

# **In transition towards becoming a learning organisation: the current situation in Estonian companies**

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## **Abstract**

During the period since re-establishing independency in 1991 rapid changes in the social paradigm and adaptation to a new environment in a very liberal economy have toughened the capacity for change, i.e. capacity for learning of the Estonian people and companies. This paper aims to identify the patterns of features of learning organisations (LO) in Estonian production companies.

The basic model of empirical research came from Senge's five disciplines. Altogether the questionnaires of 326 respondents were analysed, 187 of whom identified themselves as workers and 137 as managers. The main idea of the LO in the sample of Estonian production companies was better represented in the group of "managers" (entrepreneurs, managers, middle managers and specialists), whose perception of organisational learning (OL) was mainly described by the pattern of four factors, three of which are statistically reliable, while the fourth can be described as just an appearing trend of OL in the companies. The workers perception of OL processes was less differentiated and was limited to two factors related to the internal and external environment of the company.

**Key words:** Organisational learning, learning organisation, organisational development, economic transition.

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## **Introduction**

During the last 15-17 years the Estonian economy and Estonian companies have suffered a tremendous change of paradigm, starting from a directly planned economy, ruled by the occupying Soviet government, and becoming a market economy in an independent country. As in other Central and Eastern European countries which have been studied (Uhlenbruck et al, 2003), many earlier businesses closed and new companies were established in Estonia during this period. Although the transition to a market system took about five-seven years, the convergence process within the framework of the EU is still continuing. This means transition not only in the general economic system, but also in social values, culture, and other human aspects. Especially big organisational changes appeared in service industries, due to their difficult heritage of non-existent customer- and service-orientation in Soviet society.

Rapid changes in the social paradigm and adaptation to a new environment in a very liberal economy, sometimes called “shock therapy“ (Giannaros, 2000), have toughened the capacity for change of the Estonian people. Capacity for change, i.e. capacity for learning, is characteristic of Estonian employees and managers at both an individual and an organisational level. The learning capacities of Estonian companies have been studied very little, mostly only during the period of economic transition.

Organisational learning is not a goal in itself, it is related to individuals' behaviour in an organisation, and, as a result, to the organisation's ability to respond more effectively to its environment (Murray&Donegan, 2003). Researchers have identified distinct systematic levels of organisational learning (OL) beyond simple feedback and (non)reaction to environmental changes (e.g., Argyris, 1977; Georges, Romme, Witteloostuijn, 1999). Organisations possessing learning capabilities and not just reactive behaviour are considered to be learning organisations (ibid), whose specific features have been described by several researchers (Senge, 1990). It can be supposed that there is a wide range of states between non-learning and (excellent) learning. These organisational characteristics fit into some patterns of features, whereby the company's behaviour can be positioned between that of a completely learning or a completely non-learning organisation. But there also arises the question of learning features at the different hierarchical levels of the organisation.

This paper aims to identify the patterns of features of learning organisations (LO) in Estonian production companies.

The main theoretical basis for the studies is Senge's five disciplines of a learning organisation. Several authors have improved the concepts of OL and LO (Reynolds and Ablett, 1998; Moilanen, 2001, 2005; Silins et al, 2002; Phillips, 2003; etc) within different contexts.

In the theoretical overview we shall study the features of the LO in companies of different type and size. An empirical study was carried out to map LO characteristics in Estonian small and medium-sized enterprises (SMEs).

## Identifying a learning organisation

The learning organisation concept has its roots in studies of different ways of learning by individuals and groups (Kolb, 1984; Nonaka and Konno, 1998; Wang and Ahmed, 2003; etc) and studies of organisational learning (Argiris, 1976, 1977, 1991, 1998; etc). There has been discussion as to whether the organisation where the learning process happens is itself a learning organisation; whether there is development or learning in the organisation (Sun and Scott, 2003; Roper and Pettit, 2002; Reynolds and Ablett, 1998; etc).

