

# **ORGANISATIONAL CULTURE IN ESTONIA: MANIFESTATIONS AND CONSEQUENCES**

## **Introduction**

The Estonian economic and social life shows that the performance of organisations is often hindered by problems that can be successfully solved by tapping into organisational culture. Innovation of organisation, introduction of new technologies, and integration of non-Estonians, customer orientation, and co-operation with units or organisations in other countries depend on managers' knowledge and skills about how to use the opportunities hidden in organisational culture.

There are many crossroads where the OC concept meets other approaches to organisation, but there are also crosswords as well as intersections of these issues. These metaphors are useful tools for understanding our book. The comparison with crosswords and crossroads characterises well the status of the OC studies in Estonia and symbolically reflects the structure of our book. We consider the manifestations and consequences of OC. It could be seen as a rationale for making a distinction between the articles in this book. While the former focuses on the issues that form OC and are directly related to it, the latter touches the areas affecting or being affected by OC indirectly. The book consists of an introductory chapter guiding the reader to the background of OC developments in Estonia, followed by two parts, one comprising six and the other eight chapters; and finally, an Appendix.

Below we will introduce the structure of the book and give a short overview of its contents.

In the first chapter, Maaja Vadi brings out some background factors peculiar to the OC phenomenon in Estonia in the last decade. Three aspects – the organisational environment, the functioning of organisations, and OC-related issues – are analysed within this general topic. The systematisation of the interaction between the turbulent environment and organisations is based on population ecology theory. Three phases (variation, selection, and retention) of development in this process are separated and characterised. The plurality of organisations emerged in the society very fast after independence was regained while the demand for efficiency and customer orientation coached organisations into the retention phase. Two short case-studies tell us how organisational design and functioning principles either supported or destroyed the entrepreneurial thought of novice firms. The OC of Estonian organisations is described by using Üksvārav's typology. Also Estonian managers' behavioural patterns with regard to social issues are exhibited. Management training became an accepted activity among those who headed organisations in the second half of the 1990s. All the abovementioned issues help understand the current OC tendencies and studies.

Part One (Chapters 2 to 6) deals with the OC phenomenon, examining how organisational culture manifests itself under different conditions. Two chapters search answers to the question: what is OC and how could it be characterised? Harry Roots (Chapter 2) dissects Harrison's typology which he has implemented in the Estonian context. Harrison is one of those who introduced the term 'organisational culture' in the early 1970s and is still working as a consultant. He proposed the ideal type construct; thus the existing culture and preferred culture in organisations are compared according to this method of measurement. There are four types of OC in this taxonomy and Harry Roots has diagnosed the dominance of power- and role-oriented cultures in the Estonian public sector. He argues about the dynamics of those types and the significant differences between the managers' and employees' values and attitudes.

The concerted method of empirical studies is a common feature of the next four chapters, where the measurement of task and

relationship orientations of OC is one of the survey tools. The Estonian and Russian versions of The Questionnaire of OC (QOC) were worked out (Vadi *et al*, 2002; Vadi, 2000) to reflect organisational members' readiness to support task and relationships within the entity. The QOC is applied as a tool of measurement of independent or dependent variables in various contexts. In this book, four articles investigate OC connections to the changes in collectivism, individual values and personality traits. The characteristics of the representatives of one particular ethnic group (Russians) living in different countries are also under consideration. This is a chance to think about the role played by national culture in shaping OC.

Ruth Alas and Maaja Vadi (Chapter 3) put forward three hypotheses about the connections of OC with attitudes towards change. Four aspects of attitudes – satisfaction with information, satisfaction with leadership, job satisfaction, and perceived benefits of change –, are related to the OC orientations in this study. The authors have found empirical support to two hypotheses: first, the task orientation aspect of OC influences the abovementioned attitudes more than relationship orientation, and secondly, relationship orientation has more impact on these attitudes among the respondents with a Russian background than their Estonian counterparts. No differences were disclosed with regard to one's position in the organisation (being a manager) and interest towards the profession. This knowledge enables us to better predict the process of change if we know the organisational composition and can measure the OC.

