

CHANGES AROUND AND WITHIN ORGANISATIONS: MANIFESTATIONS AND CONSEQUENCES

Preface to the special issue of TRAMES

Maaja Vadi, Rebekka Vedina

University of Tartu

1. Introduction

By definition, the environment provides the context in which the organisation operates. If we accept the view that an organisation is in constant relationship with its environment, it follows that macro-structural changes of society affect the behaviour of the organisation and its members. In the last decades, the dramatically changed environment has played a crucial role in the organisational developments in the former Eastern bloc countries. Transition to the democratic society in these countries provides context for unpacking the impact of dynamic environment and speculate how this affects the organisations. This is an important issue also because in parallel with the transition period, a globally interesting period witnessed several emerging industries based on knowledge and more intensive use of human capital.

The political decisions made in the last century led to the formation of some new states which, having disappeared in World War II emerged again in the 1990s. In many countries 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 unable to adapt to the current environmental conditions of western corporatism. The communist way, born with the Russian October Revolution in 1917, brought with it a set of clearly articulated human values and behaviours based mainly on principles of socialist realism.

The year 1991 marked the beginning of a large-scale transition at cultural, individual, institutional and societal levels in the Soviet bloc countries. Environmental factors have so intensively affected the functioning of organisations in the former Eastern bloc countries that it is appropriate to refer to the transition. Hood, Vahlne, and Kilis (1997) suggested the following: ‘Transition’ has become a key

word 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).

This introduction explores the dynamics around and within organisations through a lens of the manifestations and consequences of changes in the dynamic environment.

2. Impact of the environment

It is often not an easy task to divide the organisation from its environment. For example, Frishammar (2006) proposes the adaptive perspective as a promising approach, but also admits that one angle is too limited for a conceptualization. It is thus sensible to integrate the qualities of different perspectives in order to overcome this limitation.

Organisational task environment could be characterized in three dimensions – munificence (capacity), complexity (homogeneity-heterogeneity, concentration-dispersion), and dynamism (stability-instability, turbulence) (Dess, Beard 1984). These dimensions may open some aspects of environmental developments in the former Eastern bloc countries. Dess and Beard (1982) refer also to the population ecology paradigm when they analyze the resources for the organisations. 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 organisational environment.

An abundance of resources permits organisational growth and stability and thus it leads to the variation in the organisational world. Estonia is an example of how munificence developed plurality in the organisational world. An example of the growth could be drawn from Estonian banking. It was established as a new sector of economy and therefore it would be interesting to look at the munificence in its environment. In a small Estonian city, Haapsalu, there were three independent banks at the beginning of 1991 (Haapsalus juba ..., 1991) and yet it appeared that in a few months time another new bank would be opened in this city (Haapsalus jälle..., 1991). According to Sörg's data there were 41 operating banks in Estonia in 1992, 22 in 1993, and 24 in 1994 (Sörg 2003). The data reveal that the role of banks in economy increased more than two-fold (Banks assets, % of GDP).

The aspiration for growth dominated and several companies looked for markets in the neighbouring countries (i.e. Russia, other Baltic countries) in the mid-1990s. An Estonian business newspaper announced 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.

Munificence was an important social source of homogeneity-heterogeneity and concentration-dispersion in the organisational environment and it was regulated by selection. The selection phase was introduced by various means. Herein we elicit two of them – customers and the role of governmental regulations. Buyers and sellers started to acquire new roles and both had to learn how to select and to be selected. Vadi and Suuroja (2006) 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."

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 Estonia. 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 Ettevõttereistri..., 1994). The focus of efficiency management moved from the execution of state-level planned numbers to the organisational level.

In the task environment of organisations it forms the basis on dynamism (i.e. stability-instability and turbulence). The retention phase gave a positive feedback to those who had successfully passed the selection phase, which was concluded by the strongest tool – a financial crisis, which came in November 1997 (Külm dušš..., 1997). The retention phase proves the importance of efficiency. Those who were not able to pass the selection phase went out of business and others were able to stay. The change of environment and organisations took place and here we refer to the economic data because they clearly show that the number of actors has stabilised in the organisational world. Stabilisation of the organisational environment has created a situation where organisational leadership thinks how to stay, perform better, and satisfy their customers' needs.

