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ORGANISATIONAL LEARNING IN SERBIA DURING THE TRANSITION: THE LEGACY OF BOŽIDAR CEROVIĆ AND HIS CONTRIBUTION TO TRANSITION RESEARCH

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ABSTRACT: *In this paper we address the issue of organisational learning in Serbia during the transition, based extensively on the research work of Božidar Cerović that was published in his conference papers, academic journals, books, and edited volumes from the 1990s onwards, as well as in our joint research. We delineate three generations of organisational learning in the post-1989 transformation, which correspond to the transition periods comprehensively analysed in Cerović's work. We discuss each of these generations of*

organisational learning as characterised by the specific learning context, shaded by macro-level determinants and distinctive learning antecedents, nature, practices, and outcomes, and provide a theoretical framework using institutional organisation theory to highlight the specific issue of organisational learning in Serbia during the transition of South-Eastern Europe.

KEY WORDS: *learning, knowledge, transition, Serbia*

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1. INTRODUCTION

The economic model of ‘self-management’ in the Socialist Federal Republic of Yugoslavia (henceforth Yugoslavia), which was instituted in the 1950s after conflict with the USSR and lasted until the 1990s (Praščević, 2019), was considered a ‘special case’ (Child & Czegledy, 1996), even though several Eastern European countries followed a similar pattern of economic and social development from the late 1960s. Unlike other centrally planned economies, the decentralised self-management socialist model pursued by Yugoslavia was based on (1) socially owned property, (2) partial independence of companies, and (3) certain market economy characteristics that expanded over time (Cerović, 2012).

This journey lasted till 1989, when Yugoslavia, together with the rest of South-Eastern Europe (SEE), underwent radical economic, social, political, and legal reforms, known as the ‘transition’, which transformed basic institutions and restructured political systems, economic ownership and transactions, and financial institutions. Yugoslavia was at the forefront of the wave of transition in former communist countries (Cerović, 2009a; Bogićević Milikić, Janićijević & Cerović, 2012) when a whole set of regulations, measures, and appropriate and well-designed transition policies were enacted in 1989–1990 (Cerović, 2014). However, internal conflict, the dissolution of the country, and the consequently closed economy during the 1990s resulted in neither a clear and consistent economic path nor consistent strategic economic goals to lead the country to an established and desired outcome (Cerović, 2012). In the 2000s Serbia’s political regime was transformed and the country restarted the process of transitioning to a market economy (Bogićević Milikić et al., 2012). The political changes in October 2000 led, among other things, to significant changes in Serbia’s transition process. In 2001 the new political regime concluded that Serbia was seriously lagging behind other transition countries and decided to focus on privatisation as the backbone of transition, using the experience of other former socialist countries to choose a model that would provide an influx of significant funds to the exhausted Serbian economy. Thus, the new programme of reforms initiated in mid-2001 broke with former policy. Then, towards the end of the first decade of the 21st century, the global economic crisis impacted Serbia’s economy and growth path (Cerović, 2009b; Uvalić, 2010).

Business restructuring was an integral part of these changes. From the organisational point of view, this restructuring should have meant the

abandonment of old practices and behaviour patterns, and the overall implementation and acceptance of new ones. To achieve this it was necessary for managers and employees to support the learning process and then strategically integrate it into the organisation. Meyer (2007) argues that the specific national context of radical environmental change crucially influences processes of organisational learning, while Child and Czegledy (1996) claim that managerial learning per se should have been a key element in the reconstruction process. Now, with the experience of three decades of transition, it is recognised that neither the academic community nor managerial practice paid sufficient attention to organisational learning at the individual, group/team, organisational, inter-organisational, or economy-wide levels during that period. Neither the economic policymakers nor the managers involved in business transformation, nor most of the academic community, treated learning as a priority in the transition process. However, learning and knowledge as multi-level, complex, and interconnected phenomena (Klein & Kozłowski, 2000; Kozłowski & Klein, 2000) are at the very forefront of the changes taking place today.

In this paper we use the term 'organisational learning' to encompass the broad transformative learning processes that affected individuals, groups, organisations, and the wider context during the transition of the Serbian economy. The use of the term 'organisational learning' to embrace both individual and organisational learning processes is a suitable generalisation to address the relationship between the macroeconomic and institutional transition processes analysed in Božidar Cerović's work, and the organisational multilevel phenomenon of learning proposed in this paper.

Our aim is to address the link between organisational learning and the transformational processes that began in the late 1990s with a set of ambitious pro-market reforms, almost thirty years after the onset of the transition process in the former socialist SEE countries when Yugoslavia began its transition from decentralized self-management socialism. This paper draws heavily on Cerović's research on the Serbian transition, published from the 1990s onward in conference papers, academic journals, books, and edited volumes (Cerović, 2006, 2009b, 2012). Božidar Cerović's work on transition economies has shaped the research agenda for the Serbian transformation in particular; being privileged to work with him during the last two decades, we also refer to the findings of joint research that

describes in more depth the organisational transformation processes that followed the Serbian economic transition.¹ Thus, this paper memorialises Professor Božidar Cerović and contributes to existing research on management and organisational transformation in Eastern Europe, which lacks research focusing on South-Eastern Europe.² We aim to provide answers to the following questions: Did the transition process in Serbia generate any organisational learning? If so, which learning practices took place during the transition process in Serbia, and is the pace of transition reform and the nature and type of learning linked? What were the main ‘transition’ antecedents of learning in Serbia and how did they influence organisational learning? What are the implications for more effective learning? We develop a number of propositions regarding the relationship between transition and organisational learning and suggest implications for further research and practice.

