

EBS REVIEW

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MANAGEMENT

- Demands on International Managers
- New Concept of Strategic Development of Organisations
- Challenges of Contemporary Management in Baltic Countries

STUDENT RESEARCH

- Price Differences and Arbitrage Opportunities between Estonia and Developed Countries 1991 - 1996
- On Improved Front - Line Service Quality
- On Values of Management Consciousness of Estonian Business Students

DISCUSSION

- Management Changes in 1990-s
- Management Education and EU
- Qualities of Good Managers



Dear Readers,

The foundations of traditional education are the wisdom and experiences gathered by others in the past. We learn from authorities and examples. This is a natural and efficient process.

On the other hand, in order to understand its progress, a small community like ours should look for historical and geographical generalisations. This is natural as well.

However, in addition to this, we should notice that our environment, including our economic conditions, is unique.

I believe that the more we consider our circumstances and ourselves as unique and the more we trust our intellect and cognitive power instead of examples and authorities, the more opportunities we have.



Hannes Tamjäv
Chairman, Supervisory Council, Hansa Bank

Businessman of the year, Bulldog laureate, 1996 elected by EBS



EBS REVIEW

MANAGEMENT

CONTENTS

Õie Akk

WHAT IS NEW AT EBS
IN THE YEAR OF JUBILEE? 2

MANAGEMENT

Raimo Nurmi

DEMANDS ON ESTONIAN AND
FINNISH INTERNATIONAL MANAGERS 3

Robertas Jucevicius

A NEW CONCEPT OF STRATEGIC
DEVELOPMENT OF ORGANISATIONS 7

Jorma Lehtimäki

UNIVERSITY - A MULTIPRODUCT COMPANY 11

Madis Habakuk

SOME CHALLENGES OF
CONTEMPORARY MANAGEMENT 14

Ruth Alas

NO MORE LIFETIME EMPLOYMENT! 17

Martti Tiidelepp

MANAGEMENT EDUCATION
DEVELOPMENT IN ESTONIA 20

Tiia Karing

SERVICE AND TOURISM MANAGEMENT
EDUCATION IN A SERVICE - ORIENTED SOCIETY 23

EDUCATION

Joseph G. Morone

BUILDING THE BUSINESS
SCHOOL FOR THE INFORMATION AGE 26

Toomas Haldma

PRINCIPLES OF FINANCIAL
REPORTING AND TAXATION FOR UNIVERSITIES 27

Väino Rajangu

PERSPECTIVES FOR UNIVERSITIES
IN THE EDUCATIONAL MARKET 29

STUDENT RESEARCH

Jaanus Raim

PRICE DIFFERENCES AND ARBITRAGE
OPPORTUNITIES BETWEEN ESTONIA
AND DEVELOPED COUNTRIES 1991 - 1996 30

Kristel Kallas

ENHANCING VALUE TO THE CUSTOMER THROUGH
IMPROVED FRONT-LINE SERVICE QUALITY 32



In 1998, EBS celebrates its 10-th anniversary.

Joole Eller

PERSONNEL MANAGEMENT -
PERSONNEL AS PART OF STRATEGIC
PLANNING AND ITS SELECTION PROCESS 35

Lembit Türnpuu

THE STUDY OF THE VALUES FORMING
THE MANAGEMENT CONSCIOUSNESS
OF BUSINESS STUDENTS 38

Espe Valdgraf

THE FORMATION OF THE VALUES FORMING
THE MANAGEMENT CONSCIOUSNESS OF
ESTONIAN BUSINESS STUDENTS DURING
ESTONIA'S INTEGRATION WITH EUROPE 40

DISCUSSION

ON THE MANAGEMENT CHANGES IN 1990-s 42

SCHOOL CHRONICLE

Kairi Kallaste

YEAR 1998 AT EBS 47

Mihkel Rebane

EBS OPEN UNIVERSITY 48

Merle Rihma

THE FIRST BACCALAUREATES IN
THE CORRESPONDENCE DEPARTMENT 49

Graduates - Autumn 1997 50

EBS WWW-BASED DISTANCE PROGRAMME 51

BOOK REVIEW COLUMN 52

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WHAT IS NEW AT EBS IN THE YEAR OF JUBILEE?



Üie Akk
Director of Studies, EBS

1998 is EBS's 10th anniversary.

The Estonian Business School was established in 1988 and was the first private educational institution in Estonia. In 1995 the Ministry of Education granted EBS the license to give university education. In 1997 our university went through international accreditation successfully. EBS university has grown into a university with 1,500 students and offers a specialized education in economics and business management. As the admission of Estonia into the European Union nears, the situation on our labor market is becoming increasingly complicated. Estonians will soon have to compete on the labor market against those who are willing to work in our country. Simultaneously Estonians will have the opportunity to apply for positions abroad. Regarding recruitment, successful people capable of development and well-educated will obviously be preferred. Thus the success of Estonians on the labor market depends upon their educational background and their competitiveness in different cultures.

The development of EBS has been rapid and as we celebrate our tenth anniversary, several new interesting projects will be started. One of the new study forms will be the **WWW-based distance study program** where the study period will be the same as in the ordinary correspondence studies - 3.5 years for the diploma program in entrepreneurship and business administration and 4.5 years for the bachelor's program in international business administration.

The difference lies in that tuition will be partially carried out via the Internet. Although the main part of individual tuition will be carried out using conventional printed materials, which will be distributed at the beginning of the semester, e-mail can be used to assist students in their studies process. Communication with tutors, program managers and course mates will be carried out using e-mail. Homework and tests will be passed on to students electronically and it is possible to ask questions from the lecturer, hold debates/discussions with co-students and receive information from program consultants. The advantage of this study form is that it is possible to send bulky supplementary materials fast (in addition to the comments of the lecturers on the main study books, additional tasks and also organizational regulations/instructions concerning the study process).

Language studies, seminars, practice lessons and consultations will be carried out on the spot in the lecture rooms. Basic computer skills are sufficient to take a WWW-based correspondence program. If corresponding knowledge is insufficient it is possible to take computer classes before the start of the studies and continue them during the studies.

The Open University offers the choice between university and supplementary training courses and allows then to select those, which are of the most interest to a person. In the lecture-rooms of so-called open universities people of different ages can meet who have taken it as a norm of life to improve their education and mental form. EBS also considers it necessary to ensure the process of education is flexible, which means that a student can study wherever (electronically) and whatever, according to his time limit.

In 1998/99 a new **Bachelor program in Public Administration** will be introduced. It corresponds to the internationally acknowledged program The Bachelor of Public Administration (BPA). It is

a new study program whose purpose is to educate so-called Euro-officials for different state institutions in Estonia. In connection with the integration of Estonia with the European Union in the near future, the state institutions will need officials who are "competitive" on the European market. Although analogous study programs have already been "running" at Estonian State universities for several years the difference between our study program and its advantage over other analogous programs are mentionable. While the study program in public administration at Tartu University focuses on politics, at the Tallinn Technical University on information theory and at the Pedagogical University on social sciences, the Estonian Business School will rely on its strong points - sufficient economic subjects and the amount of language studies. In addition we considered it necessary to focus on legal topics and Euro-integration in our study programs. Special emphasis on these areas in our study programs means that we expect that our study program will correspond to Euro-requirements to a larger extent.

Economic subjects will give students a thorough survey of the economy of the state and private sectors at micro and macro levels, economic policy and demography. Legal subjects will be based on the academic legal education in which the treatment of principal topics is connected with the priorities of public administration. The theory of law and public law will be more thoroughly dealt with, in addition to private law.

Special attention will be paid to the language component in the given study program. The graduates will acquire perfect mother tongue and in addition two foreign languages in written and spoken form.

The second foreign language being French which is of importance to Euro-officials.

The above mentioned study program will be introduced in autumn 1998 both in full-time and evening forms. The whole study program gives 160 credit points (co). The study period will last

for four years in full-time study programs and 4.5 years in evening programs. **The Master study program in Public Administration** will start in the autumn semester. This program is meant for people with a university education who work in state or government institutions and are willing to systemize and improve their theoretical knowledge. The study period in this program is divided between four semesters of 15 weeks. The fifth semes-

ter-is laid aside for the writing and defence of the Master's thesis, after which they will receive a Master's degree in Public Administration. When putting together the study program the attestation requirements to the main groups of higher state offices established by the state decree no. 293 of November 19, 1996 were considered. The structure of the study program is made up of management, public administration, econom-

ics, social sciences, theory of politics, mathematics, theory of information and languages. Social sciences also include a new subject - the history of culture, which deals with the history of European culture.

We expect a smooth start and wide support for these new projects.



DEMANDS ON ESTONIAN AND FINNISH INTERNATIONAL MANAGERS



Professor Raimo Nurmi
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Companies in small countries, such as Estonia and Finland, have a necessity to become international as their home markets quickly saturate. This creates quite a number of new challenges. One of these is the selection of managers for international assignments.

European integration creates new opportunities and threats to Estonian as well as to Finnish companies. Both countries were dependent for a long time on trade with the Soviet Union. Western trade practices are quite different and the competition is much more intense. Neither of these countries has a big cadre of managers with extensive international experience.

What should a competent international manager be like? In addition to general managerial skills he or she should possess special characteristics needed in international management. However, only human beings are available. Be-

sides, there are special contingencies for different parts of the world and many of the characteristics that must be decided *in casu*. Nonetheless, there are some general requirements as well. This article deals with them.

Experience

The old recruitment rule of thumb says that nothing predicts future performance better than past performance. There is some basis to this rule in international recruitment as well. There is, however, a chronic shortage of people in Estonia and Finland who have extensive experience in international management. Recruitment then, must be based on past experience in the recruits' native country only. After all, even experienced people have had to start without experience. However, a long but narrow and one-sided experience may be even a hindrance to learning new ways of thinking and acting which are required in a radically different environment.

International experience, even living abroad for a period, is educational and widens one's views. However, even a substantial international experience is no replacement for professional experience and work experience. Managerial experience, work experience, interpersonal experience, organisational experience, and experience in life at large are facilitators in the active adaptation to a new environment at one's first international job. Even then, surprises can follow.

Estonians and even Finns are known in the West for the experience they supposedly have with marketing in Russia and the other CIS-countries. As these markets are growing, Western companies are increasingly interested in employing this expertise to complement their expertise in Western marketing.

Education

Education of one kind or another is often seen as a requirement for an international assignment. Recruiters certainly pay attention to it. A degree gives credibility, in addition to the knowledge and skills one may have gained through experience. A degree is also a test passed by the person, showing that he or she has determination to learn. For young people with limited experience, the degree may be the only proof of their capabilities that they can show in the recruitment interview. Commonly a foreigner is recruited because the host country is short of people with professional education. So, Finnish foresters are in high demand in the world, as Finland is known for her forests and this image can be seized in marketing. In an international assignment, there are so many new things to be learned, that little time is left to learn the profession if one has not previously learned it. The subject of education is specific to a job, but the point remains that a good education helps one acquire an international job while aiding job performance. For Estonians and Finns studying abroad,

may be a good option to widen their international awareness.

Language and Communication Skills

Neither Estonians nor Finns can expect foreigners to learn their language, therefore they have to learn languages that are more widely spoken. English is considered the *lingua franca* of business. This is an oversimplification. It is possible to buy anything in almost any language, but in selling and marketing, the one who knows the client's language has an advantage. The knowledge of Russian, German, French, Spanish Chinese, and Japanese is a great asset in doing business, particularly in countries where these languages are spoken as native tongues. Estonian's knowledge of the Russian language is an obvious asset. Even if you know little of the language of a country where you are doing business, your attempts at using the native tongue are appreciated, and this will help you to acquire contacts.

The different communication patterns, verbal and non-verbal, in different cultures are not easy to discern; therefore they produce considerable confusion at times. Americans are usually very free and easy in meeting persons for the first time, while the French and the Germans, in particular, expect a more formal introductory meeting. In English, thinking aloud is common, while in the Estonian and Finnish languages, what is said is meant to be more solid and factual, almost a promise (Nurmi & Üksvärav, 1994); no wonder the English may consider us to be blunt, whereas we may believe the English to be unreliable. The Estonian's tempo of speaking is more fluent than that of Finns - therefore, Finns are sometimes considered slower in thinking as well. The Japanese find it difficult to say "No" as in their parlance it would be insulting and cause whomever is addressed to lose face. The roundabout expression they would use instead, "It is an interesting idea", sounds almost like "Yes" to a Westerner. It is totally impossible to avoid a mix-up due to culture-specific communication patterns, yet homework

pays to sensitise anyone to the most important issues.

Family

Research studies indicate that family reasons top the list of reasons for cutting an international assignment before its completion or before the contract was due (e.g. Tung, 1986, Kauppinen, 1994). Usually this reads that a man has been recruited, but his wife and/or children have found it difficult to settle down in a foreign culture. The role of a woman

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varies enormously in different cultures, and particularly women with career aspirations of their own have little chance to live the way they used to in a culture that is very different from their own culture. Estonian and Finnish women belong to the most emancipated in the whole world, and they may find it difficult to adapt in countries where women's profile must be lower. Leaving friends at home and having few opportunities to find new ones in new surroundings may be hard for the spouse and children in any family.

The duties of a homemaker are likely to be much more demanding abroad than at home. Many things that were easy back at home (such as finding pure water to drink, food without health risks, reliable household employees) may be quite complicated. The homemaker's social duties for the organisation may be frequent and on a high level.

For children, living abroad may be a most rewarding experience. It will affect them their whole lifetime. They have the chance to learn another language by a natural method, without the effort that learning a language usually takes. Children are able to accept many things, as they do without the conscious adaptation that their parents must undertake. However, an acceptable level of education for children may be difficult in some countries. Health risks and deficient health services for small children also pose a problem in some places.

In all, going abroad is a family matter. The family may support and learn together, but it may also have problems adapting to the great change (see Thornton and Thornton, 1995; Brett and Stroh, 1995). The choice to go abroad is a family choice. Some companies interview the spouses of the candidate and even screen candidates on the basis of their spouse. In other companies and in many countries the decision is left to the candidate, and company intrusion into family matters is a taboo.

There are quite a number of Estonian emigrants, families even, in Sweden, the USA, Canada and Australia, where they have succeeded well. Most of the Estonian emigrants were in the higher echelons even in Estonia before they emigrated. They may be good at welcoming a new breed of Estonian international business people. Finnish emigrants, mostly people who were unemployed in Finland, have not become influential in their new home countries to the same extent as Estonians have.

Age

The age of the candidate is a factor in recruitment, but a proper age is a function of many variables. There are reasons to select a young person in some cases; there are also perfectly good reasons to select an older person in other cases.

Younger persons, in general, adapt more easily to new conditions of life. Their motivation to learn is typically higher, and it definitely helps them to learn the many things that a new job in a new

country presupposes. Language skills and international attitudes are more widely distributed in the younger generations than in the older ones. A company that selects young people for international assignments is also training a cadre on international managers for the future. Unfortunately, Finnish companies do not think this way.

Older people supposedly have more experience and maturity. Many families find it easier to go abroad only after the children have left home. There are cultures that stress seniority, and in them a younger person has difficulty receiving the respect that a senior gets (see Magnusen, 1995). The Japanese appreciate seniority, and for them, the age of a company representative signals status and also the appreciation that the sending company gives to the business relationship. Hence, they may not take a smart, young person in earnest. In Africa seniority is likewise appreciated.

Americans have traditionally admired youth, but this is changing as the average age of the American population is growing older. The 1990's has changed many things in Estonia and Finland. One of them, is that youth are appreciated in selecting people for jobs to the extent that one may wonder, whether the countries can afford losing so much of the experience of their senior people.

Motivation

A high level of motivation is necessary in a foreign job. A person who has been sent against his or her will or who was drafted to a job abroad may develop the motivation on the spot, but without it, he or she cannot perform satisfactorily. This may have been the case of the Estonians working in the former Soviet Union and the Finns who went to Sweden to search for work. There are motives to go abroad that predict disappointments and poor performance. Escaping problems at home is one of the worst. Idealistic perspectives about exotic excitement, travelling, and seeing the world, are also poor motives. Working in a management job abroad means working hard, and most of it is far from romantic.

The willingness to learn is a very good motive. This is what international jobs give ample opportunity for - although the learning is not without growing pains. The learning often transfers to whatever one does later in life, especially since everything in the future is going to be more international than today. International managerial jobs usually provide well-compensated salaries and general allowances. In addition, tax reductions and lower costs of living are in many cases beneficial. This a legitimate reason for satisfaction, but a financial

Nobody can, nor is asked to, reject his own cultural assumptions, but the acceptance that the others' cultural values are as well-based as one's own, facilitates adaptation to different cultures.

reward does not necessarily work as a motivator in the same way an interest in a challenging job.

Cultural Adaptations

The willingness and ability for cross-cultural empathy are most germane to working abroad (Clarke and Hammer, 1995). Empathy begins with an awareness that values are outcomes of socialisation and that the socialisation process has fostered different values in different cultures. The way we see the world is not objective, but socially conditioned. This awareness helps us to understand values that are different from our own. Nobody can, nor is asked to, reject his own cultural assumptions, but the acceptance that the others' cultural values are as well-based as one's own, facilitates adaptation to different cultures. Neither Estonians nor Finns

have megalomaniac thoughts about the supremacy of their own culture, which facilitates their acceptance of values other than their own. Yet, as Estonia and Finland are rather remote countries, their people cannot avoid cultural shocks when working in Middle Europe or on other continents.

Flexibility, Resilience and Frustration Tolerance

Even the most broad-minded and unprejudiced person is going to confront unexpected surprises when settling down in a new culture. Hence, flexibility and resilience belong to the travelling kit of anyone who has to work internationally. This must not mean giving up the key objectives of the job to be done or the very reason of being sent abroad. In insisting on performance, a manager must be flexible in approaches and the culture-specific ways for objectives to be reached.

Frustration tolerance is tested when working abroad. Things just do not work out the way they do back home. Working in a country with less-developed infrastructure is especially trying. And when things go wrong, the best advice is to take it easy; the worst action is to lose your temper and blame the problem on the locals. This will certainly make things worse.

The Finns, coming from a relatively organised culture, get frustrated when nothing happens on time south of the Alps. The Estonian experience in the Soviet era and during the transition period of the 1990's may have been a good school in developing flexibility, resilience and frustration tolerance.

Delegating

Delegating becomes more difficult in an international setting due to the misunderstandings that easily occur in cross-cultural communication. Add to this the widely different experiential backgrounds of people who are raised in different cultures, and you have a major example of the delegating dilemma or the

imbalance of needed information and what can be communicated. Quite often a manager mistrusts the skills and competence of a foreigner more than those of a countryman. Nonetheless, delegating is a necessity. The law in some countries even presumes that certain strategic decisions must be submitted to an indigenous person. Delegation is also a means of training the local people in managerial responsibility and company policy. Besides, the local people, in general, know the markets, habits, culture, recruitment possibilities, and local business environment better.

According to a study by Liuhto (1991) the trust between superiors and subordinates was better in Finland than in the Soviet Estonia. Whether the difference still prevails and whether it transfers to Estonian's and Finn's working abroad, remains unanswered.

Physical Fitness and Health

Physical fitness and health need to be taken care of in international assignments. Climate differences, psychological stress, different food and eating habits, and hygiene conditions may cause bodily symptoms that lengthen adaptation from a few weeks to much longer periods. Also, there may be some minor health problems that cannot be lived with as easily in difficult countries as at home. Vaccinations should be taken care of at home, rather than in a country where the health care system is not known or is known to be unreliable. Learning about local health care is one of the first things that a newcomer must do. Not only developing countries, but Russia, for example, is a difficult country in this respect.

Summary

Estonian and Finnish companies have a necessity to become international, as their small home markets saturate quickly. One of the most critical steps in becoming international is the selection

of international managers. And a selected person must also do his or her homework and to think beforehand of the demands on international managers.

This article deals with the following qualities relevant to international management: 1) experience, 2) education, 3) communication skills, 4) family, 5) age, 6) motivation, 7) cultural adaptation, 8) flexibility and frustration tolerance, 9) delegating skills, 10) physical fitness and health.

The trust between superiors and subordinates was better in Finland than in the Soviet Estonia. Whether the difference still prevails and whether it transfers to Estonian's and Finn's working abroad, remains unanswered.

There is no simple rule nor criterion that will replace human judgement in the selection process. The cultural characteristics of the host country must be considered. The cultural distance of the host country from Estonia and Finland is a factor here. Each quality must be considered *in casu* taking into account unique characteristics of the country and the person in question.

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A NEW CONCEPT OF STRATEGIC DEVELOPMENT OF ORGANISATIONS



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While Baltic countries and their organisations are integrating into the Western social, economic, cultural and political systems, all spheres of activities must be radically transformed because they are not consistent with the new conditions. It is important to formulate a vision of the future, and then to create a system of actions that will be necessary in executing this vision. The creation of this system of actions is the key purpose of strategic management.

The purpose of this article is to reveal the main trends in strategic management and to discuss the possibilities of its modernisation.

Situation Today

Strategic management practice, especially in the way that it is perceived in the contemporary context of the world's strategic management theory, is a rather new phenomenon in the Baltic countries. First of all, in the case of state ownership and strict regulations of management activities, efforts could be concentrated mainly on technical issues, but not on the problems of development and expansion of the whole activity. In most cases, what was formerly sometimes called strategic management, was actually only long-term planning including some elements of strategic planning and based on the extrapolation of the current situation and processes. This is why there was very little research work in this field in the Baltic countries until 1990.

Due to changes in business conditions during the development of post-industrial society, managers of organisations all over the world have had to change their attitude radically towards many aspects of management.

There are two principal manners of investigation into ways of improving management in organisations. *First* - looking at the problems a company is facing at present and trying to find solutions. *Second* - looking at the experience of successful companies and trying to adapt the best ideas in their own organisation. Taking into consideration the turbulent and quickly changing business environment and the gap between managerial competence of local and Western companies; the first way does not seem to be very efficient.

Research on Strategic Management of Organisations

The initial idea of my research was to penetrate the problem of strategic management of organisations and to try to make suggestions of how strategic management should be organised in Lithuanian companies. But the conducted research (Jucevičius, 1993; 1994a, b, c, d, e; 1995a,b,c; Jucevičius and Perkinson, 1995; Jucevičius and Stankevičiūtė, 1995) and the in-depth studies of contemporary works by Western authors (Champy, 1995; Drucker, 1993; Kanter, 1994 and others) have radically changed the emphasis of my further research. This was determined by a few observations arising from the above mentioned research:

- *Most of the circumstances, especially the most important ones which determine the choice of strategy by Lithuanian companies, were similar or even identical to those, which could be found in the past and in some cases still exist in various countries.* Therefore, further analysis of strategic management in Lithuanian organisations would be

more a problem of practical application of the accumulated knowledge, than a theoretical one.

- *Radical changes in the nature of organisations and in their management quality are taking place nowadays in developed countries.* They are closely related to the significant rise in the intellectual level of employees and their activities, as specialised knowledge and its application are becoming the key factors of success.

- *Strategic management, even its most advanced theories and concepts, are not able to suggest ways of solving many of the problems related to the above mentioned situation.* This is mainly due to two reasons: (1) the growing importance of organisational entrepreneurship which affects not only the organisation's strategy, but also (and even to a greater extent) its culture and behaviour, and (2) the new qualitative requirements for the internal architecture of the organisation.

