

Chapter 4.11

Organizational Learning During Changes in Estonian Organization

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ABSTRACT

This chapter analyzes organizational changes and organizational learning in Estonian companies. During the last decades, Estonia has transformed from being an authoritarian, centralised, totalitarian, socialist state to a democratic country with a free market economy and different attitudes and values. Empirical study in Estonian organizations indicates connections between the institutionalization stage at the societal level and types of changes and organizational learning within organizations.

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The author proposes the model connecting changes and learning in organizations during societal transience, which could help managers of international companies to plan and implement changes in subsidiaries locating in countries in transition.

INTRODUCTION

The modern organisations operate using three types of capital: physical (plant and equipment), financial (cash and investment), and intellectual, with the latter continuing to grow rapidly in importance (Wall, 2005). One reason for this is a

steady decline in the number of workers engaged in traditional industries and an increase in those working in service industries, such as banking and telecommunication. Therefore, the tangible assets, those that tend to appear on balance sheet, are now less important than employee and customer satisfaction, innovation, and corporate culture.

At the same time, increased globalization of business has resulted in increased global competition and much greater requirements placed upon employees today than decades ago (Quinn & Spreitzer, 1997). This pressure may seem especially high for employees from former Soviet countries, including Estonia, because these demands are fundamentally different to those made under the Soviet regime. Transformation from being an authoritarian, centralised, totalitarian, socialist state, to a democratic country with a free market economy is a process in which a complex set of normative and operating principles, embodied in historical structures, systems, and practices becomes replaced by another unknown set (Clark & Soulsby, 1999, p. 18).

Several Estonian companies have experienced several waves of changes. For example, Kalev is the biggest and the oldest sweet factory in Estonia. The birth of the Estonian confectionery industry dates back to 1806, when a pastry cook, Lorenz Caviezel, opened a confectionery business in Tallinn. Soviet occupation in 1940 was the time of nationalization. Throughout the Soviet period, Kalev produced sweets at full capacity for Estonia, as well as almost the whole of the former Soviet Union, also supplying the “uncrowned rulers” of the Kremlin. After gaining independence in 1991, the state enterprise of Kalev was founded on the basis of the Kalev confectionery factory. In 1995, the privatisation of the state enterprise became possible and a public limited company was founded. Since 1996, the shares of the public limited company Kalev (AS Kalev) have been listed on the Tallinn Stock Exchange.

During Soviet period, the Soviet state was responsible for guaranteeing work for everyone

and so, enterprises were internally overstaffed, and passive and work places were over-secured (Liuhto, 1999, p. 16). Organizational change has been seen as an individual-level phenomenon because it occurs only when the majority of individuals change their behavior or attitudes (Whelan-Berry, Gordon, & Hinings, 2003). The challenge has been to internalise a new type of organisational behaviour in order to operate successfully under unfamiliar conditions. Learning, both collaborative and individual, and the ensuing corporate changes, are seen as a prerequisite for the success and survival of organisations.

According to Edwards and Lawrence (2000), the emergent change to processes in transforming countries can only be truly understood by examining the constitutive practices of individuals and groups at the local microlevels of the economic system. Research in countries going through transformation has shown that the transfer of knowledge from market-economy practices often fails because of institutional and cultural tensions and conflict (Clark & Geppert, 2002). The research question is which type of learning is needed in organizations during social transience in society. The object of the research is learning in Estonian organization during implementation of changes.

The structure of this chapter is shown in Figure 1. In this chapter, a theoretical framework for studying organizational changes and learning is followed by an analysis of the interviews about changes in Estonian companies. The author then proposes the model connecting changes and learning in organizations during societal transience.

THEORETICAL BACKGROUND

The Role of Intellectual Capital in the Organization

A true value of a company's performance lies in its ability to create sustainable value by pursuing a business vision and its resulting strategy. Success

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