2. THEORETICAL FRAMEWORK

2.1. Learning in organisations

Learning is a phenomenon mainly studied at the individual level; the first experiments and research about learning focused on how people learn as individuals (Maier, Prange & Rosensteil, 2001). For a long time, the focus in the academic community and among practitioners was individual learning rather than group, organisational, or inter-organisational learning. The development of learning theory brought new findings and differentiated learning as a multilevel construct. Organisational learning is not and cannot be regarded as the simple sum of learning at the individual or group level. The relation between individual and organisational learning is a complex construct in which: a) employees as individuals or group members are important determinants of the total learning in an organisation, while the interactions and exchange of information and knowledge between organisational members in the organisational context influence both the level of knowledge and learning at the individual level (Argyris & Schön, 1996; Nonaka, 1994); and b) individual learning becomes collective when there are organisational mechanisms for summing it up and when that sum of individual learning is transferred to all who can benefit from that transfer of knowledge in any way (Hamel, 1991). Organisational learning “enables

¹ See: Cerović and Aleksić (2005), Janićijević (2006), Cerović, Aleksić and Nojković (2007a, 2007b), Bogičević Milikić et al. (2010a, 2010b) and Bogičević Milikić et al. (2012).

² See for example: Child and Czegledy (1996), Lyles and Salk (1996) and Dierkes et al., (2003).

organisations to transform individual knowledge into organisational knowledge” (Basten & Haamann, 2018).

In the literature, organisational learning is defined in different ways. One research stream closely relates organisational learning to organisational knowledge and views organisational learning as the process of developing a knowledge base (Shrivastava, 1983) or improving an organisation’s knowledge base, continually updating what we know and how to apply it in an organisation (Burton & Øbel, 2004) through the acquisition of new knowledge by actors who are able and willing to apply that knowledge in decision-making or to influence others in the organisation (Miller, 1996), in such a way that it becomes embedded know-how resulting from absorptive capacity, the receptivity of the firm to new knowledge, and the firm’s ability to develop knowledge utilisation skills (Lyles, 2001). Another stream is more directly oriented towards the learning–performance relationship, defining organisational learning as the acquisition and use of existing knowledge and/or the creation of new knowledge to improve economic performance (Boerner, Macher, & Teece, 2001). However, the most dominant approach links organisational learning directly to changes in organisational behaviour in a wider sense, viewing it as the process by which knowledge about the action–outcome relationship between the organisation and the environment is developed (Daft & Weick, 1984), the encoding of inferences from history into routines that guide behaviour (Leavitt & March, 1988), the process of improving actions through better knowledge and understanding (Fiol & Lyles, 1985), and the capacity of an organisation to gain insight from its own experience and the experience of others, and to modify the way it functions according to such insights (Shaw & Perkins, 1991).

Types of learning. The most influential typology of knowledge is the one suggested by Polanyi (2009) and further applied and developed by numerous authors, which recognises two types of knowledge, explicit and tacit. Explicit knowledge is transparent knowledge or ‘know-what’, described by formal language, print, or electronic media, and often based on established work processes and can easily be transferred through communication. Tacit knowledge is practical, action-oriented knowledge or ‘know-how’, based on practice embedded within a specific context and acquired by personal experience, seldom expressed openly and often resembling intuition, which can only be transferred through application and

acquired through practice (Smith, 2001). Explicit and implicit knowledge can be applied at the individual level (implicit and explicit knowledge of the individual), the level of the organisational unit (group/team), or the level of the organisation as a whole (implicit and explicit organisational knowledge).

Another learning typology that can be successfully applied at a cross-organisational level is Argyris & Schön's (1996) typology that defines single-loop, double-loop, and deuterio-learning, which is often used to understand the learning process as a multi-level phenomenon. Single-loop learning (Cyert & March, 1963; March & Olsen, 1976) assumes behavioural changes within an organisation but not cognitive changes; i.e., people change their behaviour in everyday organisational life but they do not change the way they look at the organisation and its role in the business world or the basic assumptions they have about its functioning. Double-loop learning, on the other hand, assumes both cognitive and behavioural changes in an organisation and produces not only behavioural change but "change in the values of theory-in-use, as well as in its strategies and assumptions" (Argyris & Schön, 1996). Deuterio-learning is about how to learn in a single or double loop: organisation members discover and analyse previous experiences and recognise what helped and what made it more difficult to learn, think-up learning strategies, and evaluate possibilities for applying new learning strategies (Argyris & Schön, 1996).

Learning practices. According to March (1991), learning can take place through either exploitation or exploration. Exploitation is the process of taking advantage of what exists, allocating resources to improve existing products and processes through refinement, production, choice, efficiency, selection, implementation, and execution (p.71). It focuses on strengthening the organisation's internal resources to develop competitive advantage (Barney, 1991) through the routinisation, control, and application of mechanical design (Lavie & Rosenkopf, 2006; Raisch, 2008), while managers direct their efforts to developing those internal capacities which aggregate value (Mom, Van den Bosch, & Volberda, 2007). On the other hand, according to March (1991), exploration represents the process of trying new ways of doing things, such as searching, variation, risk-taking, experimentation, flexibility, and discovery (p.71), and assumes relationships with the environment in which the organisation looks to absorb new

knowledge (Lavie & Rosenkopf, 2006) and attain synergies in inter-organisational networks (Lavie, Kang, & Rosenkopf, 2011).

Argote & Ophir (2002) argue that intra-organisational learning involves the processes through which organisational units change as a result of experience, either on their own (learning by doing³) or from other units (learning by listening⁴ or by observing⁵).

