



ESTONIAN BUSINESS
SCHOOL

ANNUAL REPORT

OF RESEARCH ACTIVITIES IN 2001

37

TALLINN
2002

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E E S T I I B ESTONIAN
K Ö R G E M B BUSINESS
K O M M E R T S K O O L S C H O O L

RAAMATUKOGU

TALLINN

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FOREWORD

In 2001 Estonian Business School reached an important milestone: the first defence of the thesis for a Doctor's degree took place. On the 9th of October doctorate student of EBS Monika Salu defended successfully her thesis *Social Protection in Estonia* and the Defence Committee (Prof. Madis Habakuk, Prof. Mati Heidmets, Prof. Peeter Kross, Prof Jaak Leimann, Prof. Raoul Üksvārav, and Dr. Sirje Keevallik) have decided to confer the degree of Doctor of Business Administration on her. For the first time in the history of private higher education in Estonia a doctorate student successfully terminated his or her studies and was conferred the respective degree. On this occasion Professor Raimo Nurmi from Turku School of Economics and Business Administration wrote: "Let me congratulate the author and the Estonian Business School for the achievement. It was an honour to me to be a part in this process." Professor Nurmi was a member of the Defence Committee, but he could not attend the meeting. Therefore he sent his opinion in a written form.

Organisationally, it should be mentioned that on June 27, 2001 (Ministerial order No 303) Estonian Business School has been entered in the Register of Research and Development Institutions of the Ministry of Education (Registration No 77).

Sirje Keevallik
Editor
Learned Secretary of EBS

INTRODUCTION

In this report we cover the research in management science and related areas carried out at Estonian Business School (EBS).

The year of 2001 was full of important events and achievements for EBS that were or could be related to scientific research:

- First doctorate in the EBS history defended her thesis;
- The number of master students who defended their theses and got MBA degrees was the largest during the history of EBS;
- Several papers were published in internationally recognised scientific journals, the paper by Prof. J. Ennulo and Prof. L. Tüرنpuu in the peer-reviewed international journal *Trames* among others;
- The members of EBS academic staff visited more international conferences than ever during the previous years, as EBS has found possibilities to cover their travel expenses from the newly established Foundation for Academic Capital Development;
- Participation in international research networks and projects has intensified, especially at the Institute of Management;
- A thematic volume of *EBS Review* (No 12) devoted to business ethics has been prepared and issued;
- The Department of Marketing organised several conferences with international participants that attracted wider public attention.

EBS is committed to research as a foundation of quality in education. Research is not seen as an end itself, but as a means of qualifying the faculty and ensuring that the knowledge and skills taught in programmes are broad-based, relevant, up-to-date and forward-looking. To follow this principle, research activities in the year 2001 have been concentrated at the chairs of EBS, instead of being promoted and co-ordinated by the Centre for Baltic Studies. These principles determine also the structure of the present report where research activities at different chairs are described separately.

RESEARCH ACTIVITIES AT THE CHAIRS OF EBS IN 2001

CHAIR OF MANAGEMENT

Organisational Learning in Organisational Change Process (Ruth Alas, Acting Head of the Chair)

Estonia has passed transition from former part of Soviet Union with centrally planned economy to politically independent country with free market economy. To operate successfully in free market conditions, transformational changes had to take place in Estonian companies. As a result, transformational change requires considerable innovation and learning: Estonian people had to change radically their thinking and behaviour.

To implement the transformational type of organisational change is not an easy task. Literature review indicates, that the first step to achieve lasting organisational change is to deal with resistance to change: to identify resistance as obstacle to overcome, and select a change strategy that will minimise or eliminate resistance. Resistance to change is connected with resistance to learning. No one organisation can institute change if its employees will not change themselves and learn something new.

To compete in the information age, the strategic emphasis has shifted from the effective management of tangible assets to the effective utilisation of human capital. Entire organisations collectively must create and assimilate new knowledge and learn to compete in new ways. To increase ability to adapt to change many experts have pointed out organisational learning. There has been a growing emphasis on viewing an organisation as a total learning system and finding its 'core competencies' which reveal its 'collective learning'.

Concept of learning organisation was introduced to Estonian practitioners in 1998. The aim of this study was to find out to which extent Estonian managers connect organisational changes and organisational learning and how organisational learning has developed in Estonian organisations for now.

Research in 137 Estonian companies was conducted. The companies represented different industries and were with different size. In research process interviews were conducted with managers.

The results of the survey in Estonian companies indicated, that in 90% of the studied companies transformational changes have taken place. This type of changes requires the highest level of learning. People from the stagnated Soviet Union had to first unlearn what they had done earlier, but they were not used to changes and inertia in the thinking of employees became the biggest obstacle during the implementation of changes. People did not also have a clear vision about their future in the rapidly changing new society and this caused the fear of the unknown. The results of the survey which showed that the managers of companies established before 1995 did not evaluate the implemented changes as successfully as the managers of younger companies indicates the difficulty of unlearning and getting rid of defensive routines. The economic situation changed and a stable and relatively high growth in Estonian economy was achieved in the years 1995-1997. At this period people were very optimistic, because the level of their well-fare level was increasing rapidly as well. There was less fear among people. The results of the current survey indicate the highest evaluations on organisational learning indicators and success of organisational changes in companies established in these years.

Results indicate that managers of Estonian companies find development of the learning ability of the organisations useful for implementing organisational changes more successfully.

Survey on Human Resource Management in Small-medium Sized Businesses (Maris Zernand, Assistant)

During the research, 80 different Estonian small and medium sized companies were surveyed. The results present differences that exist between various sizes of companies. The personnel manager post or her/his service outsourcing seems to be useful when the number of employees is 20 or more. In small enterprises where the number of employees is less than 51, the authority over human matters is usually at the company's owner or manager's hand. In medium size companies, the authority is delegated to the personnel manager. The educational background of the responsible persons is quite poor in all organisation groups. The size seems to be not very important while working out personnel policies. The percentage of companies that have a personnel strategy is in a positive correlation with the company's size. The level of involvement in the organisation's strategic management process is highest in small companies and lowest in large ones.

The result of the research gives an overall picture of the personnel management situation in different sizes of companies in Estonia. These conclusions drawn from a small sample may be the stimulus for a deeper investigation in future, or maybe even for the comparison of the CRANET research data collected in Estonia with similar data from other countries.

Partners:

1. CRANET: Cranfield Network European Human Resource Management.
2. CRANET HRM Research Group, University of Ulster, Faculty of Business & Management, Management Institute.

PARTICIPATION IN INTERNATIONAL PROJECTS

1. CRANET: Cranfield Network European Human Resource Management

Co-ordinator: Cranfield School of Management in UK. Prof. Chris Brewster.

From EBS: Tõnu Kaarelon

In the area of personnel/HR management Estonian organisations are currently moving from traditional methods in personnel management to application of human resource management ideology. Concurrently with advances in strategic planning, the personnel function is increasingly viewed in the context of strategic development of the organisation. At the same time, comparison of empirical data from results of surveys conducted in other countries demonstrates that in Estonian organisations the personnel function is still relatively weakly linked to development strategies. For 60% of organisations definition of personnel strategy is a task for the near future.

Human resources have become a primary critical success factor for many organisations that may be considered leading in their sectors. Consequently, organisations experience an increasing need of know-how on recruitment and selection, training and employee motivation.

In terms of strategic planning Estonian public sector organisations do not lag much behind the business sector. Development of strategic planning in public organisations has been substantially supported by modernisation of their management. This has been effected as part of preparation in the European Union accession process.

In organisations of the public sector personnel/HR management is a rapidly and dynamically developing area. Slightly smaller importance is attributed to it when compared to the business sector but the pace of development seems notably faster. Strategic planning, quality management and change management, which 5-6 years ago were typical of the business sector only, are establishing a firm position also in organisations of the public sector. In public organisations too, personnel/HR management is becoming a strategically important function supporting the main line of activity.

2. International Research on Electronics Workers' Minds

Co-ordinator: Chuo University in Japan. Prof. Akihiro Ishikawa.

From EBS: Ruth Alas

The international research on electronics industry workers' attitudes towards their job, company, union and society, which was conducted in Estonia during May 2001, underlines several trends both similar and specific, in comparison with other countries. The general trend has formed in different social climates, which generates the specificity of each country, which is evidence in terms of industrial and social policy, and about the diffusion of technology.

According to the research, most employees in the Estonia, USA, Poland, Spain, Korea, Italy do not belong to unions. Employees avoid unions when the human resource's system deals directly and effectively with employees and their needs. Sophisticated HR systems and practices can deal fairly with labour issues. The global economy forces companies to operate on a world-wide scale and employment security is closely tied to the economic strength of the company and not to collective bargaining power.