In the next, Chapter 4, Anne Aidla investigates how personality traits predict OC orientations. She has applied the QOC and Five Factor Model to the sample that consists of employees working in schools of general education. Anne Aidla's research is based on the idea that certain personality types may create specific patterns of OC; she has also found some confirmation to this idea from literature. The empirical study reveals the connections between OC orientations and four personality traits. A person who has the characteristics of an extrovert, is agreeable, and conscientious, tends to evaluate the orientations of OC higher than those people

in whom the corresponding features are represented to a lesser degree, while the degree of neuroticism has to be low. These results generate the idea that the management has an opportunity to intervene in the organisation's life through personnel selection, or by addressing its communication to certain groups when seeking support to particular OC. It also enables designing training programmes to teach people how to cope better with potential sources of stress.

Two last papers in Part One are based on comparative studies, throwing light on our future efforts to use 'a pan-Baltic variable'. We have a unique opportunity to estimate the impact of the country of residence on OC and its constituent elements. Communities of Russians settled down in the three Baltic countries after World War II. Herein we can compare their organisational culture patterns in Estonia and Lithuania; and contrast them with those of the Russians living in Russia. In Chapter 5, Rebekka Vedina compares two groups – Russians living in Estonia and Lithuania – with regard to their estimations of OC orientations and collectivist attitudes. Collectivism is people's tendency to think of themselves as part of a collective and subordinate their behaviour to the norms, duties, and obligations imposed by these collectives; thus it may reveal important issues in the organisational context. It has been shown that various cultural and socio-demographic groups may have different patterns and this observation gives background to the efforts to find out connections of the OC and collectivism. Rebekka Vedina has found that these two groups have different connections between the OC orientations and subtypes of collectivism. She discusses the reasons for this circumstance and names the change of society among the others. These people faced the dramatic change in society. Until 1991, they had experienced the feelings of a majority which turned into the feeling of being a minority due to the loss of direct contacts with the large state that the Baltic countries had belonged to.

The first part ends with the paper by Elina Tolmats (Chapter 6), who investigates in a similar vein as Rebekka Vedina the group of Russians living in Lithuania, focusing on the interconnections between the OC orientations and individual values measured by

means of Rokeach's Value Survey method. Different terminal values were found (e.g. *family security*, *equality*) to have a negative linkage with relationship orientation, while the importance of an instrumental value, *ambitiousness*, is tied with the high score in task orientation. If we know what human values support or are opposite to the orientations of OC, we can better manage the employees' personal motivation and performance in general because the individual values are seen as important elements in these respects.

Part Two (Chapters 7 to 14) opens up a variety of OC-related areas. Herein five chapters present empirical studies and three develop the theoretical understanding of some linkage between OC and other areas. Uku Mats Peedosk (Chapter 7) deals with socialisation in the Estonian Defence Force, thus investigating a question, which is an important factor in shaping OC. He asks two sets of questions, namely, what is the relationship between commitment, satisfaction, and socialisation tactics? and how do the newcomer's individual values and collectivist attitudes behave in the socialisation process? He offers an empirical analysis of these questions and introduces the core results of his study. From the perspective of collectivist attitudes and individual values, he found that the importance of familism, patriotism, and some other values altered in the newcomers' estimations. The commitment and satisfaction were bounded by the socialisation tactics. These results are in accordance with the hypothesis raised on the basis of the literature review.

As leadership is a vital aspect of OC formation and functioning, the ways how the leaders and followers interact are very important targets of study. Gerda Mihhailova and Kulno Türk (Chapter 8) invite the readers to explore the specific reasons (i.e. historical background) for the occurrence of certain leadership styles. They make an effort to diagnose leadership styles and their outcomes in the organisational context. The authors of this chapter argue on the basis of pertaining literature that the dominant leadership styles in a leader's mind shape certain followers' behaviours. Gerda Mihhailova and Kulno Türk test this proposition, using the Multifactor Leadership Questionnaire (MLQ) developed by Bass,

on the sample of AS Cibus, an Estonian bakery products company. The results show that the transformational leadership style creates an atmosphere in which the followers' satisfaction is higher than in case of the transactional leadership style.

