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Management techniques in Estonian organizations: learning organization and business process reengineering

Ruth Alas [a] *, Maris Zernand-Vilson [b], Maaja Vadi [c]

[a]*Professor, Estonian Business School, Lauteri 3, Tallinn, 10114, Estonia*
[b]*Doctoral student and Lecturer, Estonian Business School, Lauteri 3, Tallinn, 10114, Estonia*
[c]*Professor, University of Tartu, Narva mnt 4 – A315, Tartu, 51009, Estonia*

Abstract

The aim of the current article is to establish the types of management techniques used in Estonian organizations and the connection between the implementation of these techniques and other indicators within organizations. Special attention has been focused on Business Process Reengineering (BPR) and Learning Organization (LO). Results indicate that the most popular management technique in Estonian organizations was BPR, LO was ranked sixth. Although BPR had the strongest impact on other indicators within organizations. As these areas were enhanced by the implementation of LO, the authors suggest that LO be implemented complementary to BPR.

1. Introduction

In today´s conditions of uncertainty and rapid change, many organizations need to reassess their focus and direction quickly, and reconsider how people collaborate and learn for innovation (Šebestová & Rylková, 2011). In recent years, management fashion research has become a popular field in organizational and management studies (Parush, 2008).

BPR and LO are just two of several management techniques that emerged in the latter part of the 20th century. McAdam and McIntyre (1997) suggested that if existing BPR methodologies incorporate organizational learning principles in order to give a more realistic representation of business improvement, increased success in terms of application and business benefit will become apparent.

The aim of the current article is to establish the management techniques used in Estonian organizations and the link between the implementation of these techniques and other indicators within the organizations. Special attention has been focused on BPR and LO, where we can expect a complementary relationship. The paper first outlines the theory, which is followed by an analysis of empirical studies.

* Corresponding Author Ruth Alas. Tel.: +372-665-1346
  E-mail address: ruth.alas@ebs.ee

2. Theory

The adoption and implementation of management techniques link management theory, management consulting and training activity with emerging management practices. According to a study conducted by Zernand-Vilson and Elenurm (2010) in Estonia one of the most frequently used management techniques was LO. LO is a human resource development intervention for organizational transformation within the domain of organizational development (Desimone et al, 2002). LO emerged from the organization development movement (Ryan, & Hurley, 2004). Organizational learning is an attempt to develop structures and systems that make large organizations more adaptable and responsive to change (Appelbaum & Goransson, 1997). LO can be defined as an organization that possesses high aspirations, and is proactive, futuristic, strategic, alive and adaptable. Furthermore, it is flexible enough to accept changes; it encourages experimentation, and provides equal opportunity for growth and learning (Akhtar & Khan, 2011).

Since most Estonian organizations had to implement transformational changes (Alas & Sharifi, 2002; Alas 2007; Alas & Gao, 2012), BPR became a popular concept among them. BPR emerged from the quality movement (Ryan & Hurley, 2004). The origin of BPR lies in value engineering, which was developed by General Electric in the 1940s as a technique to improve products through redesign. BPR in this survey was described as follows: a continuous analysis of business processes and reengineering within and between organizations in order to improve quality and time management and to save costs (ibid). Sequential processes are observed during reengineering phases, leading to a change in a business model. According to a 2008 CIO Insight survey of IT executives, 36 percent of the firms consider BPR as the most widely employed management tool (Alter, 2007). A further 2008 CIO Insight survey revealed that IT executives view improving business processes as their number one priority (Alter, 2008). Some reasons for its popularity might be due to managers seeking a new way to solidify their business processes to gain a competitive advantage (ibid). Today, more than ever, firms face a rapidly changing business environment and high consumer expectations. In such an environment, the design and implementation of sound business processes are extremely important in achieving the required business performance and flexibility (Altinkemer et al, 2011).

The implementation of BPR can be compared to past administrative and technical organizational implementations (Groover et al, 1995). The broad organizational focus and deliberate nature of BPR suggest a planned change in which a successful BPR project requires preparation and deliberate action, support from management, technical competence, and mitigation of resistance to change. That requirement binds a one-sided technical management method with the importance of soft ideas such as LO in an organization. It is possible to make meaningful improvements to a BPR methodology using a more real life/learning-oriented approach. The results demonstrate that the improved methodology should make a substantial contribution to BPR from the standpoints of both the people and the process, and it should contribute, at least to some extent, to addressing the current criticisms of BPR contained in the critical perspective literature (McAdam & McIntyre, 1997). LO principles increase BPR focus on people and learning issues to enable them to move beyond the limited mechanistic focus (McAdam & Leonard, 1999).