The both researched multinational companies in Estonia exert ever greater power over all their plants in term of management, commercial and production policies and industrial relations, while the negotiating power of trade unions is diminished by their having to operate separately at the level of each plant. It is also a widespread policy among companies to offer "personal" terms of employment to middle management, executives and employees above a certain level. This further weakens the position of trade unions as representatives of group in their negotiations with the company. Under such conditions, the unions and the workers whom they represent cannot exert any great force in claims involving stable employment, working hours, age and terms of retirement, etc., and scope of collective bargaining is thus reduced. Integration into the company is sought on a personal level

according to advantages offered by the employer to each individual employee or executive rather than to the workers as a body.

3. Cross Cultural CEO Study

Co-ordinator: Wharton School of Pennsylvania University in USA, Prof. Robert House.

From EBS: Ruth Alas, Krista Tuulik, Maris Zernand, Tõnu Kaarelson

CHAIR OF SOCIAL SCIENCES

The Values Forming the Management Consciousness of Business Students (Professor Jaan Ennulo)

An international comparative study to determine the hierarchy of value judgements has been conducted. Data have been collected by questionnaires to the students of several Estonian as well as of US, French, Russian, Finnish and Latvian universities. The purpose of the study is to determine the differences between value judgements to assess the situation and decide whether it is necessary or possible to do anything to change value judgements or attitudes. The data from different countries are comparable thanks to using the same methodology. The dynamics of changes of the Estonian Business School students' management values might be explained with the impact of different faculties.

The survey conducted in three consecutive years (1977-1999) comprised executives and employers of small companies, directors of rural companies, schools and pre-school institutions in addition to business students. Distinctive tendencies can be outlined in the dynamics of Estonians' value judgements. Comparing the changes to Western European value judgements we have to admit that we are not converging Europe but distancing from it in terms of value judgements. It applies particularly to judgements on ethical values, which are on the decrease both in the absolute value and position of value ranking.

The factors influencing value orientation are greatly variable. The speed of change in different factors is varied and as a consequence new situations emerge at any given moment of time, which also changes value orientations. Therefore, value orientation can develop as a state as well as a process. If there are factors, which the leadership subject finds within his powers to purposefully change, he will also have an opportunity to manage value orientation as a process.

During the survey we mapped the actual state of management values of the EBS students, monitored the dynamics of value changes during the studies and attempted to estimate the impact of the faculty. We compared the values of business students from EBS and other Estonian higher educational establishments to the values of students from other cultures studying the same speciality. Such comparative data allowed us to offer some suggestions to Estonian in their business communication with the representatives of these cultures. The survey demonstrated remarkable differences in value orientation related to management consciousness between the post-socialist countries and established democracies.

Partners: Universities in Finland, Latvia, Russia, France, Germany, and USA.

Conflicts in Estonian Enterprises and Society (Anu Virovere, Lecturer)

Current research compiled during 2000 has been focused on conflicts in society. During the research in the enterprises reasons of the conflicts, the ways of solving and resemblance with conflicts from previous years were analysed. Social conflicts are indicating that most often the conflicts are caused by the lack of social responsibility and real values needed for managers during deciding process. Results of the conflict study were compared with results got during the study of values.

In Estonia the ethical values were ranked only as 8 or 9 in the hierarchy of 10 most important values and the personal interest was ranked first by almost all. In decision making process a person uses mostly 2-3 main values from his/her values hierarchy. Therefore it is unrealistic to expect a person to account ethical values during information processing process and consequently decision-making when the ethical values are not considered important. In other words, decisions are not weighed from standpoint of ethics, but rather from standpoint of personal gain, success and prestige.

This survey about social and business ethics conducted in Estonia was compared to similar problems in post-soviet countries. We have researched the reasons as well as ways of solution of ethical problems in 1997-2001. When we researched the conflicts from the point of work ethics two ethical norms were violated most: right to participate and right for work satisfaction. We studied also ethical problems that had caught media attention and were important for the whole society. As a result, following bigger fields of ethical conflicts can be named: avoidance of social responsibility; abuse of professional position, bribery, corruption; tax evasion, deliberate

bankruptcies, and use of off-shore companies; violation of consumer rights; gaps in legislation.

Ethical Aspects of Decision-making (Mari Kooskora, Project Manager)

Estonia has been rather successful during the transition years, but besides the success, we can see that the number of conflicts in Estonian society and organisations have arisen and our people's value judgement show that there are great problems with ethics and ethical decision-making in Estonia. The wrong decisions and the ignorance of the need for ethical paradigms have already caused several unpleasant consequences - failed businesses, deteriorated relationships, arisen conflicts, etc.

The goal was to study how decisions are made, how personal and organisational values and assumptions influence people's decisions, and why the (business) decisions in Estonia are not ethical. The ethicalness of decisions depends on the moral development level of individuals, their values system and also on the concrete situation. During decision-making the general moral level of the society (and business environment), status and roles have deteriorate influence on individuals' decisions.

In the course of the research, the results of the studies which have been carried out at the EBS in the field of business ethics, ("The Study of the Values Forming Management Consciousness of Business Students" and "The Study of Conflicts in Estonian Society and Organisations") have been analysed. Another survey among university students about their decision-making and behaviour solving the ethical dilemma in the real-life business situation was carried out.

The analysis of studies conducted at EBS (gathered and analysed ~2100 conflicts in the organisations, 550 in the society, ~1900 respondents of the study of values) showed that the main reason for arising conflicts in the society and in the companies lies in the decision-maker himself, in his value judgements and morality. As the main goal in the Estonian business society is profit earning, the whole society is self-centred and driven only out of personal interest, which leaves no room for ethical considerations.

The results of the survey showed clearly that the decisions people make in business situations are very much affected by the social environment and organisational climate, company culture, leadership styles and managerial roles. And also by the attitudes and opinions the person has got and by the attitudes and opinions he / she thinks are appropriate in the eyes of the society and the organisation.

Partners:

Stephan Cludts (Centre for Economics and Ethics, Belgium), Alan Kitson, (Bolton Business School, UK), Georg Hashey, Robert O'Connor, Francis Reeves (Bentley College USA), Laura Spence (Kingston University, UK), Stuart Arnold (University of Hull, UK), Nijole Vasiljeviene (Center for Business Ethics Kaunas, Lithuania), Luca Brusati (Bocconi University School of Management, Italy), Anna-Maija Lämsä (Oulu Polytechnic, Finland), Bernd Stahl (University College Dublin, Ireland), Carl Stenberg (University of Baltimore), Mary Beth Klinger (College of Southern Maryland, USA), Tim Benijts (Handelshogeschool Antwerpen), David Frenkel, Ben Gurion (University of the Negev, Israel), EBEN members Heidi von Weltzien Hoivik (President), Christopher Cowton, Michael Hoffman, Barbara-Ann Hoekstra, Iiris Aaltio-Marjosola (Lappeenranta University), Gundar King, Thad Barnowe (School of Business Pacific Lutheran University, USA), Karlis Kreslins, Diana Pauna (SSE Riga).

CHAIR OF ACCOUNTING AND FINANCE

The Accounting Aspects of Estonian Business Law from International Perspective (Professor Jaan Alver, Associate Professor Lehte Alver and Lecturer Lauri Reinberg)

Research of the possibilities for implementation of the international accounting standards and the EC Directives into Estonian accounting practice was continued. In the frames of this topic three papers have been published and Jaan Alver and Lehte Alver co-authored in writing of *European Accounting Guide* (4th edition) published in the USA by Harcourt Brace & Co. The main result of the work is study aid *Intermediate Accounting I* (authored by Jaan and Lehte Alver) which is the first publication of intermediate accounting text in Estonia.

Jaan Alver published some papers that summarised his research about relationships of Estonian language, special knowledge and development of accounting terminology in the period of transition to market economy.

Lehte Alver continued her research in the field of history of accounting and published some papers about accounting from ancient period till medieval times. Jaan Alver supported this research by two papers.

Income: Definition, Recognition, Measurement and Reporting (Eve Lamberg, Lecturer)

Under the classical Hicksian definition, income is the change in wealth adjusted for withdrawals by owners. That is comprehensive income and this is probably the understanding of "earnings". In the legal parlance the FASB Concepts Statement No. 5 makes a useful distinction between net income, earnings and comprehensive income. These variations in terminology can be confusing but are generally accepted and consistent with the economics and accounting literature.

The investigation focuses on the comparison of the asset / liability view and the revenue / expense view. The asset / liability view is represented by Hicksian definition of income. Both views are part of the same measurement process. There are just two ways to calculate net income. The difference between revenues and expenses is equivalent to the increase in net capital.