2.2. Changes in the institutional environment and organisational learning

Institutional organisation theory offers an adequate analysis of the organisational learning process during Serbia's transition from a socialist to a market model of economy and society. Research covering other transitional economies also recognises the importance of institutions and the institutional environment because abandoning the socialist and embracing the capitalist economic and societal model constitutes a change in the institutional environment.⁶ The central argument of institutional organisation theory is that the structuring and functioning of an organisation are determined by institutions, and not by the criteria of technical or economic rationality and efficiency (Greenwood, Oliver, Sahlin, & Suddaby, 2008; Meyer & Rowan, 1977; Di Maggio & Powell, 1983; Scot, 2008, 1987). In every sector, institutions prescribe the pattern of organising and functioning and impose it on all organisations within the sector. The alteration of laws, standards, norms, and other regulations that govern the functioning of

³ It is explained in the legendary pin-making example through the relationship between specialisation and experience (Smith, 1776/1937), in Weberian bureaucracy that has the ability to learn from experience (Weber, 1922/1978), and in Nonaka's organisational knowledge creation theory (Nonaka, 1991, 1994) through the mechanisms of tacit knowledge interplay.

⁴ Learning by listening assumes learning from others, relying on different learning mechanisms such as social networks (McEvily & Zaheer, 1999; Rulke, Zaheer, & Anderson, 2000), moving members to other organisational units/groups (Almeida & Kogut, 1999), and rotation of individuals through organisational units/groups (Gruenfeld, Martorana, & Fan, 2000), trust structures (McEvily, Perrone, & Zaheer, 2003), or benchmarking (Basten & Haamann, 2018).

⁵ Learning by observing also assumes learning from others via, for example, transactive memory systems that facilitate knowledge retention and transfer (Wegner, 1987; Liang, Moreland, & Argote, 1995; Borgatti & Cross, 2003); task design that enables the accumulation of knowledge by watching another performing a task (Nadler, Thompson, & Boven, 2003) and proximity relations (Borgatti & Cross, 2003); redefining organisational boundaries (Argote, McEvily, & Reagans, 2003); configuration of units (Argote and Ophir (2002) cite numerous sources); etc.

⁶ See: Dixon, Meyer and Day (2014) and Meyer and Peng (2005).

organisations inevitably causes changes in the organisations themselves, and they must adapt to these changes that are supported by the authorities (executive government, professional associations, etc.). The expected transformation of socially or state-owned enterprises after their privatisation is nothing more than the replacement of one institutionally defined pattern of organisation and functioning by another. One model of organising and operating an economy and business has lost its legitimacy because it has proven inefficient in the long run, and it has been replaced by another ideal pattern. Businesses are now expected to apply a new ideal pattern and thus transform themselves.

If changes originating in the legal–institutional environment bring a certain degree of novelty and discontinuity to the structure or functioning of an organisation they may initiate a learning process. The process of accepting and implementing a new institutional pattern is the process of organisational learning because the new pattern first has to be understood and learned and then implemented. Therefore, the process of organisational learning is conditioned and initiated by the need to implement a new institutional pattern. On the other hand, it is impossible to make sustainable changes to the institutional pattern, which underlies transition, unless there is managerial learning. For the process of managerial learning to occur during transition, businesses must adopt and implement a new institutional template. However, this does not always occur.

A review of the literature suggests that organisations under pressure to apply an institutional structure and functioning can react in four ways. They can obey the requirements of the institutional environment and completely accept and implement the institutionalised rules of structuring and functioning. This is the expected organisational reaction and accords with the postulates of institutional theory (Scott 2008). It has been described as acceptance (Oliver, 1991; Hinings & Greenwood, 1988), compliance (Ashworth, Boyne, & Delbridge, 2007), and imitation (Pedersen & Dobbin 2006). However, there are other reactions to institutional pressure. Organisations can adapt the institutional pattern to their own needs, resources, values, and interests and implement this adjusted pattern. While Oliver (1991) calls this type of organisational reaction a compromise, Pedersen and Dobbin (2006) call it hybridization and Ashworth et al. (2007) call it convergence. The third possible reaction of organisations is a symbolic implementation of the institutional pattern, where organisations pretend to

implement it while not doing so in reality. This fiction is achieved through symbols such as ritual, language phrases, or material symbols (Dandridge, Mitroff, & Joyce, 1980). This process is described as decoupling (Meyer & Rowan, 1977), avoidance (Oliver, 1991), or transmutation (Pedersen & Dobbin, 2006). The fourth type of organisational reaction assumes that organisations openly or covertly, and more or less aggressively, refuse to implement the institutional pattern. The consequence of this refusal is organisational inertia (Hinings & Greenwood, 1988). Casile & Davis-Blake (2002) also describe this scenario, while Pedersen and Dobbin (2006) call it immunisation. Oliver (1991) even distinguishes two types of refusal, one that attempts to impact institutions and one that does not. Thus, we may assume that organisational learning is positively correlated with the degree of novelty in the imposed pattern of organisational structure and functioning, and the degree to which organisations accept that pattern.

3. TRANSITION IN SERBIA AND ORGANISATIONAL LEARNING

In the beginning the transition process from a centrally planned to a market economy comprised the following: (1) macroeconomic stabilisation (often including controlling and lowering the inflation rate, imposing financial discipline in monetary and fiscal policy, providing sustainability of balance of payments, etc.), (2) price and trade liberalisation, (3) restructuring and privatising businesses, and (4) legal and institutional reforms. The EBRD tracked the macroeconomic performance and structural changes in 26 transition economies, systematically publishing, refining, and changing transition progress indicators. It concluded that wide variation in the level of reform and performance among the transition countries resulted in indicators that did not tell a single, common story but 26 distinct stories. Meyer & Peng (2005) argue that “CEE provides an interesting laboratory for developing and testing theories, because the transition processes provide a series of unique societal quasi-experiments”, and “even among emerging economies, CEE is special owing to the radical switch from central planning to market competition and the high degree of industrialisation.”