Because of these observations, the research problem of discovering which features are the most characteristic of a modern organisation within developed society and what are the preconditions for the creation of such organisations becomes particularly important.

The research problem - how will the future organisation and its environment look like - is important for both Western and post-Soviet countries, as well. Many researchers are analysing single parts of this complex problem: they are creating the concepts of a modern organisation (Drucker, 1993; Bergquist, 1993; Mitroff, Masson, Pearson, 1994, and others), looking for the new paradigm of strategic management (Hamel and Prahalad, 1989; Mintzberg, 1987, 1994, and others) or penetrating the problems of entrepreneurship (Baden-Fuller and Stopford, 1992; Stevenson, 1993, and others). However little research integrating these single parts of the problem was done.

The integrated approach to this research problem is important to in order to pos-

sibly take a new look at the strategic management, expanding it into the concept of strategic development of organisations. Present paradigms of strategic management limit the possibilities to consider organisations as a whole complex. The main object of strategic management are the changes in organisation and its environment. Meanwhile, almost all theories of strategic management estimate the internal architecture of organisation from a classical point of view, which can only be applied to some extent to a modern organisation. Modern organisation, or *knowledge organisation* (Drucker, 1993), must be flexible, dynamic, proactive with respect to its environment and able to change it. To achieve this, not only the skills of managing strategic changes and entrepreneurial attitude are required - the organisation has to be a perfect social system. **Neither strategic management, nor entrepreneurialship, nor organisational development theories or concepts can achieve the unity of these three qualities separately, because they do not embrace the analysed object. The systematic approach to the strategic development of organisations is necessary.**

The integrated approach of the problem of strategic development of organisation is the central problem emphasised in this article. But at present, single elements of this concept should be discussed.

The principal scheme of the concept of strategic development of organisations is presented in Figure 1.

Modern Organisation

The first element, which at the same time expresses the final target for strategic development of the organisation, is the concept of modern organisation. In my understanding, *a modern organisation is the one which strives for creative destruction (Drucker, 1993) of the existing situation in society due to its higher level of specific knowledge and its mission - development of Society by putting knowledge to work in all its spheres.* The necessity to use the concept of a modern organisation as a methodological basis for research is caused by the radically changing relations between

society and organisations and between organisations and its employees in *knowledge society*. Two methodological principles are the basis for understanding the essence of modern organisation in any society: a) modern organisation functions in society but does not belong to society; it is not directly dependant on the goals of the latter; b) a highly skilled professional is more valuable for an organisation than the organisation is for him. Such a position calls for a new look at the well-known theories of organisation and management.

Decentralisation not only strengthens organisations, but also creates aspirations towards diversification, which potentially makes it weaker. Diversified organisations have many advantages in unstable, changing environments since it diminishes the risk and creates possibilities for synergy. But at the same time, it destroys specialisation, which is a precondition for efficiency and gaining a competitive advantage over competitors. Specialised, but not broad, knowledge and skills create professional competence. Since organisations are created to serve as a tool for achieving specific goals, specialisation and purposefulness are common features of professional companies.

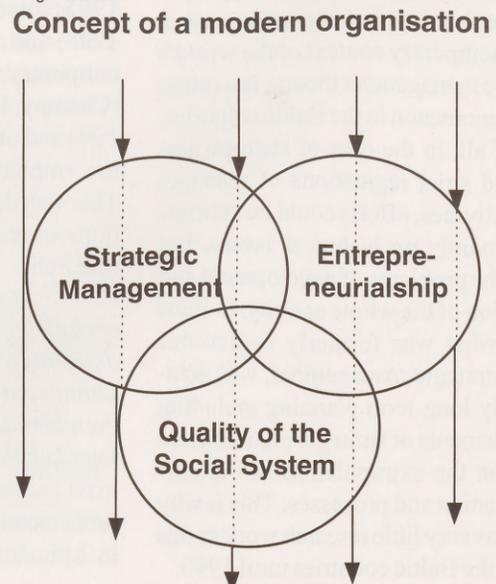
Any organisation consists of different people with different attitudes, values, skills, and views of the problems and their own system of behaviour. If there is no common understanding of the mission and vision of an organisation, most of the employees will act in their own "field of specialisation" with little contribution to the common efforts. In this case, the employee will set individual goals according to his/her personal understanding of the mission. If he/she does not understand, does not know or does not agree with the mission formu-

lated by other persons, his/her actions can be destructive, although not necessarily deliberate.

A highly qualified, creative professional usually does not accept the role of executor but seeks to become a partner and tries to influence changes in the organisation according to his/her understanding. However, this requires a "critical mass of support". If the professional does not succeed in getting such support, he usually tries to find another organisation, which is more adequate to his/her goals and attitudes. Development of favourable organisational culture and climate becomes one of the priorities for executives if they really consider employees as the most valuable resource of the organisation. However, changing of organisational culture is a rather complicated process including overcoming the resistance of those who are not willing to change. Changes in organisational culture usually require changes of behaviour, values and even new understanding of the reality.

The problem of gaining a competitive advantage should be analysed more from the perspective of co-operation than competition. Co-operation is one of the common trends in the modern business world: one can find plenty of examples of co-operation even between direct competitors. This happens because of growing globalisation of busi-

Figure 1. The main elements of strategic development of organisations



ness and especially because of a new understanding of the role and nature of specialisation and diversification. Competition in the global market is very intensive and only a limited number of local companies can expect to be able to compete without becoming members of industry clusters supplying final products to the market. Co-operation nowadays means clusterisation.

The main qualities formed by efficient strategic management the following: significance of activity; purposefulness and expediency; good knowledge of business conditions; quality of management potential; effective management changes etc. But this is not enough to develop a modern organisation of the knowledge society. It does not guarantee entrepreneurial behaviour of organisations and quality supporting internal climate and culture.

Organisational Entrepreneurialship

It becomes one of the important fields of research in management, and especially in strategic management. But still, there is no clear understanding and agreement of what should be considered as entrepreneurialship. Economists and representatives of the economic school of management relate this category exceptionally to ownership. But in fact, this term has a much broader meaning and expresses a style of behaviour, attitude towards resources, innovations and other attributes of business activity. Essence of individual and organisational entrepreneurialship, as well as the differences between managers and entrepreneurs has to be understood on a methodological level in order to use this phenomenon as one of the tools for strategic development of organisations.

Probably the most important difference between entrepreneurial and bureaucratic organisations is the different attitude towards opportunities. Problems are seen as opportunities by entrepreneurial organisations, while in ageing organisations opportunities are seen as problems.

An important feature of an entrepre-

neurial organisation is its pro-active-ness, striving for results, which exceed their current possibilities, group culture, and ability to learn and solve problem situations. All this is related to innovation.

The question of to what extent the success of an organisation depends on its entrepreneurialship is also slightly controversial. Admitting a general positive influence, some possible problems should be mentioned. Firstly, if entrepreneurialship is not supported

Probably the most important difference between entrepreneurial and bureaucratic organisations is the different attitude towards opportunities. Problems are seen as opportunities by entrepreneurial organisations, while in ageing organisations opportunities are seen as problems.

with sufficient management quality, chaos and imbalance are likely to appear in the organisation. Secondly, entrepreneurialship stimulates diversification, which makes management of the organisation difficult.

Social System of Organisation

The most important factors forcing organisations to become entrepreneurial are changes in the external environment demanding innovation from organisations, the growing intellectual potential of employees and their resistance to a bureaucratic management system. On a practical level, a new organisational culture should be created and resources distributed according to the new principles. On a theoretical level, there is a lack of knowledge of how to create the

most favourable external environment. Because of these reasons, direct implementation of entrepreneurial techniques into the management system of the organisation does not guarantee success.

Since the most valuable resource of a modern organisation is people with their skills and knowledge, then attention should be focused on the *social system of organisation*. The process of creating a quality internal system within the organisation should be among the most important problems to be analysed. Several important characteristics of the perfect social internal system of organisation were revealed in my research. They are: organisational culture encourages innovation; employees are considered as the main organisational resource; a system of permanent learning and self-development is established; ability to combine different interests; ability to manage internal conflicts and critical situations; empowerment of employees; internal flexibility and ability to change; group and team work; common vision and philosophy is developed.

However, attention has to be focused mainly on analysing conceptual aspects of the transformation of existing companies into organisations of the new quality. **The most important and difficult problems, which must be solved in order to create a modern organisation, are:**

- creation of a quality internal organisational system which would consider individual and group competence as really the most valuable resources of organisation, enabling it not only to adequately react to the processes taking place in the environment, but also to realise its mission as a developer of society;
- development of organisational culture and behaviour which would allow the organisation to change dynamically and to be proactive in its environment, to concentrate efforts of the individuals and of the whole organisation in the search for new opportunities;
- maintaining identity and business direction within the turbulent environment of the dynamically changing organisation.

New Concepts in Strategic Development of Organisations

One of the main trends with a long-term perspective and corresponding well to the concept of modern organisation is the growing level of management autonomy along with the development of network-type managerial structures. This problem is not the same as team building, which has been a target for researchers during many years. The level of team autonomy is different, delegation of functions has been transformed into real decentralisation of decision making and implementation, and organisations become a kind of a network. Such a configuration of organisations guarantees a high level of entrepreneurialism. However, the whole will become an effective system when organisational culture, values, supporting processes and systems are in adequacy to each other. Such an organisational quality can be achieved when adequate "network" organisational structure and systems support entrepreneurial behaviour. However, if strategic management of the organisation is not in place, it is very likely that the organisation can lose its strategic orientation and the system of all its activities and thus become a conglomerate of small business units.

Different features are characteristic to organisations with well-developed strategic management and supportive internal social systems. Strategic management is targeted at external changes to assure stability for the organisation. Stability in this case means stable growth, and most likely - planned and managed growth, but not stagnation or avoiding changes. However, plans, established systems and procedures limit innovation and entrepreneurialism. Such organisations can be the most successful in a business with a long life cycle and a comparatively less turbulent environment. Another positive aspect of such organisations is the higher probability of new non-typical strategies suggested by single business units, because not only the strategy determines structure but the structure influences strategy, as well.

A high probability for problems exists in organisations with well-established strategic management and entrepreneurial behaviour but with a poor internal system. The main advantage of such organisations is the correspondence of their dynamism and flexibility with expediency and purposefulness of all activities. However, this advantage can be exploited only if this correspondence is supported with adequate organisational potential. Strategic decisions help to create preconditions for the development of such potential, but this development is outside the field of strategic management. Strategic architecture, which is a result of strategic decisions, is not yet a real organisational potential. Structures, systems, processes, communication and information channels combine all elements of organisation into one complex and create a favourable climate for the realisation of individual and group potential. Insufficient internal organisation could create quite the opposite situation.

Conclusions

Strategic management is targeted at the management of strategic changes in the environment and creation of purposefulness of organisational behaviour. Entrepreneurialship is characterised by organisational behaviour allowing to identify new opportunities and threats and to react adequately. The quality of the internal social system expresses the level of managerial and human potential of organisation. If all these three qualities are on high level, the organisation will understand its mission and goals, know how to achieve them, and will be proactive with regard to new opportunities, and its management potential will enable it to use these qualities efficiently.

1. The coming age of knowledge society requires a new quality of management of organisations where old experience and methods used in the past are of little help. Organisations themselves are becoming not hierarchical but network-type.
2. The main resource of organisations and a precondition of its success have become highly professional peo-

ple who are real value creators. It changes the status of professional in the organisation becoming more valuable for organisation than the organisation for the professional.

3. Concept of strategic management or entrepreneurialism, alone can not help to develop a modern organisation.
4. The core of the strategic development of an organisation, is the concept of a modern organisation expressing the vision of the final result of this development, and a certain ideal model of such a vision.
5. The concept of strategic development of an organisation reflects the synthesis of three branches of management science - strategic management, organisational development and entrepreneurialism - by integrating them into the new quality.

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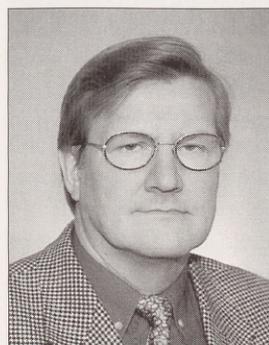
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UNIVERSITY - A MULTIPRODUCT COMPANY



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Knowledge-intensive Organisations

Knowledge-intensive organisations can be differentiated from other organisations by using products and production processes as discriminating factors. Organisations can be divided into nine clusters based on two contingency factors (Figure 1): tangibility of the product (goods, tangible service or knowledge product), and personnel proficiency needed in the production process (skills, know-how or expertise). *Knowledge-organisations* produce knowledge products. Consumption of these products requires cognitive participation of either seller or buyer, or both of them. In *professional organisations* the production technology is primarily based on the expertise of the personnel. Knowledge and professional organisations together may be called *knowledge-intensive organisations*.

The production function of the univer-

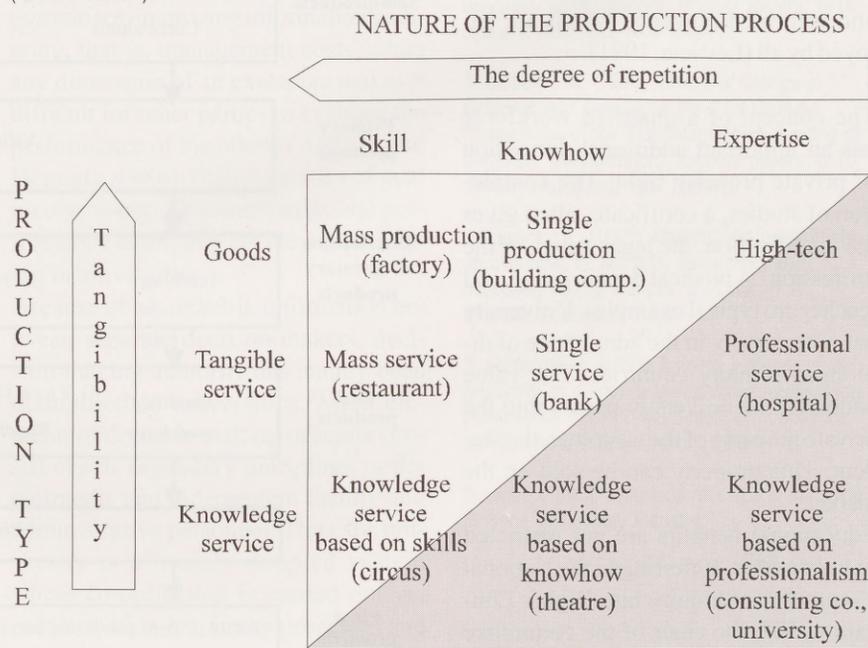
sity highlights the position of the university in the intersection of knowledge-organisations (bottom row in the figure) and professional organisations (right-hand column in the figure). The university includes all the features of knowledge-intensive organisations variables (Lehtimäki, 1993). Knowledge-intensity concerns inputs, production technology, products, customers, and also management of the university organisation. The mission of the university is "increasing of human capital" in all its dimensions or "value-added to human capital" through producing valid knowledge. This definition can be considered as a static characteristic of universities. The goal of a single university is more dynamic and varies depending on envi-

ronmental circumstances, such as research and educational needs of the society, time, and also the funds available. In the following, some trends in product development and general environmental tendencies in higher education sector are shortly described, first in educational and then in a research context. In the conclusion, some management implications are presented.

Role of Education in Modern Organisation

The value chain of production in the university can be itemised (figure 2): by-products, primary, end, and final products. Plans, the curriculum and contents

Figure 1: Knowledge-intensity emphasising typology of organisations (Source: Author)



of education and research are *by-products* of the university. The *primary product* is valid knowledge produced in two separate lines: education and research. Their *end products* are learning and discovery. The output of final goods and services of the production sector and consumption benefits of the individuals are *final products* of the university. Teaching is not a product but a distribution process of the products of the education line, which, however, greatly influences the proper achievement of output. Distribution of research products as public goods or contract services occurs via reports, congresses, etc. Students are easily recognised as individual customers who obtain the private property right to a part of the output of the university. A property right is a socially enforced right to select usage of an economic good. Only the owner or an agent of the owner may sell a commodity. As individuals, students can use the knowledge received at the university just as they would use any property right. He or she cannot be forced to use his or her knowledge without compensation. This holds for both students who have received basic education, and those who have took part in research or continuing education. Knowledge is an intellectual property right of the student. Education benefits students because it enhances their future employment prospects or because they enjoy the studies. Education is not, however, entirely non-shareable. It also gives external benefits in producing a socialised, literate and informed citizenry which are enjoyed by all (Levacic, 1991).

The concept of a qualified workforce has an important additional dimension of private property right. The completion of studies, a certificate, often gives the qualification, the legal status, of the profession. A medical doctor, judge, and teacher are typical examples. University has a monopoly in the admittance of diplomas in many countries. The value added by the university passes into the private property of the customer, the student. This property can be sold on the market.

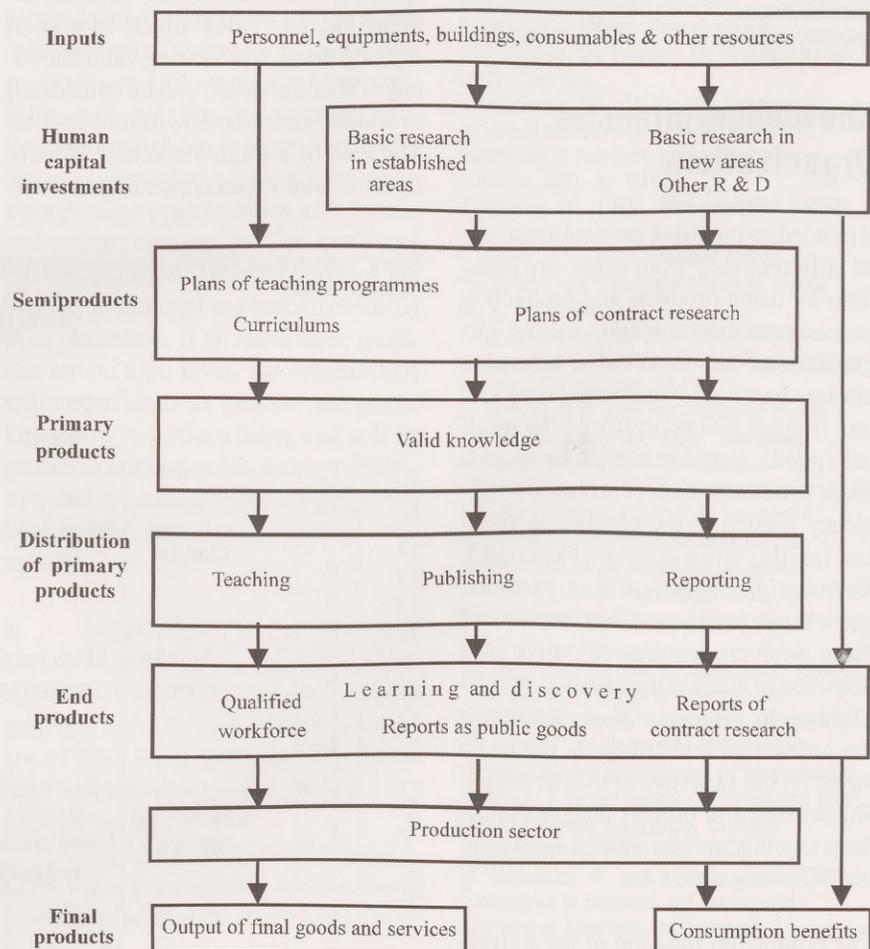
Educational benefits are not restricted to full degrees. Referring to the National Committee of Inquiry into Higher Education, UK, the chair of the committee

Lord Ronald Dearing (1998) quotes that young people need opportunities to go for programmes that are within their capabilities, if there were uncertainties about their readiness to read for a full degree. A framework of qualifications that would be understood by employers and young people, and by parents, and one that would include vocational awards as well as academic learning, is needed. This framework may include (in UK, Dearing, 1998) certificate, diploma, bachelors degree, honours degree, post-graduate conversion diploma, masters degree, MPhil and Doctorate. Another characteristic of future development would be a national (or international) system of credit transfer between institutions, because people in maturity will move from place to place as they change the jobs. This fits together with views of lifelong learning and credit accumulation, the further expansion and, increasingly, international activities of

higher education. If the credits really would be transferable, respect across institutions for the awards of other universities has to be the rule.

The dramatic growth of demand for access to higher education systems has considerably modified systems in most countries. For example the Finnish government has set target of 60-65 per cent of age group to have study place in higher education institution in the early 21st century. Therefore, the change in distribution processes of universities has lately been even more extensive than that in curriculum development. For example, internationalisation and globalisation, stemming partly from use of multimedia and other advances in information and communications technologies, are considerably affecting teaching and other educational distribution processes.

Figure 2: The value chain of production in the university
(Source: Author)



Research and Its Application

Basic research can be seen as an investment to the own (human) capital of the university. Thus, basic research is not, actually, a sales product of the university. Basic research as human capital is used in applied or developmental research on contract basis, and in education. It also has the nature of a public good when published as reports. The human capital role of basic research in the university has connection to the disciplinary structure of science. This, in turn, plays a central role in management of universities today. A new mode, however, is challenging this disciplinary basis of knowledge production in university research.

Gibbons (1998) presents that scientific research is transforming from the disciplinary mode of knowledge production to an emerging new mode. He describes the old disciplinary mode with the following attributes. Problems are set and solved in a context governed by the, largely academic, interests of a specific community. It is characterised by relative homogeneity of expertise. In organisational terms it is hierarchical. By contrast, in the emerging new mode knowledge is produced in context of application. It is multidisciplinary and it is characterised by heterogeneity of expertise. In organisational terms the preference is for flatter hierarchies using organisational structures which are transient. The new mode is also more socially accountable and reflexive in comparison with the old one.

Finally Gibbons states that these two modes employ different types of quality control. Peer review of the old one is still carried out but in the future it includes a wider, more temporary and heterogeneous set of practitioners, collaborating on a problem defined in a specific and localised context.

Management Implications

The university is a multi-product company with two product lines: education and research. As a result of two product lines and diversified disciplines there dominates wide goal incongruence be-

tween different university units. Because of the importance of the quality in production processes and products of the university there is also high ambiguity in performance of university units. *Goal incongruence* arises when parties have the incentive to opportunistically promote their interests at the expense of the others, because the expected returns from competitive behaviour will exceed the returns from co-operative behaviour. In both cases the asymmetric information can be used to promote one party's own interests. The problem is worse, if

Universities are encouraged to enter into joint ventures with industry and other research and education institutions as a means of improving the effectiveness of networks and feedback loops in innovations systems.

part of the needed *knowledge is tacit*, as it frequently is in knowledge-intensive organisations. *Performance ambiguity* arises, increasing information gathering, that is, management costs, when any dimension of an exchange makes it difficult for other parties to evaluate the performance of the others (Alchian and Demsetz, 1986). Characteristics of goal incongruence, tacit knowledge and performance ambiguity are clearly prevailing in universities.