Made Torokoff (Chapter 9) offers the results of the most extensive empirical analysis of this book. She argues that the educational system may become evocative of the application of cooperation culture, when all the stakeholders – pupils, their parents, teachers, and school management begin to understand the need and grounds for joint work. She presents her study, which simultaneously involved all the abovementioned agents and the results assure us that the representatives of those roles have very different expectations towards other partners. The experiences vary a lot. Parents have expressed severe criticism towards schools, especially with regard to the communication and school atmosphere. This chapter not only demonstrates the results, but also discusses the reasons for and implications of poor cooperation culture in Estonian schools. At the same time, Made Torokoff indicates some ways for improving collaboration in general education.

Another problem of mentality, which may influence and is influenced by OC, is proposed by Merike Kaseorg (Chapter 10), who claims that the employees' attitudes often act as a barrier to the use of new information technology in the Estonian companies. She illustrates this bundle of problems by measuring the attitudes and looking at the specific characteristics of the groups (i.e. the region of location, the area of operation) that are comparatively more apprehensive than others about their use of new technology. She has identified three kinds of attitudes: the resistance to change, the fear that one's qualification is not sufficient for new technology, and the horrors related to one's personal career. Of course, stress, uncertainty, and the other work problems could follow these states. The service area and North Estonia are probably the most advanced in the application of new information technology, because these respondents reported less reluctance than did the others.

The last empirical investigation of this book is proposed by Natalia Karotom (Chapter 11), who expands our understanding of the ways in which the macro-level processes, such as the global developments and the restructuration of economy bring new winds into organisations. These impacts are illustrated by the emergence of new professions, the change of expected characteristics in the hiring of employees, and the organisation of work. This chapter exposes to the reader that the people are faced with conflicting pressures in signing their work contracts – on the one hand, the importance of individual needs has increased; and on the other, the organisations have imposed more exacting requirements on the employees. Natalia Karotom draws upon the differences with regard to the ownership of organisations and argues that foreign owned companies create better working conditions for full-time employees than do the domestic companies.

This part is completed by the chapters that articulate the inspirational ideas for future research plans by introducing certain issues and corresponding suggestions for investigation. One of the most crucial elements of OC is a set of organisational values. Anne Reino (Chapter 12) explains the different levels of manifestation of values within an organisation by means of one set of questions and focuses on the research trends presented in the literature by means of the other set. She combines these insights into a conceptual framework of organisational values and research possibilities. This clarification enables actuation of an empirical study of this complicated and interrelated field of values.

The transition process can be viewed as one in which entirely new behavioural patterns emerge. The questions of investment are certainly among the new matters in the economic life. Kaia Kask (Chapter 13) brings her reflection on value investment theory – its roots (history), role, and advantages in comparison with the other investment strategies. Of course, application of the value investment principles is limited due to the small number of organisations that are suitable for this approach. Kaia Kask tries to find out where values investment theory has contacts with OC and which possibilities the knowledge of OC gives to those investors who want to follow the value investment strategy. The author

suggests certain research steps in order to analyse the status of values investment in Estonia.

Knowledge is the current buzzword in modern literature about organisations. Despite some rhetorical declarations of importance of knowledge and its management, Estonian organisations have not yet realised their potential with regard to knowledge and competence. Tõnis Mets (Chapter 14) shows that in general, the resources based view of an organisation, which involves knowledge and competence, may significantly leverage organisational efficiency. He takes the competence coordination factor under special consideration in the paper and as a result, proposes a list of variables which can be a framework for an empirical study. The sophisticated empirical study would reveal the practical aspects of knowledge management in Estonia.