The general environment of organisations is shaped by macro-level processes, yet the period of market economy in the former Soviet bloc countries 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. Systematisation in the transition era is a complicated task in regard to all aspects of societal life and human behaviour.

3. Processes in organisations

Hannan and Freeman (1997, 1988) 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. Namely, this approach assumes that the environment selects the organisations, which are able to survive in populations.

The establishing of organisations was quite impressive in the early 1990, especially considering people’s previous experience and attitudes. In the former Soviet Union, setting up organisations was carefully monitored by the state as they served as tools of controlling individuals and groups. Consequently, people had probably learned to be passive regarding organisations, but the number of new enterprises grew very fast and people’s state of mind indicated that the birth of organisations was a natural part of life.

If the environment is turbulent, organisations have to keep up with the speed of developments. An organisation is a collective creation that consists of people and different kinds of human relations. It constitutes the collective effort of many people who aim to accomplish the tasks, but the outcome depends on how well the organisation can integrate its members. The organisational changes consist of a wide set of factors: people, strategy, structure, technology and those are shortly examined in the following paragraphs.

The change in peoples’ mind was followed by changes in the entire society. Two aspects could be outlined here – the change of mentality and the role of individuals in the transformation of organisations. There was a polarization of mindsets – one group of people coped well with the change of the entire society, while the other retained the old approach to work. Indeed, the rapid change of mentality characterized people who had entrepreneurial traits and brought new ideas to organisations.

Understanding organisational goals was one of the main issues for many organisations in transitional society. There was often a drastic gap between the objectives of employees and the organisational objectives in everyday practices of transitional societies because in the socialist system, reaching state level planned numbers was the goal, and socialist competition was the movement, which supported the achievements of individuals and groups. In transitional societies the first half of the nineties gave several examples of organisations and organisational members who represented a mix of ‘new’ and ‘old’ type of understanding of organisational task or goals. For example, large enterprises and their remaining parts were affected by the new tendencies but they had retained something from the past and were characterized by the in their former large size and good reputation (Üksvärav 1995).

The planned economy made the organisational goal and task rather vague because it was based on the magnification of results and irrational feedback criterion. This experience did not support the understanding of market economy and its requirements. For example, Liuhto (1991) compared Estonian and Finnish organisations when the transition started in the beginning of nineties and found

that the Estonian organisations were production and relationship oriented and had a weak comprehension of costs, while the Finnish organisations showed the opposite results being market and goal oriented and knowing well the principles of cost analysis. It is interesting to mention that the picture has changed after 10 years. Kankaanranta-Jännäri (2006) found that the Estonian organisations were more task oriented than their Finnish counterparts.

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. For example, Vadi and Roots (2006) open various aspects of organisational structure (i.e. differentiation, personnel selection and training) and Vadi and Suuroja (2006) implicate the fundamental changes in personnel selection and training. Thus, we can suppose that the Soviet type human resources practices (Russian term “kadrovaja rabota” – operating in cadres) were gradually replaced by the democratic behaviour patterns. The model of organisational design was taken from the command economy and entrepreneurs supplemented it with personal understanding.

At the first stages of transition, small firms were typical and one person’s ideology ruled the others’ behavioural patterns, social issues of organisations were not discussed and young people were preferred to older employees (Üksvärav 1995). The lack of knowledge and necessary managerial experience about the organisational structure was probably the main reason why outstanding entrepreneurs and salient ideas failed in those days. Namely, in former socialist countries people had an experience with mainly hierarchical and strongly regulated organisations and such an attitude was not appropriate in the new conditions. Nogueira and Raz (2006) have shown by using computer simulation that in dynamic environments loose designs of organisations outperform tight organisational structures.