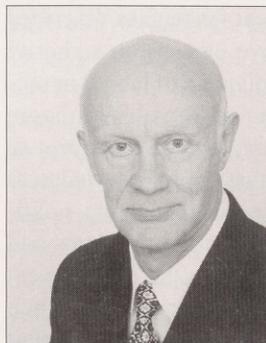
Because of asymmetric information between separate decision-makers, decision-making authority has mainly been diversified in universities. Main elements of decision-making structure consist of self-regulatory disciplines or departments and independent faculty and administrative personnel. Thus, the university is a loosely coupled system where co-ordination is carried out via indoctrination in training processes and

standardisation of expertise. The looseness includes the autonomy of the work but very limited possibilities to influence the decision-making of other issues. The development tendencies described earlier shall have impacts on authority structures and division of labour in universities. Future universities are more prepared to carry out research and to teach in ways that apply knowledge to the solution of social, economic, political, industrial and other problems and to concern itself with the employment of graduates. A market approach strongly influences the development (OECD, 1998). Universities are encouraged to enter into joint ventures with industry and other research & education institutions as a means of improving the effectiveness of networks and feedback loops in innovations systems. As a consequence, managerial approach, but also mutual adjustment as co-ordination mechanism, will increase. The looseness of the loosely coupled systems recovers its dialectic pair, tightness. With one sentence: A manager in the university must be flexibly tight.

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SOME CHALLENGES OF CONTEMPORARY MANAGEMENT



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Introductory Remarks

Throughout the world the movement from an industrial society with traditional organizations to information society with knowledge organizations is currently taking place. In recent years more and more authors /J. Naisbitt, W. Bergquist, K-E Sveiby, C. Handy et al./ have written on the subject and what this means for management. The purpose of the current paper is to forecast and describe the management of knowledge organizations of information society and the problems encountered during the transition from traditional into knowledge organizations. I intended to use fewer American and more European authors as European management culture is much closer to us, and as far as possible, try to work on the data and examples of the Baltics as the management problems of the Baltics are related not only to the transition to an information society but have also arisen due to the transition from socialism to capitalism. The former Soviet Union shared a more or less similar understanding of what is right and wrong in management, but since 1990 a quiet revolution in our management has taken place.

To a large extent, the processes taking place in the Baltics are happening throughout the world, i.e. transition from an industrial society to an information society. The process in the Baltics, however, is complicated by the fact that revolutionary changes took place and capitalism replaced socialism. In the course of these changes a man with new values

and who does not accept the former management system has arisen. The purpose of this paper is not to find out the cause and consequence of this process. The purpose of the paper is to map the ongoing process thus enabling us to clarify the problems and set priorities for the solutions. At the same time I shall focus my attention on two basic elements which have caused the changes in management - people and enterprise. For a better understanding of recent management problems one must, first of all, understand the cause of these problems - man.

Information Society Man

Different societies have always had different people with different values. Information Society Man is post-materialist. A sizeable number take material wealth as read and will work towards this for only a limited period of their life, unlike previous generations. Naturally, no generation in society is homogenous. However, rather than focussing on the classification which is the prerogative of sociologists, I would like to focus on one particular group whom I have played a decisive role in transferring organizations and the whole industrial society into an information society. The first echelon of this generation has arrived in the Baltics already and can no longer be ignored.

The sub-group in question are under 30, predominantly male, and have diplomas in Business Administration, Economics, or Law from Western universities, or alternatively have studied abroad for a long period of time. If this is lacking they have diplomas in Business Administration or Law received from at home. They are fluent in English, and experts in computers, and are predominantly found in financial establishments - banks, foundations, broker agencies, law firms, auditing companies, or financial departments of bigger organizations. A certain group of them is actively involved in the privatization process. People who are freelancers and work as consultants,

faculty members, etc., without being in the list of employees of a certain organization, form an interesting group amongst them as relying on legal loopholes they do not share their profit with the state are usually registered as a one-man company or sole proprietor.

The career of this sub-group is different from previous generations. In his book "The Empty Raincoat" Charles Handy (2, pp. 177-186) divides the life of this generation into four periods.

First Period. Preparation for a career and life which includes studies, experience and also an opportunity to study the world from outside their home environment. This period usually lasts until 25. **Second period.** Commitment to work. This can be divided into exhausting work and balanced work.

Third period. This is time for the second life when a person pursues that most pleasant to him. Doing nothing is no longer a dream of this generation. This stage was missing or differently structured during previous generations.

Fourth period. Period of dependence.

During the first years of their working career they work until collapse, seven days a week, 12 hours a day. Success is sure to come by such education and performance. By the age of 30 they have usually met their material needs which they take as natural. This usually includes luxury accommodation and car, and other luxury consumer goods.

It is remarkable that they are capable of changing the order of importance of their problems after this period. Here begins the period of balanced work. Their lifestyle changes. They do not turn into workaholics. Recreation occupies an important part of their life. Expensive sports (down-hill skiing, riding, etc.) are pursued. Family is valued, more so than by previous generations. This being one of pros brought from the West. They are members of several clubs where they meet each other regularly. They evaluate education and continue studying intensively, and readily accept short lecturing courses in universities, motivated by self-development. They are extremely self-confident and look down



on those not of their group. They see the whole of society on the basis of competence and wealth. Usually they do not want to become managers in the traditional sense. They are usually cosmopolitans rather than patriotic, identifying themselves as Estonians, Latvians, Lithuanians, etc. is not of great importance to them. They like to compete on the international labor market and plan to work a certain period of their life in a different region of the world.

This generation must not be mistaken for the preceding group of people who are currently about 40. Although this group is successful, too, they are a very different people with diverse behavior. This group did not receive such a good education as the "newcomers", they were educated at the end of the socialist period to which further studies were added. These last 9-10 years have been characterised by the principle "catch your chance". One could not miss the opportunities of metal, oil, and forest businesses and other fields of entrepreneurship prevented by the conditions of early capitalism in the Baltics. There remained no time for any other activities. All means were acceptable in the struggle with those above them. It was beneficial to declare all those older or in better positions to be the "former ones" which meant untrustworthy, backwardness, etc. There is a serious generation gap between this group and those older, which must also be seriously considered in management.

As during the revolution those, as a rule, who are faster, bear more, adapt more easily, are always more successful, this is characteristic to younger people. The privatization process in the Baltics and the management of bigger enterprises is usually led by representatives of this group. The fact that they were the "right ones in the right place" must be considered the main reason for the success of this group. They will meet difficulties in the future, and they already feel those who are better educated and younger behind them.; they can only be saved by the fact that they own the assets - they were the "right ones in the right place".

From the point of view of the current

paper the younger group is of main interest to us as they form the party of professionals in an enterprise and, as mentioned before, they are mainly found in knowledge organizations.

These super-competent young employees of knowledge organizations - let us call them 'pros' - are not self-confident egoists, nor arrogant greenhorns, although the older generations often hold this opinion of them. It is simply very easy for a pro after logical considerations to come to the conclusions that

These super-competent young employees of knowledge organizations - let us call them 'pros' - are not self-confident egoists, nor arrogant greenhorns, although the older generations often hold this opinion of them.

the world should spin around them. The division of roles, working assignments, rights and responsibility between pros and others in knowledge organizations is the factor that already now, and even more in the future, forces us to re-evaluate our understandings and find new management methods, styles as well as managers.

Traditional Organizations versus Knowledge Organizations and the Management of Knowledge Organizations

Knowledge organizations do not "produce" as the organization theory still presumes - namely in the form of physical products that are transported out of

the gates of a factory. Manager of an industrial organization can use production reports and information systems of current reviews that are based on more than 100 years of experience in production. Managers of a knowledge organization do not have this opportunity. Formal reports were created on the basis of an industrial enterprise model that is not of help to the manager of a knowledge organization. Further on I shall deal with the new problems in knowledge organizations, caused by pros, whilst also trying to suggest some primary, if limited, solutions.

1. The Interchanged Roles of Line and Staff

We can clearly differ line organization and staff in a traditional organization. Staff are usually much more educated than those of the line. On the lowest level of line organization blue collar workers are employed.

The most competent employees of knowledge organization are situated where the lowest level of education occurs in traditional organizations. Consultants, faculty members, analysts, auditors, loan specialists - these are the "workers" of knowledge organization. Whilst in traditional organizations all the important problems are solved at a management level, knowledge organizations solves problems at a "workers" level.

2. Pros versus Managers

Managers of knowledge organizations often realizes that there is a lack of information and that immediate performers usually have better an overview of the problems. Can one act as a manager under such conditions? The classical organization theory answer is no. The manager has to be replaced. It is different in knowledge organizations, as the manager of a knowledge organization to work under such conditions.

Directors of hospitals face the same problems as newspaper editors and university rectors. None of them knows exactly what is going on. Real decisions are made at professional and small group levels. It is natural that managers are not able to participate and make decisions

everywhere. Managers of knowledge organizations have to cope with this. Knowledge organization managers live with a great lack of information and uncertainty, compared to colleagues in traditional organizations. Conflicts between managers and specialists occur in many knowledge organizations - especially in cases where the manager has gained experience in traditional organization and attempts to make decisions at a professional level.

Conflicts and failures arise when the specialists become authorities who start solving general organizational problems on the basis of the same criteria as problems related to their specialization area. The fact that here the dynamic balance of authority and responsibility between managers and specialists has to exist where the division of rights and responsibilities does not represent much of the traditional organization, makes the management of knowledge organizations difficult. While one group of people - specialists - is, first of all, responsible for localized results, the other group - managers and officials - take care of the continuity of organization. All managers of knowledge organizations face the problem of joining a successful solution of specialty problems with longer continuity. Management has to achieve two controversial tasks and keep the balance between two different groups of people. Specialists do not have much interest in organization development and seldom do good managers arise amongst them. It is also seldom that a good managing director will become a good consultant or lecturer. These are two totally different personality types with totally different values and attitudes.

The situation becomes more complicated after the growth of a firm. Two hierarchies arise. One hierarchy is similar to the line hierarchy of a traditional organization, the second one is the management hierarchy of specialists in a professional organization e.g. departments and institutes in universities. In some cases a dual manager has been attempted: being a creative manager and an administrative manager e.g. editors in chief and managing directors in newspapers, and film directors and producers in the film business.

3. Client or Trade Union

Turning to universities, who is the client in a university and what is his/her status?. Universities were founded to offer university education but it has meanwhile become clear that prizes and high positions are not always offered for pedagogical activities but rather for research. So the scientific hierarchy has been formed through the ages where the true academic is on the top and practically free from teaching duties. This system is canonized by the unofficial organization of professors, and its defense often works better than trade unions in industrial systems. The prestige of universities is mainly created by successful scientific research rather than by devoted pedagogical efforts. As a professor from Stanford University: "It would be very nice to work in Stanford without the students". It is much easier to measure science than pedagogical results.

It is a well-known sentence that the effectiveness of universities can be evaluated on the basis of the success of their Alumni several years after graduation. Even this does not reflect the impact of a university accurately as prestigious universities have better "raw material" which make it easier to turn them into successful Alumni.

The key problem here is the evaluation of faculty members by students. Naturally, professors do not like this because scientific fame plays a minor role with students as opposed to faculty members. If students stress the importance of their client status, and that the university is a service enterprise where the client is always right the situation will become difficult, and in private universities into nonsense. Students start to say that they pay for their education and there-

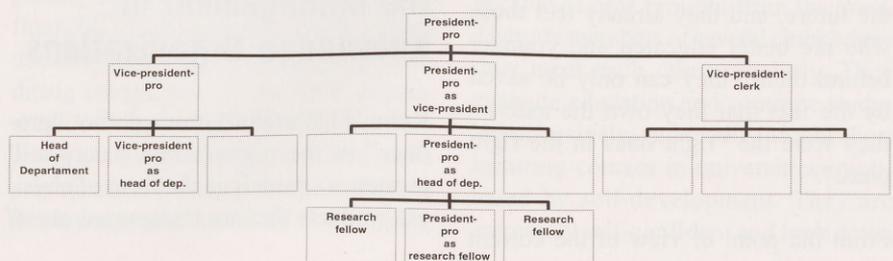
fore must receive positive grades, diploma and guarantees of success. As we can see, management has to solve this problem, and balance the despotism of clients and faculty members.

4. Management Style and Roles of a Manager

Managing directors of an industrial organization plays the role of a manager and it is not considered right when they do that which subordinates are capable of doing. The roles of a knowledge organization manager are different. Pros do not value a manager who is not a pro himself. To keep the approval of a pro, managers have to prove it in their performance, i.e. cooperate with pros. Management theories identify this kind of structure as "linking pins" (Figure 1). According to this idea the manager has to participate as a leader in all working teams and at all organization levels, beginning from the pros' level up to the level of managing director. At least he has to participate in the pros' team besides the role of a managing director. This is nothing extraordinary in some fields. For example, the head doctor of a hospital is often a recognized professional in his field. Managers of law firms or architects are usually highly qualified pros. However in universities the role of a rector tends to be purely administrative.

Knowledge organizations require a special style of management, as well. The pro is extremely vulnerable, and autocratic styles of management are successful only in specific conditions (theater, cinema). The "maternal style" is more suitable to control a pro, owing to what many authors see as the part of women as 21st century managers being much

Figure 1. "Linking pins" structure



bigger than at present. Pros cause numerous problems to knowledge organization managers (ownership of the firm, career planning, motivation of employees, etc.) and it is impossible to deal with all the problems within the current paper. In conclusions I present some strategic ideas concerning knowledge organizations.

Conclusions

The central figure of information society - the pro - has begun to dictate the rights and wrongs in knowledge organizations. As pros are the prime elements

of success in knowledge organizations managers cannot continue traditionally.

I predict that by the year 2000-2002 the service sector will cover three quarters of the overall work engagement of the Baltics. Differing from the industrial sector management, it will not have total control over quality in the service sector - quality is formed on the basis of the immediate contact between tenders and clients. The part of knowledge organizations (consulting, advertising, marketing, training, etc.) will grow most rapidly.

The transition from socialism to capitalism adds special dynamics and individual touch as to the processes.

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NO MORE LIFETIME EMPLOYMENT!



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Introduction

Each person has a unique set of work-related experiences. An individual can have a career with one organisation or with many. Some people follow a very well-defined career-path - for example, accountants join an accounting firm and progress systematically from junior to senior partner - while others have very disorganised careers, characterised by sporadic changes from one organisation to another or by moves into different occupations.

Changed Meaning of a Career

For many people, work is the primary factor that determines the quality of their life. Most of us will spend eight to ten hours a day at work - and much of our time not at work thinking about it, worrying about it, revelling in it, or recouping from it. How successful we are in our careers and how positively we feel about it will have a tremendous impact upon the quality of our lives.

For the organisations where we work, the management of careers is equally important. It will influence whether the best job candidates are hired and retained, how effectively employees are utilised in their jobs, whether employees reach a plateau or become obsolete, and how positively workers feel about their supervisors and organisations. Many traditional middle management jobs have disappeared as a result of downsizing and possibilities to be promoted have decreased. Through the development of competent employees, organisations are better able to identify future managers and prepare them to achieve organisational goals. By developing competent replacement managers, an organisation is able to practice promotion from within, which increases the level of motivation for aspiring managers.

When people graduating school twenty years ago started their careers, the majority of them planned on doing the same type of work within the same company for most of their life.

For people entering the work force today, that will not be the case. They will change the type of work they do, the organisations in which they work, and the cities in which they live several times during their work lives.

Ideas about careers have changed in substantial ways:

No longer does the term career pertain to only individuals in high-status or rapid advancement occupations. Career refers to the sequences of jobs people hold during their work histories, regardless of occupation or organisational level.

The term *career* no longer refers only to job changes of vertical mobility, moving up the organisation hierarchy. Increasing numbers of people who are turning down more responsible jobs to remain in positions they currently hold and enjoy. There are more frequent lateral career moves, and sometimes even downward career moves.

The term *career* is not synonymous with employment in one occupation or in one organisation any more. More and more individuals are experiencing "multi-careers", career paths that include two

or three different fields and many different organisations. Very few people will work in one area or in one organisation their whole life.

No longer is it assumed that the organisation has unilateral control over the individual's career. People are more sensitive to the benefits that can be reaped from actively planning and managing their own careers. Individuals are a lot less willing to sit back and see how things turn out or to pray for the best.

It is not assumed anymore that the organisation will take care of its management employees in a paternalistic fashion. Managers are no longer implicitly guaranteed lifetime job security.

Nor is it assumed anymore, that careers in management are the province of men only. More and more women are attending business school and more and more women are succeeding in top management positions.

It is no longer assumed that high salary and high occupational status alone should measure career success. Today, career success is personally defined. For some, the traditional goals of money, advancement, and prestige remain the same, but for others being a workaholic is no longer attractive. Many people are now as concerned with personal growth, as with financial growth.

Finally, no longer do we assume an individual's career aspirations will remain stable over a forty-year period. What is challenging to a twenty-five-year-old may not prove motivating to a forty-five-year-old. Moreover, these changes in career aspirations are not fuelled by work history alone. People's personal needs change as they grow older, marry, have children.

What they find satisfying in their twenties they may find stultifying in their forties.

Entry into the work force, in reality, is a two-way street. Individuals try to obtain jobs that fulfil their personal needs and aspirations. Organisations try to obtain employees with the right skills, training, and motivation. Individuals try

to decide which jobs to take, organisations are try to decide which individuals to hire.

Moreover, obtaining a good fit between the needs of the individual and the needs of the organisation is equally important to both parties. From the individual's point of view, a wrong choice can mean months or years at a frustrating, unsatisfying job and little or no hope for advancement. From the organisation's point of view, a selection error may mean months or years of friction and ill will with the employee involved, as well as substandard work. Thus, both the individual and the organisation can benefit from a good match at the time of entry.

Two types of approaches have been taken in examining how people choose occupations.

The first approach looks at factors which influence vocational choice decisions (content theories). The second approach examines how individuals actually go about making decisions regarding which careers to pursue (process theories).

Content Theories of Occupational Choice

As Figure 1. suggests, six major factors influence which occupation individuals decide to pursue (Feldman, 1988):

1. parental attitudes and values;
2. educational background;
3. economic factors;
4. political and societal factors;
5. individual abilities;
6. personal needs and interests.

Process Theories of Occupational Choice

While a wide variety of scholars have examined how individuals analyse information about career options and come to concrete decisions, three common findings have emerged from this literature (Feldman, 1988).

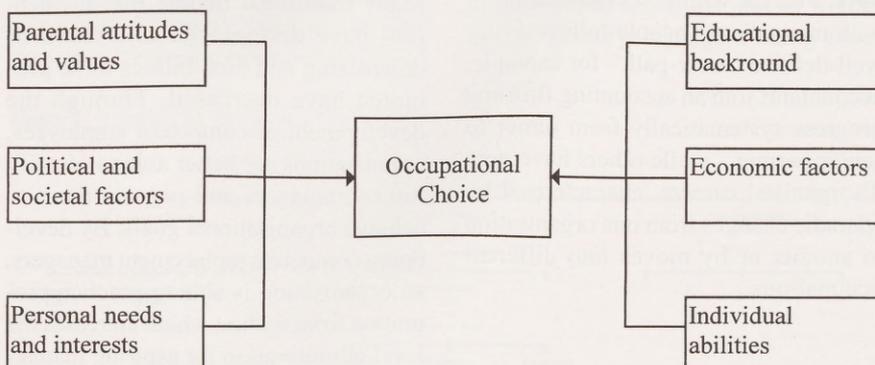
First, career decision making does not begin in college, but starts much earlier in life and the process takes place over several years. Over time, individual thinking about careers develops from general notions and vague ideas to specific information gathering.

Second, people seek out a fit, or "congruence", between their needs and abilities and the opportunities and demands of different careers. Individuals try to choose occupations with work activities they enjoy and feel competent in doing.

Third, as individuals grow older and come closer to making actual occupational choice decisions, they become increasingly aware of "reality factors" - their likelihood of gaining entry into an occupation and their likelihood of success if admitted.

In general, it seems that people use a two-tier weighting procedure in making job choice decisions. If the pay is below what an individual considers adequate compensation, then money becomes more important than interesting work. If wages and salary are above this level, then having a challenging job becomes much more important. However, individuals vary a great deal in terms of what they look for in jobs. For instance, peo-

Figure1. Factors Influencing Occupational Choice (Feldman, 1988:29)





ple with little previous work experience tend to report more concern with pay, than new entrants into the work force. Finally, it is important to note here that individuals who make decisions based primarily on the intrinsic aspects of the job are much more likely to be satisfied and committed to those jobs than those who take jobs for purely monetary reasons (O'Reilly and Caldwell, 1980).

Career Paths for the 21-st Century

A host of turbulent changes in the structures and processes of large organisations means more than ever, that upwardly mobile managers need to carve out their own career paths.

They need to recognise their own values and ensure that these are reflected and fulfilled in their work. They have to create their own career progression path, rather than rely on corporate human relations departments to chart the course for them. Jim Durcan, author of the book "Careers paths for the 21st century", did some consulting for a large multinational company to identify beliefs and approaches to career management. From a series of interviews at different levels within one function, a wide range of individual approaches emerged. Within these individual approaches a number of common features could be discerned.

These were brought together in the 'Desert Scene' of self-managed careers on Figure 2 (Durcan, Oates, 1996).

'Palm trees' were willing to take charge of their careers, develop themselves, look for opportunities but were self-constrained by a chosen inflexibility. They resembled palm trees that stay close to an oasis and put down deep roots. In some cases these roots reflected a strong sense of professionalism that tied them to the function; for others it was an overwhelming preference to remain in a particular location. In any event, their route upwards was very narrow and, when they arrived at the top, it was not necessarily where they wanted to be.

'Rocks' expected the organisation to develop their careers for them and saw

little or no need to develop themselves in any way. Experience alone was regarded by the Rocks as sufficient grounds for further advancement. Their progress at the time of the interviews had been very limited. Underlying the approach and attitude of the Rocks was a level of dependency, which was increasingly not being reciprocated by the organisation.

'Camels' were willing to adapt but were waiting for the organisation to tell them what to do. In the absence of new instructions, they went on doing what they had always done in the apparent belief that their time would come. In contrast, the

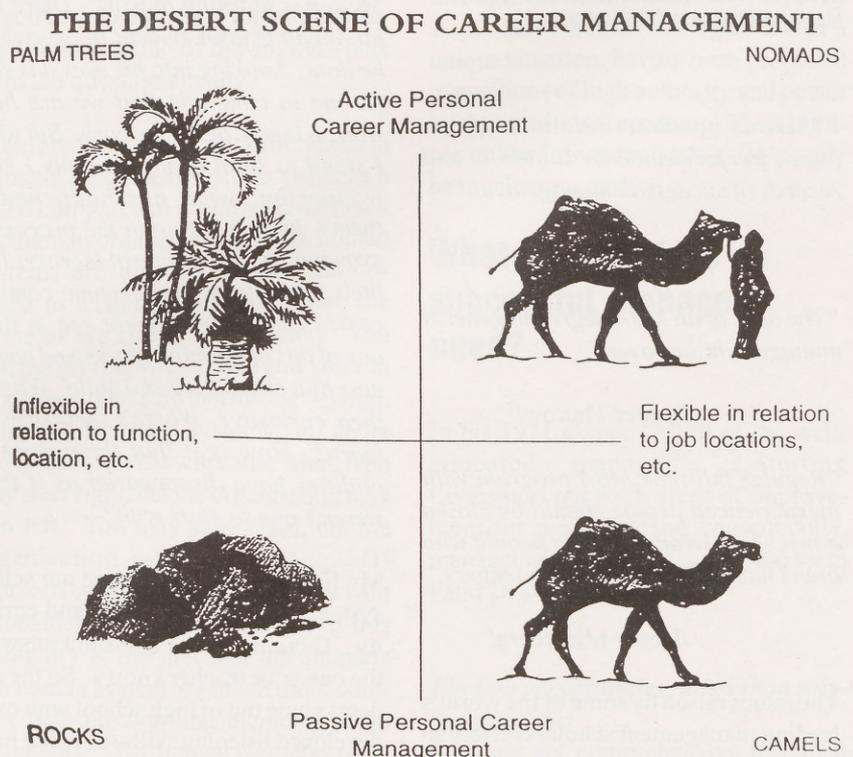
'Nomads' talked about, and behaved, as if they alone were responsible for their careers. They denied that their careers had ever reached a plateau, because, as they saw it, the moment they found a job no longer challenging they set about finding another one. The Nomads were willing to change function, location, company, etc. as long as the change provided a new job. They created the impression that, because of their approach, all jobs would be found to be developmental by Nomads, although they might want to move on sooner rather than later.