CHAIR OF ENTREPRENEURSHIP

Management training and consulting as tools for developing knowledge management practices, international transfer of new management ideas and implementing the concept of learning organisations in the context of transition economy (Professor Tiit Elenurm)

The research has followed several goals:

1. To understand relevance of new knowledge management and learning organisation concepts for transition societies.
2. To study the cultural context for international transfer of new management methods and practices to different transition societies
3. To develop new training and consulting tools which support the implementation process of advanced management methods and practices.

In 2001 the concept of the knowledge management system for monitoring new international management ideas and increasing the innovative potential of organisations has been prepared for the learning network. Managers participating in management training courses have been interviewed for identifying their development priorities.

Relations between changing international business environment and learning process of future decision makers in a transition country have been studied on the basis of projections of important strategic choices and factors which are perceived as threats and opportunities resulting from globalisation and internationalisation forces influencing Estonian companies. Research results in this field have been presented at the 6th Workshop in International Business arranged by the University of Vaasa.

Innovative entrepreneurship as a factor of increasing international competitiveness of Estonian companies in the process of European integration (Professor Tiit Elenurm)

The research has been concentrated on the following research goals:

1. To understand factors, which influence the development of new innovative business ideas at different stages of the business life cycle.
2. To develop new consulting and training tools to empower Estonian entrepreneurs for increasing their international competitiveness in the context of the European integration.

Earlier survey of 94 Estonian companies in 7 export-driven business sectors has been supplemented with new action research data focusing on development challenges of company managers resulting from accession to the European Union.

Tiit Elenurm has participated in preparing Tallinn-Helsinki Twin Region future vision report in co-operation with Tarja Meristö, Åbo Akademi University and representatives of Tallinn City.

Partners:

EBS Executive Training Centre

Tallinn City, Uusimaa Regional Council

University of Vaasa, Helsinki School of Economics and Business Administration

Availability and Reliability of the Intercultural Communication Information on the Net. Marketing of the New Tourist Destinations (Elena Pruvli, Lecturer)

The main task is to make the content analysis of some intercultural communication sites and to evaluate the information available on the Net.

Some of the research questions were formulated as following:

- The availability of the information about Eastern Europe on the Net. To find out whether the information is objective or biased by the wish to bring definitely the “still post-Soviet mentality” as the explanation to any studied cultural value; for whom the site is designed; what are the most researched geographical and/or cultural areas.
- The image of Finnish (Swedish, Estonian, Baltic, German,) business people and the main tips for the negotiation process with the representatives of these business cultures on the Net.
- The overview of the scientific researches available on the Net (by whom they are conducted; what % from the whole information about particular culture can be considered as scientific research; which area or business culture is researched more; undiscovered areas in research).
- Use of the famous theories on the Net (the further development of G. Hofstede's, E.Hall's etc. For what particular cultures, areas. Which dimensions are the most popular among the authors of the Net publications.)
- How useful and informative are on the Net the details of making the intercultural business initial contact. The author has made a research into the information about the dress code and the issues of the small talk on the net. Of course the task to investigate all of the issues mentioned above is quite broad and will take time. The lector is planning to organise the students into the groups of 3-4 coders from the same culture and to define the population of the research for each question using the main search engines. They are: Excite; GoTo.com; Infoseek; LookSmart; Netscape Search; Snap!; Web Directory; AltaVista; Yahoo; MNS Search; Lycos.

CHAIR OF APPLIED MATHEMATICS AND INFORMATICS

Mathematical Modelling of Energy Consumption (Professor Toomas Täht)

In co-operation with researchers of Tallinn Technical University the investigation of mathematical models of energy consumption was continued. Software was developed for computer simulations and numerous computer simulations for testing algorithms were carried out. Mathematical model for peak-normal distribution and algorithms for identifying the model and estimating parameters was completed. At present the main part of parameter space is covered with algorithms and another part of parameter space, where

it is impossible to determine parameters uniquely, has been completely described.

Solution Methods for Optimisation Problems with Incomplete Information (Indrek Kaldo, Lecturer)

One of the potential ways to reduce the total time needed for computing a solution with a prescribed accuracy is the use of parallel computation. Methods with the high order converges offer various possibilities to organise parallel computation. Further we shall discuss some aspects of parallel computation concerning rapidly convergent methods. The process is organised by designating a computer (processors) as the master (that coordinates the process of other computers) and other computers as the slaves (that execute separate tasks). In the beginning of the process the researcher allocates a certain number of sub-problems to the processors (to the network). Computational experience with various multiprocessors indicates that performance of parallel methods depends critically on efficient load balancing.

The initial basic mission of the research work has been further specified and the following two topics were studied more thoroughly:

- high order iterative methods for non-linear problems
- organising parallel computations

An article is being prepared on the basis of the above-mentioned topics that should be published in 2002.

CHAIR OF INFORMATION TECHNOLOGY

Software Tools and Development Methods (Professor Enn Tõugu)

The research in automatic program synthesis and its applications was continued. Together with Prof. M. Matskin from NTNU, Trondheim, a survey of strategies of the structural synthesis of programs (SSP) as well as some extensions of the SSP were published (*Matskin and Tõugu, 2001*). Implementation of the SSP and its extensions in Java environment has been continued in co-operation with the Institute of Cybernetics of the Tallinn Technical University (*Harf et al, 2001*). Metainterfaces as logical specifications of classes have been introduced. They can be used in two ways: as specifications of computational usage of classes or as specifications

of new classes composed from metaclasses – the classes already supplied with metainterfaces. The specification language used has a straightforward translation into a restricted first-order constructive logic. New programs are composed by a deductive synthesis method close to the structural synthesis of programs. Another implementation of SSP has been proposed in *Laemmermann et al. (2001)*. Here the inherent parallelism of specifications of synthesis tasks was used in order to get concurrent and distributed implementations of synthesised programs.

A new and promising application of the extended structural synthesis of programs is dynamic synthesis of services (*Laemmermann and Tyugu, 2001*). A specification logic and proof system was developed for synthesis of services dynamically. This enables one to apply the synthesis to network services and will be applicable in the development of active networks – the networks that are able to process messages in the intermediate nodes of a route. Another application of SSP is in planning of behaviour of agents in multiagent systems.

Partners:

Professor G. Mints (Stanford University, USA), Professor M. Matskin (Norwegian University of Science and Technology (NTNU), Trondheim), Assoc. Prof. V. Vlassov (Royal Technical University of Sweden (KTH), Stockholm), Professor J. Penjam, Professor A. Kalja (Tallinn Technical University).

Research-administrative activities

Professor Enn Tõugu has participated in the Programme Committees of the following conferences:

- 16th IEEE International Conference on Automated Software Engineering, November 2001, San Diego, USA.
- Ershov 4th International Conference Perspectives of System Informatics, July 2001, Novosibirsk, Russia.
- Fifth East-European Conference on Advances in Databases and Information Systems ABDIS'2001, September, 2001, Vilnius, Lithuania.

Structures and Intellect (Professor Peeter Lorents)

Ways of formal definition of life from material (chemical) and structural (algebraic) point of view have been analysed. The concept of living structure has been investigated in more detail. An analogy of the Turing test has been

formulated for determining a rate of being alive; related algorithmic and ethical aspects have been considered.

A new fundamental binary relation of notation-denotation between sets has been presented. Axioms expressing the basic properties of this relation have been given.

This fundamental relation is a basis of formal handling of data, information and knowledge. A number of theorems have been proved, in particular, a new proof of Hartley's formula. Formalisation of several natural language constructions related to the concept of knowledge has been given.

CHAIR OF ECONOMICS

Indicators for Pursuing Policies Leading Towards Sustainable Development (Lauri Luiker, Head of the Chair)

Economic development has been measured using mainly two indicators: GDP (the total value of production in an economy), and GNP (GDP plus net factor income from abroad). Based on these figures, countries have been ranked by their level of GDP and GNP per capita, and in turn these numbers have been used for key economic analysis. It is now recognised that as the societies advance, more limits emerge restricting the assessment of this progress. Several new approaches have been developed to help address the shortcomings of GDP and GNP. Under the sustainable development framework we refer to "needs" in a broader sense - needs for a clean environment, for a safe and sound society and for sufficient employment opportunities –, and to the concept of "inter-generational" equity - implying that the next generation should be secured opportunities similar to those available to the current one. Measuring sustainable development means going beyond purely value-based activities and at a minimum, it requires taking into account social and human concerns, and environmental factors.

Thus, investments in "social assets", employment, educational qualifications, life expectancy, housing, crime, air pollution, waste, etc., are all factors, which have significant impact on the well being of society. But they are vaguely represented in the traditional aggregation. At the same time, there are significant problems in the concept and measuring social capital, which have consequently limited discussion of this new approach at a broad policy level. Therefore, we want to identify better criteria for various indicators that are

relevant to assess sustainable development. Indicators are not only needed to measure progress but also to raise awareness about the inter-linkages and trade-offs among the various issues of sustainable development, as well as about the longer term implications of today's decisions.