The concept of LO is systemised by Senge's (1990) model of five disciplines: systems thinking, personal mastery, mental models, team learning and shared vision. Many researchers have found several more dimensions describing an LO and complementing Senge's model. According to Moila (2001) the holistic view should be added. Silins et al (2002) define seven dimensions that characterise schools as LOs: environmental scanning, vision and goals, initiative and risk taking, review, recognition and reinforcement, and continuing professional development. Pedler et al (1991) introduce 11 characteristics of an LO. Moila (2001) presents the model of the "learning organisation diamond" containing five basic elements: driving forces, finding purpose, questioning, empowering, and evaluating. The "organisation-individual" and "managing-leading" dimensions in her model (ibid) multiply the levels of the elements studied.

Some authors have found that the preconditions and environment for real learning in the company, i.e. the framework of an LO, are the balanced process of development managers, human resources and the organisation itself (Reynolds and Ablett, 1998).

Organisational learning mostly originates from a company's internal and external environment, business processes, resources, knowledge, etc. and also serves as cognitive mapping. A cognitive map is defined as "mental constructs which we use to understand and know our environment" (Spicer, 1998).

Consequently, the characteristics of organisational learning are those of a process as well as those of an infrastructure and of mental origin, and these different characteristics form the three different dimensions of organisational learning and organisation development. Therefore it may be claimed that new knowledge creation and learning in and by an organisation and its members is realised by an interaction of:

- the main process, usually related to the business process in the interaction of the company and the client, and their environment in wide meaning,
- learning in different ways, sometimes partly through training by organisation members, and
- mental systems, formed or created by and among organisation members,

which together describe and provide a framework for OL and organisational development (OD). (Mets 2002).

How can learning in an organisation be measured, and does it equal a learning organisation? There have done several attempts to measure different aspects and features of an LO empirically (Moilanen, 2001, 2005; Silins et al, 2002; Phillips, 2003; etc). Silins et al (2002) identified instead of the seven factors of their own theoretical model (based on Senge) only four factors of an LO in secondary schools: a trusting and collaborative climate, initiatives and risk taking, shared and monitored mission, and professional development. The factors' item structure in two sample groups were different from each

other (ibid). That means the LO features form different learning patterns in different organisations and cultural environments. But it also means that there is no universal explicit right model to have.

Moilanen (2001, 2005) represents the normative approach to measuring by using her “learning organisation diamond”-based diagnostic questionnaire tool, which permits evaluation and comparison of companies’ five characteristics of an LO at organisational and individual levels based on 40 statements. She differentiates between “best” and “less” learning, i.e. learning and non-learning organisations; there are also variances in learning portrayals depending on the business sector and the size of the company (ibid).

Chaston et al (1999) study managers of SMEs (less than 200 employees) in different fields (construction, manufacturing, service and other) in the UK; the study focused on organisational performance, organisational capability and OL in the three learning modes: implementing, improving and integrating. Their main finding was that there appeared “to be no direct relationship between overall organisational performance and organisational learning” (ibid).

Although many researchers of small production and service companies refer to the classic concepts of OL mentioned above (Lee and Bennett, 2000; Chaston et al, 1999; Chouke and Armstrong, 1998; etc) there are few empirical data about the different learning features in these companies. Research practice (Moilanen, 2001, 2005; Silins et al, 2002; etc) has demonstrated that the initial theoretical models more or less overlap each other, sometimes missing some aspects of the LO map. To map the features of the LO, questionnaires are most commonly used. In factor analysis the answers on questionnaires give different, sometimes even unexpected, combinations of factors, while some factors which were expected in the theory are not formed at all (for example, see: Silins et al, 2002). That means that analysis results in different patterns, which can cover different models of OL and OD and more or less correspond to the initial model.

The current research does not originate from the presumption that an organisation a priori behaves like an LO, therefore an exploratory approach is used.