The other strong impression that emerged from these interviews was that the Nomads, as a group, were the most satisfied with their careers to date. The Nomads' satisfaction was not the product of their effortless rise. Their progress had involved considerable struggle, self-development and career risks and that they had not necessarily reached the top. The distinctive characteristic of Nomads was their complete acceptance of responsibility for their own careers and their refusal to stay with jobs, which they no longer found developmental.

In contrast, the Rocks were the least satisfied. They had developed at the beginning of their careers and that development appeared to be one-off. There was little sense of the need for continuing development and a grave reluctance to contemplate any job move that involved risks.

These patterns of varying levels of individual responsibility, active personal career management and flexibility will be found in all organisations at most, if not all levels. Individuals may move between four groups in response to events in their private lives, their working lives and the career management policies adopted by their employers. To summarise, career management is equally im-

Figure2. The Desert Scene of Career Management



portant for individuals and for organisations. **To be successful, I suggest to define career management as: 'A partnership between the individual and the group in which people are encouraged to maximise their potential in order to develop the business'.**

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MANAGEMENT EDUCATION DEVELOPMENT IN ESTONIA

My aim is to generate a discussion on what our business schools will need to do, to better meet the requirements of the business sector. All "EBS Review" readers are welcome to share their visions with others. If you are interested to participate, **please submit your short (1 page) essay to room 114 (EBS Review Editorial Board) before September 30, 1998.**



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"There is no direct relationship between performance in school... and records of success in management."

/J. Sterling Livingston/

"The days of an MBA degree in general management are over."

/Lester Thurow/

"Regular full-time MBA program with inexperienced people should be closed down. It is wrong to train people who aren't managers to become managers."

/Henry Mintzberg/

The issues raised by some of the world's leading management scholars reflect an

increasing dissatisfaction with the way managers are educated and developed. The purpose of this article is to reflect on the current thinking regarding management development, as well as the author's experience in management teaching. There will be more questions than answers in this article.

Management Development in Estonia

My son is learning to walk. There is a lot of enthusiasm evident in everything he does. Looking into his eyes it is easy for me to conclude that we are born with an innate desire to learn. But when I stand in front of my students I keep wondering: what has happened to them? How is it that in the process of growing up, these natural learners lose their enthusiasm and become complacent? I somehow cannot see in them any of this open-mindedness and eagerness that characterises a child. Where's their curiosity? Where's their drive to learn? How is it that their learning abilities have disappeared as if there weren't any to start with?

My first reaction is to blame our school system. It stifles creativity and curiosity. There is always one right answer - the one your teacher knows. So the students come out of high school with overdeveloped listening skills (or rather hear-

ing and transcribing, since listening should also involve interpreting and meaning-making capacities). It is not surprising that they look bored. It is boring to live in a black-and-white world. They are not prepared to enter the world full of colours, the world where there may be more than one right answer, the world where they themselves have a role to play. So far they have been forced to be passive rather than active, sit and listen rather than take charge and make something happen.

Henry Mintzberg criticises the current MBA programs for not attracting the really creative and visionary people (Crainer, 205). In fact, some of the world's most prominent business leaders have no formal business degree, being either college dropouts like Bill Gates or having advanced engineering degrees like Jim Welsh.

I think the economic situation of Estonia makes matters even more complicated for our management education institutions. Our business schools are overflowing with students, but they want to become successful rather than learn. The cult of success pervades the society - of success measured in money. It is logical that my students want to become managers, because it the only way to get ahead in our cowboy capitalism. The problem is that this kind of motivation is wrong to start with. Lead-



ing people cannot be an end in itself. It can only be a means to something more important. If you want to accomplish something big, you usually cannot do it on your own. Then you turn to organisations, try to gather and lead a group of people. Thus, I think it is wrong to start your management career with a simple ego drive (which in turn may simply be the result of the current success hype in the society). Management is such a hard profession that you need something more pervasive to drive you than your ego.

My impression is that my students have not fully realised that studying is their own responsibility. They pay for their education and expect somebody to pour knowledge into their heads. They view education as a product they have bought, but in reality they pay to get an opportunity to learn. Education is a typical service where the service provider and receiver work together to create value. The success of this relationship depends on mutual respect and trust. Learning is a two-way process. Therefore, in order for students to get the most for their money they need to start looking at learning as a process where they have an important, actually the most important, role to play.

Management Development in the World

In the beginning, learning and development simply happened. Managers learned whatever needed to be learnt by coming through the ranks. The job taught them everything they needed to know. The first business schools were established in the beginning of this century in the US. In Europe, management has been seriously studied only since the 1950s and 60s. This history is rather short when compared to centuries spent educating lawyers, clerics, soldiers, teachers and doctors (Crainer, 194).

This is understandable, if you consider the fact that business corporations are relative newcomers in our world. They have been around for a mere 500 years. In that time, however, as producers of material wealth, they have proved themselves immensely valuable. They have sustained the world's exploding popu-

lation with the goods and services that make civilised life possible (de Geus, 51). Thus, it is natural that business is where most of human energy is spent and most of human talent is displayed today. It follows then, that developing good managers is essential for world progress.

Managerial energy is the organisation's most important and most scarce resource (Simons, Davila, 1998), hence the desire to learn how to direct this energy effectively. But no one seems to have any definitive answers. This century has seen an explosive growth in the number of management schools and other training institutions. Yet, there is an increasing dissatisfaction regarding management education. A recent survey in Harvard Business Review revealed a striking fact: the majority of top managers prefer to recruit people with a general rather than a business degree. The critique by prominent thinkers in the opening section is thus not entirely unjust. Business people themselves, most probably with MBA degrees, are starting to reject their own kind.

Learning to Manage in the New World: a Difficult Task

So why is it that it is so difficult to learn effective management techniques today? I think some of the answers may lie in the question already.

There are three important differences in managing technical systems (such as a car) if compared to social systems (such as a human organisation). First, human systems are loosely coupled, as opposed to technical systems, where the elements are rigidly interrelated. You turn the driving wheel right and you can be almost 100% sure that the car will turn right. With human systems you never know for sure what will cause what. You may steer right, but the organisation may turn left. You may steer right, but the organisation may turn wrong. Of course, it can turn right, but usually with a considerable delay. Adding to this ambiguity is the fact that the subparts of a human system are much more complex than the working elements of an automobile. The human elements of an

organisation are composed of logic and emotions, experience and memories, rational and irrational. This makes steering a human system further complicated.

Maybe the most important difference is that you can take driving lessons. Actually, one can not get a license until one has proved that he or she can drive. There is no such an exam in management school. You pass a theory exam and that's it. I think this is ridiculous. By mis-steering an organisation one can actually harm many more lives than by a car accident. Management of an organisation is not the private business of the managers. It is a social responsibility. Similarly, management education is not a private business of the education providers. It is dangerous to operate a business school as a money making machine. First and foremost it is a social responsibility.

Of course there is always the question whether one can learn by doing? Doctors can not do this, because they can err only once. Can managers learn from their mistakes? The concept of action learning is quite popular in the developed business world (Crainer, 195). I think this idea has somewhat limited applicability in Estonia. Managers can learn on the job in the developed economies where career ladders move you through the ranks gradually, step by step. The Estonian managers are in a unique situation, having been propelled to positions of high authority and power by the transitional economy. Their learning on the job and mistakes can simply be much more costly.

What kind of skills do successful managers need?

In his 1971 classic "Myth of the well-educated manager", J. Sterling Livingston put forth areas of improvement for managers and consequently, management development. These seem valid 28 years later, too.

Finding opportunities rather than solving problems

Students get comprehensive technical

training at school: financial ratios, accounting principles, marketing methods etc. They learn how to solve the problems of other companies (i.e. case studies), how to use the tools of strategic planning (S.W.O.T.-s, competitive analyses, structures) etc. When it comes to real strategic thinking, however, our formal education is likely to fail us. We develop critical, analytical thinking, which is good for solving problems that are put before us. This is good as long as the world changes as it used to - in increments. Unfortunately, traditional problem-solving and decision-making models are much too slow for the kind of discontinuous change the business world is facing today. We need generative, proactive learning rather than reactive thinking.

Creating new worlds rather than working by the rules

Some of my students don't like questions about their own business. They prefer multiple choice tests to essay questions because they are used to thinking in terms and borders, which somebody else has delineated for them. They are fairly good at listing S.W.O.T.s, but there is usually a lack of analysis. In their theses, they usually display good knowledge and information, but there is not enough fresh, bold thinking. You give them a case study and they do a superb job on it. You ask them to analyse real life situations, their own work, and they are stuck. The real leaders are the ones who ask the right questions. The answers will usually follow naturally. Clarity of thinking, the ability to see both the trees and the forest (Senge, 127), is what makes somebody a good manager.

The capacity for empathy rather than rationality

Our formal education is way too rational. Rationality is good when applied to rational things such as a car. Human organisation, in contrast, is beyond rational. Its main working element is people, not money or machines. It is not surprising that people coming out of business schools can be really shocked on their first jobs. They are, as Edgar Schein put it, "emotion-blind". "At an emotional level ex-students resent the

human emotions that make a company untidy. ... [Few] can accept ... the organisation's human side. Most try to wish it away, rather than work in and around it... If a graduate happens to have the capacity to accept, maybe to love, human organisation, this gift seems directly related to his [or her] potential as a manager... (Livingston, 105)".

Conclusion

So, what can be done to improve our current education system? There seem to be some general conclusions emerging from the different viewpoints presented in this article.

First, management is a special profession that cannot be taught solely in classroom. Isolation from the real world can be dangerous. The school should encourage all kinds of activities where students can experience working with and through other people. The many social activities the students usually like to undertake are a good opportunity for them to develop managerial skills. In addition, the school could enhance some more intellectual activities. For example, speaker series, a management or a finance club etc.

Second, general management education is increasingly irrelevant in a world where competitive edge is more and more determined by marginal differences in in-depth knowledge. Business schools need to develop areas of concentration and enable students to specialise through individualised, tailor-made study programs. Effective management education is not mass production. It should be customised to the specific needs of companies and individual students. It is easy to go for quantity when demand is high. However, it is the quality of each individual graduate that makes or breaks his or her career, and consequently affects the image of our school.

Third, management is about people rather than things or systems. Management education should take this fact into account and stop producing technocrats with low interpersonal skills. Management development should focus

more on the "softer" side of organisations. The ability to work in teams and to lead people, as well as communication skills is important for the leaders of the future.

To finish with, I would like to cite Stuart Crainer. He proposed the following characteristics of the business school of the future (Crainer, 208):

- close links with businesses in developing the curriculum and doing research.
- an emphasis on lifetime and continuous learning.
- an emphasis on preparing managers for new roles which the changing society expects from them.
- being learning centres rather than providers of standard business solutions.
- multicultural and international qualities.
- use of the latest technology to facilitate learning.

This list touches upon many things I stated earlier. I hope that I was able to intrigue some of my readers, so that some type of discussion as to the future of management development in our business schools will arise.

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SERVICE AND TOURISM MANAGEMENT EDUCATION IN A SERVICE-ORIENTED SOCIETY



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Role of Services in the Global Market

Services play an increasingly significant role in the global economy, and are of growing importance to the economy and society. There are several factors that explain why services are becoming ever more important. One of these is technical progress, which has resulted in changes in production methods so that more goods are produced by fewer people. The opportunities for rationalization and increased productivity have been greater in manufacturing than in much of the service sector. Generally speaking, the rapid increase in productivity in manufacturing has led to a decrease in the price of goods relative to services. It is in the service sector that employment and production will increase in the future. Services are extremely important for employment and the GDP of the economies of industrial nations. Even when it comes to investments, the service sector represents a significant percentage. The role of services can be stressed in the United States, Japan, Sweden and other developed countries.

In the United States, the number of people employed in the service sector has increased by nearly 60 per cent since 1970. The United States has the largest service sector and the fastest growth, primarily in business services, health

care and financial services. The growth of the service sector in Japan is also considerable. Since 1970 the number of people employed in services has increased by 42 per cent. The proportion of employees in the service sector in Japan is currently 53 per cent of the total, a low figure compared with other

The transition to a market economy, the reorientation of foreign trade, the change from a closed society into an open society, a general rise in the economy, and also growth in the net earnings of the population and an increase in free time, have to a large extent caused the rapid development of the service sector.

industrialized nations. The greatest percentage of the workforce employed in services is in Sweden (70,2%, 1992), (Edvardsson, Thomasson, p. 5).

Great changes in society have assisted in the increasing of the role of services in Estonia. The transition to a market economy, the reorientation of external trade, the change from a closed society into an open society, a general rise in the economy, and also the growth in the net earnings of the population and an increase in free time, have to a large extent caused the rapid development of the service sector. Goods and services are becoming more equal and it is the level of service that helps us choose between competing companies. Since the 1990s consumers have started to prefer good quality to lower prices. The development of the service sector in

Estonia is not comparable to that of the West. Although a higher proportion of the Estonian workforce work in services, than in other ex-communist states, it still remains lower than in the developed countries. In addition, a shortage of adequate training and resources means that the service sector in Estonia is far more labour-intensive than necessary. In 1996, 54% of Estonian laborforce worked in services, which is higher than in Latvia and Lithuania. Such a level is comparable to the least developed EU countries e.g. Portugal.

The present article deals with the development of tourism in Estonia in recent years and the necessity to develop programs orientated towards service in the Estonian business education.

Tourism is one of the fastest growing branch of the economy in the service sector in the 1990s. According to the data of the WTO (World Tourism Organisation), the suborganisation of the UNO, over 130 million people were employed in tourism in 1995 (7% of the world employment), tourism gave 5.5% of the Gross National Product in the world and more than 500 million tourists were recorded. It is forecast that the increase of these indicators will be even bigger by the turn of the century and tourism has become the biggest branch of economy in the world.

Tourism in Estonia

The tourism industry is a considerable accelerator of economic growth in Estonia (taking into account a favourable geographic location, great potential for tourism and a long historic tradition). Tourism is an export of services and also import which considerably helps to extend the market for goods and services, provides additional employment, offers international work experience, brings in foreign currency thus balancing the balance of payments and strengthens the finances of the state. The role of tour-

ism as a multiplier is especially important in the development of economic branches with a low export potential such as agriculture, food and light industries. The 1996 and 1997 results reinforce, once again, the importance of tourism for the Estonian economy. Estonia's tourism sector contributes positively to the country's regional development and foreign trade balance. By demand for tourism services, 1996 and 1997 were characterised by a dramatic growth in volume: the number of visitors to Estonia increased from 2.1 million in 1995 to 2.53 million in 1996 and to 2.62 million in 1997. This especially reflects the big increase in the number of West European and North American arrivals. Several hotels and motels have been opened and renovated in popular tourist areas such as the resorts of Pärnu, Haapsalu and Otepää, and in Tartu and Tallinn. The Estonian Tourist Board estimates that from 1996 to 1998, the capacity in new and renovated hotels will increase by 8% per year.

Statistical data shows that the number of tourists who needed overnight accommodation in Estonia in 1997 reached 730,000 (see Figure 1).

At the same time, tourists who need overnight accommodation should increase among all the tourist arrivals from abroad and reach 825,000 by the end of this year

Table 1

The export of tourist services in 1993-1997, millions of Estonian kroons

	1993	1994	1995	1996	1997	change 1997/96
Tourist services	660	1168	4073	5835	6607	+13%
Passenger transport	777	985	1087	980	1738	+77%
Total	1437	2154	5160	6815	8345	+22%

Source: Estonian Balance of Payments, Bank of Estonia, 1998

Figure 1. Tourists using overnight accommodation in Estonia (in thousands)

Source: Estonian Tourist Board

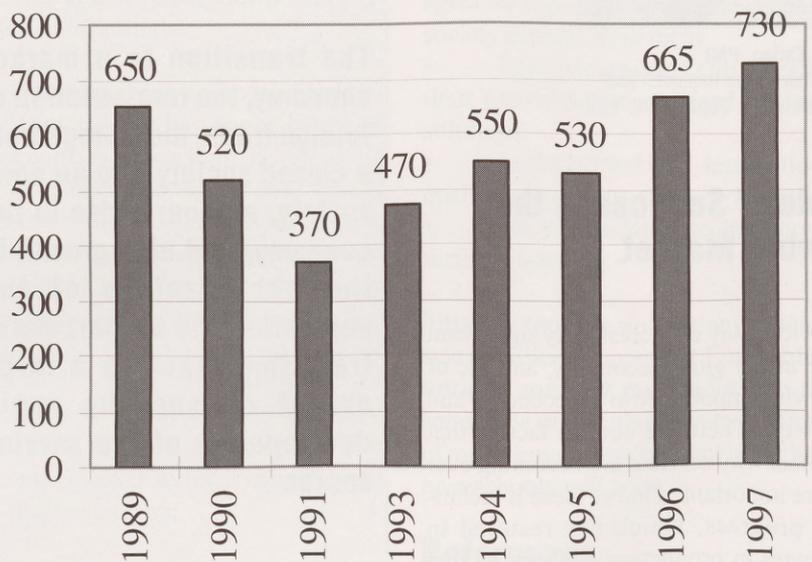
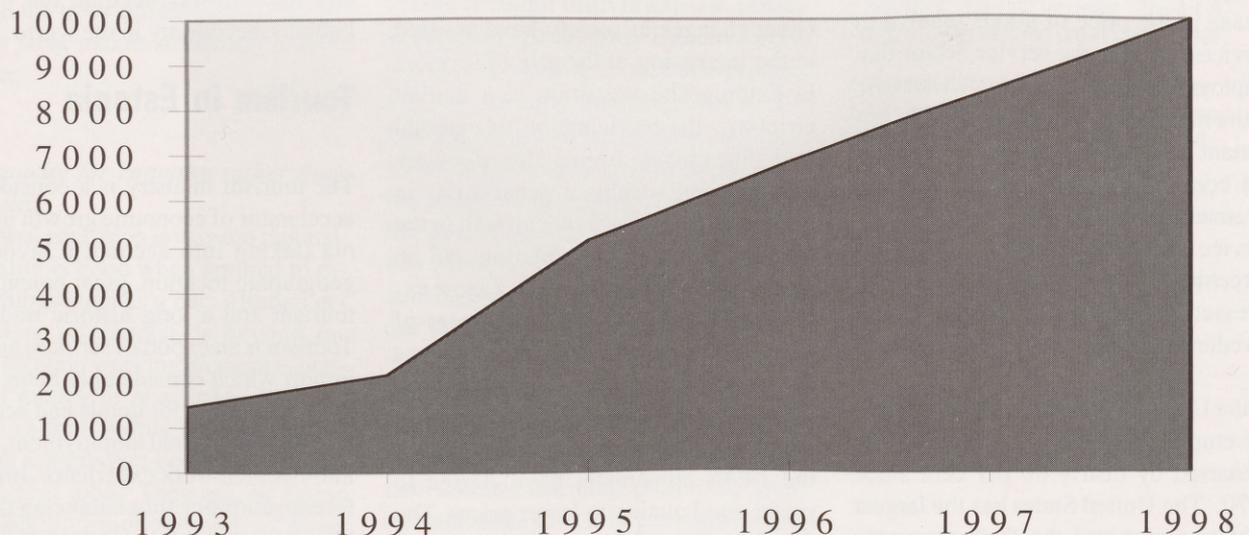


Figure 2. Export of tourist services in 1993-1997, estimate for 1998 (in millions of Estonian kroons)

Source: The Bank of Estonia, Tourist Board



(growth 10%). A 10-15% rise in the number of tourists staying overnight leads to opening more beds in Estonian hotels and other institutions providing accommodation.

According to the preliminary data from the Bank of Estonia, the export of tourist services rose to 8.3 billion kroons in 1997. Thereby the export of passenger transport services almost doubled during the period under investigation, thanks to the strengthening of the competitiveness of the Estonian shipping and airline services and expenditures by foreigners in Estonia, which rose by 15% (see Table 1).

In conclusion, the export of tourism accounted for nearly 18% of the total export of goods and services of Estonia in 1997 and covered 50% of the deficit in the balance of foreign trade. Tourists' purchases account for about 20% of the turnover of Tallinn's shops. Approximately 100,000 people are employed in the tourism sector and it could be said that every third person in Tallinn is connected with tourism in some way.

The Estonian Tourist Board predicts a rise in tourist export income to 10 billion kroons (growth 15%) and an increase in the number of tourist arrivals to 2.75 million (growth 2-3%) (see Figure 2). Taking into account the development prospects, Estonia could double earnings from tourism in five years according to the data from the Tourist Board and reach 17 billion kroons by 2003.

Tourism has become the third largest source of income in the national economy today and is a considerable accelerator of economic development.

Such an increase in tourism requires the creation of new jobs and the training of the corresponding staff and supplementary education.

Service Management Education

The necessity for tourism and service management education is determined by the demand in society and the labor market. In order to reach an international

level of service and customer care, it is necessary to know the latest principles of expertise, technology and customer services. Schools are not capable of providing education at that level without close co-operation with enterprises and as a result, the employers are dissatisfied with the level of applicants. While the demand for supplementary education is regulated quite well by the market itself, tourist and hotel schools educate young people according to their own opinions as to speciality, as corre-

Tourism has become the third largest source of income in the national economy today and is a considerable accelerator of economic development.

sponding market research is absent. The same tendency is noticeable in other branches of services in Estonia and the other Baltic countries. To make business education in Estonia correspond to the needs of the society, it is necessary to introduce Service Management as a new line of disciplines into the curriculum of business education within Estonia. Certain Estonian Universities have already started certain selected introductory courses in service and tourism.

There are several vocational schools teaching catering, hotel management and other service subjects. The first private school - Estonian Hotel and Tourism Management School - opened in Tallinn in 1996. Almost 20 Estonian educational institutions educate staff for service companies. The main problem is the shortage of professional lecturers with the necessary profile who could work out the corresponding study programs

for Service Management.

Within the frames of the PHARE programs there have been attempts to educate trainers on the short-term courses. At present in Estonia, as in the other Baltic States, the required curriculum of service training programs is still unsure, and in particular, the importance of individual subjects in proportion to other subjects is unclear. This has resulted in poorly defined and repetitive education, which do not meet the demands of clients nor of the general public.