The research project wants to contribute in this process by providing a range of indices necessary for generating specific policies targeting sustainable development principles. The general goal of the project is to facilitate the inclusion of sustainable development principles into national or sectoral economic policies and to widen the discussion on a societal level. The main activities of the project are construction, calculation, evaluation and implementation of a set of sustainable development indicators. The indicators will hopefully assist in formulating macroeconomic policies.

The project was commissioned by the PRAXIS Center for Policy Studies and carried out together with T. Nõmmann (Union of Baltic Cities, PRAXIS) and P. Eliste (World Bank).

Development of Estonian Banking System under Currency Board (Hardo Pajula, Associate Professor)

Since the report dealt with one country with very specific initial conditions, there are not that many conclusions to be drawn and those that could be drawn — *eg* that if the authorities are to run a currency board, they cannot “protect” domestic banking sector from foreign take-overs — are hardly more than uninspired attempts to glorify the obvious.

Hence, to be able to generalise, we would have to compare Estonian experience with other (similar) countries with and without the currency board. Most of the authors who have analysed the workings of the currency board arrangements in different countries, share the common wisdom that opting for currency board entails the cost of foregone flexibility and a great deal of empirical work is actually cast as the cost-benefit analysis of gained credibility and lost flexibility. Then again, most of the variables used by these authors are of macroeconomic.

As regards banking sector, Rivera Batiz and Amadou (2000) have found that currency board system gives rise to greater operational efficiency of the foreign exchange market as measured by bid-ask spreads. Estonian experience certainly agrees with this — hardly surprising — empirical result. Moreover, as we have seen, one of the reasons of the first banking crisis was

the disappearance of easy profit opportunities from foreign currency operations. Also, the forward exchange rate behaviour in Estonia in October 1998 is very similar to those in other countries with similar institutional configuration in this period of speculative attacks. This suggests that irrespective of institutional rigidity, currency boards are susceptible to contagion effects. The other empirical finding — stressed by Santiprabhob (1997) — in touch with Estonian experience is that banks operating in currency board environment are likely to face higher interest rate volatility given the constraints to conduct smoothing monetary operations.

Finally, what really matters in our opinion is the existence of the relevant counterfactual. While the alternative regime may be feasible for countries like Argentina, it may just not be there for the geopolitical oddity next to the large and bully neighbour, with population of 1.5 million and GDP in the magnitude of 5 billion dollars. If the initial objective of the authorities were to share the benefits of the currency area and integrate Estonian financial system with that of Scandinavian countries, the story of Estonian banking system under currency board could be renamed “Mission accomplished.”

PARTICIPATION IN PROJECTS

1. Electricity demand in Estonia 2000-2005.

Empirical research ordered by "Eesti Energia" and Centre for Policy Studies "Praxis"

Authors: Rasmus Pikkani (Bank of Estonia) and Kaire Põder (EBS)

The objective of the current research is to measure electricity demand in Estonia by using Error Correction Method (ECM) and to forecast electricity demand for the years 2000 to 2005.

The authors estimated separately electricity demands for firms and for households. Firm model is built up using quarterly data and households model by using monthly data. Aggregate model is the sum up of firms and households models.

The results can be divided into long-run model and short-run model. The adaptation from short-run period to long run is different for households and firms. In the case of households almost three quarters of the adaptation is made during next month, the error correction term in the case of firms is 0,8 (but we are considering quarterly data).

Empirical model gave the following results:

- a) long-run firms price elasticity coefficient is -0,47;
- b) dynamic firms price elasticity coefficient is -0,25;
- c) long-run firms income elasticity coefficient is 0,34;
- d) dynamic firms income elasticity is 0,73;
- e) long-run household's price elasticity coefficient is -0,32;
- f) dynamic household's price elasticity coefficient is -0,27;
- g) long-run household's income elasticity coefficient is 0,98.

To estimate electricity demand for the following year, four scenarios are prepared and three estimations are made — firms' prognosis, households' prognosis and aggregate prognosis. The models gave the following results:

- a) In the case of positive real growth and if the electricity prices grow slower than consumer prices the demand for electricity cannot decrease;
- b) During long-run relative electricity price increase by 1% will decrease households electricity demand by 0,2-0,4% and firms electricity demand by 0,4-0,6%.
- c) If real growth is zero and electricity prices will grow according to general price increase, firms will not invest any resources to more efficient (less energy consuming) technology.

2. Building Local Government Capacity in Support of Fiscal Decentralization of Estonia.

Partner: The World Bank

Participants: Angelika Kallakmaa and Arno Almann

CHAIR OF LAW AND PUBLIC ADMINISTRATION

The Legal Connection between Administrative Institutions in Public Administrative Organisation (Professor Arno Almann)

Adoption of a number of new laws brought substantial changes to the system of Estonian Public Administration Organisation. The changes in the field of Administrative Law in Estonia shall continue - the adoption of several drafts currently under discussion are planned to be adopted during the forthcoming years. At the same time, there is a lack of theoretical research in this field. This makes the implementation of new legislation in practice often extremely difficult. Poor theoretical basis has also complicated the finalisation of the Public Administration Reform.

The research activities in 2002 concentrated on the changing legal

environment of the Estonian Public Administration. An important milestone in the research activities was the collection of several theoretical works of Heinrich Schneider, a leading Estonian lawyer. Publication of this collection is scheduled in 2002. The results of research activities were used in preparing commentaries to the Estonian Constitution, also in providing expert opinions on several issues arising of the activities of a number of administrative institutions. The research results were also used in composing EBS textbooks on Public Administration.

Expert opinions:

1. Legal foundation of unified Financial Supervision Institution.
Beneficiary: the Bank of Estonia.
2. Legal foundation of Administrative Territorial Reform.
Beneficiary: The Ministry of Internal Affairs.
3. Model for Internal Audit and Supervision in Tallinn.
Beneficiary: Tallinn City Council.
4. Analysis of the legal status of the National Forestry Centre.
Beneficiary: National Forestry Centre.

The Mechanisms of Shaping Political Decisions and the Legal Environment of Public Organisations in the Framework of Management of Organisations in Public Sector (Anna Laido, Lecturer)

Proceeding from the main functions and paradigms of parliamentary work and describing the development and current situation in Riigikogu, it is possible to say that the dominating paradigm for the work of Riigikogu and its committees is legislation, whereas the scrutiny over the executive which is tied to the representative function of parliament, have not developed in an equal space and have remained on the backdrop compared to the legislative activity. The factors most influencing the development of Riigikogu are the general political culture in society, limited experience of parliamentary democracy and political priorities of state, among others.

The reasons for legislative activity to precede and dominate are manifold. Riigikogu has had to work out within short time the new procedure and job descriptions as well as to implement them in practice. There has been creation of traditions and building of institutions. The building of institutions in Riigikogu has been rapid and rather effective, but the democratic traditions still take time to root and become an inseparable and inherent practice of the parliamentary working routine.

The empirical difficulties in building institutions and creating traditions in Riigikogu and its committees have been, among others, the lack of expertise and staff to work out a high quality legislation and to enable the MP-s to concentrate more on the substantial areas of their work, that is working with the electorate and discussing the political point-of-views with their colleagues both in fractions, committees and at the plenary - exactly in this order.

The practice of using internal procedure is very much a matter of political culture. Although political culture cannot be increased solely by law, there have been discussions at the plenary of Riigikogu to stipulate the parliamentary code of ethics by the Riigikogu Rules of Procedure Act. This would, among other implications, give more authorities to the Board of Riigikogu to direct the proceeding in floor. Potentially the code of ethics would also help, at least to some extent, to resolve the tension between coalition and opposition and contribute to diminish the possibilities to block the work of the plenary.

In legislative-executive relations the policy expertise part seems to be one of the areas needing more attention. Currently the low quality of many government drafts reaching Riigikogu is influencing the speed of committee proceedings of drafts, as confirmed by the answers to the questionnaire by committee chairpersons and committee staff.

In a broader perspective the activities of Riigikogu and its committees should be oriented towards the requirement that no decisions of larger social impact would be voted and thus decided at the plenary without all the parliamentary organs having a sufficient and feasible information before making the actual decision. It is to be provided through the procedural and legal requirements, among others, that bad decisions would not be adopted by the plenary.

Partners:

Tallinn Pedagogical University

University of Baltimore, Maryland

NISPACEE (Network of Schools and Institutions Teaching Public

Administration in Central and Eastern Europe)

Association EUROPA (France).

