

# **1. BACKGROUND TO THE DEVELOPMENTS IN ORGANISATIONAL CULTURE IN TRANSITIONAL ESTONIA**

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## **Abstract**

The rapidly changing organisational environment of Estonia has led to vital changes within the organisations of the country. Therefore the paper analyses the interaction between the organisations and their environment, aiming to create a general background for understanding the developments characteristic of organisational culture in the 1990s and how they may affect the recent organisational culture issues. Population ecology theory is applied to systematise these complex relationships and thus three consecutive steps: variation, selection, and retention are analysed. The functioning of organisations is illustrated by two companies, serving as examples of variety of organisational design. The characteristic types of Estonian organisational culture are exhibited and a shift in managerial mentality with regard to social issues is described. The roles of management training and literature are emphasised in this process.

## **Introduction**

In the last decade, the dramatically changed environment has played a crucial role in the organisational developments in Estonia, which makes it an important background factor to the current trends in organisational culture and its studies. Systematisation in

the transition era is a complicated task in regard to all aspects of societal life and human behaviour, which makes describing background factors a challenging exercise. The number of organisations has grown considerably; therefore distinguishing between them is important in order to understand which tendencies of organisational life derive from the nineties and how they form the background to the organisational culture (further OC) in Estonia nowadays.

The general environment of organisations is shaped by macro level processes, yet the period of market economy in Estonia is too short to enable a systematic approach. Too much has happened during this brief period; therefore it is not easy to find the salient events and trends that could serve as a framework for systematisation. But the first explorations of the organisational environment have already been designed. Here we can refer to the effort made by Ruth Alas who worked out the method for institutional treatment of organisational environment (Alas, 2003), seeing the organisational environment from the perspective of historical factors rather than from that of recent developments. She observed quite a long time scale (from 1919 until 1995), giving a reasonable description of the organisational environment. Alas distinguished between two periods within the transition era, the year 1995 being the landmark between them. The period before 1995 is characterised as social transience and the one after 1995 as re-institutionalisation following the previous step. Another example, which also confirms the beginning of stabilisation in the mid-1990s, was proposed by Terk and Teder (Terk, Teder, 1998; Terk, 2000), who studied the development of Estonian entrepreneurship and provided facts and examples indicating that due to the comparatively successful privatisation, some kind of equilibrium was established within the organisational world in terms of size (small/large), age (new/old), etc. Terk (2000) suggests that the extensive sales period ended in 1995, leading to the stabilisation of the environment.

While Alas's approach presents a general understanding of the prevailing tendencies in the organisational environment, herein we will focus on more detailed questions of organisational envi-

ronment and OC developments in the Estonian context during the last decade (within the transition process), analysing them in the next three sections. Essay style is preferred in order to outline and speculate about the environment and OC. The business newspapers and interviews that have documented the everyday atmosphere will serve as the main source of reference.

## **Impact of the environment**

Environmental factors have so intensively affected the functioning of organisations that it is appropriate to refer to the approach proposed by Hannan and Freeman (1977). This is population ecology theory, assuming that the environment selects the organisations which are able to survive. Of course, it is not a new idea to apply the terms of biology to the organisational world, but population ecology theory does it systematically in many respects. According to this treatment, organisations are subjects of natural selection and have to find an appropriate niche in order to retrieve resources. The theory focuses on groups (populations) of organisations instead of individual organisations. The entity forming process is characterised as three consecutive steps: variation, selection, and retention. We take these three elements of population ecology theory for our framework of systematisation and discuss the dynamics of the environment. We analyse the processes within the environment in general, therefore groups of organisations and the interaction of these networks are not in the focus of this overview.

Population ecology theory has received many critical reflections (cf. Amburgey, Rao, 1996; Singh, 1990) and we also admit that there are several limitations to its application. We believe that the radical change of society will make it possible to prove the existence of the elements of this theory, because three evolutionary processes may explain the dynamics of organisations in their environment.