The Appendix Chapter 15 addresses the issues of past OC studies in Estonia. Janita Andrijevskaia and Maaja Vadi take a reflective look at the last two decades in the field of OC research. It must be mentioned that the OC phenomenon and related areas were surprisingly well represented among the topics dealt with by Estonian management consultants and scientists in the 1980s. The investigated issues resembled those addressed by western researchers. The authors aptly point out that the transition process interrupted these traditions of studying social issues in the organisational context. Given all this, it seems justified to view the new tendencies in OC studies. For this reason, the students' papers (i.e. diploma, bachelor's and master's theses) from 1998 to 2002 were analysed from the perspectives of the investigated OC questions and the methods used. The priorities of the studies carried out by people in different universities and the methods used vary considerably.

Echoing the theme of the present book, the OC phenomenon is discussed in various respects. Nevertheless, we cannot draw any valid hasty conclusions about the regularities how OC is shaped and operates in Estonia. We merely give an interdisciplinary and cross-functional picture of the aspects linking OC with other organisational issues. In this light, the book has an exploratory character. We are opening, not closing an agenda. That can be con-

cluded on the basis of the collaboration culture which was created by the contributors of this book. We had a great diversity of participants when we started, because of different academic positions and experience as well as due to different organisations behind us. We managed to turn this into an advantage.

Herein we can point out three features that characterise our specific collaboration culture. Firstly, most contributors accepted and followed the stated deadlines; secondly, all the papers were pre-viewed by at least two other contributors before they were critically read and evaluated by Erik Terk; and thirdly, we used the modern information technology, the WebCT facilities. All the versions of the papers and opinions were made available on the Internet in order to give the contributors an opportunity to get acquainted with different versions of the papers and how they matured in the writing process.

We acknowledge the help of the people and organisations that supported the publishing of this book. First, we are indebted to the Estonian Science Foundation for supporting several authors of this book by their grant (No 5527). Secondly, we owe credit to the staff of the Faculty of Economics and Business Administration, University of Tartu, for facilitating our work in many ways and rendering their assistance. Thirdly, we are particularly grateful to Erik Terk, Ph.D., Director of the Estonian Institute for Futures Studies, for his critical and creative evaluation of our papers. Eda Tammelo took care of our English as language editor and it is impossible to overestimate her role as far as many of the authors are still at the beginning of their academic careers. Finally, Merike Kaseorg unified the layout of the book. Throughout the preparatory stage we enjoyed support and encouragement from our colleagues, families and friends. Very special thanks to you all!

The creative atmosphere we enjoyed let us believe that there are several people who are interested to continue researching this topic and therefore, new approaches could be presented in future. In view of this, we would appreciate comments and suggestions from readers. Please address them to the Department of Management, University of Tartu, 4 Narva Road, Tartu 51009, Estonia;

e-mail: Maaja.Vadi@mtk.ut.ee. We hope that our readers will share some of the excitement that the authors experienced in the process of writing the book.

On behalf of the contributors,

Maaja Vadi

The Editor

Professor, Chair of the Department of Management,  
Faculty of Economics and Business Administration,  
University of Tartu

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The political decisions made in the last century led to the formation of some new states, which, having been mislaid in World War II, were retrieved again in the 1990s. The fate of Estonia, one of the Baltic countries, is an example of the consequences of those political decisions. After the recognition of its regained independence, it became one of the “transitional countries”. The year 1991 marked the beginning of a large-scale transition at cultural, individual, institutional and societal levels in the country.

Over the past decade, thus, Estonia has been a transitional country. Although there is an agreement about this simple fact on the whole this expression can be interpreted in various ways and raises several questions as well. In the introduction to their book *Transition in the Baltic States*, Hood *et al.* (1997) attempted to shed light on some of the dynamics of the transition to a market economy. They suggested the following:

*'Transition' has become a keyword in contemporary thinking about the series of complex changes taking place in the post-socialist world... Emerging market mechanisms increasingly pervade the economy and society, and it is time to carefully consider how economic actors and social groups not just adapt to a new economic environment, but also struggle to form the new rules of the game* (Hood *et al.*, 1997: 1).