EBS CENTRE FOR BALTIC STUDIES

The Centre for Baltic Studies (CBS) was founded in 1999 under guidance of **Professor Peeter Lorents** as Director and **Dr. Sirje Keevallik** as Learned Secretary. The main task of CBS was to promote and regulate scientific research of necessary quality and scope at Estonian Business School that is a university-level study and research centre.

By 2001 CBS has completed most of its tasks:

1. Regular inventories of research activities have been carried out and the results have been summarised in **Annual Report of Research Activities 1999** and **Annual Report of Research Activities 2000**.
2. Doctorate studies have been revived, new curricula have been designed and respective statutes elaborated.
3. Evaluation of management science by an international commission was prepared. The management research at EBS got a positive grade.
4. The specialities of IT Management (on the bachelor's and diploma level) and IT in Public Administration (on the bachelor's level) were elaborated, the licences to the curricula were obtained from the Ministry of Education and the first students were admitted in the autumn of 2000 and 2001, respectively.
5. Publication of scientific papers in peer-reviewed scientific journals has been initiated.
6. Attending international conferences has been activated.

On the other hand, the following changes have taken place at EBS:

1. Scientific research has been concentrated at the chairs of EBS.
2. The Chair of Information Technology has been founded.
3. The institution of Learned Secretary of EBS has been created.

Due to these changes, the staff of CBS and the number of research topics have decreased.

The Centre is led by Head of the Chair of Information Technology **Professor Peeter Lorents**.

The main research topics are divided into three groups:

1. Socio-economic Processes (Head of the Working Group **Dr. Juhan Sillaste**)
 - Processes in the Baltic States Related to Euro-integration

- Social Stratification in the Baltic States
- Modification of the Social Structure in the 1990-s
- Labour Market in the Baltic States in 1989-2000
- Formation of the Elite in Estonia

Note: Kaliningrad is also dealt with alongside the Baltic States

2. Security and Social Stability (Head of the Working Group **Professor Peeter Lorents**)

- Main Characteristics, Criteria and Factors of Internal Security
- Security of the Baltic States in the Context of Geopolitical Aspirations of Other States and Associations of States

3. Environmental Issues (**Dr. Sirje Keevallik**)

- Regional Climate Resources and their Variability in the Baltic Sea Catchment area

The Centre for Baltic Studies undertakes and carries out projects related to the main topics of its activity. In 2001 three projects were in progress:

- Research grant of the Ministry of Defence No 531/0012 **The mechanisms and dynamics of the formation of public opinion and mentality in Russia concerning Estonia and the Baltic States (Psychological war against Estonia and other Baltic States)**
- Research grant of the Ministry of Defence No 532/0012 **The security risks in the socio-economical state of Ida-Virumaa**
- Common project of EBS-CBS and Äripäeva Kirjastus **Handbook of IT Management**

RESEARCH ACTIVITIES AT CBS IN 2001

WORKING GROUP OF SOCIO-ECONOMIC PROCESSES

Socio-economic Analysis of Transition Countries, Development of Ida-Virumaa (Juhan Sillaste, Head of the WG)

To achieve the main goals of Estonian long-term policy connected with joining EU and NATO the stability inside country is needed. All possible disbalances of socio-economic development must be additionally analysed from this point of view.

Beyond doubt, large-scale complications on labour market are belonging to the most sensitive stability aspects of transition society. Differences of employment rates between regions and population groups are increasing. We discover especially great level of discrepancies in Ida-Virumaa County (North-Estonia). These will be described both in terms of quantity and quality. The industry oriented to produce goods for Soviet military complex and all-Union needs have lost their traditional consumers. The other side of labour market situation is lack of skilled workers for service-oriented economy that has good preconditions for development. So we have in Ida-Virumaa classical case of structural unemployment. Young people mostly have an attitude to follow family traditions based on lifetime work using limited skills needed only for mass production professions and usually mentally dislike services. Their level of integration into Estonian society is very low. Two thirds of unemployed persons from age group 15-24 are unfamiliar with languages except Russian. Their information space is limited by Russian TV. It is very easy to explain them that their unhappy position on labour market is only a result of unfriendly policy of Estonian government and Estonians as a whole. These circumstances will be politically misused by some outside powers to harm Estonia. Youth unemployment and lack of means for normal everyday life are starting points for drug use, prostitution, criminal activities and other ways of socially destructive behaviour.

Some special programmes financed by World Bank loans must be established to avoid worsening of situation. It is important to change existing distribution of responsibility for labour market organisation and social care between central government structures and local authorities. In co-operation with MATRA programme (Netherlands Association of Local Authorities) a "model solution" for City of Jõhvi (Ida-Virumaa County) was worked out as a possible basis for future use in local governments around Estonia. Special attention was paid to government attempts toward decreasing number of local self-governments under "administrative reform" slogan. Not only financial and organisational comfortability for central government must be taken into consideration, but also principles of European Charter of Local Self-government.

Partners:

Institute for Socio-economic Analysis of Estonia

Institute for European Studies

Institute for Russia and CIS

County Government of Ida-Virumaa

WORKING GROUP ON SECURITY AND SOCIAL STABILITY

Security of the Baltic States in the Context of Geopolitical Aspirations of Other States and Associations of States (Juhan Sillaste and Peeter Lorents)

At the beginning of the 21st century we meet a totally new security environment, which is much more influenced by globalisation and institutionalisation than in the past. But if we are dealing with security matters there are still needs to differ threats and risks by their origin. Rise of domestic preconditions for instability and large-scale conflicts is sometimes more dangerous than threats from outside are.

The most serious source of tensions in this respect is concerned with the Soviet heritage - people of foreign origin, usually called "Russian speaking population". They have lost their former more or less privileged status and adaptation with the market economy is going slower and more painfully than among Estonians. Reorientation towards the sectors of economic activity is complicated, because of lack of language skills and former professional career. Nevertheless, Russian speakers are in general quite loyal to the Estonian State. It is supported by their good knowledge about living conditions and political developments in Russia and CIS after collapse of Soviet Union.

Special attention must be paid to the young low-educated and unskilled Russian speaking people living in the cities of Ida-Virumaa due to their weak position in labour market competition. Diminishing security as a result of unemployment and criminality is pushing their attitudes towards imperial values, which became during the last 8-6 years stronger and more cultivated in Russia.

Study of Russian mass-media using Integrumworld database available through the internet (<http://www.integrumworld.com>) shows (more than 40 thousand publications during 1991-2001 were analysed) that information about Estonia addressed to the readers of Russian newspapers and news-agencies subscribers is mainly put into negative context (more than 80 % of articles and news). An influence of such kind "brainwashing" among certain part of young Russians in Estonia, satisfying their needs for information by reading Russian newspapers and watching Russian TV is really remarkable.

Partners:

Centre for European Security Studies (University of Groningen, Netherlands)

Faculty of International Relations of Sankt-Peterburg University
Friedrich Naumann Foundation (Germany)
George C. Marshall European Centre for Security Studies. Garmisch-
Partenkirchen, Germany.

Research-administrative activities

Professor Peeter Lorents was the main organiser and the Chairman of the Programme Committee of the following conference:

- Kaitseliit muutuvus maailmas. Tallinn, 11. november 2001.

WORKING GROUP ON ENVIRONMENTAL ISSUES

Trends in the Meteorological Parameters and Atmospheric Circulation in Estonia (Sirje Keevallik, Learned Secretary)

An extensive analysis has been undertaken to investigate changes in the main weather elements in late winter and spring at Tiirikoja Meteorological Station (58.87°N, 26.95°E) during 1955-1995 and to relate the changes to the trends in the atmospheric circulation. The latter was estimated from wind speed and direction data at two isobaric levels (500 hPa and 850 hPa) recorded at Tallinn Aerological Station. These data permitted to calculate the zonal (u) and meridional (v) components of wind velocity at both levels.

Linear trends were fitted to time-series of monthly averages of all parameters under consideration. Along the trend lines it was possible to estimate the changes that have taken place during the observation period. It has been noticed that the most serious changes in meteorological parameters have taken place in March. March has become warmer during the last four decades. Additionally, the amount of precipitation has nearly doubled during the same period and the amount of low clouds has increased by 50%. Besides, data on the ice cover on Lake Peipsi show that during the period of 1921-1975 the average date was April 10 when the ice started to break on the lake. During the period of 1976-1996 this date was approximately two weeks earlier – on March 25.

These changes are statistically related to the changes in the average airflow in the free atmosphere above Estonia. In March the wind speed at the 500 hPa and 850 hPa isobaric levels has increased during the observation period and the average airflow has turned from NWW or NW to SW or SWW. It should

be added that such changes in atmospheric circulation above Estonia could be attributed to the intensification of the NAO during the period under consideration only partly.

This investigation was mostly financed by Tartu Observatory. EBS covered partly the expenses of participation in the 3rd Study Conference on BALTEX and in the 12th BALTEX Science Steering Group meeting.

