

WORKERS' MANAGEMENT

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(a) Principles of Organization

Industrial *democracy*, like any democracy, is a political concept. A business firm run by workers is not only an economic organization but it is also a political organization. The implications are twofold. First, the most complete and direct self-management is possible only at the enterprise level and so any study of self-management is appropriately started by an investigation of workers' management. Second, what happens in enterprises is of fundamental importance for social relations in the society at large.

The organizational/political goal of a socialist enterprise is to maximize democracy in decision-making and efficiency of implementation. Traditional organizational theory considers this double goal to be inherently contradictory. It is considered equally contradictory as a coupling of market and planning. A socialist organizational theory will treat the two goals as complementary. That has to be shown.

Maximizing democracy may be defined so as to mean that the opinion of each member of a work community is weighted exclusively by its objective importance for the decision at hand. Thus, the decision reached would be independent of the subjective motives and interests of any particular member. At the same time, it would be as efficient as possible. Maximum democracy would imply maximum efficiency.

Attractive as the solution just sketched might appear at first sight, it is really no solution at all. It is an empty tautology like, for instance, the neoclassical theory of value. Democracy is simply defined in such a manner as to imply efficiency. We have no indication of how to achieve one or the other and make them compatible. They have been made compatible by definition. Thus, we have to search for a more meaningful approach.

In reality, there are two essential problems to be solved. First, who evaluates the objective weight of a proposition? Second, what is the objective weight of a value judgment? The answer is that democracy must be determined by the *mode* of decision-making, not by

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the *quality* of decisions. Now the tautological identity disappears and we can postulate the following six organizational principles for a labour-managed enterprise.

1. Absolute maximum of democracy is achievable when the work community consists of only one member. When others join; the freedom of decision-making becomes necessarily limited and technical complexities increase. Besides, distinct possibilities arise for cliques and coalitions to appear with the consequential manipulation of group opinion. And even if this does not happen, it is still possible to have a genuine diversity of interests for two subgroups to emerge. The majority may then tyrannize the minority, it may disregard and overrun the legitimate interests of the minority. For all these reasons, basic work groups ought to be sufficiently small and homogeneous so as to make possible face-to-face interactions, informal communications and interpersonal contacts among members. In such a primary social group:

- (a) the participation in decision-making will be direct;
- (b) the process itself and the decisions reached will be transparent;
- (c) because of homogeneity an unjustified and permanent imposition of majority will is not likely;
- (d) because of (a) — (c), the possibilities of opinion manipulations are limited.

We can now derive the first organizational principle: the basic organizational unit is not the enterprise but the work group with the characteristics described above. I shall call it *Work Unit*. A Work Unit is not only a group of workers but also a definite subsystem in the production system called the enterprise. In this capacity, as the smallest functional unit, it will be referred to as an *Economic Unit*. A Work Unit may be further subdivided into work teams which assume various production and other tasks.¹⁾ Work units are federated into a *Work Community*, Economic Units into an *Enterprise*.

2. Whenever the decisions of a Work Unit affect substantially the interests of other Work Units, the right of decision-making ought to be delegated to the next higher level. This is the justification for establishing the *Workers' Council* as the second-level decision-making body.

Efficient management implies (a) correct decisions and (b) efficient implementation. Organizational principles which follow are intended to satisfy these two conditions.

3. Individuals and organs making decisions ought to bear responsibility for the decisions made. In other words, rights must be matched by sanctions.

¹⁾ It is important to notice that work teams or, as they are sometimes called, autonomous work groups have strictly limited functions. They «should be limited to those functions only» suggests Veljko Rus and Mitja Kamušič on the basis of an experiment in a Slovene factory «which could not be performed by any other body in the work organization. We have in mind self-organization and self-control of group work which represent a condition for the abolition of hierarchical organization and control on the part of lower and middle management... Autonomous work groups should not decide about hiring and firing, and also not about promotion and education of their members. In this way, autonomous work groups will be unifunctional and partial, and not multifunctional and total». («Autonomous Work Groups within System of Self-Management», mimeo, Conference on Workers' Participation on the Shop Floor, Dubrovnik, February 1976, p. 36).

4. The implementation of decisions -- executive work and administration -- is a matter of professional competence, not of democracy.

