

The Role and Effectiveness of Social and Self-Management Agreements — Uloga i efikasnost društvenog dogovaranja i samoupravnog sporazumevanja

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THE ORGANIZATION OF THE WORKER MANAGED FIRM

ORGANIZACIJA SAMOUPRAVNOG PREDUZEĆA

THE STRUCTURE OF THE SELF-MANAGED WORK ORGANIZATION AND SOCIAL POWER-FOUR ALTERNATIVE STRATEGIES FOR CHANGING THE POWER STRUCTURE

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DEFINITION OF THE PROBLEM

The relationship between the whole and the parts is central to any complex, highly-decentralized organization. This fully applies to the Yugoslav Self-managed Work Organization, which is extremely complex and decentralized. To describe the complexities of its structure would require an entire book so, in this paper, I will confine myself to indicating just the key problem areas where the problems stemming from its complexities arise.

The first problem area is the dual character of organizational structure. The self-managed work organization consists of two structures: the "participatory structure" (workers' meetings, workers' councils) and the "hierarchical structure" (the executive hierarchy). The main issue is: is the participatory structure able to impose the direction upon the formally subordinate executive branch or does the participatory structure itself come to be dominated by the industrial hierarchy?

The second problem area is the relationships between the legitimate authority embodied in the participatory structure and the actual power embodied in the hierarchical structure and the political influence embodied in the socio-political organizations, notably the League of Communists, within the business organization. If we graphically represent these three complexes as three circles — authority circle, power circle and influence circle — then we are led to ask the following questions: are these circles isolated from each other or do they intersect and to what degree, are they interconnected only to the extent that they ensure a necessary coordination, or do they overlap? Here we face the issue of autonomy by each circle, of domination by one circle or coalition between two circles. In terms of combinations between these three circles forming the authority-power-influence complex, one could describe basic relationships within and dynamics of the self-managed organization as a micro-political system.

*Savez republičkih i pokrajinskih samoupravnih interesnih zajednica
za naučni rad u SFRJ učestvuje u troškovima izdavanja ovog časopisa.*

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The third problem area lies in the multilevel structure of the organization. Only relatively small organizations are one-level structures; medium and large organizations are two- or three-level structures.

Let us consider the two-level organization. The work organization (Organization of Associated Labour — OAL) is defined as a coalition of a number of Basic Organizations of Associated Labour (BOALs). The BOAL, the basic building block of the organization, is a unit of people who share the same technological boundaries of organization and, furthermore, it has relatively easily identifiable economic boundaries so that the costs and revenues of its operations are also easily identifiable. A number of BOALs join together to set up the work organization (OAL) by the so-called self-management agreement. The OAL cannot legally come into existence if only one BOAL refuses to sign the agreement and until it does sign it. The basic units delegate their representatives to the central governing bodies, and no major policy decision can be made without consent by all the BOALs constituting the work organization. In principle, the BOAL is something more than the profit-centre in the West — it is a legal corporate personality entitled to have its own bank account. Each BOAL is autonomous in running its own affairs in pursuit of higher income and other collective goals — within the limit set by provisions of the self-management agreement, which cannot be changed without its consent. Within the BOAL, "direct self-management" is stipulated, i.e., workers or, more precisely, employees pass decisions directly — at collective meetings („Zbors") or through referenda and personal signatures; only when direct decision-making is technically impossible are decisions made through the workers' council, consisting of employees delegates who are not necessarily elected on a permanent basis and who are obliged to present the views and attitudes of their constituencies.

A number of work organizations can join together and form the three-level structure: the Composite Organization of Associated Labour (COAL), the final say belonging, even in this case, to their members BOALs.

Two principles seem to be underlying in this type of structure: the federation principle and the egalitarian principle. The work organization is a federation of BOALs, and the COAL is a loose confederation of OALs. Within the BOAL, however, the egalitarian principle applies.

Two sets of problems stem from the multilevel structure based on the combination of the federation and egalitarian principles:

- 1) problems arising from the intercourse, both market and non-market, between the basic units (BOALs), each pursuing its own interest not uncommonly at the expense of others and the organization as a whole. The outcomes of these interrelations will heavily depend on each unit's bargaining power;
- 2) problems arising from the continuing interplay between the centripetal forces of the "corporate center" and the centrifugal forces of the basic units. The balance of these two opposing forces is precarious and could easily be upset by any change in the organizational environment (changes in the market position, in national economic and monetary policies, in legal regulations etc.) or by

personal changes at top executive posts. When any of the opposing forces comes to prevail over the other, the outcome will depend on the power relationship between the "corporate centre" and the basic units. Is the power concentrated at the top or in the units, especially in some units? This is the basic question. And the power distribution depends heavily on the actual way the work organization, especially the third-level one — COAL, was formed: was it set up by truly independent BOALs joined together by a self-management agreement, as stipulated by law, or an already-existing larger organization was formally decentralized into BOALs, by a decision from the top, and the these BOALs "created" the work organization or the COAL. In the former case, the member BOALs or their executives, respectively, have preserved their power and effectively prevented a new power centre from emerging at the top. In the latter case, the seat of concentrated power has remained at the top, and the BOALs have not developed power centres of their own capable of challenging the power at the top. The strong chief executive of the former enterprise has preserved his position in the reorganized work organization.

At this point we come to recognize that the key variable underlying all of the three problem areas described above is the distribution of social power within the organization. If the participatory structure is to impose its direction upon the hierarchical structure, if authority, power and influence complexes are to be interconnected properly, if the relations both among basic units and between the latter and the "corporate centre" are to be well-balanced — then an equilibrated distribution of power is required. In qualitative terms, the power equilibrium means that the positive power (induction) by each actor in the system is matched by the negative power (resistance) of each other actor.¹⁾ In other words, social power should be "negated", that is it should be made inoperative in social relations within the organization. How to obtain an equilibrated distribution of power, what are available strategies to change the distribution of power — are questions to which we will now turn.