Cerović (2012) identifies three distinct periods in the Serbian transition process: (1) 1989–2000, characterised by an early idea of transition, internal conflict in the country, and a closed economy (2) 2000–2009, characterised by revived transition

expectations, an opened economy, and significant influence of FDI,⁷ and (3) 2010 onwards, following changes imposed by the global economic crisis.⁸ We discuss each of these periods in their specific learning context and influenced by macro-level determinants and distinctive learning antecedents, practices, and outcomes, and provide a theoretical explanation of the specific issue of organisational learning in Serbia during the transition of South-Eastern Europe.

3.1. Transition in Serbia and organisational learning in the period 1989–2000

The processes of economic transition began in 1989, at the very end of former Yugoslavia as a state and the Yugoslav economy as a single economic system, based on an early idea of transition. Cerović states that at this stage the “hard core” of the transition consisted of three reform tracks: (1) price and trade liberalisation, which requires previous macroeconomic stabilisation (curbing budget deficits and maintaining low inflation rates); (2) privatisation of economic entities; and (3) development of social services and social security to mitigate the negative consequences of the transition process for the poorest and most vulnerable sections of the population (Cerović, 2012).

Macroeconomic determinants and the learning context. In his research Cerović pays special attention to the privatisation process, as the main pillar of the transition in Yugoslavia. Privatisation started in 1989 and had roots in the former Yugoslavia, which adopted a privatisation project that attracted a number of companies that started to transform their ownership (Cerović, 2000). By the end of 1990 only 23% of socially owned enterprises had entered the privatisation process. In mid-1991 Serbia enacted a law on the transformation of social property into other forms of ownership and promoted an employee shareholding scheme as the main type of privatisation. However, by the end of the year only a few firms had introduced (but not completed) some mode of privatisation. Cerović (2000) suggests that at that point in time another partially unexpected process of ‘ownership transformation’ had emerged through the creation and/or re-establishment of state ownership in 40% of ‘socially owned’ capital. Only 30% became mixed-ownership structures, with the rest remaining under the (formally) socialist regime, although with considerable restraints on the firms’ former self-governance. In mid-1994 the Serbian Assembly adopted the

⁷ See also Cerović & Aleksić (2005) and Cerović, Aleksić & Nojković (2007a, 2007b).

⁸ See also Cerović (2009b, 2012) and Bogičević Milikić et al. (2012).

Revaluation Law, which ordered all firms that had undergone privatisation to re-value share payments to employees – a ‘re-socialisation’ of privatised equity. The next phase of privatisation was part of the new Law on Ownership Transformation (1997), which introduced privatisation as a voluntary process, although all firms were obliged to identify and price ‘social capital’ by mid-1998. The basic programme was the ESOP, mainly through free share distribution (400 DEM per year of employment, providing the total amount did not exceed 60% of total capital value). The beneficiaries were all employees, pensioners, and farmers (who paid pension, health, and social contributions). State (public) firms and 70 large businesses were excluded from this general approach and became subject to ‘special’ government programmes. By the end of 1999 only around 2,000 of the 8,500 firms had valued their assets, 1,500 of which had completed the valuation procedure. The real privatisation process started in only about 300 cases (predominantly in SMEs) with approximately 1 billion DEM of capital value, attracting about 100,000 potential shareholders.

Cerović evaluated the first Yugoslav privatisation program enacted in 1990 very positively (Cerović, 2012). As recently systematised by Praščević, following the work of Cerović, this programme realised several important goals: “privatization and the basis for initiating development within the policy of liberalization and deregulation based on additional capital, changed management style, capital turnover and new criteria arising from the process of privatization of social property” (Praščević, 2019). The programme had additional important qualities: it was embedded in a well-designed broader transition programme of macroeconomic stabilisation and “relied on liberalization and deregulation” (Cerović, 2012), it was very popular because it was “easy to understand for employees as during the self-management phase of development, the employees acquired a sense that the companies belong to them” (Cerović, 2012) and they could understand the direct link between individual performance and commitment to organisational progress.

Learning antecedents, nature, and process. Regarding the learning processes that took place during this period, Milisavljević (1994) investigated and reported on managerial attitudes and work-related values in the former Yugoslavia. This research included a large-scale survey of managers, who were asked a series of work-related questions and to compare “the present state” with “their expectations

in a better future”, which was signified by the year 2000. This research revealed that in these early stages of economic, political, and institutional change in Serbia, managers regarded knowledge as the most significant factor for career success. Individual managerial experience gained through practice (i.e., learning by doing) was regarded as of secondary importance. The majority believed that whether the manager contributed to company performance was crucial for career promotion. The research results also indicate that existing managerial knowledge and skills are applicable in different business sectors, and successful managers in one field would generally be just as successful in another as they have the necessary managerial skills and knowledge. When the managers compared the state at the beginning of the 1990s with their expectations of a better future in the year 2000, the research reports that they considered experience as accumulated knowledge to be the element that would lose its value most in the upcoming years.

Another studies (Janićijević, 2006; Janićijević & Bogićević, 2004) which focused on the effects of privatisation during the 1990s and at the beginning of 2000s on managerial attitudes and work-related values reflected this period too. The research reported that privatisation of Serbian companies failed to result in the (considerable) expected changes in managers’ value systems. Managers of partially or fully privatised companies during the 1990s did not differ from managers of socially owned and state-owned companies in their understanding of values, but they did differ substantially from managers of private companies. Furthermore, the values of managers in private companies were closer to the values of managers in developed market-oriented economies. The study concluded that changing managerial values is a slow and long-lasting process, and the research findings could be explained by the fact that it was too soon after some privatisation efforts for more substantial changes to have taken place. The authors also suggested that the convergence of Serbian national culture with the cultures of developed countries in the course of the transition towards a modern market economy might be brought about more effectively and faster by setting up and empowering the new private sector, rather than by privatising existing socially owned companies.