Many educational institutions are interested in the development of Service Management as a new educational field in Estonia in general. Despite a rapidly growing service in the Estonian economy, there is a distinct lack in the Curriculum of training and educational programs specifically in this area on the different level of education (vocational, diploma, undergraduate, graduate and post-graduate level).

In the development conceptions of tourism, it is of primary importance to work out corresponding study programs.

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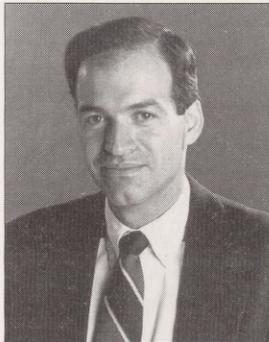
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EDUCATION

It has become a tradition for EBS to organise a scientific conference every spring. This May 15, it takes place for the 5th time and it is titled “**University Management in the 21-st Century - Its Trends and Problems**”. During one day conference-workshop, representatives of the Ministry of Education and top managers of several institutions of higher education in Estonia and from abroad will discuss education culture, organisation structure and other essential topics on Estonian integration to EU. In this “EBS Review” you will find some reports which will be delivered at that conference. *(See also J. Lehtimäki, Management; pg. 11-13)*

BUILDING THE BUSINESS SCHOOL FOR THE INFORMATION AGE



Joseph G. Morone
Professor of Management
President, Bentley College

The environment for American colleges and universities has never been more competitive than it is now. This is especially true for institutions in the North-eastern section of the United States, with many outstanding colleges and universities. More than ever, students and their families are seeking solid value in pursuing what is an increasingly expensive education. The federal government has become critical of the way in which higher education is managed, at the same time that it is reducing financial assistance to students. And the number of potential students – that is, the number of high school graduates – is only just now beginning to grow after reaching historic lows early in this decade.

How can a college compete successfully in highly competitive market

At Bentley, our response has been to build the Business School for the Information Age. Since information technology has completely transformed the way the world does business, it is imperative

that this business college stay at the leading edge of this transformation. Anything less would be a disservice to our students. This means making technology available across the campus to our students and professors, supporting faculty efforts to develop new courses and majors that fully integrate information technology and business, and providing opportunities for students to hone their skills in internships, campus activities, and special projects.

This is nothing radically new. We are simply using our traditional strengths: business education, the innovative integration of technology into the curriculum and our programs to educate the “whole person.” By a whole person, we mean those programs usually associated with a liberal arts college, as well as initiatives in business ethics, multiculturalism, and extracurricular programs, among others. With these strengths clearly and convincingly articulated, Bentley can assume a distinctive market position. In doing so, we are following a corporate model. The companies that have been most successful over the years are those that avoided working outside their focus. Like corporations, colleges have to focus relentlessly on what they do best.

Bentley is faced with a particularly challenging competitive situation. The college competes with high-priced, well-endowed prestige institutions that attract the best and most affluent students. At the same time, Bentley must go up against quality state subsidised institutions that can keep their tuition level low. In recent years, these institutions have become more attractive even to wealthy families, further exacerbating the Bentley’s predicament.

In addition to building a distinctive market position, Bentley is also seeking to offer a value-priced alternative. We intend to position ourselves as a college that offers educational quality as high as that of any business school, but does so at a price that lies somewhere between the prestige colleges and the government-subsidised state institutions. Keeping tuition levels reasonable means taking a number of cost-control measures. In our newest budget, for example, we have disbanded several continuing education programs that were not producing sufficient revenue, as well as other programs that are not central to our mission. We’ve also eliminated some full-time staff positions across campus, reduced expenditures in publications, boosted our fund-raising activities (particularly in the corporate area), and held all other expenditures to current levels.

Outlines of Business School for Information Age

The broad outlines of the Business School for the Information Age, then, are clear: a college with a distinctive identity that offers a high-quality, value-priced education. But what are its specific components? To identify these, we convened a number of strategic planning groups that cut across the entire college. These groups examined curricular change, faculty development, students services, human resources, corporate relations and fund-raising, technology infrastructure and support, and physical facilities needs. They worked on rapid timetable of about four months, and were charged with formulating feasible, realistic plans of actions, not unattainable, expensive wish lists.

The initiatives they proposed are too numerous to catalogue completely, but a few will give a clear idea of where we are headed. To create a distinctive curriculum, for instance, we've established a development fund to support curricular innovations that will contribute to market differentiation. The fund is even now supporting a variety of initiatives, including the development of a radically new MBA and a new program in Accounting Information Systems. We are also putting in place a new process for curricular change. Rather than develop curricular changes in isolation – for example in one course, or one degree program – we are developing new curricular “platforms.” These are clusters of courses, scholarship and faculty that can be packaged for any number of courses and programs across the undergraduate, graduate and continuing education divisions. Examples of emerging platforms include Accounting Information Systems, technical communications and high tech marketing. Many other ideas are also taking form.

Initiatives underway to help reach our faculty development goals include the establishment of the Academic Resource Technology centre to support

faculty seeking to integrate IT into their teaching and scholarship; hiring three cross-disciplinary distinguished professorships; and supporting an exciting new venture suggested by the Computer Information Systems Department, a cross-campus research centre focusing on the integration of business and IT.

Information technology infrastructure presents perhaps the broadest, most daunting challenge, simply because technology is so dynamic. Our objective is to establish and maintain a state of the art business computing environment. The overall approach to meeting this challenge will be to establish campus IT standards; seek significant strategic partnerships; adopt appropriate cost-sharing models; and to allocate sufficient resources to achieve our goals, which will require continuing reallocation of internal resources. We have already begun to replace academic, administrative and mail servers; convert two to three classrooms per year to high tech classrooms; re-evaluate the PC program and expand network access to the library and other information resources. We are also in the planning phase of a major new academic facility that will feature state of the art technology class-

rooms, as well as our expanded financial services trading room.

Also crucial to building the Business School for the Information Age is the support of our alumni and corporate partners. We are now implementing a new model of corporate relations in which we have identified about a dozen corporate partners with whom we will concentrate our efforts, primarily through a “key executives” group of prominent alumni at those companies. These executives will assist us in curriculum and faculty development, research, career services, identifying continuing education opportunities and, at times, fund-raising – to support the new building.

What I've described here is only part of an ambitious program. The response we've received so far has only endorsed this plan. Our alumni been enthusiastic, the press has been intrigued, and corporate leaders have told us we are answering their needs precisely. We're convinced, therefore, that building the Business School for the Information Age, as challenging as it seems to be, is the only way to assure Bentley's success in the years to come.



PRINCIPLES OF FINANCIAL REPORTING AND TAXATION FOR UNIVERSITIES



Toomas Haldma
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Tartu University
Member of the European Accounting Association

Introduction

According to the Estonian Civil Law there are two categories of juridical persons:

- private juridical persons and
- legal public juridical persons

Private juridical persons are appointed public and private limited liability companies, partnerships and non-profit associations and foundations.

From an economic point of view the juridical persons, mentioned above, can be divided into two groups:

- public and private limited liability companies and partnerships as for-profit institutions;
- non-profit associations and

foundations, which are not operating for profit

In this classification all persons from juridical point of view are private juridical persons. The economic aspects of their activities are regulated by Company Law, Accounting Law, Tax Laws etc. The economic aspects of legal public juridical persons activities are poorly described and are not regulated by the majority.

Non-profit Organizations

In market economy countries the legal public organizations are operating as non-profit organizations. The category of “non-profit organization” is lacking

in Estonia today. There is also a lack of the principles of accounting and taxation for non-profit organizations. Nongovernmental units (i.e., universities, hospitals, voluntary health and welfare organizations, charities etc.) in Estonia use fund accounting and a taxation model which is typically employed by governmental units.

To study the nonprofit sector we need to define the concept and to classify different organizations or operations. Some researchers have been noted that there are existing different approaches concerning non-profit organizations exist. (2, p.629; 3, p.52).

In the definition used by a group of researchers in an international comparative project five key criteria for non-profit organizations were identified (4, p.33-34):

- 1) be formally organized, that is, be institutionalized in some way;
- 2) be private and thus separate from government;
- 3) be nonprofit-distributing, that is, not returning any profits or dividends to owners, directors or members;
- 4) be self-governing, that is, equipped to control and govern its own activities;
- 5) be voluntary, that is, involve some meaningful degree of voluntary participation or contributions.

Therefore, the non-profit organization is an institution formed for the purpose of providing goods and services under the policy of no individual will share in any profits or losses of the organization. Profit is not the primary goal of non-profit entities. Profit may develop, however, under a different name (e.g. surplus).

Non-profit organization is not identified by the non-profit associations, operating in Estonia from the following reasons concerning the Law of Nonprofit Associations (RTI 1996, 42, 811):

- 1) Non-profit association is a private juridical person;
- 2) For Non-profit association as membership organization, according to the Law of Nonprofit Associations it is not allowed to receive any revenues from operating activities.

It seems that in the Law of Non-profit

Associations there are confused the categories of "revenues" and "income" (profit) are confused. Consequently, the non-profit organization is a much broader category than the non-profit association.

To classify the non-profit organizations we can focus on economic activities based on the International Classification of Nonprofit Organizations - ICNPO (4, p. 51-100). This classification includes a number of major 'fields', including education and research, and 'sub-fields' (concerning education and research - primary and secondary education, higher education, educational associations, residential colleges and research/other education). Additionally to the ICNPO the non-profit organizations are classified also into some general groups (3, p.74 -76):

- health care organizations;
- educational organizations;
- human service and arts organizations;
- membership organizations;
- state and local governments.

The characteristics mentioned above fit with the economic activity aspects of legal public organizations [1].

Financing of the Non-profit Organizations

The financing of the activities of a non-profit organization is formed primarily from the following sources:

1. government sources

Table 1

The public financing of non-profit services in the 'core domains' of the welfare state (%)

Country	Education	Health care	Social services
France	73	84	60
Germany	70	84	83
Hungary	7	12	12
Italy	49	72	60
Japan	11	96	65
Sweden	54	87	71
United Kingdom	64	23	26
United States	21	36	51
AVERAGE	44	62	54

Source: (2, p. 638)

2. donations
3. earned income

The structure of financial sources of non-profit organizations in the international comparison is very different (table 1). From the other side, international nonprofit activities within the fields of education and research, health care and social services are largely financed with government money.

Financial Reporting

In Estonia the principles of accounting for government grants and government assistance are regulated by the instruction number 12 "Government grants and assistance" issued by the Estonian Accounting Board.

International Accounting Standard IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" puts forward two broad approaches to the accounting treatment of government grants: the capital approach and the income approach (5, p. 355-363). By the Estonian instruction government grants for the legal public entities should be recognised through the income approach.

Owners equity (university capital) would be formed as a difference between the revenues and the expenses disclosed in the Statement of Activities.

Owners equity (net assets) includes the following items:

- unrestricted net assets;

- temporarily restricted net assets;
- permanently restricted net assets.

According to the mentioned instruction, issued by the Accounting Board, the universities can increase net assets through donations and earned income, which are taxable today in Estonia.

Taxation Principles

Internationally any net profit earned by a non-profit organization from the active conduct of a trade or business could be (6;7):

- exempted from income taxation;
- subjected to income taxation;
- subjected to income taxation only if the trade or business is not related to and in furtherance of the non-profit purposes of the organization;
- subjected to a mechanical test that allows a modest amounts of profits from economic activities to escape taxation, but imposes tax on amounts in excess of the limit.

Generally in market economy countries most non-profit universities have been granted exemption from income taxes. This identification lets donors know that their contributions to this organization may be deductible for income tax purposes.

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PERSPECTIVES FOR UNIVERSITIES IN THE EDUCATIONAL MARKET



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School Management usually sees the future direction of Schools as the opening of new fields of study and together with this, an increase in enrolment. The majority of Grade and Secondary School graduates continue their education. In 1996, there were 19 578 graduates from Secondary School (both day and night) and of these, 7 434 went on to gain a higher education, which is 70 % of the number of graduates. This situation is due to the increase of learning opportunities and the difficulty of being successful in the job market without speciality training.

Estonia has reached the stage where the ratio of 18 year-olds who are accepted into diploma and bachelors studies forms 36% of the whole. This is a high level, even compared to developed European countries. The high level of school enrolment comes with a quality problem. In other words, the Higher Education Institution also accepts students who have a lower level of knowledge and so influences the level of the Institution in a negative direction. These conclusions are based on the results of the State Exams completed at the end of Secondary School and also the entrance exams for the Higher Education Institutions.

Some young people, who have received their Secondary School education, go on to Technical Schools. Their numbers are decreasing with each year. In 1996, 3 445 students with a Secondary School education enrolled in Technical Schools, which is less than a third of all Secondary School graduates.

Universities, Colleges, Private Universities and Technical Schools are all in competition with each other in the Education market. If the number of all the students accepted into these schools were added up, then the total would ex-

ceed the amount of current graduates, as some youth continue their studies in two or more schools at the same time.

The Educational market is mainly orientated to the fields popular among the youth and this will increase the stress in the job marketplace even more. Currently in Estonia a counselling system to assist in career choices does not exist in the educational system and the educational factors of the job market are difficult to find. In this situation it is natural that the main criteria are the popularity of the field and School.

The number of youth is a restricting factor affecting the development of schools. In some fields, a solution has been to use an international language of teaching. This allows the acceptance of youth from other countries to study in these fields.

Youth from other countries have already enrolled in Private and in Public Universities for many years. The good level of teaching and the low tuition level in comparison to other countries have influenced the choice.

Another solution is to provide assistance to graduates of Technical schools

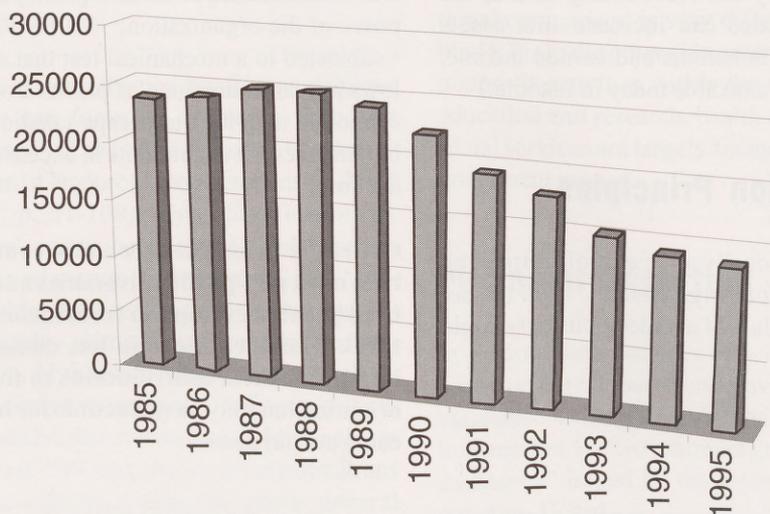
to continue their studies at Higher Education Institutions, as has been organised in many Western-European Countries. The knowledge gained in Technical Schools would have to be taken into account when preparing course plans. This is especially prudent when entering Colleges.

The growth of Higher Education Institutions will therefore start to be slowed due to the extensive development of the changes in the number of youth and only the Higher Education Institutions who are able to offer a high level of educational opportunities will be able to survive. Those with strong traditions, a good reputation and who are better able to react to the occurring changes will have the advantage.



Figure 1.

Registered Births in Estonia

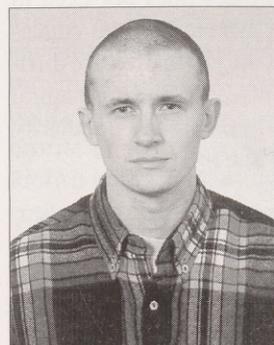


PRICE DIFFERENCES AND ARBITRAGE OPPORTUNITIES BETWEEN ESTONIA AND DEVELOPED COUNTRIES 1991 - 1996

Jaanus Raim's Bachelor Thesis "Price differences and arbitrage opportunities between Estonia and developed countries 1991-1996" won the first prize at the Estonian Scientific Academy 1997 university research work competition. Followingly, the author will give a short overview on his Research.

The author would like to also take this opportunity to thank consultant Peter Lõhmus, the opponent Natalja Viilmann and of course, author's advisor Märten Ross for their assistance in the preparation of this work.

The topics of this Bachelor Thesis are the price differences between Estonia and industrial countries, and the opportunities for international arbitrage. The paper deals with the period from autumn 1991 to the end of 1996.



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 A senior specialist at the macro-economy and forecast department of the Ministry of Finance

The paper describes the price differences and other preconditions of international arbitrage, analyses the causes of the price differences and gives applied suggestions for international business on the basis of the results of the analysis.

Since the thesis handles a transitional period I had to face many difficulties in finding statistics. For this reason, I often had to use my own personal experience and assessments of the specialists, and the numerical data were not very good.

I chose this topic because of scanty treatment, personal experience and the great profit potential of the results in the international business.

The main aim is to create an adequate picture regarding the causes of price differences between Estonia and industrial countries. On this basis, it is possible to organise international business more effectively. My applied suggestions are, with some local variations, also useful for international business with other transitional countries.

For determining the causes of price differences between Estonia and Austria I

analysed 3 hypotheses thoroughly. These hypotheses are the Balassa-Samuelson model, prices under administrative control and customs barriers. Other possible causes for price differences have been explained too.

The results of the paper are the following:

The price differences were especially large at the early stage of transition—from the end of 1991 to mid 1992. The Estonian relative price level was 2% at the end of 1991 (see Figure 1).

During the transitional period, Estonian relative prices increased substantially due to price convergence. Price convergence can express itself through a nominal price rise or through nominal exchange rate appreciation-or through both. In Estonia, the prices have converged through nominal price rises after the monetary reform. The speed of the

price convergence process has gradually slowed down during the analysed period.

If the other conditions remain unchanged, the Estonian price convergence will reduce the chances of arbitrage.

The causes of Estonian lower price level were:

1. the cost-recovery effect
2. imperfect information about Estonia
3. the lower quality of Estonian tradables and nontradables
4. the Balassa-Samuelson effect
5. the effect of Estonian administratively regulated nontradables
6. the Estonian export barriers
7. the Austrian import barriers.

The Balassa-Samuelson effect caused the Estonian nontradables to be up to 2 times lower price level during the analysed period. Therefore, the effect of the Balassa-Samuelson model was the most important cause of nontradables price difference during the advanced stage of transition. The lower Estonian relative prices of administratively regulated nontradables, were the most important causes of lower Estonian relative price levels of nontradables throughout the analysed period.

Since the Estonian export barriers blocked almost all legal trade, the export barriers were the most important cause of lower Estonian tradables price levels in the first year of transition. The cus-

toms barriers also had an indirect effect on the lower Estonian price level of nontradables.

Imperfect information was the important cause of Estonian lower tradables and nontradables price levels at the beginning of transition- at the end of 1991 and in 1992. The effect of imperfect information was not so significant during the advanced stage of transition - in 1993 and later.

The causes of Estonian higher inflation - and price convergence were:

1. the cost-recovery effect
2. the diminishing effect of imperfect information
3. the increase in quality of Estonian nontradables and tradables
4. the Balassa-Samuelson effect
5. the effect of Estonian administratively regulated nontradables
6. the elimination of Estonian export barriers.

The diminishing effect of imperfect information and the elimination of Estonian export barriers were the very important causes fast price convergence of tradables and nontradables in 1992.

The effect of Estonian administratively regulated nontradables was the most important cause of nontradables price convergence in 1993 and 1994.

The increase of the Estonian tradables

and nontradables quality was the significant cause of price convergence throughout the analysed period.

The causes of lower Estonian price levels, which were simultaneously the obstacles of international arbitrage, were:

1. the Estonian export barriers
2. the Austrian import barriers
3. imperfect information
4. the lower quality of Estonian tradables and nontradables.

All of the above-mentioned obstacles were very important at the beginning of transition- from 1991 to 1992.

The relative importance of the lower quality was higher at the advanced stage of transition- from 1993 to 1996.

The relative importance of imperfect information fell sharply, and the Estonian export barriers were completely eliminated in 1993.

The relative importance of Austrian import barriers increased after the end of 1992.

The fundamental rules for international business with Estonia during the early stage of transition were:

1. to collaborate with Estonian authorities
2. to create the company's representation in Estonia
3. to create extra quality for Estonian tradables.

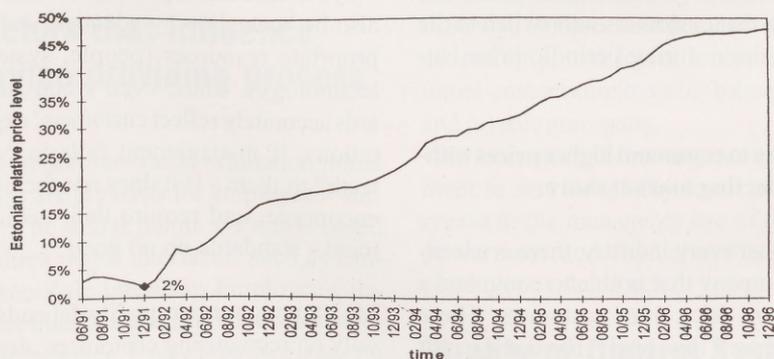
The Estonian power and information as well as foreign capital had to be combined for successful arbitrage during the early stage of transition.

The fundamental rules for international business with Estonia during the advanced stage of transition were:

1. to begin production in the spheres, where the advantage of Estonian relatively cheaper inputs were the most significant
2. to produce tradables with the quality required in industrial countries.

The companies had to use indirect arbitrage to get extra profit during the advanced stage of transition.

Figure 1
The Estonian relative price level (compared with Austria)



$$\text{Estonian Relative Price Level} = \frac{\text{Estonian Average Consumer Price Level}}{\text{Austrian Average Consumer Price Level}}$$

ENHANCING VALUE TO THE CUSTOMER THROUGH IMPROVED FRONT-LINE SERVICE QUALITY

Followingly, you can read one chapter of the Bachelor Thesis "Enhancing Value to the Customer Through Improved Front-Line Service Quality", which was defended in May, 1997. The author's advisor was Prof. Jaan Ennulo and the Thesis was opposed by Monika Salu.



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Introduction

Quality has always been conducted as though it were a difficult task in organisations. The subject was viewed as heavily technical, loaded with statistical analysis and considered to be beyond the grasp of anyone but quality-control professionals. In my diploma thesis, it was my hope to change all that by showing that by putting the emphasis on preventing problems, rather than finding and fixing them, is where progress lay.

Because services are performances rather than objects, precise manufacturing specifications for uniform quality can rarely be established and enforced by the firm. Most services cannot be counted, measured, inventoried, tested and verified in advance of sale to ensure quality delivery. Furthermore, the performance of services - especially those with a high labour content - often differs among employees, among customers and contact personnel. For this reason, service quality is highly dependent on the performance of employees, an organisational resource that cannot be controlled to the degree that components of tangible goods can be engineered.

Understanding of the nature of service quality and how it could be achieved in

an organisation was the priority in my work. My purpose was also to work out a basis for quality implementation and a control system for enhancing the quality of services, provided by front-line employees in service organisations.

What might be the benefits of improved quality?

The magnitude of the benefits of improving the quality of your company's services will be different for different companies and for different areas of a company's operations, but the kinds of benefits are common to all business enterprises. There have been identified a number of benefits that arise from delivering superior value for customers:

- **Stronger customer loyalty and more repeat business**

Companies that deliver higher perceived quality than their competitors achieve higher customer satisfaction levels and, in turn, higher repeat purchase rates. This lowers marketing costs and boosts profitability by reducing customer attrition.