ALTERNATIVE STRATEGIES

From the Yugoslav experience during last 28 years, it seems that four different strategies could be "distilled". Before specifying those strategies let me explain why I use this awkward word, "distilled". Strategy is a conscious plan for how to reach certain objective, and it is always explicit though not necessarily spelled out in public. In this sense, we can hardly speak about any strategy for changing the power structure within the work organizations in this country for, until recently, the power structure was not perceived as a problem.

However, it was a problem from the very beginning. Something had to be done, and something was being done, about it. The term "strategy" refers to what was being done or could have been done about the

¹⁾The distinction between the positive and negative power is made by Veljko Rus "Positive and Negative Power", Zagreb, November 1978 — mimeo.

change of power structure; it is my intellectual reconstruction of reality in a similar way as implicit social norms and values represent a reconstruction by a social anthropologist who has observed patterns of social behaviour in the community under study. However, I avoid speaking about "implicit strategies" in the same vein as the social anthropologist speaks about implicit norms (and implicit culture in general) for strategy is simply not a collective attitude or belief; as a rational plan it is by definition explicit in nature. Nevertheless, there could be some direction and purpose in human actions though the actors may not be fully aware of them, or some human actions could be looked at *a posteriori* from the point of certain goals and objectives. My intellectual reconstruction of reality is looking back at social practice from the point of changing the power structure as a goal — and in this sense, I feel I am justified in talking about strategies for changing the power structure of the work organization. Four different though not entirely mutually exclusive strategies could be distinguished:

- (1) the strategy for redistribution of formal prerogatives in the organization;
- (2) the strategy for substituting formal coordination for market or quasi-market coordination within the organization;
- (3) the strategy for direct and autonomous workers' action;
- (4) the strategy for changing the information and communications system to fit the workers' self-management system.

1. Redistribution of formal prerogatives

Before I proceed to the heart of the matter, I must assume a certain familiarity with the Yugoslav scene immediately after World War II. It is needless to say that capitalist property in Yugoslavia was either confiscated or nationalized. To manage that property, "State Business Enterprises" (SBEs) were set up in 1946. SBEs were basically organized according to the Soviet model which is, I suppose, sufficiently known to you to require any further description. Two features of the SBEs were essential:

- (1) The SBE was solely a production unit in charge of fulfilling production plans set by government agencies which made all basic decisions: on allocation of resources, distribution of goods and services, and on allotment of profits. These agencies, called "AORs", performed functions of top management in the Western firms — however, they were not a part of the organizational structure of the SBEs. Therefore, we may conclude that the autonomy of the SBE was virtually nil.
- (2) The SBE was run on the principle of one-man-rule. The director was given "pleine pouvoir" to make all decisions himself in the province of the competence of the SBE, being responsible only to his AOR. All employees, from floor workers to office bureaucrats, were ultimately responsible to him.

The introduction of workers' self-management in 1950 gave rise to two processes: (1) redistribution of formal prerogatives;

- (1) Firstly, to the process of economic decentralization, i. e., to the redistribution of economic prerogatives between the government and the business firm, in favour of the latter. This process was gradual: it started after 1952 and was completed in the late sixties. It resulted in giving a relatively high autonomy to the business firm. An American student in comparative management, David Granick, after intensive studies made in several Yugoslav firms, came to the conclusion that the Yugoslav firm in 1970 was as autonomous as the American corporation.²) Though this conclusion should be taken with a grain of salt, it is a fact that the Yugoslav firm (whatever its organizational form) enjoys a relatively high autonomy in running its own business. However, this process of redistribution of prerogatives between the government and the enterprise is not of direct concern for the present discussion. It is relevant inasmuch as an increase in autonomy means an increase in what Arnold S. Tannenbaum termed "total amount of control"³) by the firm. In other words, as a result of economic decentralization, the total power pie within the enterprise has increased, and the distribution of that pie within the organization is our main concern here.
- (2) Secondly, to the process of redistribution of formal prerogatives within the firm. It would use too much time and would take us into the formal-legal domain to describe this process in any detail. Suffice to say this: it started with legal provisions introduced in 1950 and it seems to have been completed with the stipulations of the present Yugoslav Constitution passed in 1973. The process of redistribution of formal authority prerogatives shows this direction:
 Director and executive hierarchy ———> Board of Management
 ———> Workers' Council ———> Economic Units (now BOALs)
 ———> Workers' Meetings (Zbors).

Now, what are the effects of the redistribution of formal prerogatives on the power structure within the work organization?

Unfortunately, we cannot answer this question with certainty due to the lack of longitudinal studies. The first preliminary study in the power structure using the "control graph", a technique devised by A. S. Tannenbaum and his associates from Survey Research Center,⁴) was made at the end of 1961. Within a decade, a number of studies using the same technique were made by a number of Yugoslav scientists in various industries.⁵) All those studies yielded similar results: they revealed

²) In the first draft of his book *Enterprise Guidance in Eastern Europe*, Princeton, Princeton University Press, 1975.

³) Arnold S. Tannenbaum, ed., *Control in Organizations*, New York McGraw, 1968, pp 12—23.

⁴) Tannenbaum, *op. cit.*, p. 32.

⁵) See J. Zupanov and Arnold S. Tannenbaum, "The Distribution of Control in Some Yugoslav Industrial Organizations as Perceived by Members", in Tannenbaum, ed., *op. cit.*, pp 91—109. See also W. N. Dunn and J. Obradović, eds., *Workers' Self-management and Organizational Power in Yugoslavia*, Pittsburgh, UCIS, 1978, Part III.

the oligarchic pattern of control both within the executive hierarchy and between the executive group on one hand, and the Workers' Council and its executive committee, the Board of Management, on the other. In addition to this, the distribution of power within the Workers' Council itself was fairly correlated with the socio-occupational stratification of the collectivity, which means that the Council was dominated by managers, and the workers had very little power.

Since the pattern of control in SBE should have been logically oligarchic in character, we are safe to conclude that no change in the distribution of power took place. Contrariwise to the economic decentralization which yielded the expected effects in enhancing the autonomy of the firm, the redistribution of formal prerogatives has been a failure in enhancing the power by employees.