3. Methodology

The research strategy was set out in two stages: interviews with the selected CEOs of enterprises and a questionnaire for a large number of CEOs.

The purpose of the interviews was to obtain initial ideas of management practice and input for general study. In order to accomplish the purpose, a semi-structured interview plan was devised, whose aim was to achieve an optimal length with the ability to discover and obtain input on all investigated issues of management. The main parts of the interview structure involved practice and planning in organizations, implementation plans, management development and changes. The principle used to create a sample of interviewees was to obtain information from different industries in the areas of service and production, and also from enterprises based on local capital. The production area provided representatives from chemistry-, food-, metallic- and clothing industries. The

representatives from the service industry worked in banking, construction, information technology, transportation, trade and travel sectors. Interviews were conducted with 11 top managers in December 2010 and the contents were recorded and transcribed. Later the results were processed using Nvivo.

The questionnaire was designed for enterprises based on domestic capital. The selection of methods was aimed at the Estonian management experts' opinions (Zernand & Terk, 2009) and from the Bain and Company's study of management tools (Rigby, 2010). The questionnaire was divided into three main parts: first, it covered an overall assessment of the organization in question; second, it focused on the reasons for strategic changes in the company; and third, it handled the usage of management techniques. The section on management method questions contained the name of the method implemented, a short explanation of its content and respondents' reflection on its practice in the company. The respondents indicated whether certain management techniques were used or not. The latter served as the criterion according to which responses were divided into two groups.

The questionnaire was intended for companies with 10 to 249 employees. Responses were expected from the manager or board members. Large enterprises, which employed more than 250 employees, were asked to present the questionnaire to a board member, and two of the main middle-managers. Enterprises with fewer than 10 employees were excluded, as they could not always establish stable management practices. According to the Statistical Office of Estonia (2011), in 2010, 6649 companies employed over 10 staff members. The creation of the initial sample was aimed at the ideal-minded point of view.

Data was collected between February 7 and March 6, 2011. Enterprises in the sample received the e-mail with a cover letter on behalf of the professors conducting the survey and a link to the questionnaire. As the initial number of respondents was extremely modest (20 companies in the first week) a recall was made and additional time was provided. The aim of a minimum of 200 valid respondents was achieved through personally addressing the companies. In total, the study covered 204 companies, representing 16 different areas. Those 16 different areas of activity categorized three larger spheres of action: agriculture, production and service.

Using the ANOVA analysis, two groups – those who used certain management techniques were compared with those who did not use certain management techniques along with the reasons for strategic change and overall assessment of the organization. This analysis provides an opportunity to establish the specific management techniques associated with both topical indicators of an organization. Thus, management techniques can be seen as mediators between strategic issues and overall self-assessment. The collected data was processed by SPSS.

4. Results

According to responses to the question: "Which management techniques were used?", the most popular was BPR (71%), followed by TQM (62%) and benchmarking (60%). These were followed by customer relationship management (58%), values-based management (56%), and LO (54%).

Respondents were asked which of the listed parameters were the reasons for the change in strategy. Organizations using LO as a technique made decisions to change the strategy based on the following parameters: competitor analysis, market-analysis and/or projections, the vision of marketing opportunities for products/services and opportunities for finance. These indicators were followed by labor availability and employees' satisfaction. The next group was formed by technological developments and client expectations. Those organizations which had practiced BPR had followed the owners' guidelines and the results of the analysis of the previous periods. According to the ANOVA analysis, the usage of BPR was related to biggest number of areas in organization (Figure 1). This was followed by values-based management, which was connected with five areas and subsequently, self-managing teams were connected with four areas. Benchmarking, the balanced-scorecard, customer relationship management and supply chain management demonstrated statistically significant connections with three areas. BPR resulted in higher grades for the result control system, internationalization, implementation of plans, customer relationship management, work culture, job satisfaction and structure and work allocation. The use of LO was connected with higher evaluations of management as a whole, and the development of products or services. Results concerning BPR and LO are shown in Figure 1.