- **Reduced vulnerability in price wars**

High customer loyalty reduces the chance that customers will switch to the competition during periodic price battles.

- **Ability to command higher prices without affecting market share**

In almost every industry, there is a leading company that is able to command a premium price from customers. These companies obviously have a greater chance to be highly profitable.

- **Lower marketing costs**

Companies that deliver high-quality products and service spend less money replacing their customer base and benefit more from referrals and word-of-mouth recommendations.

- **Growth in market share**

High levels of customer satisfaction create a positive cycle of success, which results in high repeat purchase levels, more efficient marketing expenditures, and a growing customer base.

What are the causes for service quality shortfalls?

Reasons for the discrepancy between service-performance standards and actual service delivery can be named as follows: role ambiguity; role conflict; lack of qualified employees; lack of teamwork; lack of perceived control; inappropriate supervisory control systems to support contact personnel; insufficient capacity to serve.

Most of these reasons pertain to the unwillingness and/or inability to contact personnel to meet the standards. To be effective, service standards must not only reflect customers' expectations but also be backed up by adequate and appropriate resources (people, systems, technology). Thus, even when standards accurately reflect customers' expectations, if management fails to "give teeth" to them - if it does not facilitate, encourage, and require their achievement - standards do no good.

Maintaining service quality depends not only on recognising customers' desires and establishing appropriate standards but also on maintaining a work force of people both willing and able to perform at specified levels. In service organisations everyone is responsible for quality.



Quality of personnel and service is based on quality of recruited and well-trained employees and also on the quality of recruitment and training process. If the management is aware of importance of quality implementation or improvement already in the stage of front-line employee's recruitment process and is able to implement a training system for both new recruits and experienced service providers, has a strong basis for overall quality implementation.

The starting point for a quality service must be quality staff to produce and deliver such services. The aim is to select staff with the required attitudinal and behavioural characteristics and to then induct them into a quality culture. The company must also ensure that employee develop the skills necessary to produce quality services, and to improve their responsiveness to customers. Training employees in the basic problem solving methods they will need to resolve customer satisfaction issues at the front line is especially important. In the short and long run, it is only through good management practices that good customer service can be achieved. Training that relates to the specific services offered by the firm help the contact person be and feel capable when dealing with customers. Training in communication skills, especially in listening to customers and understanding what customers expect, gives employees a sense of mastery over the inevitable problems that arise in service encounters. Training programs should be designed to increase employees' level of confidence and competence, which results in greater role clarity.

Factors that influence service providing process

The Behaviour-Based evaluation initial points are the basis for employees' survey. The initial points system is based on three major interfaces, such as Employee-Role Interface; Employee-Customer Interface and Employee-Management Interface. Every interface leads up to the main causes what might influence the service providing process.

- Higher customer-contact employee

self-efficiency leads to a higher level of service quality perceived by customers.

- Higher customer-contact employee job satisfaction leads to a higher level of service quality as perceived by customers.
- Higher customer-contact employee role conflict leads to lower levels of customer-contact employee (1) self-efficiency, (2) job satisfaction and (3) adaptability.
- Higher customer-contact employee role ambiguity leads to lower levels of customer-contact employee (a) self-efficacy, (b) job satisfaction, and (c) adaptability.
- Higher customer-contact employee role conflict leads to a higher level of cus-

The starting point for a quality service must be quality staff to produce and deliver such services. The aim is to select staff with the required attitudinal and behavioural characteristics and to then induct them into a quality culture.

tommer-contact employee role ambiguity.

- An increase in the manager's use of empowerment leads to higher levels of customer-contact employee (a) self-efficiency, (b) job satisfaction, and (c) adaptability, and lower levels of customer-contact employee (d) role-conflict and (e) role ambiguity.
- An increase in the manager's commitment to service quality leads to an increase in the manager's use of (a) empowerment and (b) behaviour-based employee evaluation.

Quality of Control System

The purpose of a control system is to ensure the attainment of desired organi-

sational objectives. This paper focused on behaviour-based evaluation. This focus seemed appropriate given the research emphasis on the managerial controls that can be used to make employee behaviours and responses more conducive to the delivery of service quality.

The most extensive research into service quality is strongly user based, and therefore, surveying customers is a first issue in my control system. At the same time there is a need to survey employees by giving them a possibility to evaluate their job performance, working conditions, job satisfaction, perceived control etc. by themselves. Last, but not least, emphasising the managers controlling role is not less important. Every step of the control system has been analysed in three stages: (1) identifying the criteria basis; (2) providing a form of questionnaire for evaluation process; (3) analysing the provided questionnaire and possible answers.

The most extensive research into service quality is strongly user based. The distinctive nature of services requires a distinctive approach to defining and measuring service quality. Since customers are often involved in service delivery and the actual output of the service. The perceived quality of a service will be the result of an evaluation process in which customers compare their perceptions of service delivery and its outcome against what they expected.

How to measure quality?

Five criteria used by consumers in evaluating service quality (tangibles, reliability, responsiveness, assurance, empathy) have been identified. There is no better way to understand the customers opinions about the quality of the service experienced than to ask it from themselves and make the answering process for them as easy as possible. This is why I came up with the idea to provide the questionnaire, which will help to get an organisation-wide overall picture about the quality of service provided. The questionnaire itself provides the answers simply by proposing certain issues to be evaluated for each item and the possibility to comment your opinion in overall assessments.

The first part of the questionnaire helps to get an overall picture about customer statements about the general impression of the service surroundings (cleanliness, atmosphere, interior) and the service on an overall basis.

The second part of the form provides a possibility to evaluate service quality in certain division(s). Using the assessment of multiple divisions is reasonable in large companies and where the customers will be in touch with a number of divisions (like a hotel for example). To get an useful information about where exactly the quality needs to be improved, the provided model with a possibility to evaluate several divisions, is necessary, in my opinion.

As one facet of the behaviour-based control system, behaviour-based evaluation involves evaluating employees on the basis of how they behave or act rather than on the basis of the measurable outcomes they achieve. Under a behaviour-based system, contact employees are evaluated and compensated on the basis of criteria such as effort, commitment, teamwork, customer orientation, friendliness, the ability to solve customer problems, and/or other behaviours that are directed toward improved service quality. Although outcomes such as sales and profit can be influenced by several factors, contact employees are solely responsible for their behavioural responses. The use of behaviour-based evaluation should have a positive influence on the attitudinal and behavioural responses of customer-contact employees. By emphasising behavioural criteria during employee performance appraisals, managers make employees responsible for their behaviours and give them more control over the conditions that affect their evaluations.

The best way to evaluate every service quality related issue by focusing on employees self-assessment, is to use a form of questionnaire, especially in large service organisations where the amount of contact-employees is relatively high. The written form for expressing their own feelings is the easiest and fastest way to collect information about the service.

There are eight parts of important measurements in the questionnaire I pro-

vided, like: (1) management commitment to service quality; (2) empowerment; (3) job performance; (4) role conflict; (5) role ambiguity; (6) job satisfaction; (7) adaptability and (8) self-efficacy. Which part of the questionnaire is important for a certain organisation to use, has to be decided by the management there.

How can managers control the quality of the employees?

To implement the managers controlling role in company, two types of behaviour control can be identified: activity control and capability control.

The success or failure of front-line service providers is influenced greatly by the quality of service leadership they receive. When managers lead, service excellence is within reach. When managers do not, excellent service and high quality are a pipe dream.

Activity control. Supervisors can attempt to control the routine activities undertaken by employees. Activity control refers to the specification of the activities a person is expected to perform on a regular basis, the monitoring of actual behaviour, and the administering of rewards and punishments on the basis of the performance of specified activities.

Capability control emphasises the development of individual skills and abilities. It is an attempt to influence performance by ensuring that employees possess the set of skills and abilities that enables good performance. Capability control involves setting goals for the level of skills and abilities people must possess, monitoring their skills and abili-

ties, providing guidance for improvement if needed, and rewarding and punishing persons on the basis of their level of skills and abilities.

Conclusion

Many service workers are unwilling and/or unable to meet the service expectations of their customers. But this need not to be the case. If people in service roles lack the direction or the training or the support tools or the control over the service to be successful, whose fault is it? If they are hired into service roles for which they lack the basic intelligence, whose fault is it? If they are given no sense of how their role fits into the overall scheme of things, of what their customers expect, or why their work is important, whose fault is it?

Without the support of good leaders, good teammates, clear direction, consistent signals, many of the service providers lose energy and effectiveness over time even as they increase in competence. They lose the will to serve.

The success or failure of front-line service providers is influenced greatly by the quality of service leadership they receive. When managers lead, service excellence is within reach. When managers do not, excellent service and high quality are a pipe dream.

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PERSONNEL MANAGEMENT - PERSONNEL AS PART OF STRATEGIC PLANNING AND ITS SELECTION PROCESS

This is one chapter of the Bachelor Thesis "The Principals of Selecting Personnel in Tallinn Labour Market in 1997", which was defended in May, 1997. Research was advised by Eela Velström and opposed at the defence ceremony by Kiira Kure.



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- (1) company's profit,
- (2) organisational effectiveness (- it must have qualified workers and be capable for change if needed,)
- (3) servicing the community (- must offer required products and services,)
- (4) social responsibility (- try to improve the quality of life, solve social problems, also protect the environment, develop infrastructure of the town,) and
- (5) strong organisational culture (- to improve the quality of work: job enrichment, wider responsibility, better feedback of results, flexible schedules.)

Some advantages of using human resource planning are:

- decrease in costs of recruitment and reduction,
- finding the optimal use of employees' knowledge and skills,
- consideration of the regional employment supply, when doing business plans,
- working out effective personnel strategy.

Personnel as Part of Strategic Planning

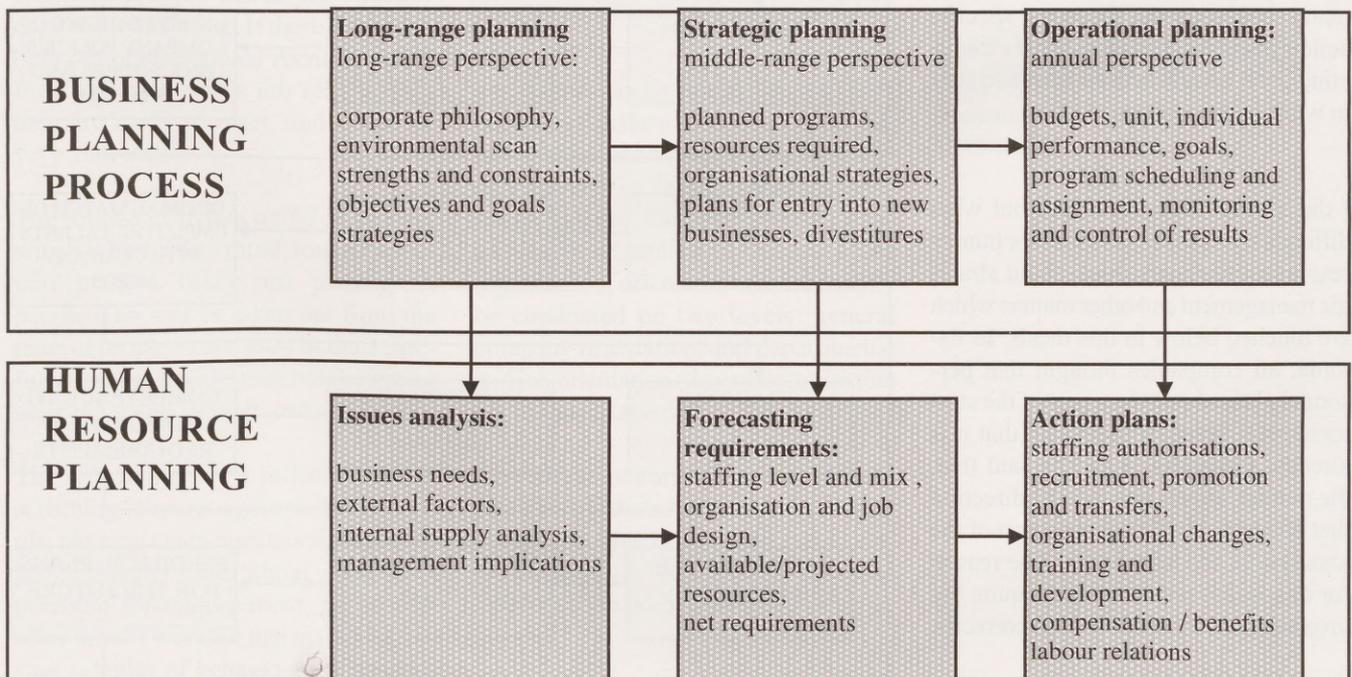
Personnel or human resource planning is as necessary, as capital and funding resources planning, because highly qualified people give an important advantage in the world of competition. As there are more person-related businesses than machine-related businesses in the world, people can play or are playing a major role in achieving results.

Human resource planning consists of four basic steps:

- (1) determining the impact of the organisation's objectives on specific organisational units,
- (2) defining the skills, expertise, and total number of employees (demand for human resources) required to achieve the organisational and departmental objectives,
- (3) determining the additional (net) human resource requirements in line with the organisation's current human resources, and
- (4) developing action plans to meet the anticipated human resource needs.

The aim of personnel management is to guarantee the biggest possible effectiveness of work for employees, the company, and for the community. The personnel department must match the employees with the strategy of the company. The management functions, as well as personnel management must support the achievement of the aims of the organisation. From here the aims of the personnel department also arise:

Figure 1.
 Source: Wayne F. Cascio, *Managing Human Resources*, p.121.



In personnel planning, the prognosis for demand are done for as long period as possible. In Estonia, all kind of business-related plans, including human resource planning, are prepared for a shorter period than generally elsewhere in the world. The reason for this, is that our economical life is not so stable as it is elsewhere in the world. In Estonia long-term plans are usually for 5 years. As it has already been mentioned, personnel planning must incorporate business plans.

The functions and connections of business planning and human resource planning are shown in the following figure:

At the level of long-range planning, human resource planning is concerned with such issues as assessing the management implications of future business needs, assessing factors external to the firm and measuring the internal supply of employees over the long run - this phase is quite general one but not minor.

At the level of strategic planning, the focus is on analysing issues in detailed projections. The plans became more specific.

At the level of operational, or tactical planning, human resource planning is concerned with detailed forecasts of employee supply (internal and external to the organisation) and employee demand. Based on the forecasts, specific action plans can be taken. At the budgeting level certain actions start and start to work in the system.

I did a small survey, to find out what different companies' personnel or human resources managers think about strategic management and other matters which are touched below in this thesis. In Estonia, all companies thought that personnel plans should be a part of the strategic plan. Some of them said that it is already. Generally, it can be said that, the market moves towards the direction that personnel will become a part of the planning in the near future. The reason for this is that personnel are a quite big investment and it must be done correctly.

The Employee Recruitment/Selection Process

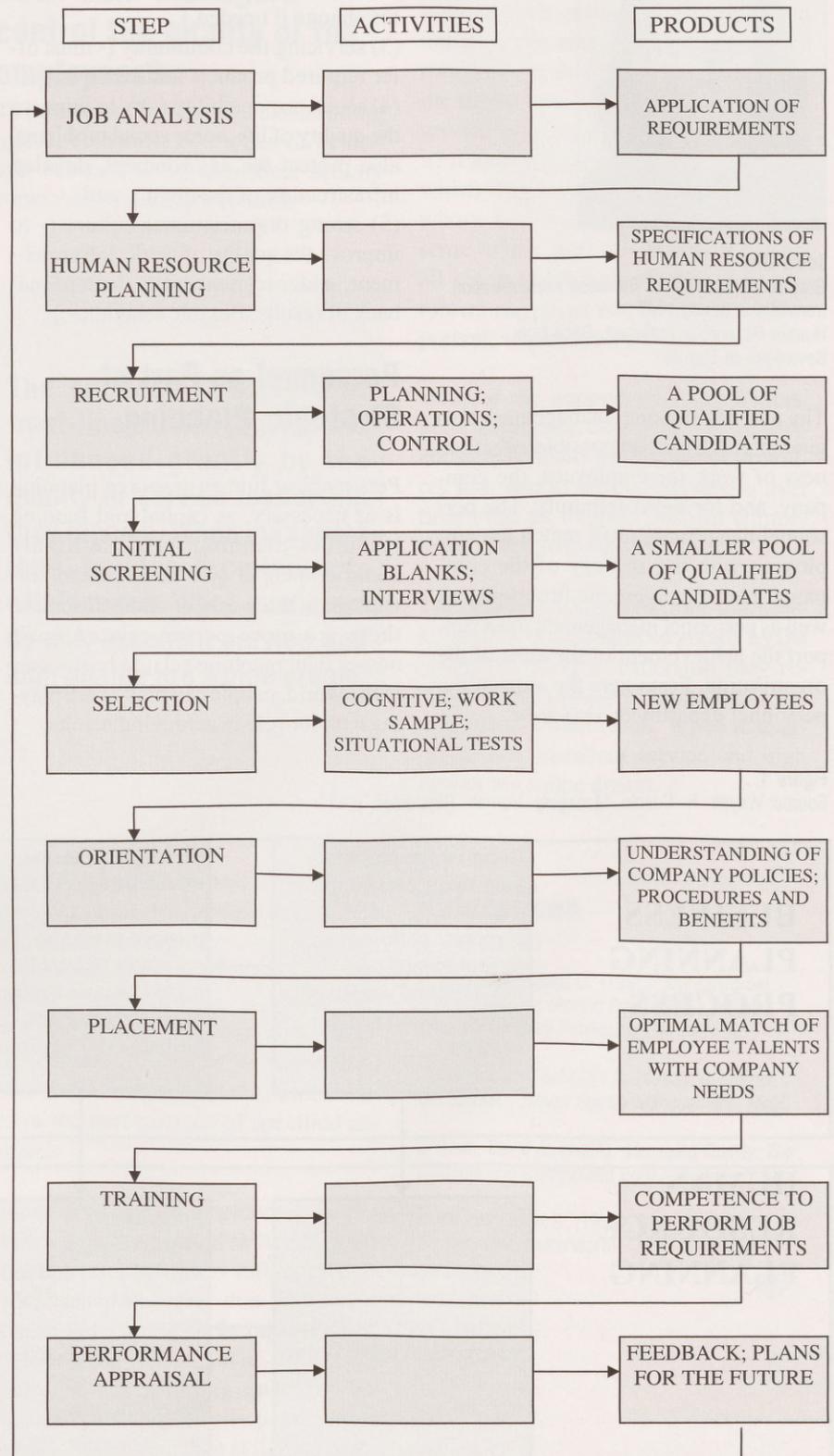
The employee selection is a process during which information about the ap-

plicant is gathered, which enables to predict their future effectiveness at work. At the end of the process the most suitable candidate can be chosen.

During the selection process many different steps are passed. All the steps

Figure 2.

Source: *Managing Human Resources*, Wayne F. Cascio, p. 148, Figure 5-1.



must be done with proper attention, because the success of the next step depends on it.

The basic steps of the recruitment process are summarised in the following figure:

The process starts with *job analysis*. This is sometimes the most important part, because it is really important to know what kind of person you are looking for. The job analysis can be done by the personnel manager but it would be better if it is designed by the manager whom the future employee will be working for in the future. The latter is more correct.

The new position must suit the organisation and that's why it must be the part of human resource planning. It must also work vice versa: human resource planning must forecast the need for this kind of position.

Recruitment begins by specifying human resource requirements (numbers, skills mix, levels, time frame), which is the typical result of job analysis and human resource planning activities. It is a two-way process. One way is that organisations do something to search for prospective employees. The other side is that also employees and managers themselves seek for organisations just as organisations seek them. Both, recruitment and job search are critically dependent on timing. If there is a match between organisational recruitment efforts and candidate's job search, then they are ready to meet, and it can be very successful.

The following step is *initial screening*, which is basically a rapid, rough "selection" process. This is just picking out people who will be taken out from the mass of people. Still it must be done carefully: you must really pick out the wrong ones not some suitable ones.

The *selection process* following initial screening is more rigorous. For example, physical characteristics alone do not provide many clues about a person's potential for management, or for any other kind of work for that matter. In that case samples of behaviour are needed,

either through tests and personal interviews or through the testimony of others about a candidate, as with reference checks.

Past the selection stage, companies are no longer dealing with job candidates but with new employees. Typically the first step in their introduction to company policies, practices, and benefits is an *orientation program*. It can take several hours or several weeks; it may be formal or informal, or some combination of the two.

Orientation received from fellow workers can be misleading and inaccurate information. Because of that the official

Every organisation is comprised of people who perform specialised tasks who are co-ordinated to enhance the value or utility of some good or service that is wanted by and provided to a set of customers or clients.

orientation has an immediate and lasting impact on the new employee and can make difference between a new employee's success or failure. After the employee is hired, the orientation program can begin. Regardless of the type of the organisation, orientation should usually be conducted on two levels: general company orientation, and departmental and job orientation (describes topics that are unique to the department or unit).

Placement occurs after orientation; placement is the assignment of individuals to jobs. This is the phase where employee will get the exact job or duties before he/she does some general work.

Once new employees are selected, oriented, and placed, they can then be *trained* to achieve a competent level of job performance.

Finally, *performance appraisal* provides feedback to employees regarding their past and present job performance proficiency, and it provides a basis for improving performance in the future. From that point starts the working process and also the job analysis. Of course, all the phases are inter-related. But the final test of all phases comes with the appraisal of job performance.

Conclusions

We spend most of our life in organisations or communicating with them. Organisations cannot exist without people. Although there are great differences between organisations in our society, they also have much in common. Every organisation is (1) comprised of people (2) who perform specialised tasks (3) who are co-ordinated (4) to enhance the value or utility (5) of some good or service (6) that is wanted by and provided to a set of customers or clients. All organisations have some objectives to achieve, for which certain tasks must be done. These objectives must fit with personnel management politics.

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NEW RESEARCH TOPICS FOR EBS STUDENTS:

The Study of the Values Forming the Management Consciousness of Business Students



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The Roman Club believes that the future belongs those people who can learn to better influence their development. Estonia, which is still at the beginning of its development as a political state and economic reconstruction, sees the future in its integration into the structures of Europe. However the rapid growth of the Estonian economy has meant that the concurrent processes have yet to reach an equilibrium. The Estonian market does not function adequately as a developed market. The shortcomings of Estonian economic development have been explained and argued by the typical growth difficulties characteristic of early capitalistic development, and especially by incomplete legislation and a shortage of resources. There have also been references to the ethical crisis of Estonian society.

Influences on the recovery of the Estonian economy and the market should first and foremost be sought in the management culture of a business company. The inadequate behaviour of managers and the slow development of Estonia's management culture comes from an inadequate level of their management consciousness and the values connected with management rather than a lack of knowledge. Sadly this sphere has been lately neglected.