From the sequence of redistribution of formal authority prerogatives we may infer the basic idea of this strategy; the broadening of the decision-making base would result in a more even distribution of power. But this idea did not work. Why?

Perhaps the easiest answer would be to point to the inherent weaknesses of the representative government, which are more pronounced in the work organization than in the local or national policies. If so, one would expect that the very recent switch from the representative government by the workers' council to the direct government by workers has produced a basic change in the power distribution pattern. And a recent study, despite its methodological limitations, does suggest a shift towards the polyarchic pattern of the distribution of power, in quantitative terms.⁶⁾ However, a qualitative analysis would reveal that only the negative power by workers has increased, pushing the positive power by managers towards a more sophisticated manipulation, while the positive power by workers has remained low. Therefore, a power imbalance between managers and workers still persists.

One has to keep in mind that one of the basic assumptions of this strategy, which equates the actual power with legal authority is incorrect. Power usually diverges from authority on an informal basis⁷⁾ and could be even completely divorced from legal authority.

This distinction is undoubtedly useful: it warns us that changes in the pattern of authority are not necessarily accompanied by correlative changes in the pattern of power. However, could the fact that this distinction was ignored account for a tremendous discrepancy between the decision-making authority and the actual social power?

First of all, how to explain the lack of distinction between power and authority? One reason lies in past experience: in the SBE power and authority were identical. Another, probably more important, reason lies in the social philosophy of self-management postulating the unity and harmony of interests of the working class, and for that reason social power came to be seen rather in the Parsonian than in the Weberian

perspective. According to T. Parsons, power is defined as legitimate power — coercion without legitimation or justification is excluded from the very definition of power.⁸⁾ And legitimate power is preceded by collective goals arising from shared values. As in the Parsonian model, the social structure of the self-managing society consists of norms, and the norms of the social system are equated with legal norms.

The Parsonian concept of power, while deserving some merits, is aptly criticized by A. Giddens,⁹⁾ and I subscribe to his arguments. In addition, the theory of normative integration of the self-managing society could be seriously questioned on the ground that shared values forming the base of integration do not exist. It is not sure that the idea of workers' self-management is a "shared value" — perhaps, it is more correct to say that it has become a sort of common tradition to which different groups may appeal in an attempt to show that the aims and interests of one group are more consistent with the common tradition than the aims and interests of some other group.

Of course, I do not intend to suggest that the strategy of redistribution of formal prerogatives failed because it was implicitly based on a shaky theoretical ground. The cause of failure lies elsewhere: in the system of social stratification of the Yugoslav society. Needless to say, stratification means "structured social inequality".¹⁰⁾ There are three main dimensions of inequality: economic inequality, power inequality and status inequality.¹¹⁾ While all these dimensions are present and often, though not always, positively correlated in any system of stratification, only one dimension is basic in each stratification type, in the sense that other dimensions are derived from the basic one. In a class system it is economic inequality; in a caste system it is status inequality; in the Yugoslav stratification system the basic dimension of inequality is inequality in the distribution of social and political power. In the case of the work organization, the problem of redistribution of power means that the power of the techno-bureaucratic elite should be substantially cut and the power of rank-and-file employees substantially increased. This is hard to obtain by administrative reforms, especially when one keeps in mind not only the strategic position of technobureaucracy in the organizational structure and processes but also its social roots and informal or semi-formal connections with the political bureaucracy.

The introduction of the workers' self-management withheld the institutional sanction of the stratification system in general and of industrial bureaucracy in particular, but it did not abolish the system nor curtail the actual power by functional elites. However it "downgraded" the concentrated power by "power elites" reducing it — as Parsons would say — to compulsion, depriving it of its symbolic charac-

⁶⁾ J. Zupanov, »Distribucija utjecaja u delegatskom sistemu u općini« (The Distribution of Influence within the Delegational System in the Local Community), *Naše teme*, No. 6, 1978.

⁷⁾ Take as an example, the Milo study by Melville Dalton (*Men Who Manage*, New York, J. Wiley, 1961).

⁸⁾ "On the Concept of Social Power", *Proceedings of American Philosophical Society*, Vol. 107, 1963.

⁹⁾ "Power in the Recent Writings of Talcott Parsons", *Sociology*, Vol. 2, 1968, pp. 257—270.

¹⁰⁾ Celia S. Heller, *Structured Social Inequality*, London, MacMillan, 1969, pp. 105—123.

ter and relegating it into "intrinsic instrumentality of securing compliance with wishes rather than obligations".

Briefly, when power is seen as a dimension of social stratification, it is difficult to imagine how its distribution could be changed by the redistribution of formal prerogatives.

2. Substituting formal coordination for market coordination

This strategy means a decentralization of the enterprise to the point that each major suborganizational unit ("Economic Unit") becomes autonomous in economic terms (each possesses its own assets, plans its own production, sells its own produce and allocates its own income). The decentralization, being primarily economic in character, deprives corporate management of much of its power, relegating it to the role of a common service. The relationships between units are solely those of buying and selling at market prices. Furthermore, each unit can buy from and sell directly to the other firms. However, quite often it is not possible to apply market prices to the produce of particular units, e. g., when the produce of unit A could be used only by unit B and nobody else. In that case, the market price simply does not exist and the respective units employ in their transactions prices agreed upon in advance or so-called "planned prices". In that case, the relationship between units is quasi-market in character.

Such a decentralization of the enterprise brings power closer to the workers. Since economic units are much smaller than the enterprise as a whole, this will enable the workers to take the ultimate power into their own hands.

Here we must pose several important questions: (1) Does such a strategy rest on a sound theoretical basis — in other words, is it possible from a purely theoretical point of view? (2) What are its ideological roots? (3) To what extent was it implemented in practice and what were the results? (4) Does the new Constitution restrict this strategy or give it new impetus?