The firms, which created a strong structure from the very beginning, were unsuccessful (for instance, Vadi 2003); on the other hand, if loose structure was the crucial resource at the very outset of the transition, the ability to create a reasonable structure is crucial at the next stage. A dynamic environment implies a flexible approach to the organisational structure and the transitional society abounded with stories of success and failure in this respect.

In parallel with the transition period, a globally interesting period began that witnessed several emerging industries based on knowledge and more intensive use of human capital. Transitional economy enabled to follow new trends and provide motivation for fast development, and changes of organisations were fixed. These aspects are related to the technology or tools that organisations exploit in their functioning. There was a high variation of technology in the organisational society (Vadi, Roots 2006). Some organisations invested in old technology that did not enable them to compete with the western companies that had started to operate in Estonia, while others were innovative and searched new technologies (see also

Vedina, Fink, and Vadi 2007). Banks were at the forefront in the use of new technologies and they disseminated this attitude to the rest of society (e.g. Luštšik 2004).

The concepts of population ecology theory enable us to explain the organisational environment and processes within organisations in the dynamic environment. The design of organisations and their functioning principles varied considerably. The role of entrepreneurs was very important at the initial stage of development, whereas later, when efficiency issues required special heed, managerial competence became a crucial capacity. 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. Indeed, many organisations started from zero, but 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 a small impact on transformation because the socialist period represented only slightly more than a generation of experience in many Central and East European countries.

4. Manifestations and consequences of changes in transition economies

In order to systematize the topics tackled in the articles, in the following section we switch from the broader population ecology and resource dependence perspectives to a more specific framework for understanding organisational changes, which considers dynamics from the perspective of an organisation. The current articles focus on different aspects of changes around and within organisations. Each article explores the interrelations between certain factors of change on various levels, in various activity domains, sectors, organisations, and using different methods. We show how they complement each other by means of Greenwood and Hinings’ (1996) framework. Their approach follows the logics considered above from the perspective of the organisation, regarding the dynamics in the environment by distinguishing between the dynamics of market and institutional context, and dividing intraorganisational dynamics into precipitating (interest dissatisfaction and value commitments) and enabling dynamics (power dependencies and capacity for action; see the model in Figure 1).

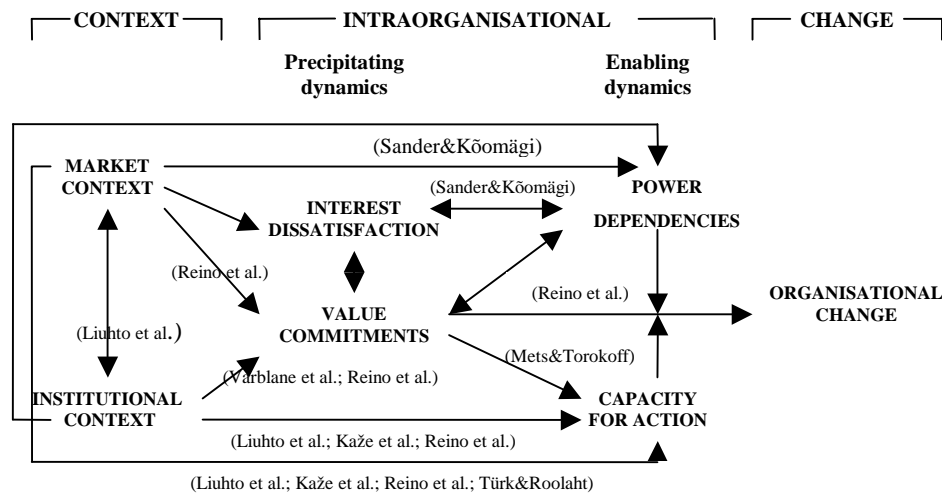


Figure 1. Dynamics around and within organisations from the organisational perspective.

Note: References to the articles in this issue are marked in parentheses.

Source: Adapted from Greenwood and Hinings (1996).