Values have been studied to some extent primarily in the research publications of Estonian researchers. There have been articles on the study of the

values revealing the characteristic features of production managers (U.Vooglaid, M.Vadi etc), the role of managers and the comparison of the role of managers of banks, hotels and ministries (K.Sepandi, U.Sõstra, M.Vadi), values of personnel within the corporate culture have been dealt with (R.Üksvarav and R.Nurmi), terminal and instrumental evaluations of different layers of the population have been compared (of schoolchildren /5/, military students /7/, teachers and school principals /1.Orn, M.Tuulik), there have been references to the inadequate behaviour as role models of Estonian leaders (H.Kriips) but there has not yet been any systematic research on the values forming the managerial consciousness of business managers.

Regarding international research M.Rokeachi's and G.Allport's research on the classification of values is worth mentioning. However, their application especially to the values of leaders, is questionable.

One of the most recent evaluation schemes was developed out by B.M.Meglio his associates in the North-Carolina University with emphasis on the necessity of similar values amongst colleagues. It was found that the followers of group values were more satisfied with their leaders.

D.Yankelovich's research was remarkable, in that it found that a contemporary manager must perceive the differences between subordinates' values realise, how to change them /2/.

Unfortunately the values concerning the managerial consciousness of the leaders have yet to be researched.

Nor is there any scientific data on the values and the dynamics of business students during their studies, as future business managers.

Comparative research on the managerial consciousness of students and experienced managers of companies is also absent as a result of which information

is lacking on the difference of these indicators from those of managers from developed countries.

For this reason it is difficult for universities preparing future business managers to set targets. It is not clear how they wish their graduates to behave, or how to purposely design the controls to influence the students professional lives. The formation of the managerial consciousness is a long and complicated process. The more difficult is the improvement of the level of managerial consciousness and independent development in the post-graduate period. Previous research on the development of the the professional self-consciousness of managers and the possible possible forming of values during education is unfortunately insufficient.

A group of EBS employees, including the undersigned, initiated questionnaires of students, master's degree students and those attending training courses and the statistical processing of corresponding data three years ago already. A corresponding methodological concept of approach has been created, a system of necessary terminology has been specified and a theoretical basis for the treatment of the problem has been developed. The comparative data has been collected on EBS students by courses and different study programs and also on students of a similar nature in the USA (Bentley College and Fordham University), Finland (Turku School of Economics), Russia (St.Peterburg Trade Union Humanitarian Institute) and in Latvia (SSE Riga), in addition to comparative data on the students of the Chair of Social Sciences at the Tallinn Pedagogical University and several different contingents from different fields.

In the research an attempt has been made to chart the values characterizing the managerial consciousness of Estonian business students and to compare them with the evaluation assessments of the students of corresponding specialities, and executive managers in neighbouring countries.

Perfectly formed managerial consciousness is important for the behaviour of leaders within companies, but it is even more essential for the activities of the state employees (members of parliament and government officials). More attention needs to be paid to these problems in future research.

The data is so numerous and the information included so extensive that the research team cannot put it in use completely. Thus two EBS undergraduates (Espe Valdgraf and Kristel Paal) joined the research team this year.

Espe Valdgraf, dealing with the comparison of the values between Estonian business students and students of the same speciality from outside Estonia, is trying to find the reasons for the differences and making the necessary conclusions to further improve the education of managers in Estonia.

In her Bachelor's thesis Kristel Paal is studying evaluation assessments of managerial consciousness of EBS students compared to other contingents in Estonia, and is trying to determine EBS business students' body as an original subject of managerial consciousness. The research should crystallize the principal strategic standpoints of the admission of students.

The research is founded on the hypothesis that the professional managerial consciousness of business students based on the common sense treatment of management is formed during studies as a result of the integration of scientific-theoretical consciousness and managerial self-consciousness.

It is assumed in the research that the formation of professional managerial consciousness is manageable and can be formed into directives.

The research team set a number of targets of which the following should be mentioned:

- to find out the typical values characterising the managerial consciousness of Estonian business students, and compare them to the corresponding values of experienced company managers and business students from other countries at admission and graduation from university.

- to familiarise themselves with the regularity of the change of these values and influencing mechanisms during the studies.

- to work out recommendations for the development of study programs, setting objectives for the study process and updating the methodology of theoretical and practical studies at the universities educating business students.

On the basis of the research it will be possible to work out suggestions for the improvement of the attestation of professional managers and supplementary education.

On the basis of the research it should be possible to forecast the principal features of the role behaviour of future managers and make necessary conclusions for the formation of personnel policy.

The research is carried out separately on different contingents: business students in full-time, evening and correspondence programs in Estonia, Latvia, Russia and Finland and also executive managers acting in companies in these countries. The values are studied during the whole study period until graduation from university.

Different methodologies/methods and their combinations are used for collecting and interpreting the initial data: interviews, questionnaires, phenomenal descriptions, expert investigations, activity studies, and graphic and logical modelling.

The data is processed by computer. The internal relationships and dependancies of characteristics are found with the help of correlation analysis methodology.

The research is designed to have the following results:

- general and comparative characteristics of the values characterising the managerial consciousness of the contingents under investigation
- the charting of the evaluations and corresponding tendencies favouring or hindering economic development
- the analysis of the regularity of the formation and development of values and corresponding influences/factors; coming from that /as a result of this the description of the possibilities of regulation and control of these processes.
- a general strategy for the improvement of the managerial preparation of business students at universities.

The present results of the research have been published in a collection of articles, and reports presented at EBS inter-

nal conferences. As previously mentioned two bachelor's degree applicants have joined the research at present.

The importance of the research lies in highlighting different ways of tackling problems, finding a number of new original solutions, and the possibility of developing new justifiable proposals to update the tactics, procedures, and education offered to professional business managers at universities.

The values which help Estonian students to become the subjects of the managerial self-development and keep their intensity are especially important. Naturally, cultural acceptance of such values differs and cannot be transplanted from culture to culture.

Without corresponding knowledge it is difficult for universities to organize study programs and demand professional behaviour in everyday study and research.

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THE FORMATION OF THE VALUES FORMING THE MANAGEMENT CONSCIOUSNESS OF ESTONIAN BUSINESS STUDENTS DURING ESTONIA'S INTEGRATION WITH EUROPE



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This article is trying to give a brief and simple survey of Espe Valdgraf's Bachelor's Thesis "The Formation of the Values Forming the Management Consciousness of Estonian Business Students During the Estonia's Integration with Europe" which is based on the research project introduced by Prof.L.Türnpuu above. It must be stressed that the research under question is not limited solely to the Bachelor's thesis. Within the limits set by a journal, it is impossible to present concrete indicators and results and to comment on them. Anyway, you are encouraged to turn to the Bachelor's thesis in question for detailed information and conclusions.

Introduction

What is the management consciousness of an individual and the values representing it? Why do values play an increasingly important role in management? Why should we study and analyse managers from this angle? It can be said in the most logical and simplest way that if we know the managers' values, we also know his management consciousness i.e. effective management skills come from his values rather than

his knowledge. An individual's outlook on the world is made up of his values and his behaviour in general. It can also be stated that values are the elements forming the management consciousness, his attitude towards work, subordinates and colleagues and the manager's behaviour in general.

It is accepted that people's values differ and it is inevitable that a common standard cannot be created - however such acceptance does not mean that this is no longer a problem. Just as people who strive for different things cannot co-exist easily, neither can managers work effectively with those whose values differ. Values need to be similar to yield optimum results.

The world is a diverse place, as are the cultures on it. It is widely accepted that an individual's outlook is formed during his childhood and that it is difficult, but not impossible, to change it later. Thus managers from different cultures have different values formed during their adolescence, but they do share a similar model, and a similar understanding of how to survive and prosper. This model can be influenced by education and this is the central theme of my research:

The values of management consciousness of the Estonian business students do not correspond to the expectations of Europe.

Europe is, of course, large and values are different here, too, but it is already

possible to see certain harmony in the values of management consciousness. However the average results of the research has been carried out in Estonia refer to certain deviations from this. It creates a problem for Estonian managers when they are working in an international system. Different values arise problems which have bad influence on co-operation. They affect intercommunication, the setting of objectives, attitude towards work and attitudes towards each other in general. If these factors are not in harmony when they are working together it is impossible to achieve an effective output from the co-operation. To carry theory over into the activities of business organisations is important and it is even more important to bring the same ideas over to politics, as through politics it is possible to affect life directly. The laws passed and the prestige of the state directly depend upon the values of politicians. This problem is directly connected to the integration of Estonia with Europe.

Method of Research

To study values of management consciousness, a questionnaire has been composed, in which one is asked to assess from a managers' viewpoint his/her attitude towards different trends, phenomena, principles, and factors connected with management and business on a scale of 1 to 7 (1 being insignificant, 7 being especially important). Ten different groups of values of management consciousness have been investigated Every group includes nine questions, with the answers reflecting values. Estonian, Finnish, Russian and American students have all participated . Figure 1 contains the final collected data, presenting the importance given



by the students to these different values (see Figure 1).

Objectives of the Thesis

The purpose of our research is to study the formation of the values of management consciousness during university, and their nature. This includes the values of business students upon entering and graduating university, factors influencing the formation process of the students' values of management consciousness, whether they change at all, and to what extent it is possible to direct/control their change from the outside are under investigation. It is essential to study the values of management consciousness of Estonian managers versus international values, to study which values are different and why; to analyze the Estonian indicators, and to contrast them with the corresponding international indicators. The purpose of the research work is to find out which values correspond with European expectations.

The final objective of the study is to work out suggestions and proposals for the forming of the values of management consciousness of business students and the development of their direction.

Value Formation During Education.

The formation of values of the management consciousness of business students is significant during studies at

university, as later they change little or not at all. Thus there are several factors at university which all influence the development process of values - the values of lecturers, the structure of the study program, study environment, teaching methods, the purposeful work of the lecturers, and practice. These are the factors the university can use to direct the values of management consciousness. Certainly there are also values which cannot be directed/controlled, like other students' values, values of some group, values of an individual

If we know the managers' values, we also know his management consciousness i.e. effective management skills come from his values rather than his knowledge.

but as a rule business students come to university with different values, but the aim is to ensure that their values of management consciousness upon graduation are in harmony with one another,

and with Estonia and international values.

Conclusion

The aim of the research is to assist in introducing into practice all the suggestions and proposals reached so that they give the intended results when applied to the formation of the values of management consciousness of business students - that the values of young Estonian managers who have just graduated from university are in harmony with the values of young managers from other countries. Present business students will form the mental and ethical characteristics of future Estonian business managers, the corporate culture and prestige of Estonia internationally. Thus the present research is extremely important.



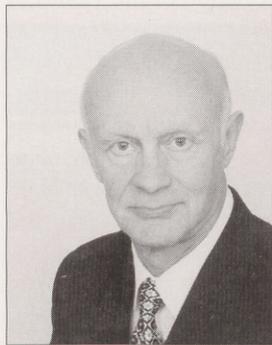
Figure 1. Results of Estonian, Finnish, Russian and American students given to groups of values of management consciousness.

	Estonian	Russian	Finnish	USA
1. Business Ideological Values	5,63	5,81	4,85	4,96
2. Personality Values	4,83	5,62	4,68	4,80
3. Organizational - Juridical Values	5,10	5,65	4,48	4,73
4. Social Values	5,18	4,81	5,12	4,81
5. Values Related to Speciality	5,03	5,42	4,72	4,36
6. Ethical Values	4,93	4,84	5,03	4,85
7. Management Ideological Values	5,34	5,03	5,48	4,83
8. Living Conditions and Infrastructure Values	4,57	5,49	4,59	4,48
9. Values Related to Corporate Culture	4,93	5,10	4,92	4,78
10. Values Related to Profession	4,53	5,17	4,75	4,69

DISCUSSION

This spring, Editorial Board of "EBS Review" initiated an open discussion on the management changes in 1990-s. EBS students, EU professionals, business managers and EBS lecturers answered three questions.

- 1. What are the most noticeable management changes in the 90's in Estonia?**
- 2. What should change in management education in connection with Estonia joining the European Union?**
- 3. Does the person of today have what he needs to be a good manager, or has the former society left something in him, which may hinder his effectiveness as a manager?**



Prof. Madis Habakuk
President, EBS

1. What are the most noticeable management changes in the 90's in Estonia?

Changes in management are first and foremost due to the changes in the economic and social system of the 1990s, new opportunities and the change of values. They can be ranked as follows:

1.1. At the beginning of the 1990s large socialist corporations disintegrated into smaller ones. The management structures of large companies also broke up and were replaced by the considerably less developed management structures of small enterprises. Small private enterprises also emerged, the owners of which lacked the necessary knowledge to be managers. The highly developed detailed corporate structure, division of labor, procedural rules, planning and benefit system characteristic of large enterprises, disappeared. As the situation in the economy was extremely unstable and offered diverse opportunities, the management dealt mainly with current problems.

1.2. At the beginning of the 1990s the management of small enterprises was as a rule "omnivorous", i.e. grabbing every opportunity. Switching from selling quicksilver to oak timber was not the exception but the norm. Specializing was

not considered the role of small enterprises. As neighbors did well, companies tried to do the same thing. 44 licenses were given out which gave the right to deal with banking, and over 300 licenses for the right to educate. As business ideas were very simple, dynamic, risky, demanded a lot of energy and nerve, and also quick reorientation, the "doers" were as a rule very young. This was supported by the general understanding that people who were employed during socialist times, were unsuitable for the present. Such enterprises lacked strategy and it was not considered necessary, as the situation was so changeable that long-term plans were senseless.

Thus the early 1990s was a stage of co-operatives, partnerships and small joint stock companies where the manager doubled as a "foreman".

Since the middle of the 1990s the situation has started to change. More successful enterprises grew significantly, the less successful went bankrupt. Considerable foreign investment appeared. The ideology of "omnivorous" became unsuccessful and was replaced by specialization. The bigger the enterprise, the more developed its management system needed to be. The organizational structures, duty regulations, performance reports and procedural rules, which had been forgotten in the meantime, were reworked again. Educational and training institutions, and those based on foreign capital and importing new management ideas to Estonia, assisted in these activities. Strategic planning and management became increasingly popular.

2. What should change in management education in connection with Estonia joining the European Union?

The Estonian economy will internationalize when it joins the EU. A lot of decisions will be taken by Brussels. If managers want to be successful in this situation, they have to at least understand and speak the language of their business partners and upper management - English. Consequently the role of this language must be greater in the study programs of elementary, secondary, vocational schools and universities and the quality of tuition must be higher.

Secondly, Estonia will live according to the many rules of the EU. Many Estonian managers have lived under communism with 400,000 regulations. The only difference is that the laws of the Soviet Union were regularly ignored. The same can be said about Estonia today, but not the EU. Following laws will presumably be a difficult problem for an Estonian manager but will be dealt with by speedy and harsh EU retribution. Educational institutions have to consider this as they arrange their work. Thirdly, lobbying is very useful when doing business with Brussels. Educational institutions cannot neglect this either.

3. Does the person of today have what he needs to be a good manager, or has the former society left something in him, which may hinder his effectiveness as a manager?

The former society has certainly left traces in the Estonian manager but these include both negative and positive sides. If an Estonian manager had only negative impacts, the Estonian economy along with everything else would not be experiencing the current growth and development.

Poor business management could be listed as a negative side. The knowledge our managers need at present was not taught at schools. The negative inheri-

ance includes ethical shortcomings caused by an unethical social system of socialism. There are a lot of states in the world where the ethical behavior of managers is even lower than in Estonia but capitalism has existed there several times longer.

Fluent Russian and good relationships with neighboring countries can be counted as positive heritage of the socialist system. It should include certain skills in lobbying with Moscow officials which could be considered as an advantage from the point of view of Brussels.



Henn Pärn
General Manager, Estonian Oil Union
General Manager, Estonian Employers and
Industry Central Union

1. What are the most noticeable management changes in the 90's in Estonia?

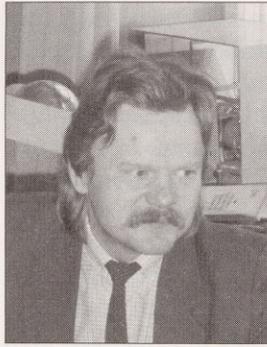
Young businessmen have unexpectedly become top leaders.

2. What should change in management education in connection with Estonia joining the European Union?

The importance of social education should be increased in order to increase awareness of the forces affecting society, and the need for balance these forces.

3. Does the person of today have what he needs to be a good manager, or has the former society left something in him, which may hinder his effectiveness as a manager?

I think, that our past has left a positive impression on people in the social sense. Economic management needs developing. The development of personalities is very important.



Ülo Kannelmäe
Director
A&L Management Estonia

1. What are the most significant changes in management in Estonia in the 1990s?

The changes in management are related to the changes in the business environment.

Although the start of the market economy and its starting machinery need profound study, it is already possible to talk about two phases in the transition period.

The first phase is the so-called "empty market phase". The key words in this phase are active operation, and quick reaction, i.e. operative control of the events. Those who were capable of offering something and who did it actively were successful. It was always possible to find something the market needed.

The increasing number of operators coming into the market creates competition. The competition on the market starts a new phase, the so-called "transition phase". The rules of the game change, the key words are the market suitability of the product and the management of processes. Success depends upon the capability of an enterprise to carry out the necessary changes quickly. The skills of strategic management of processes are necessary to carry out the changes. If we observe the current events in Estonia it must be admitted that problems exist in this phase.

2. What should be changed in the education of managers in connection with Estonia's association with the European Union?

I think that the European Union is a commonplace matter for a number of Estonian enterprises. In terms of market suitability and competitiveness the European Union means acting on a huge open market where small "beetles" like us have to face extreme dangers but also wide opportunities. All you need is initiative and skills. Estonia experiences no problems with the former one, but the latter concerns the education of managers in particular.

It is necessary to start to educate managers who lack education. It means that in addition to theory it is necessary to provide opportunities for practicing, check different techniques and management mechanisms.

Regarding the conditions of Estonia it is essential that the national wealth/resources – self-educated manager – should be brought back to school and offered the necessary knowledge of theory to find out what was good and why.

3. Do today's people have the necessary talents to be a good manager or has the former society left some traces in them, which could hinder the successful performance of the managers?

I don't agree with this opinion. I think that everything depends on the person himself and his professionalism. In my work practice I have met a lot of so-called "former" new age representatives who have got stuck in the phenomenon of the empty market and cannot understand that just as those "good old Swedish times" will not come back, "the time of good empty market" will not either. The operating mechanisms have changed and those who do not go along, will soon be out of the game. It concerns any change. The changes in 1990s are worth mentioning, and the extent of changes at present. We will see who has survived after five years.



Avo Meerits
Chairman of the Board
Tour Operating Company Cassandra

1. What are the most noticeable management changes in the 90's in Estonia?

The most important changes in management have been caused by cardinal changes in the forthcoming tasks of organizations in the 1990s. In "blessed" socialist times the real purposes of the organizations were alienated from the declared objectives. The ideological background made it impossible to speak about things as they actually were, thus it was difficult to make rational decisions. The managers were under dual pressure. The superiors expected pre-planned results and the subordinates an easy life. At that time the role of a manager was very important in planning the results. Good managers were able to bargain as low as possible plan indicators, which made it possible for organizations to get bonuses and other benefits when they surpassed their goals. Another essential role of a manager was to be as near as possible to the distribution of resources. In the conditions of limited resources those who could stipulate enough funds, materials, money etc. were the most successful. This brought about the thing that those managers who could get on well with their superiors and other decision-makers were the most successful. Socializing also meant the capability of having a drink with them, giving presents and pleasing them in any other way. Therefore a successful manager was a charismatic person whose eloquency, communication skills, ability to tackle problems and their ability to dominate subordinates, determined their success. They were usually loners – squires who were surrounded

by loyal and obedient subordinates. Today Estonia lives in the market economy where the conceptions which are characteristic to the management conceptions in the most developed countries prevail (another problem is whether they have been applied in practice). The key words in management today are energy, entrepreneurship, efficiency and team work. Today's management consciousness in Estonia has been affected by management consciousness in Scandinavia. Naturally we will carry along the burden of socialism for a long time but the development has been faster than was forecasted at the beginning of the 90s.

2. What should change in management education in connection with Estonia joining the European Union?

Joining the European Union our managers have mainly shortcomings when working in an international environment – ranging from poor knowledge of foreign languages to incompetence in international business law. Our managers can be successful in Europe only if they look at Estonia within the common European context in contrast to present practices. Education should be internationalized in all its aspects. Wide opportunities to practice in other European countries should be added to the education of managers.

3. Does the person of today have what he needs to be a good manager, or has the former society left something in him, which may hinder his effectiveness as a manager?

Certainly there are traces in us which influence today's managers and which are inherited from our socialist past. It concerns our managers' education, ethics and morale. These features were formed during the previous society. Whether they are good or bad is irrelevant, rather their suitability to the new conditions is. Another phenomenon which is characteristic to transitional societies is the desire to become rich fast. In a couple of years people want to accomplish things which took several generations in normal societies to achieve. It is only human to have such a wish - everybody wants to live a normal

life, but at the same time it brings about the majority of the violations of the rules of ethics and morality among today's managers. As society becomes more wealthier, there will be fewer problems. If a person is well-off he can't be easily influenced by bribes or tempted by get illegal profits etc.



Henrik Hololei
Head of Office of European Integration

1. What are the most noticeable management changes in the 90's in Estonia?

The need for internationalisation.

2. What should change in management education in connection with Estonia joining the European Union?

The European Union is not something new for Estonia, and the European identity is also part of the identity of Estonians. This is the same for the cultural background aspect. Joining with the European Union will not bring something new to top managers working in local companies. At the same time, it is clear that those top managers who come into contact with Europe's administration should have information about the EU, its institutions and objectives. That, which must be a part of the knowledge owned by top managers, should be implemented into management education.

3. Does the person of today have what he needs to be a good manager, or has the former society left something in him, which may hinder his effectiveness as a manager?

I think that many soviet era managers still have quite a few mannerisms that

are indicative of the period. This may pose a certain obstacle to becoming a successful modern manager.

However, those managers, who have come to the forefront during the later period have at least the skills to be there. Obstacles could be the baggage of weak theoretical knowledge and, keeping internationalisation in mind, weak language skills. The influence of the past is disappearing faster and faster, and there are practically no real reasons why new managers cannot rise to the forefront in Estonia, or even internationally.



Sirje Sepp
Co-Secretary of the Association Council (under the European Agreement)

1. What are the most noticeable management changes in the 90's in Estonia?

The changes in the society, the course taken by the country, have clearly caused the changes in the leadership. With companies it is more evident than in the government institutions. Direct responsibility for the performance has dictated the need for a medium-term, as well as for a long-term strategy. The increased need for team-work is also evident. This in its turn has put additional demands on the leaders in terms of education and learning.

2. What should change in management education in connection with Estonia joining the European Union?

Firstly, we should not only concentrate on the existing situation in the EU. What

would be the requirements for a leader in five or ten years time in the European Union, is the question that has to be answered today. As in other fields it is important to find one's own niche. The niche for the Estonian leaders of tomorrow lies in excellent education, openness to new ideas and alertness to competition. The openness of our society has broadened our understanding further from relatively rigid Europe, thereby giving us the possibility to shop around for ideas world-wide and implement them in our own country. At the same time we are already implementing them in the EU as our ties are getting closer and closer. Our leaders should be prepared to face the problems that working in an international arena would bring along. At the same time they have also to be prepared for working with people from different working backgrounds in the companies established in Estonia.

3. Does the person of today have what he needs to be a good manager, or has the former society left something in him, which may hinder his effectiveness as a manager?