The theoretical foundation of this strategy is the definition of power as the function of dependence. For the sake of simplicity, let us take a system consisting of two members: A and B.¹¹) In that case, power and dependence are expressed by the following equation:

$$Pab = Dba$$

In other words, A will have as much power over B as B is dependent (for whatever valuable things) on A. Power and dependence, therefore, are two sides of the same coin.

Now, if A and B maintain only market relations, both operating on an atomistic market where no party can control the market (this is what economists call the model of perfect competition), then the distribution of power between A and B will be perfectly symmetrical.

¹¹) See R. Carzo, Jr., and J. N. Yanouzas, *Formal Organization — A Systems Approach*, Homewood, Ill. Irwin and Dorsey, 1967, pp. 193—400.

$$\begin{array}{ll} Pab = Dba & \text{Differential power in the system is zero.} \\ \parallel & \parallel \\ Pba = Dab & DfP(a,b) = 0 \end{array}$$

And such a type of distribution is the cornerstone of workers' self-management.

However, if the market is not perfect, i. e., some parties control access to the market or can drive the others out of the market, then the relationship will be asymmetrical.

$$\begin{array}{ll} Pab = Dba \\ \vee & \vee \\ Pba = Dab \end{array}$$

Since B is more dependent on A than A is on B, the power of A over B is greater than the power of B over A. Differential power in the system is greater than zero. $DfP(a,b) > 0$.

Since the perfect competition is a limiting case, for the market is always imperfect to some degree, the differential power in the system will, as a rule, be greater than zero.

Now let us go back to the relationship between economic units. Let us assume first the market relationship. Due to the situation on the market, some units will be able to charge higher prices and earn much higher income than the other units. Since the units which are in a favourable market position can sell their produce on the "external" market, they can deprive the other units of their products and services, compelling them to pay higher prices than they otherwise would. The other will see in this an injustice: after all, we are all members of the same family, and it is not just that the workers of unit A receive 50 per cent higher earnings than the workers of unit B. Social pressure will be generated to equalize personal incomes and the central management will see the opportunity to step in here to recover a great deal of its power. If the intergroup conflict ends in the equalization of personal earnings, which is very likely, then the system loses sense, and we can go back to a more, centralized enterprise.

However, due to narrow specialization, the relationships between units will be in most cases semi-market in character, and "planned prices" will be used in their mutual transactions. Since "planned prices" are not determined in an objective way, each unit will tend to maximize its internal prices. It is enough that just one unit does so — it will start a chain reaction of price increases. Due to such inflation of internal prices, the sum total of internal sales may greatly exceed the sum total external sales. And how much income will be earned by all units depends only on the external sales i. e., earned by the firm as a whole. If the fictitious internal incomes far exceed the income actually earned on the market, the system is likely to collapse and backslide to a more centralized pattern.

The second question concerns the *ideological rationalization* of this strategy. The ideology of economic units linked by market or quasi-market relations was never studied by any student and for that reason

I will confine myself to point to four basic ideas lying at the root of this ideology.

- (1) Firstly, the idea that the pattern of economic activity called business enterprise is intrinsically capitalist in character and should be broken up. The loose confederation of economic units seemed to provide a true socialist alternative to the "capitalist enterprise".
- (2) Secondly, the theory of socialist commodity production rested on the belief that the market *per se* is neutral, and that under the workers' self-management system based on social ownership of the means of production it will automatically reproduce socialist relations of production in a similar way as under capitalism, based on the private property market automatically reproducing capitalist production relations. Now, if the market automatically reproduces the socialist relations of production, the State can withdraw from the field of coordination of economic decisions for the market will do the job. The strategy of substituting formal (authority) coordination by market coordination inside the firm was on the application of this "socialist laissez-faire" doctrine to the micro-economic level.
- (3) Thirdly, the belief that decentralization is intrinsically good and that it should be pushed downwards as far as possible, reaching its extreme limit on the level of the individual.
- (4) Fourthly, the belief that such an arrangement will permit direct workers' rule and not merely through their representatives, for economic units are too small in size to allow the direct self-management. And direct self-management would end any rule or any exercise of power over workers.

The third question refers to what extent this strategy was implemented in practice and with what results. Although this strategy was paid lip service, the economic units were not introduced into a number of firms. However, the sheer number of firms which were decentralized into economic units is not very important for it tells us nothing about the autonomy of units and their interrelationships. In some firms, cost accounting units were renamed "economic units", leaving the existing centralistic structure intact. In other firms, economic units were given a certain amount of autonomy with regard to the central management. This autonomy applied to proposing and specifying production plans, running day-by-day operations, hiring employees, distributing personal incomes among its members, etc. Units were headed by chiefs who were subordinated to the higher management. The main decisions were passed by the unit's Workers' Council, which resembled very much the central Workers' Council of the firm. This fell short of ideological exhortations but was in line with existing laws. A firm could give almost full independence to its economic units, but the law still considered them decentralized parts of the firm. If, for example, a unit sold a part of its produce to another firm, it could not put the sum of money earned on the external market in its own bank account, for it was not legally entitled to open it, this being a privilege of the enterprise. The basic unit

of economic activity, from the legal point, was still the business enterprise, not the economic unit.

Nevertheless, a small number of firms "pioneered" in trying to implement the concept of autonomous units as described above. Unfortunately, no thorough studies were made in such firms. One of the rare scholars who did make some more extensive studies in economic units in some "leading" firms, found that an almost complete autonomy of those units was more apparent than real.¹² And this is in full agreement with the opinions of knowledgeable people in this country. The technique applied by "leading firms" consisted in giving their economic units full economic powers on paper i. e., in internal by-laws — but they used to include some provision(s) which in fact cancelled out the effects of most "big" prerogatives. On paper, the firm was extremely decentralized in economic terms; in reality, economic centralization was preserved in a subtle, hidden form. In other words, the transfer of economic power was, even in the "leading firms", more a window-dressing myth than reality.