## Variation phase

Hannan and Freeman (1977) asked in their leading article: Why are there so many kinds of organisations? Estonia is an example of how plurality has developed. The creation of variations was quite impressive in the early 1990, especially considering people's previous experience and attitudes. Namely, in the former Soviet Union the starting of organisations was carefully controlled by the state as they served as tools of controlling individuals and groups. Consequently, one would think that people had learned to be passive with regard to organisations, but the number of novice enterprises grew very fast and people's state of mind indicated that the birth of organisations was a very natural part of life.

An example of the growth could be drawn from *Äripäev*, an Estonian business paper. It revealed that a small Estonian city, Haapsalu, had three independent banks at the beginning of 1991 (Haapsalus juba ..., 1991) and yet announced that in a few months another brand new bank would be opened in this city (Haapsalus jälle ..., 1991). One entrepreneur has characterised the spirit of those days by saying: If a sane paterfamilias came home after a workday and did not report about a new 'kooperatiiv' (Est. for "cooperative" – the first legal form of semiprivate business firm in the USSR) ... it was a disappointment for the whole family" (Mötsar, 1998). As a result, a considerable number of firms was established and 520 firms nominated themselves for the award of the best company in 1992 (520 firmat ..., 1993).

All the groups (ecological units) were newly stated, because the roots of society changed totally. In the early nineties, the legislation was very liberal about the foundation of firms. Consequently, this act was simple and the requirements for capital were low if somebody wanted to establish a new firm. He or she had good chances to start his/her own bank, manufacture, retail shop, restaurant, etc., and people met these challenges actively. This was something that supplied the variation phase with newcomers (organisations) in Estonia.

Some areas had the advantage of starting from zero, while others had to grapple with the mentality and organisational culture that had been produced in the conditions of command economy. Probably one comment would be useful here. Indeed, many organisations started from zero, but the society in general remembered the ‘old times’. The previous market economy experience was still alive in Estonia when the transition began. Something similar was mentioned by Martin: “the starting-points for transformation are defined by the experience of both pre-socialist and socialist periods” (Martin, 1999). He thought that pre-socialist experience would have an impact on transformation because the socialist period represented only slightly more than a generation of experience in many Central and East European countries. Russia is an exception but Estonia fits in with this round of countries. According to this idea, we can say that there existed competences for market economy in Estonia when the transition processes commenced. It was an important social source of variation.

### **Selection phase**

The selection phase was introduced by various means. Herein we elicit two of them – customers and the role of governmental regulations. First, the role of customers increased significantly after the deficiency era or absolute lack of everyday products by which the society was characterised before the Monetary Reform in 1992. Buyers and sellers started to acquire new roles and both of them had to learn how to select and to be selected. Vadi and Suuroja (2003) have put it as follows: “The amount of products increased and retail outlets entered into competition to regain their customer base. The direction and division of power relationships between retailers and customers in the selling process changed.” Customer orientation is seen as an important determinant of OC (for example, Wilson, 2001; Homburg, Pflesser, 2000; Boyle, 1997; Langan-Fox, Tan, 1997) and therefore we consider it an important moment in a broader perspective.

Legal regulations can be considered as the second important element of selection. There were no bankruptcies in the former Soviet Union but they were enacted in newly independent Esto-

nia. The first official crash of a company took place at the end of 1992 (Täna hakkab kehtima ..., 1992, Esimene teadaolev ..., 1992) and 31 companies went bankrupt already in early 1994 (Intervjuu Ettevõttereegistri ..., 1994). Of course, several firms went out of business already before the Law of Bankruptcy was passed, but we underline the role of the society level regulations here. The newly established role of sanitation emerged and different regulations were added later. The gradual rise of requirements in the minimum stock equity capital stated by the Central Bank for the financial sector (Sörg, 2003) illustrates well how legal regulations began to function. This was essentially a new prospect for organisations and has led to efficiency issues of organisations. This tendency can be illustrated by a headline from an Estonian newspaper – “CEOs confer space to financial managers” (Tapper, 1995). The article gives several examples of efficiency problems in companies managed by directors with ingrained experience from the command economy. The locus of efficiency management moved from the execution of state-level planned numbers to the organisational level. It involves understanding of organisational goals and resources to gain goals and accomplish tasks. Those issues are also important factors for OC formation.