4.1. Market context

The research has shown that market context has a direct effect on firms. It also incorporates changes in other areas of an organisation's external environments (see references in Uhlenbruck et al. 2003). In transition economies organisations have to reconfigure their resources dramatically and learn to operate successfully in the new context (*ibid.*). Many factor inputs are difficult to obtain, therefore the situation on the financial market context is one of the crucial aspects. Financial services stimulate stability and development of other national economy sectors (see article by Kaže et al.). Two articles in this issue describe in detail the development of the banking sector in Estonia and Latvia, and the article by Sander and Kõomägi focuses on another source of financial resources – venture capital.

The market context of the banking sector in Estonia has been very dynamic since the beginning of the transition period. The composition of the market participants and their profit earning strategies has been changing quite dramatically, as described by Liuhto et al. The reasons behind such dynamics were related to the transition peculiarities in the banking market context, as well as to certain regulatory restrictions. The authors also emphasize another important factor of changes – internationalization, i.e. foreign banks' entry on the market that significantly intensified the competition and triggered certain institutional and organisational changes. Besides Estonian banking sector, Liuhto et al. analyse the impact of foreign bank entry in other transition countries – Croatia, Poland and Romania.

A similar situation on the banking market is in Latvia, where foreign banks (often the same as in Estonia, e.g. Hansabank and SEB) are the major players. As

in Estonia, the acquisition of foreign competences, technologies and client servicing models helped banks to adapt quickly to the rapidly growing market demands and provide service quality expected by clients. In the Latvian institutional context of this sector, the situation is somewhat different, which creates difficulties for the development of the newest kinds of services (e.g. the lack of legislation concerning electronic signature in Latvia restricts the supply of e-services, see Kaže et al.).

In sum, the banking sector in these transition economies has developed towards transparency and effectiveness, which enables to finance organisations in other sectors. However, in new emerging industries young companies may lack credit history and collaterals and have a high level of information asymmetry, which prevents them from using the traditional sources of financing (Sander and Kõomägi). Therefore, venture capital and private equity play a crucial role in financing these companies. The allocation of control rights of venture capitalists are studied in detail in the article by Sander and Kõomägi.

Other forces stimulating market context changes in Estonia and Latvia, as well as in other transition countries were, among others, the rapidly growing Internet penetration and overall customers' orientation towards innovative technological IT solutions. As Kaže et al. assert, environment has an influence not only on the choice of dominating solutions offered by financial service providers, but also on the preferred choice of those solutions by customers. Moreover, customer demands, priorities and lifestyle are influenced by changes in the external environment arising from the transformation of economical structure. In the banking sector it meant the rapid development of electronic banking, which is the focus of both Liuhto et al. and Kaže et al.'s articles. Also for the IT companies it meant changes in their strategies, scope of activities, stimulated growth and hence caused intraorganisational changes, which are analyzed in the article by Reino et al.

Besides the banking and IT sector, other industries emerge in the transition societies that are based on knowledge and more intensive use of human capital. This puts a pressure on the education system, which also has to be able to adapt quickly to the market demands. Türk and Roolaht emphasise that the quality of education is related to the position of the graduates on the labour market and also to the requirements of possible employers. In order to know the customer interests, universities should monitor more closely their customers' expectations. The authors look at this issue from the angle of monitoring the outcomes of the adaptation process in public and private universities by comparing their performance appraisal and compensation systems. They assert that since the higher education system is essentially rather conservative, compensation policies develop faster in the private sector, which shows that private universities tend to be more dynamic and adapt faster to changes in the education market. Yet, state budget difficulties in Estonia have called for better management and more efficient motivation of lecturers and researchers in the public higher education institutions (Türk and Roolaht).