Partners: BALTEX (the Baltic Sea Experiment with Germany, Denmark, Sweden, Finland, Estonia, Russia, Latvia, Lithuania, Belarus, and Poland as participants)

Research-administrative activities

Dr. Sirje Keevallik is

- Member of the BALTEX Science Steering Group
- Vice-Chair of COSPAR (Committee on Space Research) Scientific Commission A
- Member of International Radiation Commission of IAMAS (International Association of Meteorology and Atmospheric Sciences)

DOCTORATE STUDENTS

Organisational Culture and Its Dependence on the Core Investor (Krista Tuulik)

After taking part in East Forum in Chemnitz and listening to the presentation of Professor Robert House from Wharton Business School, University of Pennsylvania, we (me and Ruth Alas) got the chance to take part in the investigation of Charismatic Leadership by conducting the research in Estonia. This kind of research is already conducted in the frames of the GLOBE research program (Global Leadership and Organisational Effectiveness Research Program) in more than 62 countries. The research in Estonia started with translating the package sent by R. House into Estonian in the beginning of August 2001. During the fall semester the students of Estonian Business School carried out the research in Estonian enterprises. The students had to formulate so-called research teams of two and the first aim was that each of the teams had to conduct an interview with the CEO of the company, distribute questionnaires of three different types to the subordinates of the CEO and collect them. By the end of December more than 45 packages were gathered and the results were sent to Wharton Business School.

Management of Organisational Changes in the Conditions of Transitional Economy (Ruth Alas)

The report of Ruth Alas is given above.

The Functional Structure of Estonian Television and Mechanisms of Management (Diana Lorents)

Sub-topic: A production system and the control mechanism in Estonian Television

All employees who worked in Estonian Television have been interviewed, except some performers of parallel functions. The collection of the interviews comprises 171 units. Each of them consists of 3 fundamental question groups. On the basis of the interviews the chart of the production system in ETV and the chart of mechanism of leadership have been completed. There exist 18 units of leadership and 133 units of functional system. These charts enabled us to carry out preliminary analysis of leadership in ETV. The primal issue is inadequacy between *real* leadership and the chart of formal

leadership. Preliminary analysis of the scheme of production emphasises the existence of the remarkable differences between formal functions and *real* activity. Carrying out the metrical description of absolute and relative differences is in progress.

Optimisation of the defence management system (German Kesa)

Sub-topics:

1. Transformation and professionalisation of Armed Forces in Europe.
Case study - Estonia
2. Challenges for Defence Planning

The Estonian Defence policy has two main goals:

- The development and maintenance of an indigenous and credible national defence capability to defend the nation's vital interests
- The development of the Estonian Defence Forces in a way that ensures their interoperability with the armed forces of NATO's and EU's member states and their capability to participate in the crisis response operations.

The need to balance between these two main goals creates a major challenge for a relatively small country with currently ongoing restructuring of the economy. In addition, aspiring to NATO membership, Estonia is successfully moving towards EU membership.

The Planning Process in the Ministry of Defence and its Sphere of Administration requires further development. The strategic planning is conducted through the hierarchy of documents starting with the "Guidelines of the National Defence Policy of the Estonian State". Proceeding from the Guidelines, the Ministry of Defence and the Chief of Defence work out the perspective development plan of the Defence Forces (for the period of 10-15 years) and the long-time investment projects. On the ground of the prospective development plan, the Ministry of Defence submits the structure of the Regular Armed Forces and the Defence League, as well as the proposals for the formation, re-formation, dismissal and location of the units to the Government of the Republic for approval.

However, the revised Peacetime defence act (currently in draft format) will establish a new set of documents for strategic level planning. There will be a National Military Strategy, which is derived from a governmental level National Security Strategy. National Military Strategy states the missions, sets the basic operational capabilities of Estonian Defence Forces, including

overall readiness levels. The Defence Forces Development Plan will define the target forces structure.

The practical implementation of the Defence Policy Goals will be achieved through an annual defence budget and an annual program (a one-year development plan). This document will be drawn in co-operation between the MoD and the General Staff of the Estonian Defence Forces. Completed annual defence budgets are finally approved by the Parliament (*Riigikogu*) at the end of each year or at the beginning of the year covered by the plan. The development plan is submitted to the Government of the Republic and after that to the *Riigikogu* along with the budget project.

Enhancing Interthinking and Rapport Business Communications Skills (Jelena Fedurko)

Sub-topic: Meaning in Language.

The aim of the theoretical study Meaning in Language has been to locate the linguistic study of meaning within the wider context of communication in general. The main focus was placed on issue of differences in meaning related to varieties in perception and individual sets of filters. One of the prime interests was to study the range of variation in meaning observable in words in different contexts. Attention was also paid to conceptual approach and to the question to what extent word meanings can be equated with concepts. Topics studied included relations of sense between lexical items that can have the same syntactic position, namely synonymy, antonymy, complementarity, incompatibility and converseness. Also, the ability of metaphors to enable new meanings to be produced from old ones and the nature of normal and abnormal collocations were examined. The above topics were studied in the light of connections between linguistic units and extralinguistic world. Main interest was placed on various strategies for indicating (on the part of the speaker) and identifying (on the part of the listener) correct meaning in different types of speech act as stating, requesting, insisting, commanding and so on.

Estonian Commercial Banks' Credit Policy in Conditions of the Transition Economy (Sergei Fedurko)

Sub-topic: Estonian banking system in transition economy and its input into social sphere development

Among the reasons for the economic growth slowdown and creation of

numerous distortions in reforms it is possible to point out insufficient role of Estonian commercial banks in real sector development and reforms implementation because of favouritism towards the financial sector of economy. In order to prove it the author intends to fix objectively the advantages and disadvantages of Estonian reforms by evaluating them against certain criteria and being mindful of the conditions of real sector development as the most important sphere of Estonian economy growth as a whole.

Characteristic features of Estonian reforms have been radical and rapid introduction of market oriented institutions accompanied by high social costs.

The orientation of the economic policy to the macro-economic stability and the efficient implementation of market mechanisms have created a reliable basis for the continuation of rapid economic development in Estonia. The more smoothly Estonia is able to adjust to the changes, the more fully the development potential of the Estonian economy is utilised and the more rapidly the welfare of the society will increase.

From the author's point of view the measures taken are not sufficient enough to set up the banking sector which could contribute utmost to the creation of a healthy national economy as the steps taken to reinforce Estonian banking system were narrowed to the exclusive benefits of the banking sector itself.

EBS CENTRE FOR ETHICS

EBS Centre for Ethics was founded at the end of 2001. The centre's tasks include integrating ethics activities among the different chairs at EBS in order to develop the academic potential of EBS faculty, as well as integrate research work in business and management ethics and related fields. The centre acts as an information source and advisor on the subject of (business) ethics and plans to have increasingly close ties with business people. The aim is to create a new mission for economics and business administration orientated education under the slogan "Integrity in Society and Business".

With the goal of improving the Estonian business climate, educating business people and informing the public at large, the members of the centre conduct surveys, organise training programs, seminars, workshops, publish articles and share information about ethical problems in business and society.

The main aim of the centre is to study the general social climate in Estonia and, more specifically, relationships in business and within organisations, to understand what is detrimental to these relationships and what are the causes of severe conflicts. Research in this field was commenced five years ago and conflict and value orientation both in society and organisations were chosen as the main objects of research.

The work of the centre has been designed as a long-term program. The need for this program has arisen from the continual rapid development of the social, political and economic environment in Estonia, and the need for its educational institutions to react to these changes.

Several steps have already been taken towards raising awareness of the problems and providing training on the subject of business ethics at Estonian Business School and within the Estonian business community. The formation of a database of research fields and publications on business ethics is in process. One of the tasks is to encourage new students and doctoral students to become involved in ethics related research fields and to incorporate and develop new faculty members for EBS.