The aspiration for growth dominated and several companies looked for markets in the neighbouring countries (i.e. Russia, other Baltic countries) in the mid-90s. The business newspaper notified in the first issue of 1995: a year of growth and lending is coming (Tulemas on ..., 1995). Probably, the peak of this atmosphere was in 1996 and therefore we characterise this period as the ‘golden 1996’, which expresses the belief in quantitative growth and its primary role. This has created the fallacious perception of a good shape of organisations in many cases. The intensity of the selection was not equal throughout the period, because the international and global issues also played a certain role in the Estonian economy. For example, the developments in the Russian economy promoted the phases of variation and selection in Estonia as well.

## **Retention phase**

Hannan and Freeman (1997) suggest that organisational efficiency results from the excess of some kind of capacity. They say: “In a rapidly changing environment, the definition of excess of capacity is likely to change frequently. What is used today may become excessive tomorrow, and what is excessive today may be crucial tomorrow.” In a similar vein, we argue that transitional society created such an environment for organisations, where the necessary capacity was changing frequently. The retention phase gave a positive feedback to those who had successfully passed the selection phase, which was concluded by the strongest tool – a crisis, which came in November 1997 (Külm dušš ..., 1997). The retention phase bares the importance of efficiency. Those who were not able to pass the selection phase went out of business and others got a chance to stay. The change of environment and organisations took place and here we refer to the economic data because they give a good indication that the number of actors has stabilised in the organisational world.

Banking was established as a new sector of economy and thus the dynamics of its characteristics would be interesting to look at as one group. The number of commercial banks confirms our assumption that the phase of retention came on the scene. According to the Sõrg’s data there were 41 operating banks in 1992, 22 in 1993, 24 in 1994, 18 in 1995, 13 in 1996, 11 in 1997, 6 in 1998, while seven banks have been operating since 1999 (Sõrg, 2003). His data also reveal that the role of banks in economy increased more than two-fold (Banks assets, % of GDP) and the surviving banks have strengthened considerably. The data indicating the role of banks in the economy (% of banks assets in GDP) had a jumpy character until 1998, but started to increase smoothly from 1999 on. The invariability of the number of banks from 1999 onwards is also an argument to confirm that an ecological unit was completed after the crisis. The retention phase came and brought some degree of stability into the environment.

Banks introduced new policies for capital lending and the requirements of financial institutions for supporting projects became

more rigorous. As a result, far fewer of the capital projects promoted by companies received support. The efficiency efforts were exhibited also in labour force usage. Masso and Heshmati (2003) have shown that the degree of overuse of labour was declining over time from 10.5 per cent in 1996 to 6.4 per cent in 1999. The developments of the environment led to progress in the Estonian economy, which could be illustrated by different indicators. For example, GDP growth was 4.6, -0.6, 7.1, and 5.0 in 1998, 1999, 2000, and 2001, respectively (Statistical Office of Estonia). Estonia's sustainability increased significantly and the country was able to perform better not only at the national but also at the international level. The year 2000 was outstanding in terms of growth of the country's welfare. Stabilisation of the organisational environment has created a situation where organisational leadership think how to stay, better perform, and fulfil their customers' needs. These capacities became crucial and consequently it will guide them to OC regularities. This is the basis for a wider interest towards the OC studies in Estonia at the end of the nineties.

## **The functioning of organisations**

The environment bucketed and organisations had to keep in step with the speed of developments. The newly founded organisations needed an organisational structure, which would serve as rules for making decisions. More specifically, these decisions would be directed towards relationships between the parts of an organised entity by providing the principles for differentiation and integration, standardisation and locus of decision making. The model of organisational design was taken along from the command economy and entrepreneurs supplemented it with personal understanding.

