0.79
19) Solving differences in opinions.	01	09	38	45	06	01	01	3.5	0.88
20) The employees chances to influence in company.	01	04	33	54	06	03	00	3.7	0.80
21) Market-orientation in management.	00	08	36	36	11	02	06	3.8	1.17
22) Cost-awareness in management.	00	09	33	40	15	03	00	3.7	0.93
23) Willingness to take risks in management.	00	06	35	46	11	01	01	3.7	0.86
24) Managers' capacities to change their practices.	01	03	31	40	18	04	03	3.9	1.04
25) Managers' will to change their practices.	01	02	29	48	16	03	02	3.9	0.94

APPENDIX 14. The transition of managerial functions in 1991-1995 (N=82 - %)

	GPT	PT	NOT	NT	GNT	AV	SD
1) The clarity of your company's business idea.	14	09	74	03	00	0.9	1.27
2) The accomplishment of the business idea.	09	15	76	00	00	1.0	1.07
3) The planning of company strategies.	11	16	73	00	00	1.0	1.04
4) The accomplishment of company strategies.	05	21	73	01	00	0.9	0.95
5) The control of the accomplishment of strategies.	06	15	78	01	00	0.9	0.89
6) The commitment of managers to company goals.	06	11	83	00	00	0.7	0.87
7) The specifity of the managers' tasks.	09	11	80	00	00	0.9	1.02
8) The independence of managers.	10	15	75	00	00	0.9	1.09
9) The training opportunities for managers.	08	15	77	00	00	0.9	1.03
10) The initiative of managers.	05	09	86	00	00	0.7	0.92
11) The efficiency of the use of time by managers.	00	11	87	00	01	0.6	0.80
12) The motivation of managers.	03	18	79	01	00	0.8	0.89
13) The control of managers.	01	09	87	03	00	0.6	0.84
14) The planning system of decision-making.	03	06	91	00	00	0.7	0.74
15) The rapidness of decision-making.	04	06	90	00	00	0.7	0.86
16) The passing of information in your company.	03	10	88	00	00	0.8	0.71
17) Relations between the managers.	04	06	90	00	00	0.5	0.84
18) Relations between the managers and the employees.	05	00	94	01	00	0.5	0.95
19) Solving differences in opinions.	04	06	90	00	00	0.6	0.92
20) The employees chances to influence in company.	05	09	86	00	00	0.7	0.87
21) Market-orientation in management.	10	14	76	00	00	1.1	0.97
22) Cost-awareness in management.	05	18	78	00	00	1.0	0.84
23) Willingness to take risks in management.	06	08	86	00	00	0.7	0.95
24) Managers' capacities to change their practices.	05	13	83	00	00	0.9	1.07
25) Managers' will to change their practices.	06	06	86	01	00	0.7	0.94

APPENDIX 15. The transition of managerial functions in 1991-1999 (N=82 - %)

	GPT	PT	NOT	NT	GNT	AV	SD
1) The clarity of your company's business idea.	24	29	45	00	03	1.7	1.71
2) The accomplishment of the business idea.	25	34	38	00	03	1.8	1.62
3) The planning of company strategies.	31	29	39	00	01	1.9	1.45
4) The accomplishment of company strategies.	28	33	38	00	03	1.9	1.35
5) The control of the accomplishment of strategies.	30	33	35	00	01	1.9	1.37
6) The commitment of managers to company goals.	23	29	48	00	01	1.7	1.27
7) The specifity of the managers' tasks.	19	43	38	00	01	1.8	1.29
8) The independence of managers.	25	31	40	01	03	1.8	1.47
9) The training opportunities for managers.	24	41	32	01	03	1.8	1.40
10) The initiative of managers.	19	29	51	00	01	1.6	1.05
11) The efficiency of the use of time by managers.	19	39	39	00	03	1.6	1.28
12) The motivation of managers.	23	38	38	00	03	1.7	1.32
13) The control of managers.	11	38	48	00	03	1.4	1.09
14) The planning system of decision-making.	10	43	45	00	03	1.5	1.14
15) The rapidness of decision-making.	13	37	48	00	03	1.5	1.27
16) The passing of information in your company.	20	49	29	00	03	1.8	1.25
17) Relations between the managers.	10	20	68	00	03	1.2	1.23
18) Relations between the managers and the employees.	06	30	63	00	01	1.2	1.23
19) Solving differences in opinions.	11	29	57	00	03	1.3	1.27
20) The employees chances to influence in company.	15	30	52	00	03	1.5	1.20
21) Market-orientation in management.	31	36	33	00	00	2.0	1.17
22) Cost-awareness in management.	28	39	30	00	03	1.9	1.38
23) Willingness to take risks in management.	17	24	56	00	04	1.4	1.43
24) Managers' capacities to change their practices.	20	31	46	01	01	1.6	1.38
25) Managers' will to change their practices.	19	32	47	00	01	1.6	1.32

APPENDIX 16. The transition of managerial functions in 1995-1999 (N=114 - %)

	GPT	PT	NOT	NT	GNT	AV	SD
1) The clarity of your company's business idea.	04	13	80	02	01	0.8	1.11
2) The accomplishment of the business idea.	03	13	81	01	02	0.8	1.07
3) The planning of company strategies.	01	19	79	01	01	0.9	0.87
4) The accomplishment of company strategies.	03	19	76	01	02	1.0	0.96
5) The control of the accomplishment of strategies.	03	22	73	01	02	1.1	1.02
6) The commitment of managers to company goals.	04	12	81	01	02	1.0	0.96
7) The specifity of the managers' tasks.	03	11	83	02	01	0.9	0.96
8) The independence of managers.	02	11	84	02	01	0.9	0.83
9) The training opportunities for managers.	03	16	78	03	01	0.9	1.01
10) The initiative of managers.	00	17	80	03	00	0.9	0.79
11) The efficiency of the use of time by managers.	02	21	75	01	02	1.0	1.03
12) The motivation of managers.	05	15	76	02	02	1.0	0.97
13) The control of managers.	04	08	85	02	02	0.8	0.96
14) The planning system of decision-making.	02	12	83	01	02	0.8	0.83
15) The rapidness of decision-making.	04	11	82	00	04	0.8	1.09
16) The passing of information in your company.	05	15	77	01	02	1.0	1.01
17) Relations between the managers.	00	09	90	00	02	0.6	0.97
18) Relations between the managers and the employees.	00	08	92	00	01	0.7	0.81
19) Solving differences in opinions.	02	08	88	01	02	0.7	0.96
20) The employees chances to influence in company.	01	09	89	00	02	0.8	0.82
21) Market-orientation in management.	02	12	86	00	00	1.0	0.63
22) Cost-awareness in management.	04	19	75	00	02	0.9	0.98
23) Willingness to take risks in management.	01	08	89	00	03	0.7	0.89
24) Managers' capacities to change their practices.	04	12	82	01	01	0.7	0.98
25) Managers' will to change their practices.	06	11	82	01	01	0.9	0.98