5. Principle 4. implies a separation of two different spheres of activities: the interest sphere and the professional sphere. The former consists of policy decisions, the latter of professional work and administrative routine. Policy decisions are legitimized by political authority, executive and administrative work by professional authority. The former represents value judgments, the latter represents technical implementation. In the interest sphere, the rule one man-one vote applies, in the professional sphere vote is weighted by professional competence.

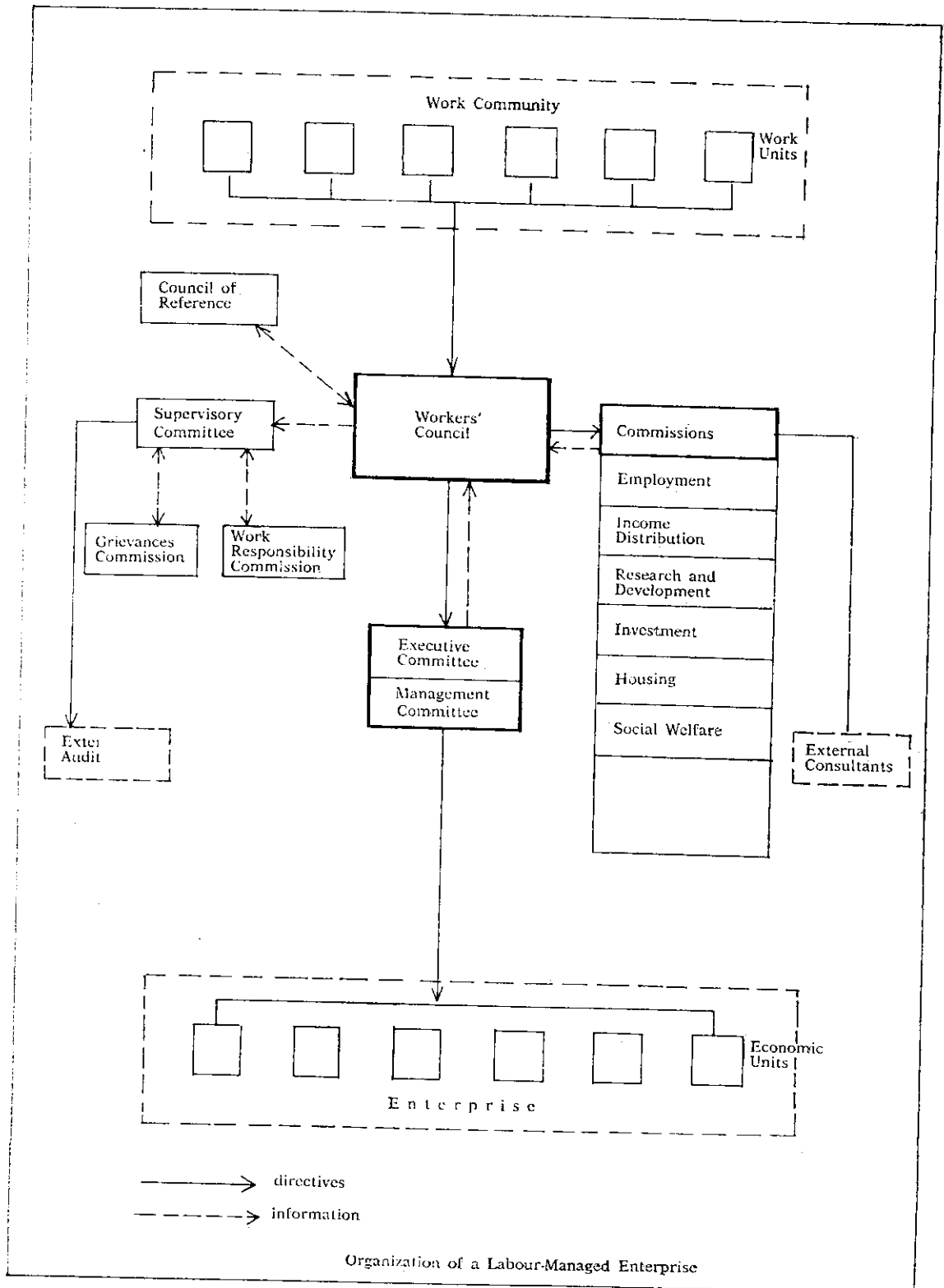
6. Since political and technical decisions cannot be neatly separated and neither can Work Units be made perfectly homogeneous nor the entire Work Community sufficiently small, there is always a possibility for individuals and groups to abuse power. Therefore, special safeguards ought to be built into the system. This implies an institutionalization of control and conflict solving as well as an institutionalized defense of individual interests against the inconsiderateness of the group and a defense by collective interests against misbehaviour of individuals.