4.2. Institutional context

Institutional context reveals its impact in different ways. One aspect of institutional context pressure for change stems from the extent of the establishment of institutional mechanisms. In transition economies, where these mechanisms are not fully established, it creates more alternative ways of organisational change and development, which are considered by Greenwood and Hinings (1996) as a necessary part of change stipulations. Varblane et al. consider the systemic change in the transition (Baltic) countries in the late 1980s as a situation to which organisations have to adapt, in other words, a trigger for intraorganisational change. The examples of such adaptation can be found in banking and IT sectors (see our references to the articles by Liuhto et al, Kaže et al., Reino et al. in this introduction). However, later on Varblane et al. point out that since the speed of the catching-up process has been high in these countries and a current business model has produced permanent rapid growth and seems to be good enough, it actually creates less external stimulus to change than one might expect in a transition economy. Therefore it is difficult to persuade organisations and other actors of innovation system to initiate change, i.e., there is no or low commitment to change. In the model in Figure 1 this causal link is illustrated by an arrow between institutional context and value commitments, which according to Greenwood and Hinings (1996) are an important component of the precipitating intraorganisational dynamics.

4.3. Intraorganisational dynamics

In explaining intraorganisational dynamics, Greenwood and Hinings (1996) further extend this relationship, claiming that a change can be blocked if organisations with a successful current business model are not committed to change and have a concentrated power structure (elite domination) and/or an active transformational leadership that continuously reaffirms the importance, efficiency and effectiveness of the current archetype. Sufficient conditions for no change become resistance to change by a dominant coalition with a concentrated power structure, regardless of the values held by the non-elite (Greenwood, Hinings 1996: 1046). Value commitment is thus related to power dependencies in organisation.

Power dependencies are also related to the interest dissatisfaction, as can be seen from the article by Sander and Kõomägi. They stress that although venture capitalists obtain voting rights, minority ownership by itself does not provide sufficient protection of their interests. Therefore, venture capitalists increase their influence over the company through the active involvement in supervisory and management boards. This increases the internal complexity of organisations, the role of which is stressed by Greenwood and Hinings: “every organization is a mosaic of groups structured by functional tasks and employment status” (1996: 1033). Functionally differentiated groups are not neutral and indifferent to other groups, and they seek to translate their interest into favourable allocations of scarce and valued organisational resources. Groups use favourable power

dependencies to promote their interests (1996:1037). A potential pressure for change and/or inertia, therefore, is the extent to which groups are dissatisfied with how their interests are accommodated within an organisation. A high measure of dissatisfaction becomes a pressure for change (see references in Greenwood and Hinings 1996: 1035).

The transition economy has brought along a new diversity in organisational forms and a plurality of property rights (Meyer, Peng 2005). In the article by Sander and Kõomägi the institutional context also has an impact on power dependencies: the specificity of the Estonian institutional context is that minority shareholders' rights are protected relatively well, which allows venture capitalists to have a considerable control over the company and influence the management decisions, including processes of change. As the authors conclude, due to the dynamic nature of venture capital backed companies, additional capital infusions, exercising conversion rights and employee stock options, there might be frequent changes in ownership and board structure. This in turn may lead to other organisational changes.

Dissatisfaction, however, does not provide direction for change. Greenwood and Hinings (1996) emphasize that critically important is the pattern of value commitments of the groups in the organisation: some support and are committed to the status quo (current archetype, or template-in-use), whereas others prefer an articulated alternative (*Ibid.* 1035). Value commitments are explored in Reino et al. article, where Competing Values Framework approach is used for discovering the organisational culture type and its dynamics over time. Due to the development of the global and local IT sector environment the organisation under focus had to and was able to adapt quickly to the changing situation. The rapid growth of demand on the market has forced the company to expand its activities, first in Estonia and then internationally, though broadening the activity internationally was not seen as an end in itself (see reference in Reino et al.). Later changes in the institutional context, such as the necessity to certificate quality management according to ISO standards also caused certain organisational changes. However, during the last years there was a shift in organisational values in the organisation under focus: from a small enthusiastically working team it has become a formalized and result-oriented organisation valuing stability. That is notwithstanding the fact that the environment undergoes continuous changes as well. This result is in contradiction with the earlier findings, which showed that organisations with a recent experience of change are more likely to attempt further change (see reference in Greenwood and Hinings 1996:1040). Such experience should accumulate the capacity for action in organisation, another important aspect of intraorganisational change enabling dynamics.