## **Methodology and empirical research**

As is evident from the publications quoted above, there are several characteristics which describe equally OL and OD. Therefore, when designing the questionnaire the authors formulated the main principles of the model structure for empirical study. The basic model came from Senge’s five disciplines and the questionnaire was formulated so as to cover every topic with 6-12 statements, making 47 items altogether. The correspondence of the formulated statements to the three-component OD model was also verified to ensure the study of wider spectre of both types (OL and OD) of processes. The statements were to be evaluated on a 10-point scale (1 – I do not agree, and 10 – I fully agree with the statement). In the first stage, the questionnaire was designed for surveys in schools (Torokoff and Mets, 2005), and afterwards it was re-designed for studies in companies. An expert group was also involved. To identify the characteristics of the LO listed above, a preliminary study was carried out in 2005-2006.

The sample of companies and individual respondents was chosen by the expert method, i.e. the questionnaire was presented to extramural students, some of whom agreed to use

this survey in the companies in which they were working. In this way empirical data for the study were gathered from the six companies. The companies were both Estonian- and foreign-owned. Three companies had been privatised. These were mostly SMEs, only in one company did the number of employees exceed 250 (with 130 respondents). Two of the companies had ISO-certification of their production.

The respondents in the companies were workers and managers, including board members, owners, middle managers and specialists. Their fields of business included footwear production, specialised textile and sewing industry, electro-mechanics, and road haulage. Twenty participants in export training courses were added to the managers' sample group: they were all entrepreneurs or managers in a wide range of production in South Estonia. As the sample was non-random, then based on the companies questioned, statistical conclusions about all companies active in Estonia should not be drawn.

Altogether the questionnaires of 326 respondents were analysed, 187 of whom identified themselves as workers and 137 as managers.

Exploratory factor analysis based on the program SPSS version 13.0 was used in the data processing. In comparing the extraction and rotation methods several authors have shown that "the actual differences between them are small" and have arrived at quite identical loadings of items for the final result (Costello and Osborne, 2005). The principal components analysis method was chosen for factor extraction, the rotation method used was Oblimin with Kaiser normalisation (Stevens, 2002). The planned model foresaw five factors (including features of Senge's model), but after the factor analysis of the whole sample of 326 respondents had been processed two factors were distinctive, which described the internal and external environments of an organisation's development (factors D and E respectively). Cronbach's alpha was used to check the scales' reliability. For the first factor D (17 statements) it is 0.961 and for the second factor E (four statements): 0.843, which point to excellent and good consistency and reliability of the questionnaire items (Ogbonna et al, 2000). The correlation between items was highly significant with a level lower than 0.001.

As the two-factor model found from the whole research sample matched neither Senge's five-component OL model nor the three-component OD model, the next step was to analyse the workers' and managers' groups separately. The data from the 187 respondents of the workers' sample came out very similar to the first result's two-factor structure model (Table 1) with even higher reliability (23 and four items, Cronbach's alpha 0,974 and 0,849 respectively), while the correlation matrix (Table 2) demonstrates a significance of relations at the level 0.001 and lower.

The factor analysis of the data from the managers' sample (137 respondents) formed four factors with lower reliability (Table 3) and less significant correlations (Table 4), but much more relevant to Senge's model.

The items in factors L, V and O (respectively: *Individual & joint learning*, *Shared values and Vision & goals*) demonstrate good reliability and internal consistency, only the factor S (*System thinking & personal mastery*) qualified as questionable according to its Cronbach's alpha value of 0,640 (see: Gliem and Gliem, 2003).