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PRESENTATIONS AT CONFERENCES IN 2001

INTERNATIONAL

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- Aarna, O. A decade of reforms in higher education management. Estonian case. *University Management Workshop, Lvov, Ukraine, November 23-24, 2001.*
- Alas, R. Factors affecting employees' willingness to participate in implementation of organisational change. *V East Forum, Chemnitz, Germany, 21-23 March 2001*
- Alas, R. Impact of organisational changes at different levels. *EIASM 8th Workshop on Management and Organisation Cognition. Paris, France, 30 May – 1 June 2001.*
- Alas, R., Jones, D. Participation in a change process: Does it depend on job satisfaction? *Global HRM Conference, Barcelona, Spain, 21-22 June 2001.*
- Alas, R. Organisational learning in Estonian organisations. *New Dimensions in Human Resource Management. Conference of CRANET Network, Nicosia, Cyprus, 8 November 2001.*
- Almann, A. Public Administrative Reform Alternatives. International Conference *Administrative Culture, Tallinn, 22-23 November 2001.*
- Elenurm, T. Globalisation and development of the international business environment as sources of strategic opportunities and threats – perceptions of Estonian international business students, *6th Workshop in International Business, University of Vaasa, 26-28 August, 2001.*
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- Keevallik, S. Changes in meteorological parameters in March (Estonia, 1955-1995). *3rd Study Conference on BALTEX, Mariehamn, Finland, 2-6 July 2001*
- Keevallik, S. Climate parameter trends in Estonia, *Climate Variability and Change in the Baltic Sea Area, De Bilt, The Netherlands, 12 November 2001*

- Kesa, G. Implementing defence reform. Balancing national goals and international commitments. Case study of Estonia. *NATO Defense Planning Symposium, Oberammergau, Germany, 17-18 January 2001.*
- Kesa, G. Modernisation and professionalisation of the Estonian defence. *Transforming Postcommunist Militaries: Professionalisation of Armed Forces in Central and Eastern Europe, UK Joint Services Command and Staff College, 26-29 April 2001.*
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- Laemmermann, S., Tyugu, E.. A specification logic for dynamic composition of services. *21st IEEE International Conference on Distributed Computing Systems, Mesa, Arizona, April 2001.*
- Laemmermann, S., Tyugu, E., Vlasov, V. Concurrent implementation of structurally synthesized programs. *International Conference on Parallel and Concurrent Computing PAC'2001, Novosibirsk, September, 2001.*
- Laido, A., Almann, A. The role of the members of parliament and legislative committee staff in parliamentary process. *NISPACee 9-th Annual Conference, Riga, Latvia, 10-11 May 2001.*
- Lorents, P. Formalisation of data and knowledge based on the fundamental notation-denotation relation. *International Conference on Artificial Intelligence, Las Vegas, Nevada, USA, 25-28 June 2001.*
- Lorents, P. Civil-military relations and some security aspects of the Republic of Estonia. *Taking Stock of Civil-Military Relations, The Hague, The Netherlands, 9-12 May 2001.*
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- Podolski, L. On some difficulties in defining sentence elements in English, Russian and Estonian. *2nd International Contrastive Linguistics Conference, University of Santiago de Compostela, Spain, 24-27 October 2001.*
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- Sillaste, J. Estonia on the way towards the European Union and NATO. *Baltic States in Changing Security Environment. Riga, Latvia, June 2001.*
- Sillaste, J. Some conclusions from Estonian experience, *Intra-Macedonian Dialogue, Interlaken, Switzerland, November 2001.*
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- Tooming, H. Keevallik, S. Relationships among the ice extent on the Baltic Sea, the snow cover in surrounding areas, and the temperature. *3rd Study Conference on BALTEX, Mariehamn, Finland, 2-6 July 2001*
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- Virovere, A., Kooskora, M., Valler, M. Ethics at the workplace as the success factor in the information and communication society, based on the study of conflicts in Estonian companies. *14. EBEN Annual Conference, Valencia, Spain, 11-14 September 2001.*
- Virovere, A., Kure, K. Ethical problems in post-Soviet countries, Estonia's example. *Construction of Ethics in Multicultural Societies. Japan, Chiba University, 14-15 December 2001.*

IN ESTONIA

- Alas, R. Muutused õppivas teenindusorganisatsioonis. "*Teeninduse juhtimine*", Tallinn, 3. oktoober 2001.
- Alas, R. Organisatsiooni innovatsiooni protsess. *Eesti sotsiaalteaduste 2. aastakonverents, Tartu, 23.-24. november 2001.*
- Alas, R. Muutused ja õppimine Eesti organisatsioonides. *EBSi vilistlaskonverents, 7. detsember 2001.*
- Elenurm, T. Teadmusjuhtimise rakendamine – võimalused ja takistused. *EBSi vilistlaskonverents, 7. detsember 2001.*
- Habakuk, M. How to make the educational infrastructure more efficient to meet the needs of a competitive economy. *Public-private Partnership, Tallinn, EBS, 5 June 2001.*
- Habakuk, M. Uued trendid äritegevuses ja juhtimises. *EBSi vilistlaskonverents, 7. detsember 2001.*
- Habakuk, M. Konverentsi kokkuvõte. *Ettevõtte müük: kas, millal, kuidas,*

- Tallinn, 4. oktoober 2001.
- Habakuk, M. Linnajuhtimise korraldus. *Kaasaegsed lahendused linnajuhtimises*, Tallinn, 25.-26. oktoober 2001.
- Habakuk, M. Kutsehariduse erastamisest. *Eesti Eduka Arengu Foorum*, Tallinn, 28.-29. november 2001.
- Karjus, P. Lühinägelikkusest äristrateegiatega planeerimisel. *EBSi vilistlaskonverents*, 7. detsember 2001.
- Keevallik, S. Märts Eestis. *ETF grandi 4347 seminar "Atmosfääri tsirkulatsioon ja ilmastik"*, Tartu, 19. aprill 2001.
- Kesa, G. Mida tähendab NATOga liitumine Eesti jaoks? *Räägime NATOst*, Tartu, 11. oktoober 2001.
- Lorents, P. IT juhtide õppekavade ülesehituse ning sisu alused. *EITS seminar IT õpetusest*, Tallinn, jaanuar 2001.
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- Rajasalu, R., Keevallik, S. Temperatuuri adveksiioon ja tuulevektori komponendid vabas atmosfääris Eesti kohal ja nende seos NAO indeksiga. *EMHI 8. konverents*, Tallinn, 23. märts 2001.
- Salu, M. Muutused uute ideede kaudu. *EBSi vilistlaskonverents*, 7. detsember 2001.
- Sillaste, J. Omavaltsused tööturul. *MATRA projekti lõpukonverents*, Aegviidu, 10. veebruar 2001.
- Sillaste, J. Eesti Venemaa massimeedias. *Kaitseliit muutub maailmas*, Tallinn, 11. november 2001.
- Tooming, H., Keevallik, S. Võimalused kevadiste temperatuuride ennustamiseks Läänemere jääkate ulatuse ja ümbruskonna lumikatte põhjal. *EMHI 8. konverents*, Tallinn, 23. märts 2001.
- Tõugu, E. ACM ja IEEE poolt arendatav IT õppekavade projekt. *EITS seminar IT õpetusest*, Tallinn, jaanuar 2001.
- Valt, L. Sport kultuuri osana. *Sport kultuuris – kultuur spordis*, Tallinn, 20. aprill 2001.
- Virovere, A. Ideede ja tunnete juhtimine organisatsioonis. *EBSi vilistlaskonverents*, 7. detsember 2001.

DOCTORAL THESES DEFENDED AT EBS

On the 9th of October 2001 doctorate student of EBS **Monika Salu** defended successfully her Doctor of Business Administration Thesis *Social Protection in Estonia*. This was for the first time in the history of Estonian private higher education when a doctorate student terminated his or her studies and was conferred a Doctor's degree.

The research was carried out at Estonian Business School under the supervising of Academician Mihhail Bronštein and Professor Raoul Üksvärav.

Official opponents were Prof. Oiva Turpeinen (Helsinki Yliopisto) and Dr. Georg Männik (ERGO Insurance Company).

The members of the defence committee were Prof. Madis Habakuk, Dr. Sirje Keevallik, and Prof. Raoul Üksvärav from EBS, Prof. Mati Heidmets from Tallinn Pedagogical University, Prof. Peeter Kross from the University of Mainor, Prof. Jaak Leimann from Tallinn Technical University, and Prof. Raimo Nurmi from Turku School of Economics and Business Administration.