The managers' knowledge and background was shaped by experience from the command economy. In his article "Leadership and Social Competence in the Declining Years of Communism", Krips (1992) examined this issue and could identify ten major problems that were facing Soviet Estonian managers. He gave several examples of behaviour, including the cases where manag-

ers avoided responsibility as much as possible, treated their subordinates as children, ordered them around, etc. Of course, these characteristics were peculiar to Soviet-type managers. In contrast, new managers, who were often owners as well, were inclined to take many risks. The first half of the nineties gave several examples of managers who represented a mix of 'new' and 'old' type behavioural patterns. The lack of knowledge and necessary managerial experience was probably the main reason why outstanding entrepreneurs and salient ideas failed in those days. This era abounded with stories of success and failure. In our view, telling them would help the reader to understand better what the background to OC developments was like in Estonia.

One case of failure was the LMRA, which was established in 1990. Its activities involved a large range of potential operation areas (i.e. oil-trade, retailing, construction, tourism, transportation, training etc.). This case provides a vivid insight into the causes why several initially successful firms failed.

The firm started to grow very fast: in 1990 it employed 15 people, in 1991 already 45, and in 1992 and 1993, respectively, 360 and 500. The LMRA's market share was 30 per cent of the Estonian total fuel business in 1993 and the company was developing a network of filling-stations, but unfortunately they decided to modify the Soviet fashion equipment, which was quite primitive. The LMRA dilated in everyday functioning; for example, they hired even a TV-director, planned to give an airplane as a present to the president of Estonia, etc. The organisational goal was unclear and the employees did what they liked. Their assignments and responsibilities were defined incoherently and the managers' relatives were preferred in recruiting. However, this was not a sufficient guarantee of the employees' loyalty: later, when the firm was dissolved, the offices appeared to have been bugged. The degree of centralisation was extremely high because all the decisions were taken by one person – Jüri Lõsak, who was the sole owner and had the role of CEO as well. He believed that an organisation managed by one person is flexible and able to manoeuvre.

Jüri Lõsak lost total control of the firm in 1994, while several employees lost motivation, began to steal, LMRA failed in gross dealership, and consequently, the firm was declared bankrupt in December 1994. Lõsak admitted several mistakes in his interview afterwards, saying among other things that if he was given a chance to continue, he would hire no more than 12 persons from among those who had worked for the LMRA. The case reveals the main weaknesses of organisational design – the enormity of fields of operation, and the lack of efficiency and management’s experience usually result in unclear goals, labour division, inefficient formalisation tactics, and high centralisation. Their investments into old technology did not permit the LMRA to compete with the western companies that had started to operate in Estonia. All the abovementioned aspects are reciprocally related with trust and loyalty within an organisation.

Hansapank, on the other hand, epitomises a success story. The first thing that we want to underline in this context is that the founders and key persons of this bank were working as management consultants in the 1980s, dealing with OC research and other organisation-related topics (Terk, 1997). They had both theoretical knowledge and practical experience that probably gave them a competitive advantage over other entrepreneurs when the firm started in 1991. However, the role of entrepreneurs’ intuition should also be mentioned here as a significant capacity in those days. There was a complete lack of specific knowledge about banking in this country at the time when banks started and basic managerial knowledge had to fill the existing gap.

The managers of Hansapank thought about organisational design from the very beginning. Jüri Mõis, the CEO of Hansapank between 1991 and 1998, has described how the organisational goal was reassessed yearly because the environment changed so significantly. Consequently, they renewed the organisation’s focus by considering the customers’ needs and environmental trends. He said: “The art is to notice what the real problem is.” (Vadi, 1998). Hansapank hired a very good personnel manager in 1994

and since then they have been the leading organisation in terms of human resources management activities in Estonia.

Hansapank has gained outstanding results during its operation. The Moody's Investors Service assigned the C level credit rate to the bank and evaluated it as the strongest bank in the Baltic region (Hansapank). The bank has worked out several products that are very popular among their clients. For example, Hansapank's Internetipank is used by more than 337,000 clients. Table 1.1 gives a good overview of Hansapank from different perspectives. Its employees and managers nominated their company for the Best Employer Award in 2002.