‘Transition’ is a term that covers many different aspects of change in the former Eastern-bloc countries. These changes, however, are by no means universally agreed on, but differ markedly from country to country. Each country experiences specific forms of transition due to the interaction of historical, cultural and political forces, and their relation to recent economic developments. In Europe, the unexpected nature of these changes, plus their wide-ranging effects not only on the former communist states themselves, but also on their neighbouring states, has made this a fascinating area for socio-economic analysis.

Estonian history has been strongly influenced by different cultures. Vihalemm differentiates between political, economic, and cultural spaces and indicates the countries that were dominating

the societal space of Estonia in different periods (Vihalemm, 1997). Between 1918 and 1940, in terms of political space, Estonia was influenced by Germany and Russia, in terms of economic space, by Germany and Great Britain, and in terms of cultural space, by Germany, Finland, and Sweden. After World War II, from the perspective of these three dimensions, Estonian society was governed by the Soviet Union. At that time, a deliberate attempt was made to turn this historically multicultural entity into a monocultural bloc in the former Soviet Union. Various ways and methods were used in order to shape *homo sovieticus*. Due to this manipulation, two large subcultures exist in Estonia nowadays. This was one of the issues making up the context in which individuals, groups, and organisations met the radical change of the society.

If we accept the view that an organisation is in a constant relationship with its environment, it follows that macro-structural changes of economic transition affect the behaviour of the organisation and its members. In case of Estonia, it can be argued that fifty years of communist ideology and practice have had a marked effect upon organisations and their members, which in consequence appear to be unfit to adapt to the current environmental conditions of western corporatism. The communist way, born from Russia's October Revolution in 1917, brought with it a set of clearly articulated human values and behaviours based in the main on principles of socialist realism.

Rapid processes of transition in Estonia from communist ideology and a command economy system to democracy and market economy initiated a marked shift in managerial qualities and organisational activities. In the course of this transition, the traditional 'command-style' of management was replaced by a hybrid form of management, which retained some elements of the traditional form, but also involved numerous new those based on western theory and practice.

An organisation is a collective creation which consists of people and different kinds of human relations. It allows for the collective efforts of many people aimed at accomplishing tasks, but the outcome depends on how well the organisation can integrate its

members. Thus, fruitful management of an organisation depends largely on the system of peoples' values, attitudes, behavioural patterns, and habits, which together form organisational culture. The popularity of the concept "organisational culture" (OC) results largely from attempts to gain greater organisational efficiency and success, in particular efficiency linked to the processes of large-scale change. Proponents of this view – especially ones attuned to the specific demands of the corporate environment – often argue that strong OC is more likely to bring success in the management of organisational change.

Researchers as well as practitioners use this term if they want to underline that, like people, every organisation has a character of its own. The definitions of organisational culture vary from the very short expression given by Deal and Kennedy: "It's the way we do things around here" (1982: 13) to more sophisticated ones, for example, like one proposed by Schein (1985: 9). Trice and Beyer propose a denial description of organisational culture: they try to determine organisational culture and its related domains by enlisting the matters that organisational culture is not (Trice, Beyer, 1993: 19–23). The concept of OC enables one to highlight the importance of certain actions for an organisation and to explain them. The common part of many OC definitions, though, is that it is a set of shared beliefs, values, and behaviours. This phenomenon has been a popular research object for the last two decades.

The present book seeks to document, analyse, and interpret problems connected with organisational culture in a post-socialist country – Estonia – on the background of changes in its socio-economic conditions. These topics' sphere is of wide interest in the globalising world because it touches the issues that are paramount to all organisations – change and sustainability in this turbulent world. Transition to market economy in Estonia provides a context for unpacking the impact of OC and speculating about how the different facets affect organisations.

OC is often seen as *an umbrella* concept that helps explain behaviour in organisations. That is, however, a rather simplistic way of understanding OC, which affects and is affected by human

behaviour in complex and often unpredictable ways. On the other hand, this concept enables us to focus on organisational members' understandings both within and around their organisation. This is the subject of our book.