Table 1. Results of factor analysis, pattern matrix, workers' sample (n=187)

Item	Factor name	Internal environment, Goals&Development	External environment &Business orientation
	Cronbach's alpha	0,974	0,849
<b>G1</b>	Employees' initiative and dedication are considered in pay levels.	0,931	
<b>G2</b>	We place a high value on employees' dedication to work.	0,929	
<b>G3</b>	Any work-related problems are promptly discussed.	0,915	
<b>G4</b>	Changes which enhance competitiveness are rapidly introduced.	0,831	
<b>G5</b>	Employees receive regular professional consultancy to help our organisation better achieve its goals.	0,819	
<b>G6</b>	We constantly analyse and renew the organisation's development plan.	0,818	
<b>G7</b>	Employees who are creative and generate new ideas are highly appreciated.	0,812	
<b>G8</b>	There is a smoothly operating feedback system.	0,802	
<b>G9</b>	All staff can take part in setting the goals for the organisation/structural unit.	0,793	
<b>G10</b>	Our staff make proposals for the introduction of changes to ensure that our common objective is achieved.	0,779	
<b>G11</b>	We have discussed and arrived at a common vision of the organisation's future in 5 years.	0,777	
<b>G12</b>	Our staff value high-quality performance.	0,763	
<b>G13</b>	Regular performance and development interviews are carried out between managers and employees.	0,758	
<b>G14</b>	Our staff are always polite towards each other.	0,751	
<b>G15</b>	Our staff take initiative when fulfilling the organisation's objectives.	0,741	
<b>G16</b>	Our staff is innovative/ innovation-minded.	0,725	
<b>G17</b>	The management have a positive attitude towards employees' initiatives.	0,703	
<b>G18</b>	All staff know and share common values.	0,693	
<b>G19</b>	The management of our organisation plans changes and implements them systematically.	0,662	
<b>G20</b>	Our staff are trained and develop systematically.	0,657	
<b>G21</b>	We have a system of regular performance appraisal.	0,624	
<b>G22</b>	We regularly have common seminars on our further development.	0,601	
<b>G23</b>	Performance appraisals take place in an open, informal and tolerant atmosphere.	0,598	
<b>B1</b>	We view customers as cooperation partners.		0,828
<b>B2</b>	I take note of customer feedback.		0,807
<b>B3</b>	Our aim is to create a competitive advantage/edge.		0,656
<b>B4</b>	I understand the common core of my own personal and my organisation's objectives and follow them in my work.		0,624
Cumulative variance explained, %		59,3	65,4

Note: Extraction Method: Principal Component Analysis. Rotation Method: Oblimin with Kaiser Normalisation. Rotation converged in 5 iterations.

Table 2. Descriptive statistics (SD – Standard deviation) and Pearson correlation coefficients, workers' sample (n=187)