**Table 1.1.** The results of Hansapank in the competition for the Best Employer Award 2002 (Parim ..., 2002)

<b>Category</b>	<b>Final rating</b>	<b>The managers' opinions</b>	<b>The employees' opinions</b>
Best employer 2002	5 <sup>th</sup> place	17 <sup>th</sup> place	4 <sup>th</sup> place
Family friendly company	9 <sup>th</sup>	18 <sup>th</sup> place	7 <sup>th</sup> place
Best work environment	11 <sup>th</sup> place	38 <sup>th</sup> place	8 <sup>th</sup> place
The employers' development protector	14 <sup>th</sup> place	43 <sup>rd</sup> place	3 <sup>rd</sup> place

*Note:* the respondents were asked to evaluate different aspects of their organisational life and the organisations were ranked on the basis of these data.

Table 1.1 demonstrates that the employees' opinions about Hansapank were even better than the managers' evaluations. Probably, this is also the sign of a stabilised environment, because the managers who were able to guide the company in the turbulent environment have started to look for new challenges. A similar phenomenon is mentioned by Martin, who argues that the early years of the transition encouraged individualism, flexibility, and risk-taking, when he discusses the prerequisites for the emergence of managerialism in the Central and East European countries (Martin, 1999). Tõnis Haavel, a prized specialist in investments has said: "In 1999 it was clear that Hansapank had become a large

organisation, which had its own life and a continuous development was impossible even in the department of finance.” (Edukas olla ..., 2000). A new era requires new capacities and several people, who had enjoyed the big challenges earlier, have moved to other organisations.

The above two examples are not meant to be black/white stories of organisational life, because the scale of organisational practices is full of variation. We do not take the role of a judge who says what was done well and what was incorrect. Instead, we want to show that enterprise was the crucial resource at the very outset of the transition, while an excess of some resource may cause trouble for the organisation at the next step, where the ability to create a reasonable structure is the most important asset. The firms, which created a very strong structure from the very beginning, were also unsuccessful. The transitional society provides several examples and illustrative case studies would be an interesting tool for untangling the processes and learning lessons for the future.

## **Issues of organisational culture in the 1990s**

There were relatively well developed management training and networks of management consultants in the 1980s in Estonia (see the Appendix of this book). So we speculate that these traditions had a certain impact on the formation of management and organisational culture despite the interruption of continuity in this field. A veracious account of the status and role of OC has been given by Professor Üksvärav (1995), who differentiated between four types of firms and described the corresponding patterns of OC. The large enterprises and their remaining parts were presented as the basis for the *first* type of OC. These organisations were affected by the new tendencies but they had retained something from the past and were characterised by a sense of pride tied with their former large size and good reputation. There were well developed feelings of cohesiveness, and the managers’ paternal attitude towards employees, but no sense of ownership. The *second* type was called recently established small firms, where

one person's ideology ruled the others' behavioural patterns, social issues of organisations were not discussed, and young people were preferred to older employees. The *third* type was the financial firms, which had introduced a new substance of operation and were characterised by using special concepts and language as well as computers. The latter circumstance is customary today but it separated financial firms from other companies considerably in the first half of the 1990s. Banks were at the forefront in the use of new technologies and they disseminated this attitude to the rest of business society. The *fourth* type in the outline was based on the foreign firms or partnerships with foreigners. Üksvārav held the opinion that the size of the foreigner's holding shapes the OC in such firms. Üksvārav's typology reflects the situation well and is in accordance with our treatment of the environment.

Managers of the early 1990s did not refer to OC when they thought about organisational change, failures, merges, communication, management's errors, etc. For example, 59 interviews with Estonian top managers and specialists were conducted in the period 1992–1997 (Vadi, 1998) but they told very little about OC issues. We meet a similar picture in business newspapers, while the term OC entered the managerial language approximately in 1999. An exception is a comprehensive article (Organisatsioonikultuur on ..., 1994), which presents an overview of managers' talks; its headline is *Organisational culture means compiling texts*. Of course, some managers knew the importance of the OC phenomenon, but their portions did not dominate.