(b) Organizational Chart

If the six principles of Section (b) are applied, the organization of the labour-managed enterprise will look as depicted in the chart. It is immediately clear that the chart is nothing else but an elaboration of the familiar sand-glass model of organization. The upper part belongs to the policy sphere, the lower part to the sphere of technical implementation. Since we deal with a political system, we can also make use of the traditional political theory and talk of the separation of power. Legislative power is located in the upper part of the chart, executive power in the lower. Apart from that, and also in consonance with the organizational Principle 6, there is also adjudicative power, located in the left-hand middle part of the chart.

In principle, all decisions are always to be made at the lowest possible level. Only when the decisions affect the interests of other Work Units will they be made at the level above the Work Unit. Now most of the decisions that affect the daily lives of workers can mostly be made in the Work Unit. These are decisions concerning job assignment, conditions of work, social priorities, distribution of the surplus, employment and dismissal, conflict resolution and similar. Empirical research reveals that these are exactly the problems workers insist on for direct participation in decision-making.²⁾ Other policy decisions may be delegated to the central legislative organ, the *Workers' Council*. There is, however, a class of vitally important decisions which are made neither by the Workers' Council nor by the individual Work Units but

²⁾ V. Rus, »Novi model samoupravljanja i njegova relevantna društvena okolina,« in J. Obradović, V. Rus, J. Zupanov, eds., *Proizvodne organizacije i samoupravljanje*, Sveučilište, Zagreb, 1975, p. 46.



by the entire Work Community at a General Meeting or by referendum. These are decisions about a merger, radical reorganization, heavy investment program, passing of the constitution and the ordinances, and similar. In such cases, the majority vote of every constituent Work Unit may be required.

When a new worker joins the enterprise, he signs the »social contract« whereby he associates his labour with the rest of the Work Community under the existing constitution and ordinances.

The size of the Work Units will be somewhere in the range between ten and two hundred members depending on the size of the enterprise and the complexity of the production process. A Work Unit decides in plenum. It elects its chairman, who represents the Unit in the Workers' Council. Apart from Work Unit chairmen, who represent »sectional interests«, the Workers' Council consists also of Commissions chairmen who represent »functional interests.« The latter are elected by a general vote. Since every member of the Council is individually responsible for a particular set of activities (either political or technical), Principle No. 3 is satisfied.

Commissions of the Council have only advisory power, yet they play a vitally important role in the self-management process. They bridge the gap between professional managers and other members of the Work Community. They integrate technical knowledge and political considerations. They make it possible for practically everybody to be involved in management, at least at the stage of preparing the decisions. Thus, not only technical knowledge is required but also a precious social experience is gained which improves understanding and communication and helps to reduce inherited social barriers. An unskilled worker sitting on the Income Distribution Commission for several years may, for all practical purposes, become an expert in the field. He will know all the reasons why wage differentials were fixed in the way described in the ordinance, which decisions improved efficiency and which did not, what is socially acceptable and what is not, and so forth. A skilled mechanic sitting on the Investment Commission may prove to be a valuable source of practical information for investment planners. If a Commission happens not to have the appropriate technical expertise in a particular matter, it will engage a consulting firm from outside. While decision-making organs are elective and based on rotation of membership — the term of office normally being two years — membership in Commissions depends on personal preferences, it need not be limited in duration and, in the more technical Commissions, it need not be elective. There is plenty of scope for anyone to specialize in some particular aspect of enterprise management. This not only contributes to efficiency but also satisfies the need for active personal involvement.

The Workers' Council passes decisions on the basis of recommendations made by its commissions and committees. The most important committee is the *Executive Committee*, which replaces the former Management Board. The general manager, who is the chairman of the Executive Committee, is appointed by the Workers' Council. The chairman of the Workers' Council is an ex officio member of the Executive

Committee. Other members are departmental heads and the enterprise's secretary. They are appointed by the Workers' Council upon recommendation by the manager. Work Units appoint their own Economic Unit managers in agreement with the general manager. Making managerial personnel maximally acceptable to both the workers and the general manager obviously enhances efficiency. It is of some interest to note that the »federal« units will be doubly represented in the management structure of the enterprise: chairmen sit in the Workers' Council and managers sit in the Management Committee. The chairman is a politician, the manager a technician. If both of them enjoy the confidence of the workers (and have compatible personalities), the Work Unit is likely to be politically democratic and economically efficient.