3.2. Transition in Serbia and organisational learning in the period 2000–2009

Macroeconomic determinants and the learning context. The period from 2000 to 2009 is characterised by revived transition expectations, an opened economy, and

a significant influence of foreign direct investment (FDI), which brought new types of learning mechanisms and practices through international mergers and acquisitions, joint ventures, and strategic alliances (Cerović & Aleksić, 2005). A new privatisation programme was initiated in 2001. Cerović & Dragutinović Mitrović (2007) evaluated this programme and found that contrary to the broadly accepted view that new private firms were the driving force in the transition economies, in Serbia the newly privatised sector seems to be more active. Overall, this was a decade of active transition and field research flourished in academia.⁹

After the political changes of October 2000, it was expected that more foreign companies would enter the market and FDI would increase. Above all, due to positive macroeconomic trends, it was expected that there would be an increase in both greenfield and brownfield FDI and in strategic partnerships between domestic and foreign companies. However, the transition in Serbia was weighed down by the negative heritage and a configuration of macroeconomic parameters that did not support a rapid transition. The country needed deep social and economic reforms to achieve the macroeconomic stabilisation that would lead to lower inflation rates, public debt reduction, and lower unemployment rates, such as relieving the unemployment in state-owned enterprises, ending privatisation, liberalising prices, and reforming institutions. On the other hand, several macroeconomic assumptions led some to assume the transition would be fast; according to the National Strategy for FDI Promotion and Development (2006, p.8), Serbia had the key advantages of high-quality human resources, an appropriate level of general education and knowledge of English language among key age groups, inexpensive skilled employees and managers, a favourable geographic position, and easy access to both Eastern and Western markets. A new law on FDI enacted in 2002 to encourage FDI was more liberal and stimulative than any previous regulations in Yugoslavia, Serbia, or Montenegro. The main advantages of the new institutional context were a simplified procedure to legalise FDI contracts, an extension of the areas in which foreigners could have a majority investment, guaranteed legal rights and security for foreign investors, and an

⁹ See Cerović, Aleksić & Nojković (2007a, 2007b), Jančićević & Bogičević Milikić (2007), Bogičević Milikić, Jančićević & Petković (2008), Bogičević Milikić & Jančićević (2008), Bogičević Milikić, Jančićević & Nojković (2010a, 2010b), Bogičević Milikić, Jančićević, Cerović, & Nojković (2010) and Aleksić Mirić (2013)

emphasis on economic policy measures (for example, free imports, custom and tax incentives, and the abolishment of double taxing).

Cerović investigated the effects of FDI on transition progress. He found that there was an observable increase of FDI over time and revealed certain investment patterns: FDI flows into Serbia in 2000–2005 showed that certain countries invested large amounts, usually in a single big investment, while other countries' share in overall FDI was relatively stable (Cerović & Aleksić, 2005; Cerović, Aleksić, A., & Nojković, 2007a). Cerović and his colleagues (Cerović & Aleksić, 2005; Cerović, Aleksić, A., & Nojković, 2007b) analysed whether national culture influenced these investment paths and posited that the propensity to invest in a country is influenced by the degree to which investors and investing cultures resemble the national culture of the country being invested in. Their results suggest that (1) the level of cultural proximity can determine continuity in business transactions between two countries: the higher the level of cultural fit, the more synchronous direct investment flows between the two countries will be; (2) countries with a high level of cultural fit will tend to maintain a persistent level of investment in each other in terms of regularity and by assuring that these investment flows remain active over time; and (3) more culturally distant countries are less likely to become important investment partners in the long run. These findings add to our knowledge of the influence that cultural proximity has on FDI flows by explaining that the lower the level of cultural fit, the greater the sequential flow of direct investment between two countries will be.

Learning antecedents, nature, and process. From the standpoint of organisational learning, FDI was expected to bring not only tangible capital investments but also intangible assets such as learning and acquiring new skills and managerial practices. Child & Czegledy (1996) noted that this trend was recognised throughout Eastern Europe, citing EBRD (1995, p.118) which stated that “learning by those in charge of local organisations is essential to the successful transformation of Eastern Europe, which requires changes both in the form of economic organisation (especially the re-capitalization and reorganisation of companies) and in the managerial competencies to support the new forms of organisation; FDI are seen as an important vehicle for transformation in Eastern Europe not only because they help to replace obsolete capital but also because

they expose human capital to previously unfamiliar forms of institutional and production arrangements that are compatible with market development”.

Learning in organisations can be (1) mutual, between two actors with equal knowledge, or (2) between actors with unequal levels of knowledge (teacher–student relationship). Mutual learning between two equal actors occurs in situations where each actor has something new to learn from the relationship and where everyone involved understands a business transaction as a way to improve business. The teacher–student relationship assumes that one actor holds the knowledge while the other receives knowledge (Hamel, 1991). Research on organisational learning and FDI in transition economies so far has largely viewed companies from transition economies as the learners and the foreign partners as the teachers (Lyles, 1998; Lyles & Salk, 1996; Woodside & Somogyi, 1994; Meyer & Peng, 2005)). Our analysis of Serbia confirms this structure (Aleksić Mirić, 2012a, 2012b, 2013): in international joint ventures (IJV) and alliances created in Serbia from 2001 onwards the Serbian partners were for the most part the learners and the foreign partners the teachers. Lyles’ extensive research (Lyles & Salk, 1996; Lane, Salk, & Lyles, 2001; Lyles, 2001) supports the finding that the ability to learn from partners is a tacit resource that underlies a firm’s competitive advantage. Our research shows that IJVs and alliances should be designed so as to encourage learning and that various properties of organisational design significantly influence learning capabilities. For example, partners participating in IJVs or alliances voluntarily has been shown to be an important factor in the willingness to cooperate and dedicate energy and time to learning and knowledge sharing. Experience from the Serbian transition demonstrates that when firms co-operate voluntarily (alliances, mergers, or joint ventures) the learning effects are far more positive than when the decision to cooperate is made at a higher level (e.g., by the government) (Aleksić Mirić, 2012a, 2012b, 2013).