Leadership is an important issue in OC development (Schein, 1985) and it concerns Estonia as well. The new generation of managers has grown up and corporate culture has become a new issue (Siil, 1996). Herein we draw conclusions about the managers' backgrounds, referring to an article of those days. Three aspects were distinguished between in an overview article about Estonian managers (Keskmine Eesti ..., 1995). First, the older managers' strength is life experience and secondly, their younger counterparts' advantage is energy. These attributes make up their vulnerability as well. Thirdly, lack of managerial knowledge

characterises both groups. Higher education was an obligatory precondition for a managerial position in command economies but had to some extent lost its importance in the first half of the 1990s. At the end of the last decade, higher education regained its high reputation among business people and managers.

Managerial mentality was very pragmatic if not severe. *Koolitus-Ekspress* claimed that the human resources policy of a large majority of firms was based on the exploitation of employees (Ah, anname ..., 1997). The newspaper cited the rude platitude, which was very often used in the managerial language if the employees' opinions and needs were discussed. Even the MBA course participants shared this expression in their classroom conversations.

In this light, a new approach emerged into the business society. The consultancy company Fontes staged cross-Estonian conferences for managers and the opening stroke was rather impressive (Pärnus esimene ..., 1996). Charles Handy was the keynote speaker at the first conference and he was able to create respect towards social issues in this pragmatic society. The participants were strongly affected by his presentation and book *Tühi vihmamantel (The Empty Raincoat)*, which had been translated into Estonian especially for this forum. Another thing was that during the two-day conference, (top) managers made their 20-minute presentations related to their everyday work achievements and problems.

Similar conferences were started for people at other organisational positions (i.e. financial managers, secretaries, etc.). The conferences for personnel managers were arranged even earlier – they started in 1993. This tradition has lasted up to the present day and it is impossible to underestimate the role of those conferences in the shaping of common sense in the Estonian business society. Estonia is so small (with less than 1.4 million inhabitants) that certain ideas can be successfully disseminated by such events. The appearance of contemporary management and organisational publications means important events for the business society. It must be mentioned, too, that original textbooks of management have been published in Estonia since 1995. Some examples are: *Personali juhtimine (Human Resources Man-*

agement) by K. Türk (1995), *Organisatsioonikäitumine (Organisational Behaviour)* by M. Vadi (1995), and *Juhtimise alused (Introduction to Management)* by R. Alas (1997). Goldratt, Belasco, Stayer, Covey, Goleman, Handy have been very popular among Estonian readers, to mention but a few authors of translated books. New trends of managerial thought are appreciated by several firms. Recently, the Balanced Score Card was introduced in large companies, which forces the companies and managers to follow certain types of behavioural paths. Training of the management is a very important factor that has been leading the Estonian managers towards the OC phenomenon.

## Conclusions

The concepts of population ecology theory enable us to explain why the organisational environment in the 1990s was what it was in Estonia. Firstly, there were few barriers to those who wanted to enter the economy and secondly, large enterprises had not yet managed to fill the niche in the early 1990s. The limitations of population ecology theory could be sidestepped in our case and therefore it fitted for the framework of our analysis. We found that three phases – variation, selection, and retention – of development could be separated in the nineties.

The design of organisations and their functioning principles varied considerably. The role of entrepreneurs was very important at the first stages of development, whereas later, when efficiency issues required special heed, managerial competence became a crucial capacity. The organisational culture phenomenon and its studies were not focused in the first half of the 1990s in Estonia, but the second half of the decade created the need and setting for paying attention to the commonly shared values, attitudes, and behaviour patterns in organisations. The business community accepted both management training activities and the spread of management literature.