The general manager is appointed for a period of usually four years. His appointment is conditional upon presentation of a satisfactory development programme. Once a programme is fully elaborated and accepted by the Work Community, it becomes a sort of internal law. Both the Council and the manager and his staff are obliged to implement it. This means that the Workers' Council must provide full political support (or initiate the procedure for a change of the programme) and the Executive Committee bears full responsibility for the realization of the programme (Principle No. 3). The Executive Committee and the Workers' Council may disagree. Then the general manager may tender his resignation or bring the dispute before the general electorate, i. e., before the entire Work Community and its Work Units (since the Workers' Council has only a delegated decision-making power). The general manager is also responsible for the legality of all enterprise activities and, as such, is obliged to veto unlawful Workers' Council decisions. On the other hand, at the beginning of each business year the debate on the business results of the preceding year and on the plan for the next year ends with a vote of confidence concerning the Executive Committee. If the members of the Council come to the conclusion that poor business results do not justify further confidence in management, the Management Committee will have to be changed and the general manager may have to resign though his term of appointment has not been completed.

In every human group conflicts are bound to occur and some individuals may abuse their power or fail to live up to their responsibilities. Therefore, every system of government — self-management included — needs to perform two additional functions (apart from legislation and administration): the functions of adjudication and of control.

There are two types of conflicts between the individual(s) and the collectivity: (a) an individual may be harmed by an action of the collectivity (or by a decision on its behalf) and (b) the interests of the collectivity may be impaired by the irresponsible behaviour of an individual. Since these are two different types of conflicts, it is advisable to set up two different organs: a *Grievances Commission* dealing with (a) and a *Work Responsibility Commission* dealing with (b). The former may be elected by all members of the Work Community since

it must enjoy full confidence on the part of all individuals. The latter may be elected by the Workers' Council since it must enjoy the confidence of the legislators. Both commissions are fully independent in their work. Any member of the Work Community may introduce a case before either of the Commissions. Note that the second Commission replaces the former disciplinary commission. Yet, in the present setting, it is not only the superiors who activate the Commission to adjudicate a particular breach of discipline. The »superiors« themselves may also be brought before the Commission. On the other hand, they have the right to make use of the Grievances Commission when they themselves feel harmed.

The two Commissions act in the same way as do courts: they apply rules as established by the constitution and use precedents, creating in this way some sort of common law. They cannot change the rules or insist on their own preferences. Since the rules, however perfect, are always rigid, occasionally the need for a modification or reinterpretation arises. For this reason, it may be advisable to give the Workers' Council the role of a court of appeal. If the Workers' Council itself is the defendant, then the Commission decides in the last instance within the enterprise. Yet even then an appeal can be made, in this case to an outside organ called the Public Attorney for Self-Management.

The chairmen of the two commissions are *ex officio* members of the *Supervisory Committee*. The Committee is an organ of workers' control and supervises all managerial activities. Since conflicts provide first-hand information about poor management, it may be useful to establish the link between the commissions and the committee as specified. The chairman of the Committee and, possibly, additional members are elected by either a general vote or by the Workers' Council. The Committee makes recommendations to and prepares reports for the Council, but is otherwise independent. In order to work efficiently, to react on time to changing business conditions, the management must be given certain discretionary power. Yet this power, like any power, may easily be abused. Therefore, we need an institutionalized control. This is what the Supervisory Committee does. It has access to all documents and may scrutinize any managerial decision. At least once a year the Committee engages external auditors in order to prepare an evaluation of the business results for the business debate mentioned above. However, the Committee is not only an instrument of control and an unpleasant critic of management, it can also serve as a powerful instrument of support to an energetic and enterprising management. An active management is likely to generate resistance among more sluggish members of the Community. In order to rationalize their discontent, they may begin to spread rumors questioning the appropriateness, legality, etc., of certain managerial actions. The only efficient way to fight rumors is to bring the issue into the open and confront it with facts. The rumors may be fought — or hidden abuses discovered — in yet another way. Any information passed to the Supervisory Committee is considered confidential and may not be disclosed until and unless found true. On the other hand, the Com-

mittee may ask for information, and inspect the books, of any department or organ in the enterprise. Thus, if you have an indication that something vicious was done, but you are not sure, you will inform the Committee. If your surmise proves correct, a damage will be prevented. If it proves wrong, an honest man's reputation will be preserved unblemished and an unnecessary conflict avoided. The importance of a vigorous Supervisory Committee for good human relations in an enterprise can hardly be overrated. Such a Committee will help to minimize conflicts.