Yes, to the first part. Today's situation forces people to be much more concerned about their performance, people who have the necessary requirements for a good leader can show it. This is clearly the advantage of a small country, everybody has the opportunity to show up if only he himself wants to. Equal opportunities fortunately never create equal people and leave a lot of room for uniqueness. The Information Society gives all the possibilities for being informed and organised in the most advanced manner that every leader should use.

No, to the second half of the question. My understanding is that the characteristics of a good leader come from the family, the values and working habits there, than from the society. It is far more easy to blame others, past included, than face the problems. But it is exactly how we can tell the leaders - they do not complain, but find ways out.



Kiira Kure
EBS MBA Student
Personnel manager Coca-Cola Estonia Beverages



Anu Virovere
Lecturer of EBS
Course for EBS: Organisational Behaviour

1. What are the most noticeable management changes in the 90's in Estonia?

Managers have realised the responsibility they have and the risk of failure. Nowadays mistakes are measured mainly in money. Managers are under constant stress caused by this.

In private owned companies, managers require that their subordinates job performance is not just to show up at work. The attitude towards employee has changed as real results what matters. There is high competition among both managers and employees. The phenomenon of unreplaceability is disappearing.

If in older days there was the attitude that the served person was the king, then nowadays many managers underline the opposite that the client(customer) is the king. In this context the person who provides services is treated somehow like a slave and must fulfil all dreams of the client. In reality the only way for long and productive relation is partnership.

2. What should change in management education in connection with Estonia joining the European Union?

Current education does not focus enough on the hierarchy of values. Coming from a society with two existing morals and a lack of decision-making opportunities, managers have a desperate need for training programs which allow simulations on decision-making with a special focus on ethical criteria. As the employment market will be common in the future, the same requirements will be set as in European Union countries. Special attention should be paid to training managers to solve problems in a constructive way. They must see the problem and not a person who is behind the problem. Usually many managers focus on justification of their behaviour instead of solving problems. When something goes wrong, a manager feels guilty instead of admitting that he did something wrong. If the result is negative, it does not mean that the person is useless.

Managers need to be taught how to make decisions using many different criteria and especially ethical criteria.

3. Does the person of today have what he needs to be a good manager, or has the former society left something in him, which may hinder his effectiveness as a manager?

The previous society has left us an inheritance of low self-esteem. This causes the necessity to show in public their superiority in different ways, such as expensive cars, very high salaries, exotic travels, etc. Managers do not feel at ease when making ethical decisions. It seems to be difficult to foresee the consequences of the decision and managers have not developed the ability to predict the future. As an example, the Law on Heritage passed by the Parliament according to which the rights are also passed to distant relatives.

In many cases, managers are afraid to admit mistakes. Sometimes it is caused by the fear to be claimed as unsuccessful. Nobody is unerring and everybody has the right to make mistakes. In our society there exists an attitude that if a person has made a mistake once he is going to make mistakes always, and must

therefore be punished. No tolerance exists regarding mistakes or differences. In Estonia there are still some managers who imagine that impunity is the privilege of managers. Society is not interested to dig deep enough to bring on the surface more people who are involved in the same process. Most of the recent court-cases have proved this. Managers should make decisions taking into consideration more than one criterion. In reality most of decisions are based on only one criterion, which in most cases is profitability. Especially difficult is to make decisions taking into consideration ethical criteria.

BBA 2nd year students of EBS

Answers gathered and analysed by Anu Virovere, lecturer of EBS

1. What are the most noticeable management changes in the 90's in Estonia?

- ◆ reduction of costs
- ◆ further education for the workforce has been introduced
- ◆ the qualification of employees has become important
- ◆ the attitude towards subordinates has changed- more independent work is demanded
- ◆ the attitude towards employees has changed
- ◆ managers have become more people orientated, more humane
- ◆ management is more democratic
- ◆ more new technology is used
- ◆ information is more easily accessible
- ◆ managers have an increased sense of responsibility
- ◆ subordinates have more rights
- ◆ it is possible to set your own objectives

2. What should change in management education in connection with Estonia joining the European Union?

- ◆ the management of conglomerates must be taught
- ◆ the norms and rules, which govern the European Union must be learned

- ◆ other country's culture, customs and traditions must be learned
- ◆ working openly, being open, honesty must be learned
- ◆ the number of private schools must increase
- ◆ the understanding that you must pay for your education must develop
- ◆ the differences and management experience of different European countries must be known
- ◆ the attitude towards women must change
- ◆ women must receive more opportunities to participate in management

3. Does the person of today have what he needs to be a good manager, or has the former society left something in him, which may hinder his effectiveness as a manager?

The former society has left in us:

- ◆ a fear to show initiative
- ◆ fear to state one's opinion
- ◆ old way of thinking
- ◆ a feeling of repression
- ◆ low self esteem
- ◆ fear of being "who you are"
- ◆ fear of making non-traditional decisions

Problems are:

- ◆ young people think there is nothing to learn from the past
- ◆ young people ignore the useful experience which older people and those who have been a manager prior to the 90's
- ◆ finding "our path", being ready to take solutions from elsewhere

For the fall issue, "EBS Review" welcomes all our readers to participate in a new debate on "What kind of education do future successful managers need?" Please submit your ideas (max.. 1 page) before September 30, 1998 in room 114.



YEAR 1998 AT EBS

◆ At the end of December 1997, our BBA graduate Jaanus Raim won first prize in the student research competition organised by the Estonian Academy of Science. He entered two pieces of research into the competition: his Bachelor Thesis "The Price Differences Between Estonia and Industrial Countries and Opportunities for Arbitrage 1991-1996" and internship work "On the Influence of Balassa-Samuelson Effect on Estonia's Higher Inflation Rate compared to Austria". Congratulations! (See p.30-31)

◆ At the beginning of January, the Department of Training and Consulting started a long training programme for Estonian business executives in Total Quality Management (TQM). The diploma course for the executives of Estonian vocational schools continuing to be successful.

◆ On January 14-16 the fourth traditional winter seminar of EBS Senate members was held in the Pärnu health resort "Tervis". Among other important problems the general TQM process was chosen as the leading theme for the seminar. Senate members discussed and defined the word *quality* for the university and held discussions over the level quality and success of the Estonian Business School. Special attention was concentrated on the role of chairs in improving the quality of the study process.

◆ In February our first year diploma programme student Kristtiina Jürgensaon won the Estonian Miss University beauty contest.

◆ On February 14 the Valentine Day party was held in the night club, Dekoltee, along with a well-known band, Caater, and dancers. Valentine and Valentina were elected from the public, their prize was a trip for two. The party was a success for all involved.

◆ The night with billiards EBS student club "Oil Club" organised the first pool tournament of EBS on February 19 in the Snooker and Pool club "Pool Kaheksa". The competition was tough, 48 men and 16 women entered the competition. The winners were clear by midnight.

◆ On February 19-21, EBS participated in the education and information fair "Teeviit '98" at the Pirita Fair Centre. With its 17,500 visitors it was an excellent marketing event for both: young people gathering information for their future studies and schools offering their education services.

◆ On March 5 the Estonian universities' information day was organised at Helsinki University by the Finnish Estonian Institute. The event is meant for Finnish high school graduates who are

looking for opportunities of studying in Estonia. From EBS Noora Voutilainen, our international BBA programme student, took part in the event. She introduced EBS and the opportunities available in our university.

◆ On March 8 our first year diploma student Mari Loorens won the Miss Estonia 1998 beauty contest. Congratulations!

◆ EBS students' spring party. The party took place on March 12 at the night club, "Zone 14", and was a success in everybody's opinion.

◆ On March 15-17 our acting head of the Chair of Management, Ruth Alas, participated in the Curriculum Design seminar in Budapest, Hungary, organised and carried out by CEEMAN - Central and East European Management Development Association - of which EBS is a member. Ruth Alas held a presentation on the Human Resource Management workshop where she introduced HRM teaching in EBS.

◆ On March 17 EBS President Madis Habakuk, Board Member of CEEMAN, also visited Budapest and participated in the CEEMAN Board meeting held parallel with the Curriculum Design seminar.



EBS at "Teeviit 98" in February



Traditional winter seminar for EBS senate members in Pärnu.

◆ On March 20 EBS took part in the information fair for young people held in Pärnu.

◆ On March 25-27 Prof. Madis Habakuk participated in the international educational-methodical conference "Problems of Reforming Economic Education" held by the Finance Academy under the Government of the Russian Federation in Moscow, Russia. Professor Habakuk gave a speech "The Developments of Estonian Economics Education 1995-2000" where he introduced the process of internationalisation, accreditation, ownership and financial problems in Estonian economics and business education.

◆ On March 23-27 EBS Business High School, which began with its first students in Fall 1997, opened its doors for all young people interested in receiving competitive high school education. BHS has about 75 students at the moment who study English, economics, informa-

tion technology and rhetoric intensively, in addition to traditional high school curriculum.

◆ On March 26 EBS students and Oil Club held the second street ball tournament

◆ On April 1-10 on the exhibition the publications of the Estonian Business School's faculty was held in EBS library reading room. During these 10 days all staff and faculty members as well as our students were able to get an overview of EBS scientific and methodological work in print.

◆ At the beginning of May EBS PhD students participate in the seminar that will be held in the Turku School of Eco-



The night in swimming pool was great fun!

nomics and Business Administration. The seminar is held for Finnish and EBS PhD students in economics and business within the framework of our joint doctoral programme.

School chronicle was compiled by
Kairi Kallaste
Secretary of EBS President



EBS OPEN UNIVERSITY

The Estonian Business School not only provides a higher education but also ensures that such an education can be supplemented and supported. In 1995, the EBS Training and Consultancy Department was established with the purpose of offering a number of different basic, higher and supplementary courses, in addition to consultation and research support. The courses are aimed at EBS alumni and economic graduates from elsewhere, and at those without an economic education. A natural continuation to the Training and Consultancy Department is the formation of the Open University, as in addition to the traditional higher education and short-term schooling a contemporary university must offer flexible study forms, which meet the students' needs; both in subject and form. Technology now enables one to study wherever and whatever is specifically required via use of computers and telecommunication facilities. The Open University is open to everyone and a student can choose between courses at the university or the training department which offer him the most interest. The Open University is currently

developing co-operation with enterprises in order to support development and is offering full schooling services starting from the determination of training needs to the application of the obtained know-how into practice. On the one hand the Open University offers an opportunity for a student to form its own study program according to his needs, whilst on the other it offers a short-term education characteristic of supplementary education. Our traditional courses are divided into two main fields : programs corresponding to university education which make it possible to continue the same major in master's degree studies, and shorter intensive courses. The Open University offers education in the following spheres: Business and Management * competency courses for business managers * competency courses for educational managers * competency courses for quality experts

Financial education

- * basics of accounting
- * competency courses for finance managers

Tourism

- *competency courses for tourist guides
- *competency courses for tourist managers
- * seminar-trips

In addition we offer language studies (e.g. Business Russian), courses in Business language and communication , seminars in the Economy of Russia and the Baltic States and European quality requirements in production.

Rhetorical , debate and negotiation skills

- *general course in rhetoric
- *debate skills
- *negotiation skills

*Seminars in the Economy and Culture of Russia and the Baltic States, for affiliated students, foreign businessmen, businessmen and students in Estonia

Language studies

- Business Russian

Mihkel Rebane
Director of Open University



THE FIRST BACCALAUREATES IN THE CORRESPONDENCE DEPARTMENT

The correspondence department finally has its first graduates.

Four and a half years of studies have finally ended for the first efficient students. Today's alumni recollect their study period as an intense stage in life. Most of them also bore the responsibilities of work and family besides their studies. A major factor why the number of those able to reach the stage of writing their bachelor's theses was smaller than expected. These eleven students can be summarised as being consistent and motivated young people who now have a valuable degree in economics, in addition to their work experiences in the working world.

In November, eleven correspondence students appeared in front of the committee in defence of their bachelor's the-

ses. These interesting papers reflected real life. Special attention should be brought to Eero Kaup whose final thesis on the external entries of banks was of interest to the lecturers-specialists in banking and also to co-students. At the same time Eero Kaup narrowly missed the necessary grades for the first *cum laude* diploma in our school.

Maie Torbek's bachelor's thesis on the financing of the Estonian Olympic sports activities from 1997-2000 was the first attempt to analyse the former activities of the Estonian Olympic team and shows the possibilities of new directions for financing in the future.

Besides the bachelor's degree honours were awarded to four graduates. - Eero Kaup and Maris Laas in finance and banking, Hanno Överus in marketing and Tõnis Rebbas in business law. It is

praiseworthy that these four students investigated thoroughly their chosen field during their studies and this certainly give them the foundations necessary to form their careers.

A number of students are expected to graduate in the coming spring.

Merle Rihma

Programme Manager, EBS



First BBA Correspondence Graduates, December 1997

BACHELORS OF BBA

(EVENING AND CORRESPONDENCE DEPARTMENT) - AUTUMN 1997

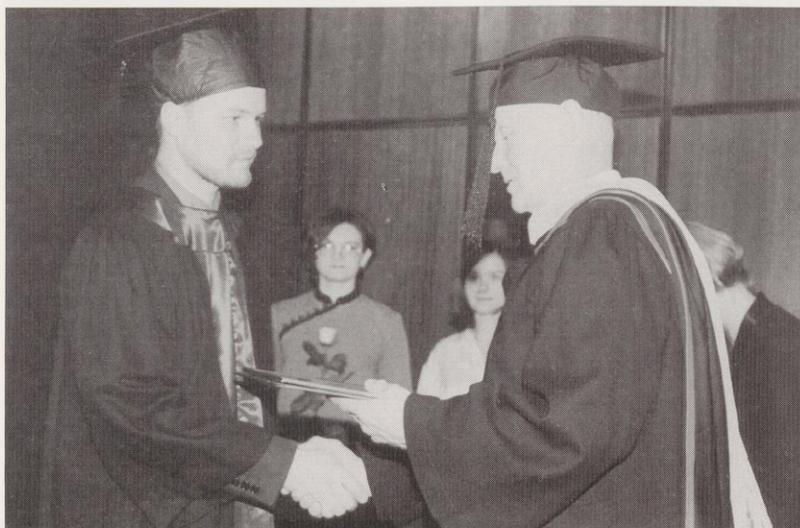
Name	Topic of Thesis
Rain Hüva	The Organisational Structure of Estonian Telephone Based on The viljandi Case.
Andres Josu	Risk Management in Insurance.
Eero Kaup	Banks' Off Balance Sheet Items: Nature, Disclosure and Auditing.
Kai Kippasto	Factors Ensuring the Success of A Company.
Maris Laas	The Image of Eesti Maapank.
Margit Mikkal	Planning an Advertising Campaign.
Meelis Pärn	An Analysis of the Main Stages of Marketing Management in Logistics.
Artur Raichmann	The Estonian Car Market: Analysis and Perspectives.
Tõnis Rebbas	A Comparative Study of the Legal Basis for Purchase and Sale Contracts Within the European Union and Estonia.
Maie Torbek	Financing Estonian Olympic Sports Activities in 1997-2000.
Hanno Överus	The Estonian Radio Market and Marketing In Radio 2.

GRADUATE DIPLOMA BACHELOR PROGRAMME IN BUSINESS ADMINISTRATION - AUTUMN 1997

Toomas Niidas

EXECUTIVE MBA GRADUATES IN INTERNATIONAL BUSINESS - AUTUMN 1997

Name	Topic of Thesis
Riina Aasa	Estonian Export Policy in Comparison with Export Policies of High-Performing Asian Economies (HPAEs).
Ruth Alas	Career Planning in EBS.
Indrek Enden	Corporate Strategy of Standard Ltd..
Jaan Liik	Implementation of Total Quality Management Principles in Corporate Environment.
Ave Melsas	Possibilities to Use Non-Proportional Reinsurance Methods on Examples of Baltic Insurance Company.
Jaana Raudvere	Project's Costs Controlling.
Alar-Ants Smirnov	Financial Management in Baltcom.
Agu Vahur	Philips Baltic Human Resources Management Strategy.



EMBA Graduate, Agu Vahur receives his diploma

GRADUATE DIPLOMA IN INTERNATIONAL BUSINESS - AUTUMN 1997

- | | | |
|------------------------|--------------------|-------------------|
| 1. Ülle Eller | 9. Vaido Leosk | 17. Irena Raudla |
| 2. Reet Johannson | 10. Andres Lippmaa | 18. Merle Rihma |
| 3. Arvo Juhkami | 11. Ron Luvistsuk | 19. Hanno Septer |
| 4. Ülo Kasemaa | 12. Margus Meimer | 20. Ivar Siimar |
| 5. Külliki Kesa | 13. Regina Mets | 21. Juta Tikk |
| 6. Külli Kivilaan | 14. Signe Odar | 22. Peep Tomingas |
| 7. Kaido-Allan Lainurm | 15. Toomas Paju | 23. Mart Varjun |
| 8. Aleksander Lammas | 16. Olev Randma | |



EBS WWW-BASED DISTANCE PROGRAMME

What is WWW -based distance programme?

In 1998 EBS introduces two new distance programmes: WWW-based Bachelor of Business Administration and WWW-based Entrepreneurship and Business Administration Diploma Programme. This makes it possible for a student in every corner of Estonia to get a high-level university education in Economics.

A student is guided by electronic mail, which is used for all the communication with professors, the programme manager, and the coursemates. The on-site meetings include language classes, consultations, and seminars. Homework,

tests, private questions to the professor or to programme manager will be delivered electronically. The homepages of the subjects are of great help, where a professor stores all the essential and organisational information as well as 'Frequently Asked Questions'. Internet based groupwork is used to make one's studies more effective. Each course ends with an examination which has to be done on-site.

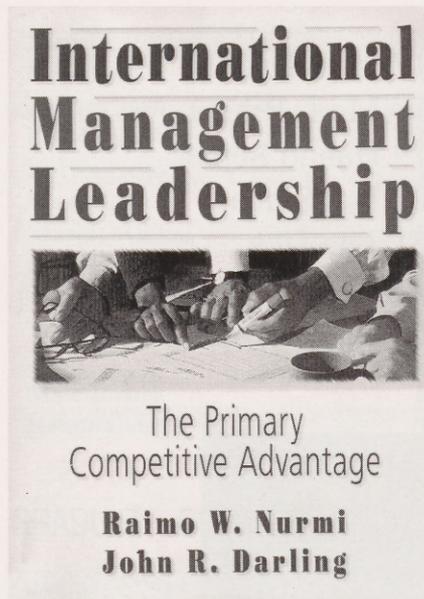
What are the entrance requirements?

To study in a WWW-based distance programme it is sufficient to have basic knowledge of using a computer, i.e. using Windows, word processing, using

e-mail and Internet on fair level. In addition a student must have a personal computer to use with Windows 95 and Office 95 or 97 (Word, Excel); a modem with a data transfer rate of 9600 kbps or more; Internet connection; and a personal e-mail address. Requirements for admission are the same as for the traditional distance programme, in addition a student has to demonstrate his computer skills on the above described level.

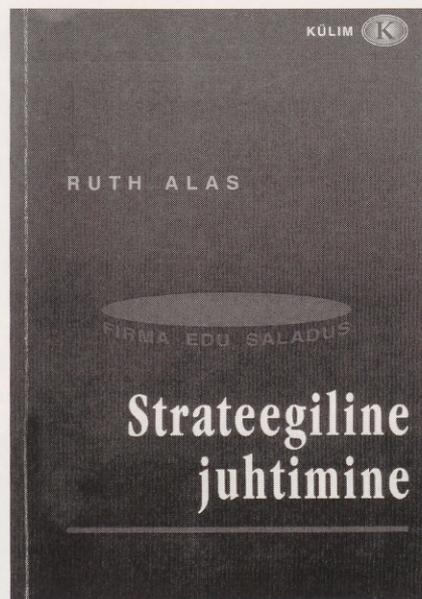
Additional information find on EBS homepage: www.ebs.ee, and on request from the programme manager, Külle Tärnov: e-mail: kylle@online.ee; tarnov@peak.edu.ee; kyllein@ebs.ee.

This issue sees the introduction of a Book Review column, intended to deal with work written by EBS faculty, general books of theory, and new periodicals which can be found in the EBS library.



Nurmi, Raimo, Darling, John R. International Management Leadership. The Primary Competitive Advantage. International business Press An Imprint of The Haworth Press, Inc. New York, 1997. 221 p.

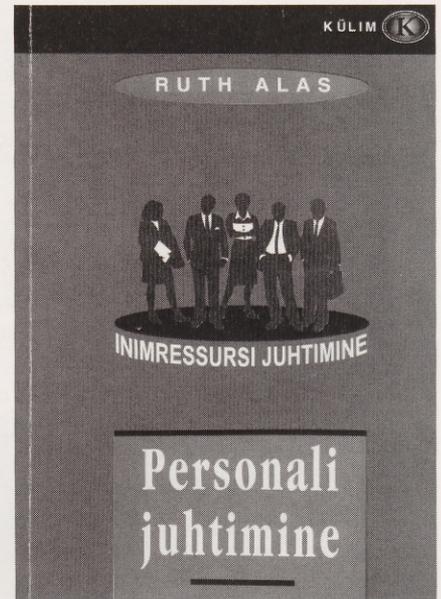
International Management Leadership helps you develop the leadership skills that will enable you firm to stay competitive in today's global business environment. From the necessary international perspective, this book provides you with the information you need to understand the competitive factors that distinguish one firm from another and to recognize the determinants of success.



Alas, Ruth. Strategic Management. KÜlim, 1997.152p. (in Estonia)

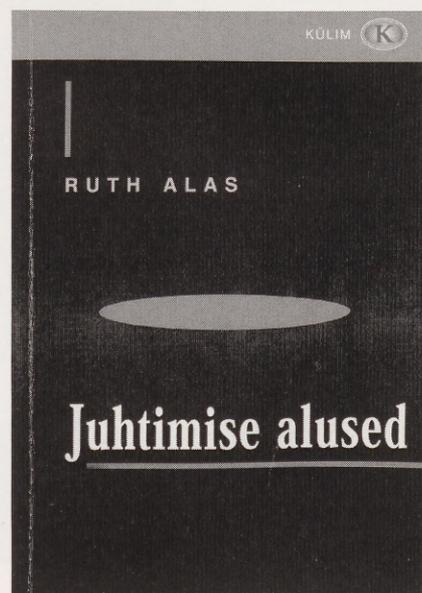
The author is seeking an answer to the question "why some organisations succeed whilst others fail?", the author tries to highlight some of the factors responsible for the success of companies.

Aimed at top and middle managers and for use as a study material in Strategic Planning.



Alas, Ruth. Personnel Management. KÜlim, 1997. 128p. (in Estonia)

offers a survey of the purposes of personnel management and of the most important spheres of personnel management. In addition to theory it contains interviews with a number of successful personnel managers.



Alas, Ruth. The Basics of Management. KÜlim 1997, 192p. (in Estonia)

The book is written in two sections: the first introducing theoretical aspects of management and surveying the basics of management. The second part contains a description of the management of two Estonian successful enterprises - Hansapank and Norma and shows how it is possible to put into practice the theoretical knowledge offered in the book.

The book is meant as a study material in Basics of Management. It is also suitable for all those who work in management at the top, middle or lower-level.

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