On the other hand, whatever degree of economic decentralization was obtained, it did not affect the power structure within the economic unit itself. According to my own scanty research data, the oligarchic pattern of control found within the units paralleled the one found on the level of the enterprise as a whole. Power was concentrated in the hands of the chief of the unit, lower level supervisors had some medium amount of power, while the workers had very little power.¹³

However, this is not to say that this strategy did not affect the power structure of the enterprise at all. The amount of power by the chief of the economic unit has definitely increased, so that the power gap between the top management and middle management has considerably narrowed. However, the workers' power has remained basically unaffected (low), and this is crucial in assessing the effects of this strategy. Therefore, we may conclude that the strategy of substituting formal coordination by market or quasi-market coordination within the business enterprise proved unsuccessful.

Finally, I should try to answer the question of whether the new Yugoslav Constitution will strengthen or weaken this strategy. The question seems to be premature and, at this moment, the only thing I can say is that the 1973 Constitution contains both tendencies.

- (1) Defining the economic unit, not the enterprise, as a basic unit of the economic system (thence the economic unit is renamed Basic Organization of Associated Labour — BOAL); making it mandatory under certain conditions and recognizing it as a corporate (legal) personality entitled to open its own account with a bank — the Constitution obviously encourages further efforts along the lines of this strategy.

¹² D. Granick, *op. cit.*, pp. 372—378.

¹³ Zupanov, „Grafikon utjecaja kao analitičko oruđe za proučavanje strukturalnih promjena poduzeća“ (The Control Graph as an Analytical Tool for Studying Structural Changes in the Enterprise), University of Ljubljana, 1965, unpublished doctoral dissertation, (mimeo), pp. 114—116.

- (2) However, by circumscribing the business autonomy of the organization through the "self-management agreements" devised chiefly for the non-governmental (or perhaps para-governmental) regulation of the market, by stipulating that the relationships among BOALs be regulated through self-management agreements and not solely on the basis of current market prices — the Constitution may weaken this strategy, at least to some extent.

What will be the net result of these opposing tendencies in real life remains to be seen.

3. The strategy of direct and autonomous workers' action

By the end of the 1960s, the idea of direct and autonomous workers' action was emerging both in some scholarly articles and in statements by some union leaders.¹⁴ It echoed in the first draft of a document entitled "The Ethical Codex of Self-managers". The draft contained some provisions on strikes, specifying situations when strike was a justified means and the rules for conducting strikes. The Codex was never adopted.

First of all, let us clarify the term. The attribute "direct" refers to an action taken by workers outside the existing institutional framework. Suppose that employees are not satisfied with a management-sponsored decision adopted by the Workers' Council. If they go on strike against such a decision, I will term such an action a "direct action", for it is not mediated by any institution. Instead of trying to get redress through majority voting in the Council, they put pressure on it to cancel the respective decision.

The attribute "autonomous" refers to the ways of acting. If workers disregard formal rules and prescribed procedures, and act spontaneously or "enact" and follow new, different rules in opposition to the institutionally-prescribed or approved organizational rules, I will term such an action an "autonomous" workers' action. In the concrete case, instead of presenting a petition asking for a new Council meeting to reconsider its previous decision, they stop working until the undesirable decision is reversed.

As we see it, these two dimensions of the workers' action — directness and autonomy — are closely interrelated. However, the distinction between the two is useful not only for analytical purposes but also with regard to the modes of organization of the action. The autonomous workers' action could be formally organized (by a labour union) or "spontaneously", i. e., organized on an informal basis. Though even a formally-organized workers' action is still an autonomous action in the sense that it is not being carried out through the channels controlled by

¹⁴ E. g. J. Županov, "Samoupravljanje i društvena moć u radnoj organizaciji" (Self-management and Social Power in the Work Organization) in J. Jerovšek, ed., *Industrijska sociologija* (Industrial Sociology), Zagreb, Naše teme, 1971., p. 47, esp. 61 n; "Participation and Influence" in B. Horvat, M. Marković and R. Supek, eds., *Self-Governing Socialism*, White Plains, IASP, 1975, Vol. II, p. 84.

management, it is no longer a direct action since it is mediated by a new institution: the labour union. The eventual bureaucratization of unions questions even the autonomy of the workers' action, creating tension between the union constituency and rank-and-file "natural leaders" (such as shop stewards in Great Britain) on the one side, and the bureaucratic union hierarchy on the other. This problem, however, is not highly relevant for the present discussion.

The direct autonomous workers' action appeared, in post-war Yugoslavia, in the form of strikes organized on an informal basis. Although the first officially-recorded strike occurred in 1958, most recorded strikes took place in the 1960s.¹⁵ After the first shock, it became clear that strikes were not political in character, that they were conflicts between the managers and the managed. Though they never received institutional recognition, they were never legally prohibited.

Of course, the strike is the most dramatic expression of industrial conflict. There are many other outlets such as slowdown, sticking rigidly to formal rules on the job, quota restriction, absenteeism, grievances, turnover, "sabotage" and the like. However, the strategy of direct autonomous workers' action could rely only on strikes for only strikes could affect the power structure of the firm. The other less visible, less dramatic, less concerted forms of action could be perceived as constraints or simply nuisance by management but they could hardly be expected to affect the power relationship between managers and workers.

Here we face three important questions: (1) Can strikes alter the power relations between managers and rank-and-file employees, and under what conditions; (2) Is direct and autonomous workers' action feasible under the self-management system; (3) Is direct and autonomous workers' action acceptable, both in political and theoretical terms, under a socialist regime?

When we try to assess whether direct and/or autonomous workers' action can affect the power relations between the managers and the managed, we may give just this general answer: it depends. It depends, among other things, on the combination of two basic variables: the pattern of organization of the workers' action and the institutional pattern of the enterprise. The Yugoslav and Western firms compare, very roughly, on these two dimensions in the following way:

Institutional pattern of enterprise

| | <i>Workers' Self-managed Capitalist corporation</i> | |
|-----------------|---|--|
| <i>Informal</i> | <i>Temporarily destabilizing management</i> | <i>Intraorganizational level: no effect Interorganizational level: the position of union may be weakened</i> |

¹⁵ Statistics on strikes in Yugoslavia in 1960s were compiled and presented by Neća Jovanov — see "Strikes and Self-management" in Dunn and Obradović, eds., *op. cit.* pp. 339—374.

| | | |
|-----------------------------------|--|---|
| Pattern of organization of action | Highly unlikely. If it does happen, it will temporarily destabilize management | Intraorganizational level: no effect Interorganizational level: power relationship may shift in any direction depending on the parties' relative positions and contingency factors |
| Formal | | |

Some explanations are required here.