A conflict may arise not only when rules are not adhered to or legitimate interests are not honoured, but also when the parties disagree on the interpretation of rules. Or, as in a novel situation, there may be no rules at all. Then someone has to decide on what is correct or fair. This is the role of the *Council of Reference*³⁾ which is a combination of a constitutional court and an arbitration board. Any worker can contest the legality of any decision regardless of whether or not he is personally involved. Any organ may contest the legality of a particular act of any other organ. Or before an important decision is made, the need may arise for a competent interpretation of rules. Such cases are referred to the Council, whose decisions are binding. The Council also supervises elections.

Since satisfactory adjudication requires comprehensive knowledge of the enterprise's organization and experience in management, it may be a good rule to make the election into adjudicative organs contingent upon previous service in advisory commissions and the Workers' Council. In general, all elected members of self-management organs retain their productive jobs. Only the chairman of the Workers' Council may be required to quit his usual job during his term of office because in somewhat larger enterprises his responsibilities may require full-time engagement.

The above organization is not a copy of any particular enterprise, though it bears quite a few similarities to the actual organization of the Yugoslav worker-managed firms. The organizational chart is based primarily on my personal first-hand experience as, successively, a member of Workers' Councils, a member of many commissions and committees, a general manager and a member of an adjudicative organ during some fifteen years. It is meant for a medium-sized enterprise. In a small enterprise, the management structure will be simplified; in a large enterprise, there may be several layers of management with plant, enterprise and firm Workers' Councils. It is important to realize that the same organization applies, *mutatis mutandis*, to *any other work organization*.

There is no reason why business should enjoy the privilege of self-management. In a socialist society, whenever individuals associate their work in order to earn their living, they form a work organization based on self-management. The hierarchy is replaced by cooperation and the three — or rather four — governmental functions are appro-

³⁾ I borrow the name from the statute of the Scott Bader Commonwealth but assign to the organ a different function. Cf. F. H. Blum, *Work and Community*, Routledge & Kegan, London, 1968, p. 156.

priately institutionalized. With respect to the present chart, there is one important complication that needs to be mentioned. Some work organizations may be of special societal interest, which means that their activities affect other segments of the society in an important way. Consequently, full autonomy might not be desirable. In such a case, a *Board of Trustees* may be introduced into the chart. The members of the Board will consist of the representatives of the Work Community and of the representatives of the particular societal interests in question.

Worker management can function properly only if it is fully public. Consequently, prompt and adequate information on everything that is going on is vitally important. The decisions of all the organs ought to be published in the enterprise bulletin and the minutes of all meetings ought to be accessible to every individual member.

The participatory organization is technically somewhat more complicated than the traditional hierarchical organization. It cannot be established overnight. It requires a period of learning. In the meantime, various difficulties, analyzed in the next section, will have to be overcome. At first sight it looks as if it increases cost in terms of time. And, indeed, a naive and inexperienced approach to self-management may result in heavy losses in efficiency if meetings replace productive work. Yet in a normally-functioning system there is likely to be a substantial overall gain. A hierarchical system only seemingly operates fast. It is true that orders can be issued quickly and then they must be carried out. But such procedures generate unwanted side effects and a great deal of successive activity is wasted on coping with these side effects.⁴⁾ Participation requires a special preparatory stage in which all interested parties are informed about the intended action and their views are solicited. Once agreement is reached, the decision is implemented without resistance and the desired results are more expeditiously achieved.

Doubt is sometimes expressed about the applicability of self-management to particular production organizations. Our discussion of the organizational chart shows that it is universally applicable. This, however, cannot be said for the traditional hierarchical organization. Universities and research institutes are obvious examples. But even enterprises, using the most advanced technology, cannot be run in the traditional way. If routine production is replaced by individual projects — which is likely to be more and more characteristic of the technotronic age — the organization becomes multidimensional and the one-dimensional line of authority becomes simply inapplicable. Each project involves various departments and requires various staff services to be integrated. It is certainly not an exaggeration when William

⁴⁾ »One of the major problems in the United States is that a great many decisions are made solely to overcome the unintended consequences of earlier decisions . . . Most of the time, the unintended consequences affect individuals and groups who were not consulted before decisions were made. There can be no better way of discovering as many such problems as possible than to include in decision processes those individuals most likely to be affected by them. Although this would slow down the process, it would produce more effective decisions which, because hidden consequences had been discovered in advance, would become cost-effective through *cost avoidance*» (F. C. Thayer, *An End to Hierarchy! An End to Competition!* Watts, New York, 1973, p. 39).