MASTER'S THESES DEFENDED AT EBS

Spring 2001

- | | |
|------------------------|---|
| Priit Karjus | <i>Strategic Audit as a Management Tool for Estonian Companies</i> (Supervisor R. Üksvärav) |
| Mari Kooskora | <i>Ethical Aspects of Decision-making</i> (Supervisor A. Virovere) |
| Jaan Kurm | <i>Different Scenarios for Supplementing or Replacing the Land Tax with a Property Tax in the Republic of Estonia</i> (Supervisor T. Tiits) |
| Evelyn Laar | <i>The Scope of Influence of the Personal Connections on Getting Employed in Estonia</i> (Supervisor K. Kure) |
| Priit Pille | <i>Potential of Estonian Call Center Outsourcing Sector</i> (Supervisor T. Elenurm) |
| Aarne Saareväli | <i>Accounting for Factoring Transactions for Estonian Companies</i> (Supervisor J. Alver) |
| Peeter Sergo | <i>Conflict between Chief Executive and Owners – is it Unavoidable?</i> (Supervisor A. Virovere) |

- Krista Tamme** *Computer Ethics: Privacy and Security in the Era of IT* (Supervisor A. Virovere)
- Ants Tammisto** *Strategic Analysis of ETK Hulgi AS and Drafting Development Strategies* (Supervisor T. Elenurm)
- Karen Voolaid** *MBA Degree in the World and in Estonia: Comparative Study of MBA Programmes at Four Estonian Universities and the Role of MBA Degree in the Local Labour Market* (Supervisor K. Kroos)

Winter 2001

- Priit Kongo** *Strategic Management on Different Phases of Enterprise's Life Cycle* (Supervisor M. Habakuk)
- Margus Maksimov** *A Model for Implementing Public Sector E-Services* (Supervisor A. Sild)
- Tõnu Palm** *Implementation of VAR Model in Management of Liquidity Portfolio* (Supervisor A. Vesilind)
- Jüri Piiper** *Selection of Export Target Countries (On the Basis of Horticultural Peat Moss Products)* (Supervisor T. Ohvril)
- Karin Sonntak** *Time-related Aspects of Bankruptcy Proceeding* (Supervisor M. Merimaa)
- Peeter Tava** *Marketing Strategy of AS Tallinna Masinatehas on Entering the EU Market* (Supervisor T. Danneberg)
- Toomas Tava** *How to Become Market Leader: Factors that Determine Estonian Dairy Market Based on Valio Eesti AS Case* (Supervisor T. Danneberg)
- Peep Tomingas** *Analysis of European Mobile Virtual Network Operators Applicability to Estonian Market* (Supervisor L. Lemendik)
- Alar Vasemaägi** *Constructing Public Sector Comparator as a Benchmark for Private Bids, Example of Tartu Prison* (Supervisor Ü. Pihlak)
- Tõnis Vändre** *Implementation of the E-Commerce Solution and Business Plan for Online Trading* (Supervisor Ü. Pihlak)

MASTER'S THESES DEFENDED ELSEWHERE

On the 7th of May Lecturer of EBS **Anna Laido** defended her Master's Thesis *The Role of Committees in Parliamentary Process: Estonian Case* at Tartu University. She was conferred the academic degree of Master of Public Administration.

CONFERENCES ORGANISED AT EBS

Student Conference

March 29, 2001.

The conference was the final phase of the contest of student research papers.

Programme:

I-II kursus

Jaak Roosaare “1997. aasta börsikrahh”

Karin Golubev “Normid erinevates kultuurides” (J. Ennulo)

Maarika Neudorf “Suhtlemine ja suhtlemisraskused” (J. Ennulo)

III-IV kursus

Ingrid Ulst, Ingrid Eelmaa “Krediidiasutuste juhtidele esitatavad nõuded (fit & proper) lähiminekiku pangapankrottide taustal” (E. Eomois)

Bakalaureusetööd

Triinu Virgepuu “Eesti raamatupidamine teel Euroopa Liitu” (L. Alver)

Riina Laiv “Eesti raamatupidamise juhendmaterjalide ja rahvusvaheliste arvestusstandardite võrdlev analüüs” (L. Alver)

Kristiina Kütt “Erisoodustuste maksustamine Eestis” (L. Alver)

Maia Didök “Globalisation of National Economies: Threats and Opportunities of Growth” (E. Terk)

Making Initiatives a Reality

June 5, 2001

**International seminar organised by EBS and Philip Morris Estonia
Mediator: Franz Hesse, European Union advisor**

Programme:

The challenges of public-private partnership.

Madis Habakuk, President of EBS Group.

Past and present opportunities for developing the market of tourism utilising public-private partnerships in Ireland

Noel Toolan, Director of the Irish Tourist Board

Export success and investment policy in Ireland.

John F. Whelan, Chief Executive of the Irish Exporters Association.

How an area of over 500 hectares that was looked upon as undesirable has been transformed to create over 14 000 new jobs.

Frank Nevin, Dublin Docklands Development Authority

E-government as a real private-public partnership. How telecommunication and technologically advanced e-government is making business easier.

Oliver Tattan, CEO and founder of DAON Ltd.

What type of infrastructure development can make Estonia attractive to the global tourist market.

Tarmo Sumberg, Representative of the Estonian Hotels and Restaurants Association, and all speakers.

How to make the educational infrastructure more efficient to meet the needs of a competitive economy.

Madis Habakuk, President of EBS Group, **Peep Ratas**, Chancellor of the Ministry of Education, and all speakers

How to move ahead with the concept of the Estonian technological park that was seeded in 1989.

Raivo Tamkivi, Managing Director of the Innovation Centre Foundation, Tallinn Technical University, and all speakers.

How to attract investment and create new jobs.

Frank McMahan, investor and entrepreneur in Tallinn, former Managing Director of Morgan Stanley Dean Witter, and all speakers.

Contemporary Conceptions of Liberal Social Policy **October 11, 2001**

Seminar was organised by EBS, Friedrich Naumann Stiftung, and Estonian Reform Party and accompanied by presentation of the book

Friedrich A. Hayek
Tee orjusesse
Tallinn: EBS Print

The book *Road to Serfdom* was translated by Hardo Pajula, Associate Professor of EBS.

BrandEstonia – Are You Ready? **November 9, 2001**

International seminar on brand management

Programme:

Without branding – can we be successful? A talk on the importance of branded marketing using US case studies.

Mike Allen, University Professor of US and Australia, Visiting Professor at EBS

Finnish Case: Suomi Kuva – Requirement or remnants of the past?

Yrjö Lämsipuro, Ministry of Foreign Affairs, Director of Press and Media Department.

The Dutch Image: Political and Economic Consequences.

Peter van Ham, Senior Research Fellow at the Netherlands Institute of International Relations “Clingendael”

Ericsson – strong brand name “Made in Sweden” or just a quality landmark without a country connotation?

Mattias Isaksson, Ericsson Head Office, Branding and Marketing Department, Head of Brand Identity Management.

Interbrand and Enterprise Estonia presentation on Brand Estonia marketing and brand development project “Estonia on the map”.

Evelin Int-Lambot, BrandEstonia Project Manager, Enterprise Estonia

Tarmo Sumberg, Advisor of the Prime Minister

Interbrand, International Brand Consultants

National Image Management: The Ireland Experience.
Noel Toolan, Director of BrandAid.

Panel Discussions led by Rein Lang, media entrepreneur, and Tiit Elenurm, EBS Professor.

1st Panel Discussion: BrandEstonia – whom and why? What kind of companies does BrandEstonia contribute to and to whom is BrandEstonia a disadvantage?

2nd Panel Discussion: How can entrepreneurs contribute to BrandEstonia development in addition to being taxpayers?

Local Players:

Henn Pärn, Federation of Industry and Employers

Cardo Rimmel, Saku Brewery, Chairman of the Board

Jüri Sakkeus, KPMG Senior Consultant

Kairi Teniste, Marketing Director of Tallinn

Ain Hanschmidt, Eesti Ühispank, President

Urmas Kaarlep, Price Waterhouse Coopers, Chairman of the Board

Peeter Tohver, ESS Estonia, Chairman of the Board

Ilmar Raag, Estonian TV, Member of the Board

Reet Hääl, Tallinn Ceramics Factory, Director

International Players:

Mike Allen, University Professor in Marketing, USA

Yrjo Länsipuro, Finnish Ministry of Foreign Affairs

Peter van Ham, Researcher at “Clingendael”

Noel Toolan, brand consultant, former Director of Irish Tourist Board

Mattias Isaksson, Ericsson Head Office

Interbrand consultants

Alumni Conference
December 7, 2001

New Trends in Management – Theory or Practice?

Presidendi avasõnavõtt.

Madis Habakuk, EBS Grupi president, juhtimisprofessor

Muudatused ja õppimine Eesti organisatsioonides
Ruth Alas, EBS juhtimise õppetooli juhataja kt.

Teadmusjuhtimise rakendamine. Võimalused ja takistused.
Tiit Elenurm, EBSi ettevõtluse õppetooli juhataja

Lühinägelikkusest äristrateegiate planeerimisel.
Priit Karjus, EBSi õppejõud, EBSi rahvusvahelise ärijuhtimise magister

Ideede ja tunnete juhtimine organisatsioonis.
Anu Virovere, EBSi õppejõud

Muutused uute ideede kaudu.
Monika Salu, Eesti Loto juhatuse esimees, EBSi doktor

Women in management - a Finnish viewpoint
Anna-Maija Lämsä, EBSi Soome partnerülikoolist

EBS RAAMATUKOGU



1150 021767



ESTONIAN BUSINESS SCHOOL

Lauteri 3, 10114 Tallinn ESTONIA

Tel.: (372) 665 1300

Fax: (372) 631 3959

E-mail: ebs@ebs.ee