The formation of OC requires time. Its impact begins to be felt when organisational members have enough common experience and share some values. Because of the short period that organisa-

tions have functioned in new societal conditions, it is a challenge for research to discover OC. In this book we will shed light on one aspect of organisational life – the impact of intangible factors which bring together individuals and groups, and mould the cooperation between organisations and their surrounding environment. In doing so we will focus on a former Soviet state that has undertaken far-reaching economic reforms during the last decade – the Baltic State of Estonia.

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## KOKKUVÕTE

### Organisatsioonikultuuri arengute tagapõhi siirde-Eestis

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Keskkonnal oli väga oluline mõju Eesti organisatsioonide toimimisele 1990. aastate algul, sest keskkonna muutused olid nii ulatuslikud, et sundisid ka organisatsioone muutma oma põhialuseid. Keskkonda peetakse ka üheks peamiseks organisatsioonikultuuri kujundavaks teguriks ning seetõttu võetakse problemaatika artiklis lähema vaatluse alla.

Organisatsiooni ja tema keskkonna vaheliste suhete dünaamikat iseloomustab populatsiooni ökoloogia teooria, mis eristab organisatsiooni gruppide (populatsioonide) kujunemises kolm järjestikust etappi. Käesolevas artiklis võetakse aluseks populatsiooni ökoloogia elemendid ja näidatakse, miks ja kuidas kujunes siirdeajastul organisatsioonide mitmekesisus. Uute organisatsioonide teke oli väga intensiivne ning ettevõtteid iseloomustas kvantitatiivne areng. Selektiooni etapp rakendus üsna peatselt ning esile tuuakse kaks valikute mehhanismi – klientide ja seadusandluse mõju. Võrrelduna plaanimajandusega muutus klientide roll turumajanduses kardinaalselt ning see omakorda selekteeris organisatsioone, nii nagu seda tegi ka pankrotiseaduse jõustumine. Viimane tõi fookusesse organisatsioonide tõhususe vajaduse. Selektiooni kõige tugevam mõju oli tunda 1997. aasta majanduskriisi ajal, mil paljud organisatsioonid olid sunnitud oma tegevuse lõpetama. Mitmed majandusnäitajad võimaldavad öelda, et populatsioonide püsimise etapp toimib alates 1999. aastast.

Kiirelt muutuvus keskkonnas pidid uued organisatsioonid kujundama sobiva struktuuri, ent paljude organisatsioonide juhtidel puudusid selleks vajalikud teadmised ja oskused. Ka võib eripäraseks pidada, et juhi ja ettevõtja rollid olid 1990. aastate algul väga sageli ühes isikus. Esitatakse kaks näidet, mis iseloomustavad tolleaegsete organisatsioonide kujundamise põhimõtteid ja toimimise tulemit. LMRA põhikirjas oli väga palju tegevusvaldkondi

ja 1993. aastal valitses ta 30% Eesti kütuseturust. Organisatsiooni eesmärkide ebaselgus, maksimaalne tsentraliseeritus, personali- valiku põhimõtete subjektiivsus ja paljud teised asjaolud hukutasid organisatsiooni vähem kui aastaga. Teine, Hansapanga juhtum näitab, kuidas organisatsiooni eesmärke keskkonnaga kohandades, organisatsiooni ülesehituse ja struktuuri probleemidele süstemaatiliselt lähenedes oli võimalik üles ehitada Baltimaade tugevaim finantsasutus.

Organisatsioonikultuuri teematikale pöörati 1990. aastate esimesel poolel veel küllaltki vähe tähelepanu. Siinkohal on erandiks R. Üksvärava esitatud toleaegsete organisatsioonide ja organisatsioonikultuuride tüpologia, mis iseloomustab hästi ajastu eripära. Juhtide arusaamad ja teadmised sellest, kuidas sotsiaalseid tegureid organisatsiooni juhtimises arvestada, olid tagasihoidlikud. Läbimurre toimus kümnendi keskel, mil mitmed tegurid (konverentsid, juhtimiskirjandus) hakkasid äri ja juhtimiskultuuri tervikuna mõjutama.