The reasons to change the strategy **Mediators** **The overall assessment of organization**

1. Opportunities for finance
2. Client expectations (satisfaction)
3. Competitor analysis
4. Marketing opportunities for products/services
5. Market-analysis and/or projections
6. Labor availability
7. Employees' satisfaction
8. Technological developments in the domain
9. Vision

Learning Organisation

1. Management as a whole
2. Product/service development

1. Customer relationship management
2. Implementation of plans
3. Internationalization
4. Structure and work allocation
5. Result control system
6. Work culture (efficiency)
7. Employee satisfaction with their job

1. The results of the analysis of previous periods (company's statistics, analysis)
2. Owners' guidelines
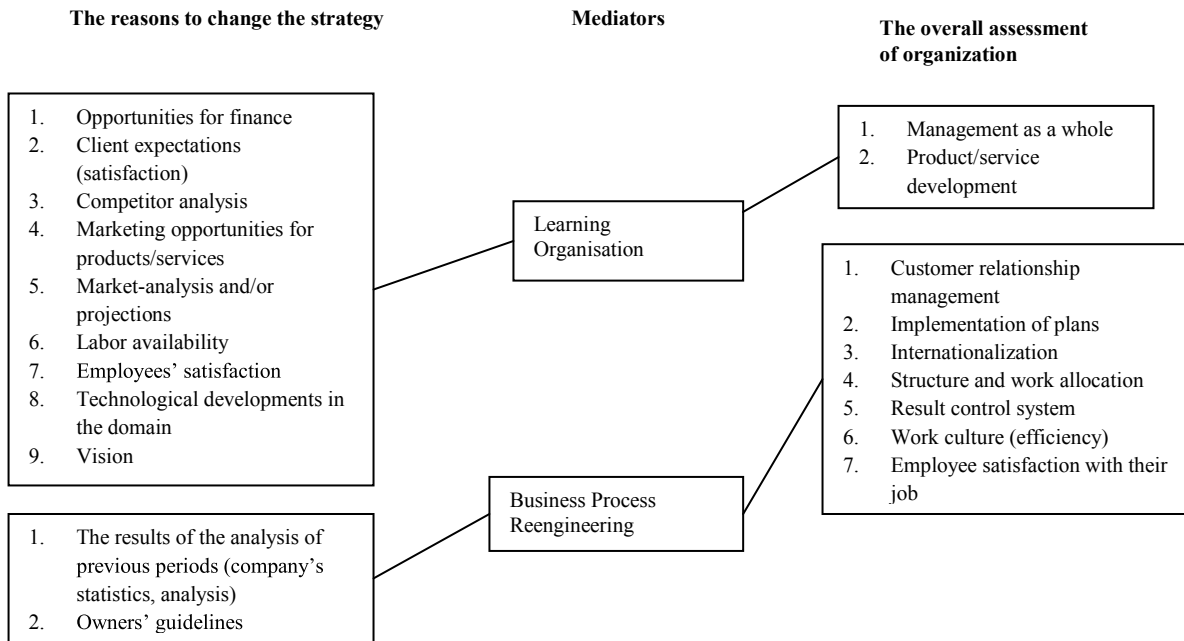
Business Process Reengineering

Figure 1. Business Process Reengineering and Learning Organization as complementary mediators between reasons for strategic change and overall assessment of an organization

The area influenced by the largest number of management techniques was management as a whole, followed by customer relationship, structure and work allocation, and the result control system.

The results of the interviews reflected greater use of LO features than BPR. Although the management practices of different organizations contained more peculiarities than similarities, employees' methods of bringing and sharing new information were repeatedly described:: "…if somebody goes to develop him/herself outside Estonia, then there is no sense in sending the big company. The person returns and offers a half-day or whole day internal training seminar; he/she speaks about what he/she saw, heard and learned…". A further common learning method that is practiced is the following: " the development staff have smart days where they are informed about new technologies and a so-called camp or code is created, where the new information can be practiced together and they can see what is going in the world…".

Some of the interviewees did describe BPR as outsourcing some services or creating an essentially different structure. It has been dealing more with resizing management or replacing some key persons. In practice, however, it has been important reengineering: "...when I came here two and half years ago, I overturned this organization's structure/.../ this has led to important changes twice–some fields were dislodged or working tasks were rearranged...".

5. Conclusions

Different management techniques have been called fads or fashions, which are by definition easy to dismiss with each new idea replacing the previous one. According to the empirical study authors conducted in Estonian organizations in 2011 the most popular management technique was BPR and BPR had also the strongest impact on company performance. LO was mentioned by more than half of the respondents. Those Estonian organizations, which had practiced BPR, had followed the owners' guidelines and the results of the analyses of previous periods. Organizations using LO made decisions to change the strategy based on market and competition analyses, the availability of finances and human resources, technological developments and client expectations.

Using BPR had led to better control systems, internationalization and customer relationship management. Additionally, work culture, job satisfaction and task allocation had improved. LO was connected with higher evaluations of management as a whole and the development of products or services.

To conclude, organizations using BPR and LO follow different factors for making changes in Estonian organizations. Although BPR had the strongest impact on results, a number of areas were not improved during the process of implementation of BPR, but were improved by LO. Therefore, the authors suggest that LO be used complementary to BPR in order to obtain better results.

Acknowledgements

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