Child and Czegledy (1996) also concluded that Eastern European managers should acquire expertise from foreign countries and companies that would enable them to participate effectively in foreign trade and in the international networks of multinational enterprises that acquired or formed alliances with their local enterprises. However, they pointed out that “the issue is which managerial knowledge retains its validity across national, cultural and institutional

boundaries, and can therefore be imported into Eastern Europe without significant modification” (Child & Czegledy, 1996).

Bogićević Milikić et al. (2008) addressed this issue in the Serbian transition context by exploring HRM practices in 38 randomly selected Serbian companies. They focused on the elements of the Serbian HRM model, the difference between the Serbian and the North American HRM models, and the prospect of the Serbian HRM model converging with or diverging from the North American HRM model in the future. They found that some Serbian HRM practices – for instance, the weak role of trade unions – do converge with the North American HRM model, in spite of the highly incompatible Serbian cultural context and strong trade union tradition, implying that in some HRM areas, institutional factors and the transition process may effectively facilitate the convergence of HRM practices. On the other hand, the study showed that the role and scope of HRM functioning and HR strategy, performance appraisal and performance-related pay, staffing practices, employee development, and employee communication largely diverge from those in the US.

In another study on the transformation of HRM practices, Bogićević Milikić et al. (2010b) explored the impact of globalisation. Their research confirms a general tendency towards convergence of HRM practices, but in some areas of HRM convergence is still absent, very slow, or also shows some divergent trends. Globalisation, which implies more frequent and more intensive competition and cooperation between domestic and foreign companies, is the major driving force behind the convergence of Serbian HR practices with the Western model. The main driving forces behind the divergence of Serbian HR practice and the Western HR model are the authoritarian Serbian national culture and institutional factors such as lack of competence and the knowledge of HRM in Serbian companies.

It was expected that the Serbian transition path during the first decade of the 21st century would be followed by extensive ‘unlearning’ or forgetting the past ways of doing business. Organisation theory recognises organisational forgetting as part of further learning and improvement. For instance, authors well informed about transitional transformation in Europe, such as Lyles, argue that forgetting can be purposeful in organisations (see Easterby-Smith & Lyles, 2011), while Meyer and

Peng (2005) argue that in a transition context, learning “not only entails absorbing new ways of doing business but also requires some ‘unlearning’ of existing routines not conducive under the new circumstances”. Some explanations of double-loop learning suggest that it can only occur if an organisation first unlearns old and previously learned habits and then accepts new knowledge (Hamel, 1991). Since the process of organisational learning is more behavioural than cognitive, organisations willing to learn need to change their way of doing business by changing elements of their organisation’s design; for instance, the information and reward systems, job design, job descriptions, and authority schemes. Nystrom and Starbuck (1984) suggested that “before organisations will try new ideas, they must unlearn old ones by discovering their inadequacies and then discarding them” (p.83). This is supported by Martin-de-Holan and Phillips (2003), who stress that to achieve a sustainable competitive advantage the forgetting process is just as important as the organisational learning process. However, Child and Czegledy (1996) pointed out the importance of continuity in learning, saying, “Presumptions that Eastern Europe has failed, and that its managers, therefore, have little to offer and should be regarded simply as ‘learners’, are likely to mislead on this matter. Tacit knowledge deriving from close familiarity with the Eastern European context could be of the utmost value for Western partners who lack this familiarity - and sureness of touch, yet it could easily be unrecognized or dismissed as inappropriate by those who assume that their competence is necessarily superior (cf. Nonaka & Takeuchi, 1995). Studies have indicated that organisational transformation is usually more effective if change is combined with elements of continuity (Pettigrew, 1985; Child & Smith, 1987). This approach preserves valuable knowledge, especially that of a tacit kind, and in so doing maintains the identity of its members with the organisation and hence their commitment to it”. (Child & Czegledy, 1996).

Overall, Cerović did not find the results of the second decade of Serbian post-socialist development to be positive (Cerović & Nojković, 2009a, 2009b). Referencing this period, Cerović states “when almost all the Central European economies in transition (taking into account also the northern part of Southeast Europe) reached and/or passed their economic level in the pre-transition period, Serbia, now an independent state, again and again is at a crossroads, falling dramatically behind in economic terms and again rethinking the path of its further development” (Cerović & Nojković, 2008).

3.3. Transition in Serbia and organisational learning in the period after 2010

Macroeconomic determinants and the learning context. In the period after 2010, following the global economic crisis (Cerović, 2009b, 2012; Bogičević Milikić et al., 2012), the EBRD refined the concept of transition formulated in 1997 when all EBRD's countries of operations were emerging from communism and faced a similar set of challenges on their way to capitalism. The 2016 concept, for example, emphasises the desirable qualities of market economies, such as being competitive, well governed, green, inclusive, resilient, and integrated. This is the period characterised by a developing Internet economy, digitalisation, the blossoming of start-ups both worldwide and in Serbia, and a stronger focus on innovation, exploration, and experimentation in individual organisations.