Halal, an American professor of management, writes that »the evolving post-industrial society will virtually eliminate most physical forms of labour and instead will concentrate on the 'information' industries. The prevalent fields of employment by the close of this century will include research, computerization, services, communications, education and the like. These technologies involve dramatically different features from those with which existing organizational forms have been designed to deal. The component tasks associated with the 'info-comm' technologies are so unique that programmed routines are often inappropriate. Interaction between various parts of a problem makes it difficult to separate into specialized jobs; and the uncertainty involved in such, as yet, poorly understood processes makes prediction of outcomes far more problematical than it is for processes involving the repeated execution of similar tasks.«⁵⁾ As a consequence, the traditional bureaucratic organization will have to be replaced by something which is technologically more appropriate.

Once again we reach the familiar conclusion: advanced technology and advanced social organization go together. Thus, self-management is not only compatible with the developmental trends in technology. Meaningful participation is in fact indispensable for the normal functioning of a post-industrial society.

(c) Problems Likely to be Encountered

The attempts to introduce workers' management have been met by two standard objections. It was said that self-management would erode discipline and that workers would distribute all profits in wages, thus reducing the growth potential of the economy. None of these prophecies proved to be correct.

The first objection implies that workers' management will destroy hierarchy (correct), that without hierarchy there can be no authority (incorrect) and without authority the discipline is bound to »go to hell.« The reasoning is based on a confusion between two types of authorities, one coercive and the other professional. The coercive authority disappears with the hierarchy, the professional one remains and is even enhanced by self-management. Empirical research has shown no decrease in discipline⁶⁾ and has indicated that the effective power of both workers and management increases. An international comparative study concludes:

»Participation in decision-making by workers has a direct bearing on the influence of workers as a group, which has implications in turn for the personal influence, trust and responsibility felt by workers. Where workers trust management and where they feel a sense of res-

⁵⁾ »The Post-Industrial Organization,« *The Bureaucrat*, 1974, pp. 285—300, p. 290.

⁶⁾ The International Labour Office mission found in 1960 in Yugoslavia that »while the self-government machinery for labour relations has curtailed the former powers of the supervisory staffs, it would not appear to have impaired their authority... It has undoubtedly strengthened the position of the collective vis-à-vis the management, but it does not appear to have undermined labour discipline« (ILO, *Workers Management in Yugoslavia*, Geneva, 1962, p. 203).

possibility in the plant, they are likely to be responsive to the influence attempts of managers and managers are therefore likely to be influential under these conditions. Plants where workers participate in decisions tend therefore to be characterized by a relatively high level of control according to members. The enhanced influence of workers under these conditions does not have the effect of reducing the influence of managers since the trust and responsibility felt by members provide a basis for sustaining the influence of managers if not increasing it.⁷⁾

As to the second objection, the growth does not depend on profits but on investment. And if anything, there have been chronic overinvestment tendencies in the worker-managed economy.

It has not been difficult to dispose of the two fake problems. Yet, there is a host of real problems which must be carefully examined.

1. *Waste of time in discussions.* Participatory management is characterized by what might be called »the unanimity syndrome.« There is a great reluctance to decide an issue by vote. It is felt that there ought to be one optimal solution acceptable to everybody. If people disagree, they will try to persuade each other until consensus is reached. Now, if the meeting is poorly prepared, the participants do not have adequate information and did not have time to think about the issues involved and carry out informal consultations, if the technical and legal background of the issue is not clearly and precisely formulated — all of which is likely to happen in the early stages of workers' management — the meetings are likely to last for hours, even for days, with all sorts of irrelevant issues being discussed and with the final decision being more a result of exhaustion of the participants than of real progress in coping with the issue. Thus, completion of preliminary discussion in the advisory commissions which prepare the proposals together with the expert legal and technical advice of the managerial staff are indispensable preconditions for reducing the discussion time to what is really necessary to reach consensus.