Capacity for action in Greenwood and Hinings' approach means the ability to manage the transition process in organisation (*Ibid.* 1039). According to them, 'radical change cannot occur without the organisation's having sufficient understanding of the new conceptual destination, its having the skills and competencies required to function in that new destination, and its having the ability to manage

how to get to that destination' (Greenwood and Hinings 1996:1040). Capacity for action embraces both the availability of these skills and resources within an organisation *and* their mobilization, which is the act of leadership (*Ibid.*). As mentioned at the beginning, the retention phase after some stabilisation of the organisational environment in Estonia has created a situation where the organisational leadership think how to stay, perform better, and meet their customers' needs. Reino et al.'s study shows that the capacity for action was high enough in turbulent times, but has decreased during more stable periods.

Besides the capacity for action the supportive power dependencies are necessary for implementing a change (Greenwood, Hinings 1996: 1040). As referred by Reino et al., it was previously found that the power dependencies in the company were shifted, when some employees were left out from the inner circle of the company's management. This causes interest dissatisfaction that may constitute a potential pressure for change. Again, value commitments are important in such situations, since once they become taken for granted – as is orientation towards stability in a company – they can serve to alleviate expressions of dissatisfaction (Greenwood and Hinings 1996: 1036).

Value commitments and capacity for actions can also be considered as knowledge structures (Greenwood, Hinings 1996: 1046). Change from one archetype to another involves designing new organisational structures and systems, learning new behaviours, and interpreting phenomena in new ways (*Ibid.* 1046). The learning capacity in organisations is considered very important by Varblane et al. for increasing the learning capacity of the whole society, establishing the interactive learning based system and promoting knowledge in the economy, and thus, for building national innovation systems. The authors emphasize the importance to overcome the path dependency in thinking, encouraging understanding that learning is necessary, and the need for the increase of importance of planning and practical skills.

When we look at the results of Mets and Torokoff's study, we see that managers have quite different attitudes towards the appreciation of employees' initiative, dedication and creativity. Furthermore, there is a difference in the responses of managers and workers, with a much larger number of such inter-related manifestations of the internal organisational climate in the workers' sample, than among managers. This suggests that there might actually be quite large differences in value commitments first, among managers, and second, between managers and workers. This may indicate some interest dissatisfaction as well. The findings also indicate the still modest distribution of learning organisation behaviour among the companies' management staff. The authors claim that the managers in these companies are more organisation oriented and trained for their role to behave as team members, whereas the middle managers have not widened their role towards the creation of workers' teams and team learning. Mets and Torokoff concluded that due to the specific field of the companies under study (production) they cannot be positioned as learning organisations. Therefore, we can assert that in these organisations the potential for action is not high enough for organisational learning, and as such, for organisational change.

However, these conclusions can be extended to other industries in transition economies. A low motivation to create learning capabilities is explained by Varblane et al. by the advantages of being latecomers, which have created short-time success, and by isolation of the companies and their lack of support for key stages in the process. As the authors claim, in a society the ability to generate new knowledge presumes the existence of active learning by all actors of the system, and the organisations need to maintain permanent capability to learn and change if they wish to survive and develop. To create new resources and take advantage of new opportunities, organisations must build up the according dynamic capabilities. To accumulate them, learning is required. In order to learn and profit by knowledge, organisations must develop an adequate absorptive capacity – an ability to recognize valuable new knowledge, integrate it and use it productively, which depends on prior related knowledge. Hence, there exists path-dependence between the existing and new resources of the company (See references in Uhlenbruck et al. 2003). Yet, path dependence might be also problematic. Lock-in situations and neglecting path-dependency are very dangerous, because the proposed action plans may be inadequate and not implementable (Varblane et al.). Moreover, organisations should take into account the frequent change of the necessary capacity caused by transitions in the society.

In short, the considered aspects of change around and within organisations support the Greenwood and Hinings (1996) belief of the critical role of intra-organisational dynamics in accepting or rejecting institutionalized practices. It is particularly obvious in transition economies.