Prašćević (2019) evaluates the increasing complexity of the economic transition process, which has made it impossible to only study and consider the topics that constitute the 'transition hard core' of privatisation and liberalisation. It is also necessary to take the following issues into account: transition economies' choice of growth model, institution building, the connection between political and economic reforms, the socio-economic consequences of economic transition for social security, poverty, and education, and business performance. Cerović (2013) recognized this and reported on the changing focus on the transition process in macro-economic literature.¹⁰ This research supports Cerović's premises regarding the influence and importance of intangible capital on competitiveness, productivity, and overall economic performance in the third phase of the Serbian transition. Cerović (2013) finds that the importance of intangible capital as a competitiveness factor is only gradually being accepted in Serbian companies, where investment in intangible capital is still rudimentary. In line with this critique, Cerović et al. (2014) noted the falling levels of FDI following the economic crisis required a new focus on domestic industrial policy that would develop competitiveness, an approach applicable to all transition economies. Cerović noted that Serbia needs (1) a strong industrial policy that focuses on an export-oriented growth model, production incentives, and the creation of an economic environment with high technological and development capacity that

¹⁰ See: Van Ark, Hao, Corrado, & Hulten, 2009; Roth & Thum, 2010; Kuznar, 2012; Haskel, Corrado, Jona-Lasinio, & Iommi, 2013; Hidayati, Fanani, Prasetyo, & Mardijuwono, 2012; Prašnikar, 2010; Prašnikar, Redek, & Memaj, 2012; Dutz, Kannebley, Scarpelli, & Sharma, 2012.

attracts FDI, (2) to strengthen business and professional associations, chambers of commerce, and organised inter-organisational activities, which should be followed by (3) development of higher education, especially in economics and business, human resource management, training, and other forms of support in fields that are essential for both present and future entrepreneurs.

4. DISCUSSION: INTEGRATING EMPIRICAL EVIDENCE ON THE SERBIAN TRANSITION WITH ORGANISATIONAL LEARNING

Research on the characteristics of organisational learning in the three phases of the Serbian transition reveals the following.

Phase 1, 1989–2000.

- a) Yugoslav/Serbian managers regarded applicable, fresh, and ready-to-use knowledge that contributes to organisational performance as the most significant factor in career success and climbing the career ladder. Accumulated knowledge represented by managerial experience was regarded as of secondary importance.
- b) Managerial knowledge was principally recognised as tacit knowledge, focusing mainly on general management concepts and skills and not on personal experience in a specific business and organisational context, allowing managers as individuals to be successful in any business sector or organisation without any previous practical experience and knowledge about the sector.
- c) Serbian managers learned primarily through exploitation and learning by doing. Activities aimed at fixing errors and resolving problems added to the knowledge base and firm-specific competencies or routines, but without altering the fundamental nature of the organisation's activities.
- d) The main pillar of the transition process during the 1990s, privatisation, did not produce any significant change in managerial values (Janićijević, 2006; Janićijević & Bogićević, 2004), so when an error was detected or a problem identified the managers made decisions based on a set of unquestioned rules, norms, procedures, processes, and assumptions. The absence of any change in managerial assumptions and values made double-loop learning impossible, leaving space for only single-loop learning.
- e) The negative political factors hindering the economy, society, and technology made organisational survival more important than organisational

development, and therefore encouraged ‘trial and error’ learning (described by Argyris and Schön (1996) as a form of single-loop learning) instead of strategically led and organisationally controlled learning based on new assumptions and values.

Phase 2, 2000–2009

- a) Managerial learning was largely influenced by the expected FDI and positive inflows from outside markets, especially in organisations with foreign partners where double-loop learning occurred through learning by listening and observing others (foreign partners as teachers).
- b) It was understood that old business practices, experience, and knowledge should be abandoned for good, and new knowledge adopted instead (organisational forgetting).
- c) Not all organisations or individuals expressed equal learning dynamics or learning types. Operational plans, vague strategic goals, employees’ negative emotions, and general unwillingness to receive new knowledge all imposed constraints on businesses, resulting in single-loop learning and behavioural rather than cognitive change. In other cases, where foreign investment was accepted readily on, double-loop learning occurred, while voluntariness and willingness to accept new knowledge appeared to be an important learning antecedents. This phase has the fewest examples of deutero-learning and exploration, however.

Phase 3, 2010–Present

- a) Importance of intangible capital for competitiveness, productivity and overall economic performance brought a new learning wave, propelled by the Internet economy and then digitalisation, which radically changed the strength and form of managerial and organisational learning.
- b) A stronger private sector, the emergence of start-ups in the information and communication technology (ICT) sector and companies’ strong focus on building a competitive edge through superior knowledge integrated at all levels in the organisational knowledge network resulted in exploration and deutero-learning being the dominant learning forms. Deutero-learning and exploration came explosively in the second part of the second decade of the 21st c. and represented the third generation of learning in the transitional Serbian economy.

These findings confirm Cerović's assertion that the transition process in the post-1989 transformation of Serbia should be analysed in different phases. The research evidence suggests three distinctive phases of Serbian transition: (1) Early transition in 1989–2000, characterised by a narrow concept of reform which relied primarily on insider privatisation and slow and low intensity changes to the institutional context; (2) Revived transition in the period 2000–2009, characterised by renewed transition expectations and radical liberalisation, and significantly influenced by FDI, growth of the private sector, intensive small-scale privatisation, macroeconomic stabilisation, and banking reform; and (3) Closing transition after 2010, following changes introduced by the global economic crisis, characterised by the implementation and stabilisation of all transition changes. Rapid development of the Internet economy, digitalisation, and the explosive growth of the ICT sector and SMEs took the leadership in changing the Serbian economy. Accordingly, we may conclude that the delineation points differentiating the transition phases are related to the scope (whether all necessary reforms regarding liberalisation, privatisation etc. were implemented), pace (the speed of the changes), intensity (whether the implemented changes were new), and conclusiveness (whether the changes were final and internalised) of the transition.