- (1) Under workers' self-management, any excess of power by management over that by workers is institutionally illegitimate; but as long as the formal self-management machinery works smoothly, this does not come to light. The institutional fiction that executives enjoy the confidence of the Council and the latter enjoys the confidence of its constituency is maintained, and this fiction keeps the real power relations in the shadow. Work stoppage, however, shatters the fiction, and the illegitimacy of managerial power is exposed. When the trouble occurs, some outside agencies (local government, Party and union officials in the community) step in to help to settle the dispute and they will not fail to reap some political point at the expense of industrial bureaucracy. This produces a destabilizing effect on management, which is temporary. Once the peace has been restored, management is again in the saddle. Nevertheless, the question remains unanswered: does such a temporary destabilization of managerial power produce some more permanent changes in the relationship, no matter to what extent? A Yugoslav industrial sociologist, working with a big shipyard, did observe some changes in the behaviour of management attributable to relatively frequent strikes.¹⁶ However, the sheer possibility of strike acts as a constraint on managerial behaviour limiting a number of alternative courses of action, more precisely, ruling out in advance those courses which are likely to cause the trouble. One might speak about some sort of veto-power by workers.
- (2) I do not need to explain why neither the authorized nor wildcat strikes in the Western corporation have no effect on the intra-organizational level. Here management derives the legitimacy of its power, which is commensurate with its formal authority, from the Board of Directors, ultimately from shareholders — not from employees. There is a different institutional fiction at work, much easier to be maintained than that under the self-management system. Management will be institutionally supported to take a firm stand in face of workers' strikes, they will not be put on the spot as are their Yugoslav counterparts.

¹⁶ Mladen Žuvela — a personal communication to the author.

- (3) On the interorganizational level, management in the West may actually profit from unauthorized work stoppages: they can accuse the union of not living up to its obligation, especially the non-strike clause written in any collective agreement. The results of an authorized strike could be in favour of either party, depending on their relative positions and a number of situational factors.

Now let me go to the second question: is direct and autonomous workers' action feasible under the workers' self-management system? The answer seems to be negative. To be effective on the international level, this strategy presupposes that workers' action be formally organized by labour unions (or similar organizations). And this amounts to asking for the institutionalization of industrial conflict. The institutionalization of conflict would require the restructuring of roles within the self-management system.¹⁷ Consider the Workers' Council. It is designed to perform two roles: to represent its constituency (employees) and to manage the enterprise. Under the present arrangements, such a role diffuseness could somehow be maintained; but in the case of an overt, prolonged and institutionally-recognized conflict, the Council should take sides. If it sided with workers, it could hardly be able to perform its managerial role (and besides that, the Council would be transformed into a sort of labour union, which would confuse its relationship with the existing union). If it sided with professional executives, it would sever the ties with its constituency: it would be turned into a Managerial Council ceasing to be the Workers' Council. In both cases, the system would lose its essential property — workers' self-management, and would be turned into something quite similar to a Western firm.

Of course, there is a third possibility: to keep the Council out of combat. It should operate on non-controversial issues as does the Works Council within the "production bargaining" arrangements in Britain, or it would serve as a communication channel between management and employees administering at the same time welfare programs (statutory councils in some European countries). Workers' self-management would be turned into workers' participation.

Finally, there is a fourth possibility: that the Council be composed of management and worker representatives and that it make managerial decisions. In that case, self-management would be turned into a sort of co-management. In each case, the system would lose its basic identity.

The third question actually contains two subquestions: (1) is institutionalization of conflict politically acceptable to a present socialist society? (2) could institutionalization of conflict under socialism be incorporated into the body of the Marxist doctrine constituting the ideological basis of such a society?

The first subquestion could be answered briefly: no. The political systems of the present socialist societies are not based on political plu-

¹⁷ Zupanov, "Two Patterns of Conflict Management", *Industrial Relations*, Vol. 12, No. 2, May 1973, p. 215.

ralism.¹⁸) The institutionalization of conflict means pluralism on the industrial scene, and you cannot afford it if the policy rejects pluralism. In other words, direct and autonomous workers' action do not seem to be compatible with the political systems of contemporary socialist societies.

The second subquestion should also be answered in the negative. True enough, Marxist theory adopts the conflict model for the analysis of social systems. The social systems are not organized around a consensus of values but involve conflict situations at central points. Such a conflict situation tends to produce a plural society split into two or more classes. The balance of power between the classes is unequal so that one of the classes emerges as a ruling class. There will be the struggle between the ruling class and the subject class which follows the Hegelian dialectics: thesis → antithesis → synthesis. The knowledge of thesis is sufficient to give us knowledge of what the synthesis will be. The last suggestion is the weakest point in the theory; however, it is most relevant for our question. The conflict model or the class society is thesis; the socialist revolution, involving the dramatic change in the balance of power which actually destroyed the basis of the ruling class' existence, is antithesis, the new social order is synthesis. Now, the synthesis cannot be a conflict-ridden society, for that would entail a devolution from synthesis to thesis, and this is impossible. The idea that new divisions within the revolutionary class may open up after the revolution does not fit the doctrine. And an important qualification also does not fit: that the knowledge of thesis is not sufficient to give us knowledge of what synthesis will be. Even if we understand the social system of a subject class during the phase of conflict, we do not know how it will organize society in a post-revolutionary situation. All that a revolution settles is that the former subject class will be able to create a new social order. It does not entirely settle the question of what that social order will be like.¹⁹) To recognize or institutionalize the conflict would amount to the admission of one of two things: either that the revolution has "degenerated" by backsliding from synthesis to thesis, or that the end result basically differs from the state of the system expected to come on the basis of the thesis. The admission of either conclusion would be seen as subverting the theory and undermining the