5. Conclusions

Any change implies processes of dynamic nature. Thus, changes around and within organisations open important issues of dynamics in transition societies in general. This is a new experience, which helps to explain organisational change when not only the organisational context, but the whole society is changing. Providing a broader understanding of such changes enhances the field of organisational theories.

Based on the above, we can draw several conclusions for organisations. First, the relationship between the market and institutional context is reciprocal: changes in the former involve changes in the other, and vice versa.

Second, interests and values are an important part of the change process. As Greenwood and Hinings (1996) define it, organisations are heterogeneous entities composed of functionally differentiated groups pursuing goals and promoting interests, and how organisations ‘respond’ to institutional prescriptions, is a function of these internal dynamics. Here we propose that the changed economic environment emphasises values because they enable to understand the processes of change from organisational and societal point of view. Values are crucial to understanding the ‘invisible’ component of change (Schöpflin 1997:272). It is our argument that

the concept of value enables us to appreciate the trajectory of both micro- and macro-level forces of organisational change within economic transition.

Third, change depends on the managerial competence in the organisation. As different research has shown, the magnitude of the required change may exceed many managers' and employees' cognitive abilities. Rapid processes of transition from communist ideology and command economic systems to democracy and market economy resulted in a significant change of managerial qualities and organisational activities in transitional countries.

Fourth, so far change has been considered mainly on its positive side. The rapid transformation of the economy in recent years has been achieved, in part, by matching new economic demands in terms of knowledge and experience with appropriate styles of management. However, in certain conditions not all changes might be necessary. The results of change can be clearly seen and therefore more objectively analyzed from a longer time distance. Looking into the unsuccessful stories of organisational change provides a better knowledge of this phenomenon and is a potential future research direction.

Fifth, organisational changes consist of both dynamic and stable components. According to the population ecology approach, turbulent times are always followed by a period of stability. So far we have looked at the changes around and within organisations in dynamic environments of the transition societies, and these have been continuous. There is however some evidence of emerging stability. Whether the processes in these societies will start to fit more with the traditional approach to organisational changes, is the question that deserves a closer observation in the future.

The dynamics of the process and the transition-related problems vary a lot in Central and East European countries (CEE), but sometimes these were seen as very similar. Gilbert (2001:411) has said that some early Western analysis of management changes in the countries of CEE tended to approach the topic as though the events of the second half of the twentieth century rendered the whole region culturally homogeneous. We have found that this process is influenced by several organisational and societal factors in organisations. The outcome may depend on the managers' skills and knowledge of binding these issues together.

Acknowledgements

The work of the editors and the preface are supported by the Estonian Science Foundation in the frame of grant project No 7018.

Addresses:

Maaja Vadi
Rebekka Vedina
Faculty of Economics and Business Administration
Narva mnt 4-A218
51009 Tartu, Estonia