	Mean	SD	G1	G2	G3	G4	G5	G6	G7	G8	G9	G10	G11	G12	G13	G14	G15	G16	G17	G18	G19	G20	G21	G22	G23	B1	B2	B3
<b>G1</b>	4,781	3,497																										
<b>G2</b>	5,818	3,562	0,751																									
<b>G3</b>	5,118	3,421	0,719	0,734																								
<b>G4</b>	5,683	3,217	0,685	0,715	0,760																							
<b>G5</b>	5,038	3,613	0,644	0,697	0,708	0,791																						
<b>G6</b>	5,011	3,569	0,668	0,677	0,677	0,716	0,676																					
<b>G7</b>	6,415	3,445	0,670	0,744	0,743	0,725	0,700	0,674																				
<b>G8</b>	5,087	3,295	0,715	0,709	0,745	0,841	0,757	0,762	0,692																			
<b>G9</b>	4,747	3,428	0,706	0,678	0,735	0,752	0,770	0,733	0,702	0,798																		
<b>G10</b>	5,503	3,266	0,699	0,709	0,791	0,742	0,659	0,640	0,659	0,705	0,667																	
<b>G11</b>	4,989	3,690	0,620	0,634	0,639	0,703	0,644	0,626	0,548	0,705	0,666	0,652																
<b>G12</b>	6,882	3,184	0,639	0,705	0,530	0,513	0,465	0,517	0,654	0,461	0,465	0,579	0,451															
<b>G13</b>	4,535	3,423	0,604	0,627	0,606	0,649	0,684	0,698	0,586	0,637	0,664	0,613	0,590	0,433														
<b>G14</b>	7,080	2,708	0,541	0,587	0,557	0,551	0,507	0,525	0,552	0,531	0,494	0,497	0,531	0,492	0,372													
<b>G15</b>	5,917	3,013	0,688	0,687	0,696	0,746	0,600	0,623	0,675	0,727	0,644	0,721	0,577	0,507	0,508	0,588												
<b>G16</b>	6,276	3,199	0,598	0,666	0,681	0,749	0,667	0,686	0,694	0,704	0,720	0,668	0,623	0,548	0,601	0,506	0,627											
<b>G17</b>	5,714	3,265	0,684	0,678	0,639	0,767	0,703	0,736	0,691	0,766	0,757	0,654	0,623	0,501	0,615	0,454	0,691	0,681										
<b>G18</b>	6,077	3,249	0,595	0,604	0,606	0,719	0,656	0,659	0,579	0,683	0,606	0,624	0,651	0,376	0,547	0,576	0,680	0,630	0,667									
<b>G19</b>	6,213	3,327	0,548	0,583	0,618	0,750	0,642	0,667	0,619	0,695	0,668	0,538	0,609	0,413	0,482	0,494	0,625	0,669	0,610	0,646								
<b>G20</b>	5,470	3,663	0,605	0,596	0,616	0,727	0,708	0,750	0,632	0,728	0,761	0,554	0,647	0,426	0,576	0,426	0,550	0,688	0,717	0,603	0,711							
<b>G21</b>	4,408	3,458	0,439	0,533	0,470	0,546	0,496	0,580	0,467	0,513	0,440	0,412	0,515	0,398	0,435	0,304	0,445	0,518	0,471	0,446	0,508	0,475						
<b>G22</b>	4,462	3,791	0,603	0,502	0,556	0,635	0,577	0,669	0,485	0,680	0,639	0,612	0,553	0,318	0,508	0,342	0,671	0,512	0,692	0,679	0,540	0,621	0,425					
<b>G23</b>	5,378	3,541	0,551	0,527	0,550	0,634	0,556	0,626	0,630	0,637	0,683	0,557	0,632	0,420	0,581	0,418	0,541	0,580	0,569	0,450	0,601	0,607	0,489	0,544				
<b>B1</b>	7,772	2,762	0,317	0,313	0,316	0,404	0,318	0,407	0,408	0,416	0,381	0,414	0,313	0,300	0,306	0,265	0,423	0,456	0,486	0,371	0,397	0,443	0,215	0,345	0,410			
<b>B2</b>	7,039	3,120	0,286	0,388	0,380	0,454	0,378	0,419	0,487	0,462	0,414	0,460	0,376	0,275	0,346	0,267	0,456	0,465	0,484	0,436	0,407	0,435	0,265	0,390	0,478	0,665		
<b>B3</b>	6,928	3,097	0,441	0,503	0,455	0,580	0,521	0,475	0,511	0,581	0,565	0,576	0,434	0,405	0,406	0,332	0,556	0,545	0,616	0,510	0,498	0,543	0,365	0,488	0,433	0,626	0,594	
<b>B4</b>	6,437	3,218	0,388	0,457	0,416	0,618	0,598	0,482	0,478	0,629	0,609	0,530	0,526	0,290	0,435	0,303	0,533	0,564	0,567	0,534	0,575	0,611	0,388	0,504	0,535	0,490	0,562	0,612

p<0.001; two-tailed

Table 3. Results of factor analysis, pattern matrix, managers' sample (n=137)