¹⁸) Yugoslavia certainly differs from the other socialist countries in this respect: its political system is characterized by the "Pluralism of Self-management Interests" as suggested by E. Kardelj in his book *Pravci razvoja političkog sistema socijalističkog samoupravljanja* (Directions of Development of the Political System of the Socialist Self-management) Beograd, Komunist, 1977. This pluralism applies to the institutionally recognized actors of the self-management system (e. g., work organization, local community etc.) who are allowed to act as special interest groups, within certain limits. However, it does not apply to, say, socio-occupational and socio-economic groupings for they are not institutionally recognized as the actors in the self-management political system. For that reason the "pluralism of self-management interests" cannot be equated with political pluralism as this term is currently understood.

¹⁹) J. Rex, *Key Problems in Sociological Theory*, London, Routledge and Kegan Paul, 1961, pp. 110—114, 129—134.

ideological foundations of the socialist society. And this is clearly unacceptable.

Concluding this part of the paper, I would like to say that the strategy of direct and autonomous workers' action was never officially adopted nor put into practice. And it is not likely that it will be in the foreseeable future. I included this strategy as a theoretical possibility which seemed to be catching ground by the end of 1960s. It still echoes in the concluding part of my paper on participation and influence in industry. Under the workers' self-management system, this strategy is unrealistic and can be treated merely as a theoretical possibility.

4. The strategy of self-management information

A new strategy for changing the existing power relationship seems to have been emerging recently: to increase the power of workers by supplying them with complete data necessary for decision-making by self-management bodies (ranging from the workers' collective meetings in BOALs to the Workers' Council of a large business concern). This idea originated in academic circles (especially among students in communication) and thence it spread to a wider circle of people both in politics and business. At present, the idea that workers should be thoroughly and accurately informed if they are really to decide the issues they are legally entitled to — is widely accepted as being self-evident. What is the potential of this idea in terms of change in power relations within the organization?

(1) First, what is the theoretical foundation of this strategy? It seems to me that C. Wright Mills' distinction between physical coercion and manipulation as two ways of exercising power²⁰) could serve as the point of departure. In the modern society there is the tendency toward more manipulation (i. e., hidden exercise of power) and less coercion (i. e., open exercise of power). I would add that coercion and manipulation are two polar types of, or two limiting cases in, the exercise of power. In reality, we find various combinations of both.

Nevertheless, the modern tendency toward manipulation — and manipulation means withholding information or releasing one-sided, partial, half-true or completely false information — is real and for good reasons:

— firstly, an attempt to coerce somebody creates a situation of a test of power, and the outcome of the showdown is not always certain (except in "total institutions" and under extremely totalitarian regimes), for the object of coercion can exhibit an unexpectedly strong resistance as to make the attempt at coercion unsuccessful, or in extreme cases, the resistance can reverse the power relationship between the parties. Therefore, one may expect that the power holder will avoid testing his power unless he feels absolutely compelled to. Even a sheer number of incidences of his power being subject to test cast

²⁰) *White Collar*, New York, Oxford University Press, 1956, pp. 109—111.

doubt on his ability to coerce effectively the objects of power, and this threatens his power;

- secondly, any power holder will tend to convert his power into authority, and the latter means a group mandate. If he has no group mandate, he will try to forge it, which implies the creation of a false consciousness and illusory community between the power holder and objects of his power. And this is one of the main objectives of manipulation through propaganda;
- therefore, the power holder will try, through the manipulation of feelings and misinformation, to confuse the other people with regard to the actual configuration of power. Such a confusion will impair any resistance, for the object of power simply does not know where to strike back. How to fight an invisible enemy? It is important to note here that coercion in human groupings is rarely physical in character rather it is economic and political. And for that reason: the perception of the subject of power is not simply the perception of a physical person: one has to perceive (i. e., to interpret) complex social situations. To do this, one needs a minimum quantity of relevant information. Without such information the perception is simply not possible.

When workers' self-management political-institutional system is superimposed on the market economy and social stratification, the need for manipulating people in the exercise of power seems to be even greater. Especially the need to create an illusory community, for this is the only way to bring reality closer to the professed ideal. As I said earlier, the differential power under this system is illegitimate, and only an illusory community can produce an appearance of legitimacy of power both in institutional and psychological terms. However, the illusory community is bound to attempt to seize the power as a community, to become the real source of power, and to prevent that, the illusory community should be poorly informed or misinformed about relevant issues. Hence the need of a skilful manipulation by power holders. The manipulation will be combined with coercion of individuals in order to deter the potential rebels and those who might be plotting to take over the power themselves.

(2) The strategy of changing the power balance in the organization through full and accurate information lies on the assumption that the exclusive possession of relevant information and control of the communications channels is the true source of power. If the power holder is deprived of his monopoly on information and of exclusive control of channels of communications, he also loses his monopoly of power — more precisely, the asymmetrical distribution of power will come to an end.

We have to answer two questions here.

First, is the monopolistic possession of information relevant to the system the source of power, or is it the result of the pattern of power already in existence? What is the relationship between these two phenomena: power and information? Is the relationship:

Monopoly on information \longrightarrow Power
 or
 Power \longrightarrow Monopoly on information

The relation is probably circular:

Power \longleftarrow Monopoly on information.

This circular pattern means that the exclusive possession of relevant information is both a source and result of power, the two reinforcing each other. However, from this pattern we still do not know what comes first: the power, originating partially outside the province of information (out of control of resources other than information), or monopoly on information.

Suppose the roots of power lie exclusively in the domain of information, i. e., that information comes first, it is still not clear how a power holder could be deprived of his monopoly on information. Since the exclusive possession of information is valuable to him, he is not willing to share it with others, he will not give up his privilege to decide what kinds of information will be produced in the organization, which portions of it will be distributed, to whom, when and through what channels. This is really what a monopoly on information means. It is not clear how he could be deprived of such a monopoly, for he is powerful and can effectively defend his exclusive prerogatives against those who lack the power.