Tel.: +372 737 6320
 E-mail: Maaja.Vadi@mtk.ut.ee
 E-mail: Rebekka.Vedina@ut.ee

References

- Dess, G. G. and D. W. Beard (1982) "Objective measurement of organizational environments". *Academy of Management Proceedings*, 245–249.
- Dess, G. G. and D. W. Beard (1984) "Dimensions of organizational task environments". *Administrative Science Quarterly* 29, 52–73.
- Gilbert, K. (2001) "Management change in central and eastern Europe". *The international handbook of organizational culture and climate*, 407–428. C. L. Cooper, S. Cartwright, and P. C. Early, eds. Chichester: Wiley & Sons.
- Greenwood, R. and C. R. Hinings (1996) "Understanding radical organizational change: bringing together the old and the new institutionalism". *Academy of Management Review*, 21, 4, 1002–1054.
- Hannan, M. T. (1988) "Organisational population dynamics and social change". *European Sociological Review* 4, 2, 95–109.
- Hannan, M. T. and J. Freeman (1977) "The population ecology of organisations". *The American Journal of Sociology* 82, 5, 929–964.
- Hood, N., J.-E., Vahlne, and R. Kilis (1997) "Introduction". In *Transition in the Baltic states: micro-level studies*, 1–15. N. Hood, R. Kilis, and J.-E. Vahlane, eds. London: Macmillan.
- Kankaanranta-Jännäri, J. (2006) "The relationship between organizational culture and individual values: a comparative study between Estonia and Finland". In *National and International Aspects of Organizational Culture*, 209–223. M. Vadi, A. Reino, and G. Hämmal, eds. Tartu: Tartu University Press.
- Liuhto, K. (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.
- Luštšik, O. (2004) *Can e-banking services be profitable?* (University of Tartu Working Paper, 30.) Tartu.
- Martin, R. (1999) *Transforming management in central and eastern Europe*. Oxford: Oxford University Press.
- Meyer, K. E. and M. W. Peng (2005) "Probing theoretically into central and eastern Europe: transactions, resources, and institutions". *Journal of International Business Studies* 2005 – palgrave-journals.com.
- Nogueira, J. C. and T. Raz (2006) "Structure and flexibility of project teams under turbulent environments: an application of agent-based simulation". *Project Management Journal* 367, 2, 5–10.
- Schöpflin, George (1997) "The intangibles of transition: attitudinal obstacles to change". *Transition in the Baltic states: micro-level studies*, 272–279. N. Hood, R. Kilis, and J.-E. Vahlane, eds. London: Macmillan.
- Sörg, M. (2003) *Reformation of the Estonian banking system*. (Diskussionspapier, 2/03.) Greifswald: Ernst-Moritz-Arndt Universität.
- Uhlenbruck, K., K. E. Meyer, and M. A. Hitt (2003) "Organizational transformation in transition economies: resource-based and organizational learning perspectives". *Journal of Management Studies* 40, 2, 257–282.
- Vadi, M. (2003) "Background to the organisational culture developments in transitional Estonia". *Organisational culture in Estonia: manifestations and consequences*, 27–46. M. Vadi, ed. Tartu: Tartu University Press.
- Vadi, M. and H. Roots (2006) "Estonian organizations – the subjects for transformation". *Estonia, the new EU economy: building a Baltic miracle?*, 189–206. H. Hannula, S. Radošević, and N. von Tunzelmann, eds. Aldershot: Ashgate Publishing.

- Vadi, M. and M. Suuroja (2006) "Training retail sales personnel in transition economies: applying a model of customer-oriented communication". *Journal of Retailing and Consumer Services* 13, 5, 339–349.
- Vedina, R., G. Fink, and M. Vadi (2007) "Value diversity for innovativeness in the multicultural society of Estonia". *Entrepreneurship, cooperation and the firm: the emergence and survival of high tech ventures in Europe*, 507. J. Ulijn, D. Drillon, and F. Lasch, eds. Cheltenham: Edward Elgar Publishing.

References from Estonian newspapers

- "Esimene teadaolev pankrot Eestis." [First known bankruptcy in Estonia.] (1992) *Äripäev* (Tallinn) 90.
- "Haapsalus jälle üks pank juures." [Another bank in Haapsalu.] (1991) *Äripäev* (Tallinn) 30.
- "Haapsalus juba kolm pank." [There are already three banks in Haapsalu.] (1991) *Äripäev* (Tallinn) 7.
- Intervjuu Ettevõttere registri juhataja S. Rogovaga. [Interview with the manager of the Business Register S. Rogova.] (1994) *Kaubaleht* (Tallinn) 25.
- "Külm dušš börsil." [A cold shower on the stock market.] (1997) *Äripäev* (Tallinn) 1041.
- "Täna hakkab kehtima pankrotiseadus." [Bankruptcy Act becomes operative today.] (1992) *Äripäev* (Tallinn) 80.
- "Tulemas on kasvu- ja laenuaasta." [The year of growth and credit is coming.] (1995) *Kaubaleht* (Tallinn) 1.
- Üksvärav, R. (1995) "Organisatsioonikultuur: osata teha õige valik". [Organizational culture: to make a right choice.] *Ärielu* (Tallinn) 8.