Item	Factor name	Individual & joint learning	Shared values	System thinking & personal mastery	Vision & goals
	Cronbach's alpha	0,891	0,867	0,640	0,856
L1	Regular performance and development interviews are carried out between managers and employees.	0,791			
L2	We have a self-assessment system.	0,750			
L3	We regularly have common seminars on our further development.	0,738			
L4	All staff can take part in setting the goals for the organisation/structural unit.	0,687			
L5	Performance appraisals take place in an open, informal and tolerant atmosphere.	0,660			
L6	We have a system of regular performance appraisal.	0,647			
L7	We constantly analyse and renew the organisation's development plan.	0,635			
V1	Our staff are always polite towards each other.		0,851		
V2	All staff know and share common values.		0,758		
V3	All employees share a common understanding of work quality.	0,311	0,697		
V4	Our staff take criticism adequately, they analyse and admit their mistakes.		0,686		
V5	We place a high value on employees' dedication to work.		0,581		
S1	Our staff are not punished for setbacks resulting from initiative.			0,744	
S2	I take note of customer feedback.			0,651	
S3	We view customers as cooperation partners.			0,588	
S4	I constantly analyse my work and introduce changes when necessary.	0,309		0,562	
O1	Our objectives are measurable.				-0,808
O2	Our staff are trained and develop systematically.				-0,738
O3	Our aim is to develop and grow.				-0,734
O4	The management of our organisation plans changes and implements them systematically.				-0,686
O5	I understand the common core of my own personal and my organisation's objectives and follow them in my work.				-0,634
	Cumulative variance explained, %	39,2	49,4	58,2	64,0

Note: Extraction Method: Principal Component Analysis. Rotation Method: Oblimin with Kaiser Normalisation.

Rotation converged in 8 iterations.

Table 4. Descriptive statistics (SD – Standard deviation) and Pearson correlation coefficients, managers' sample (n=137)

	Mean	Std. Deviation	L1	L2	L3	L4	L5	L6	L7	V1	V2	V3	V4	V5	S1	S2	S3	S4	O1	O2	O3	O4
<b>L1</b>	5,044	3,223																				
<b>L2</b>	3,410	2,662	0,577																			
<b>L3</b>	3,684	2,726	0,623	0,568																		
<b>L4</b>	5,015	2,989	0,655	0,545	0,534																	
<b>L5</b>	5,740	3,327	0,577	0,488	0,491	0,531																
<b>L6</b>	5,248	3,110	0,593	0,546	0,494	0,504	0,537															
<b>L7</b>	5,437	2,936	0,542	0,427	0,543	0,525	0,489	0,429														
<b>V1</b>	6,803	2,138	0,186'	0,258	0,220	0,223	0,042*	0,048*	0,133''													
<b>V2</b>	4,956	2,512	0,418	0,538	0,492	0,444	0,269	0,324	0,336	0,647												
<b>V3</b>	5,511	2,627	0,372	0,418	0,419	0,407	0,217	0,222	0,444	0,547	0,639											
<b>V4</b>	6,243	2,399	0,357	0,339	0,454	0,331	0,155'	0,241	0,345	0,483''	0,577	0,593										
<b>V5</b>	6,204	2,878	0,492	0,457	0,365	0,565	0,381	0,410	0,400	0,569	0,630	0,547	0,509									
<b>S1</b>	6,737	2,713	0,094*	0,127''	0,131''	0,258	0,241	0,242	0,241	0,121''	0,172'	0,208	0,200'	0,269								
<b>S2</b>	8,500	1,674	0,130''	0,012*	0,150'	0,213	0,166'	0,101*	0,223	0,247	0,128''	0,208	0,385	0,258	0,319							
<b>S3</b>	8,681	1,769	0,238	0,124''	0,180'	0,300	0,300	0,271	0,299	0,208	0,280	0,280	0,322	0,360	0,363	0,427						
<b>S4</b>	7,693	2,006	0,212	0,240	0,284	0,359	0,363	0,325	0,375	0,097*	0,063*	0,225	0,181'	0,202	0,390	0,232	0,237					
<b>O1</b>	7,044	2,629	0,308	0,361	0,314	0,343	0,363	0,454	0,324	0,195'	0,326	0,172'	0,154'	0,300	0,308	0,198'	0,197'	0,368				
<b>O2</b>	6,353	2,910	0,507	0,422	0,477	0,406	0,564	0,469	0,470	0,287	0,465	0,310	0,329	0,417	0,028*	0,113''	0,214	0,221	0,498			
<b>O3</b>	8,569	2,121	0,324	0,228	0,256	0,422	0,380	0,390	0,360	0,249	0,336	0,201	0,314	0,381	0,247	0,351	0,455	0,289	0,540	0,486		
<b>O4</b>	6,912	2,412	0,505	0,359	0,419	0,456	0,452	0,464	0,444	0,245	0,433	0,314	0,359	0,409	0,258	0,294	0,325	0,276	0,554	0,669	0,530	
<b>O5</b>	7,456	2,347	0,353	0,278	0,386	0,405	0,460	0,420	0,415	0,189'	0,237	0,209	0,257	0,330	0,323	0,274	0,335	0,591	0,592	0,554	0,516	0,498