This unanswered question lingers in the studies on the workers' self-management information system by Professor P. Novosel and his group.²¹⁾ He constructed a "theoretical model" of a self-management information system, and then compared the empirical research data obtained from various firms, especially from a Zagreb factory, producing metal-working machines, which was studied very closely. The analysis showed that the actual practice of communications was entirely at variance with Novosel's theoretical model. Novosel went even further and elaborated a concrete plan of how to install a practical self-management information system in the Zagreb factory where his main study was made. He submitted his plan a long time ago but never got an answer.

The second question is, through what communications channels should self-management information be transmitted? Novosel argued that both formal hierarchical and informal communications channels were unsuitable for that job. The self-management information system needs a special channel free of managerial control.²²⁾ Novosel was unable to propose a coherent theoretical solution to this problem. He relies heavily on the mass media type of information system inside the

²¹⁾ „Modeli samoupravnih komunikacija u organizacijama udruženog rada" (Models of Self-management Communications in Organizations of Associated Labour), Zagreb, Institut za političke znanosti i novinarstvo Fakulteta političkih nauka, 1974, mimeo.

²²⁾ In a panel discussion held in Zagreb on March 26, 1974, in a more recent work, however, he recognizes the potentialities of informal communication channels for transmitting self-management information (*Delegatsko informiranje — Informing the Delegates — Zagreb, Centar za informacije i publicitet, 1977, p. 25.*)

organization, but thus far such activity has been tightly controlled by management, as his own study on the position and role of factory newspapermen has shown.²³⁾

The conclusion seems to be clear: the strategy of alternating the existing balance of power through changing the information and communications system along the lines of workers, self-management does not seem to be a workable idea.

Concluding remarks

The proper balance between the whole and the parts in the self-managing organization in Yugoslavia requires a power equilibrium, both in quantitative and qualitative terms. We have reviewed briefly four different strategies for changing the existing oligarchic power structure, none of which did work or could work. If there is no strategy other than those under consideration, one is tempted to pose the question: is unequal distribution an immutable property of any organization — have we come back to Michels's "iron law of oligarchy"? Or perhaps the solution to the problem should be sought on the macro-economic and macro-social level of social organization? Two complexes seem to be crucial in any attempt to deal with social power: market economy and social stratification.

STRUKTURA SAMOUPRAVNE RADNE ORGANIZACIJE I DRUSTVENA MOC — CETIRI ALTERNATIVNE STRATEGIJE ZA IZMJENU STRUKTURNE MOCI

Josip Županov

R e z i m e

Načinjući raspravu o složenim odnosima između samoupravne organizacije kao cjeline i njezinih sastavnih dijelova autor se ograničava na to da naznači tri ključna problemska područja.

Prvo problemsko područje je dvojni karakter samoupravne organizacije. Ona se sastoji od dviju struktura: „participatorne strukture“ i „hijerarhijske strukture“. Glavno je pitanje: da li je participatorna struktura kadra da nametne svoje vodstvo formalno podređenoj izvršnoj vlasti ili pak i sama potpada pod dominaciju industrijske hijerarhije.

Drugo je problemsko područje odnos između legitimne vlasti utjelovljene u participatornoj strukturi i stvarne moći utjelovljene u hijerarhijskoj strukturi i političkog utjecaja utjelovljenog u društveno-političkim organizacijama, prvenstveno u organizaciji SK. Glavno je

²³⁾ „Položaj i uloga tvorničkih novinara u uvjetima samoupravljanja“ (Position and Role of Factory Newspapermen under the Conditions of Self-management), Zagreb, Institut za političke znanosti i novinarstvo Fakulteta političkih nauka, 1974, mimeo.

pitanje u kakvim su odnosima ti kompleksi jedan s drugim (autonomija, dominacija, koalicije).

Treće problemsko područje čini višestepena struktura organizacije (dvostepena i trostepena). Radna organizacija je institucionalno definirana kao federacija osnovnih organizacija udruženog rada (OOUR-a). Iz višestepene strukture proizlaze dva niza problema: (1) problemi što izviru iz tržišnih i netržišnih odnosa među temeljnim autonomnim jedinicama (OOUR-ima); (2) problemi što izviru iz stalne međuiigre centripetalne sile »korporacijskog centra« i centrifugalnih sila OOUR-a.

U osnovi sva tri problemska područja leži ključna varijabla: distribucija društvene moći u organizaciji. Ako želimo da participatorna struktura nametne svoje vodstvo izvršnoj hijerarhiji; ako želimo da kompleksi vlasti, moći i utjecaja budu ispravno među sobom povezani; ako želimo da odnosi između temeljnih jedinica te između njih i »korporacijskog centra« budu dobro izbalansirani — tada je potrebna uravnotežena distribucija moći, tj. da pozitivnoj moći (indukcija) jednog aktera u sistemu odgovara negativna moć (otpor) drugog aktera, drugim riječima da moć bude »negirana« odnosno isključena iz društvenih odnosa. Preostali dio članka posvećen je tome kako ostvariti uravnoteženu distribuciju moći i koje su nam strategije na raspolaganju za izmjenu distribucije moći.

Razmatra četiri alternativne strategije koje se među sobom ne isključuju:

- (1) strategija redistribucije formalnih ovlaštenja u organizaciji;
- (2) strategija zamjene formalne koordinacije tržišnom ili kvazi-tržišnom koordinacijom u organizaciji;
- (3) strategija direktne i autonomne radničke akcije;
- (4) strategija promjene informacijskog i komunikacijskog sistema da bi odgovarao sistemu radničkog samoupravljanja.

Razmatra teorijske osnove, rezultate primjene i nedostatke svake od navedenih strategija. Nijedna ne daje odgovor na pitanje kako izmijeniti distribuciju moći u organizaciji u poželjnom smjeru.