The research shows that the transition process in Serbia did generate organisational learning, but with different learning outcomes; i.e., there were different generations of organisational learning in the different transition phases. The first phase of transition in Serbia resulted in the first generation of organisational learning, characterised by single-loop learning through exploitation and learning by doing, with tacit managerial knowledge about basic managerial methods and techniques reigning supreme. The second phase of transition resulted in the second generation of organisational learning, still characterised by single-loop learning through exploitation and learning by doing but also with the appearance of double-loop learning through listening and observing others and organisational forgetting. The third phase of transition resulted in the third generation of organisational learning, characterised by double-loop and deuterio-learning through exploration and storing explicit knowledge enabled by rapid and wide-range digitalisation.

Therefore, we may propose the following:

Proposition 1: *Organisational learning is positively related to the transition process, whereas the type of learning and form of learning practice, i.e., generation of organisational learning, is related to the scope, pace, intensity, and conclusiveness of the transition process.*

The research also suggests that the main exogenous pillars of the transition progress are different in the three phases. In the early transition phase the main learning antecedent was insider privatisation, during the revived transition the growth in FDI inflow resulted in much wider and deeper learning, and during the closing transition the global technological breakthrough initiated the different forms of a higher level of organisational learning. According to institutional theory, several factors determine the response of an organisation to the imposition of a new institutional pattern (Hinings & Greenwood, 1988; Oliver, 1991), but the speed and consistency of changes in the institutional environment are especially important for transition countries (Newman, 2000, 2001). Rapid and inconsistent changes in the institutional environment do not allow institutions in transition countries to create a clear and consistent institutional pattern in which businesses can function. When managers are confronted with an overly turbulent institutional environment they cannot imagine the necessary institutional pattern and do not know what to learn and implement. In such a situation, organisations respond to the imposition of institutional reform by refusing to implement it, or if that is not possible by implementing a symbolic or modified form. On the other hand, excessively slow changes in the institutional environment condition the managers' perception that the pressure of the institutional environment is weak and they 'have time' to adapt. They use this situation to avoid change or to adapt by implementing a modified or symbolic institutional pattern. In this case, again, the impact of transition on the process of managerial learning will be weak because managers will not be motivated or pressured to learn a new institutional pattern. If managerial learning occurs it will be solely single-loop learning that results in incremental adjustments to the structure and functioning of the business. Thus, the transition process will only initiate double loop managerial learning if the changes in the institutional environment are optimally paced and consistent. In that case, managers will feel pressured to learn a new institutional pattern, and they will be able to learn because the pattern is created in a way and at a pace that they can accept. Because managers are applying totally new patterns of structure and functioning, which

bring discontinuity to their experience, the consequence will be double loop managerial learning. Therefore, we propose the following:

Proposition 2: *The main exogenous ‘transition’ antecedents of organisational learning are related to the method and speed of privatisation, the degree of liberalisation and the increase of FDI, the pace of technological change and the digitalisation of the economy, and the consistency and pace of changes to the institutional environment.*

The research findings suggest that the main endogenous antecedents of organisational learning during the transition in Serbia are related to the response of individual organisations to changes in the institutional environment. In accordance with institutional theory, full-scale organisational learning (double-loop learning) will only appear when the organisation’s response to changes in the institutional environment is in a form of acceptance. If organisations and their managers modify and adapt the new institutional pattern before applying it, the process of organisational learning will be limited to single-loop learning and there will be no double-loop learning. The case is similar if the reaction is a symbolic application of the institutional pattern. Finally, if the reaction of the organisation is to refuse to apply the new institutional model, according to institutional theory there will be no organisational learning. Therefore, we propose the following:

Proposition 3: *The main endogenous ‘transition’ antecedent of organisational learning is related to the individual organisation’s response to changes in the institutional environment (i.e., acceptance, modification, symbolic application, refusal).*

CONCLUSION

This paper highlights the emerging issue of organisational learning in the context of the transitional Serbian economy during the last three decades. By systematically collecting research evidence from Serbia we revealed that organisational learning is positively related to the transition process and that the different transition phases (early, revived, and closing) resulted in distinctive forms of organisational learning and different learning practices. The main exogenous ‘transition’ antecedents of organisational learning were the method and speed of privatisation and liberalisation in the early transition stage, the

increase of FDI in the middle-transition stage, and technological change and digitalisation in the closing transition period. Organisational acceptance of transitional changes proved to be the main endogenous ‘transition’ antecedent of organisational learning.

The basic limitation of this paper is that the research is grounded exclusively in the corpus of Božidar Cerović’s work and his contribution to transition research. His numerous studies put management and business issues on the transitional change agenda, and this paper references some of his important findings while also focusing on learning processes in the context of the transitional Serbian economy, an issue not covered in his own or joint research. Although Božidar Cerović’s work on the Serbian transition is voluminous and offers an authentic reference to Serbian transition, future studies should consider broader transition-related issues, some of which are referred to in this paper. Future research should prioritize endogenous factors of organisational learning in the Serbian economy, since our review shows that they dominated during the first two transition phases and the situation is now changing in favour of stronger endogenous factors – above all the recognition of intellectual capital as an organisational resource, employee and managers’ individual learning as a key driving force behind organisational learning, and HRM policies and practices that promote employee development as a source of long-term competitive advantage.

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