p<0,01; 'p<0,05; ''p<0,1; \*p>0,1; two-tailed

Some self-criticism and suggestions for further research:

The loadings of factors (Table 1 and 3) demonstrate deviation from the initial structure of items designed for the questionnaire. The reason for this may be insufficient or inaccurate coverage of the cognitive maps of respondents, or it may be the absence of the mapped aspect in the organisation. Therefore some additional qualitative study should be carried out on this subject. For wider coverage of OL cognitive maps, and a higher outcome in factor S (*System thinking & personal mastery*) the number of statements should increase to 10-12 items per factor.

We suggest that the Senge five-discipline model is specific to more intelligent and more knowledge-business oriented organisations than those that we studied. This is a hint for further studies in Estonian knowledge-creation oriented companies in the ICT and biotech sectors.

## **Results and discussion**

Our opinion is that Senge's five disciplines describe an organisation with good leaders and facilitators and a mature team-working culture. Our study demonstrates the current situation in Estonian companies. Two different organisational learning patterns or cultures exist in Estonian production enterprises: managers' OL and workers' OL. It was not surprising for the researchers that there is a difference between the perception of OL aspects of workers and managers. It was understandable for the researchers from their own consultancy background and previous experience in the companies. The results demonstrate that production workers are still mainly process oriented and that there is little space for their own initiatives. Quality circles, for example, are a very rare phenomenon in Estonian enterprises. The managers are more organisation oriented and trained for their role to behave as team members in a management team. But the middle managers have not widened their role towards the creation of workers teams and team learning. The main idea of the LO in our sample of Estonian production companies was better represented in the group of "managers" (entrepreneurs, managers, middle managers and specialists), whose perception of OL was mainly described by the pattern of four factors, three of which are statistically reliable, while the fourth can be described as just an appearing trend of OL in the companies (or as indicating the need to improve the questionnaire). The workers perception of OL processes was less differentiated and was limited to two factors related to the internal and external environment of the company. In the authors' opinion this is related to the following circumstances:

1. The managers of different levels and specialists are more actively involved in the company's development and decision processes. Their role in the company, their educational preparation and their attitudes are more complex and complicated than are those of production workers. This creates the multi-dimensional perception of the organisation and OL. The system thinking and personal mastery improvement aspects remain relatively weak, which may indicate unused potential in Estonian companies.
2. The perception of the company by the workers is very tightly related to their reward and dedication. This can mean the importance of the need for income in their job and less self-actualisation. They differentiate between the company's internal and external factors, but they have less self-reliance about their own role and less responsibility to develop themselves.

OL is above all a human resource and social capital development topic within a company. The current situation in Estonian companies is caused by the relatively cheap labour force which has been the main success factor so far. Since joining the EU and the relative liberation of labour force movement inside the EU the situation has drastically changed, as many

Estonian builders, truck-drivers and production workers have found new jobs outside their home-country. This leads to the need for a re-orientation towards higher value added and higher rewards to employees in Estonian companies. One of the best ways to achieve that is investment not only in better production equipment, but also in social capital, including better organisational learning capabilities in companies.

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