2. *Violation of organizational Principles 3, 4 and 5.* The distinction between legislative and administrative work is not clearly perceived nor is responsibility pinpointed. Since management is what managers do, self-management appears at first sight as managerial work. There is, therefore, a spontaneous tendency to interfere with the day-to-day administration. This puts the general manager in a delicate position and he may, and does, respond in several different ways:

(a) A *passive or incompetent* manager can easily avoid any responsibility by letting the Workers' Council assume all risks.

(b) A *demagogue* will build his position on this apparent willingness to obey always and unconditionally — regardless of the consequential damage due to inappropriate decisions.

(c) A *manipulator* will let the workers' council decide on trivialities and on issues requiring technical competence which the council members

⁷⁾ M. Rosner, B. Kavčić, A. S. Tannenbaum, M. Vianello, G. Weiser, »Worker Participation and Influence in Industrial Plants of Five Countries« in *Participation and Self-Management*, Proceedings of the Dubrovnik Conf., Vol. 4, Zagreb, 1973, 91–102, p. 100.

do not possess in order to make them rubber stamp his own decisions while avoiding any personal responsibility.

(d) A really *dedicated* and potentially efficient manager is likely to be accused of usurping self-management rights. After a couple of disappointing experiences of this sort, the frustrated manager is likely to evolve into one of the preceding three types.

In this context, all decisions can be classified into four categories: strategic decisions, tactical decisions, professional and routine decisions. Self-management is primarily concerned with strategic decisions; tactical decisions ought to be mostly left to the executive committee; while professional work and routine administration should really be carried out in a routine way by the respective staff without outside interference. Failure to distinguish between these four categories of decisions results in general organizational confusion.

In fact, the problem of decision-making is still more complex. In the early stages of self-management there is a pronounced tendency to concentrate on just taking the decisions. This looks like an obvious sign of power and authority. Yet the decision-making has at least five stages and taking the decision is just one of them. If the other four are not controlled, the mere decision-taking amounts to very little in terms of power and may have definitely negative effects in terms of efficiency. Modifying somewhat the approach of Ivan Paj,⁸⁾ participation in making strategic decisions is described in Table 1.

There are five stages of decision-making and eight decision participants. In the first and the last stage everybody participates. The third stage is reserved for self-management organs, for the legislators. Yet, they will exercise their authority properly, i. e., democratically and efficiently, only if the remaining twenty-five elements of the decision-making matrix function properly. In particular, the fourth stage reflects organizational Principle no. 4 whereby executive work is a matter of professional competence.

3. *Misconceptions about control* are closely related to problem no. 2. Self-management naturally implies control of all managerial activities. It is then naively thought that most efficient control is exercised by direct participation in all decisions, including administrative, professional and routine decisions.⁹⁾ That leads also to the interference already mentioned in 2. Treating tactical and routine decisions as being strategic and denying any discretionary authority to the Executive Committee has the following consequences:

(a) Business is conducted *less effectively* because managers cannot react immediately to changing business conditions. They have first to ask for a meeting to be convened in order to get an *ex ante* endorsement for the intended action. Since members of the Workers' Council are production workers, they cannot be called for meetings irregularly and at any time. Thus, decisions will be delayed while, in the meantime,

⁸⁾ »Uloga kolegijalnih izvršnih organa u procesu samoupravnog odlučivanja«, »*Ekonomski pregled*, 1971, 511—31, p. 520.

⁹⁾ Yugoslav legislation after 1973 was largely based on this misconception.

conditions might change and the intended action becomes meaningless. If decisions are not delayed, the manager is acting illegally which increases his frustration and corrodes the system.

(b) The idea that management can be controlled in this way is an *illusion*. What distinguishes managers from other members of the community is neither higher intelligence — anybody may be more intelligent — nor better education — research workers are better educated — nor higher status — elective officers carry high social status. It is familiarity with the work they do, accumulated experience and, occasionally perhaps, special talent for this sort of job. Thus, no amount of education can replace the necessary amount of properly digested information. And information cannot be digested at a meeting called at short notice. In brief, managerial work (tactical, professional and routine decisions) is professional work and ought to be treated as such. Amateurism is of no avail to anybody and does great harm to all.

(c) Because of (a) and (b), the control is not only not achieved; it is easily avoided and replaced by rubberstamping.

An *efficient control* may be achieved in the following way:

(a) By evaluating overall business results. If they are good, management is probably good. If they are poor, management has to give a satisfactory explanation.

(b) By comparing policy decisions with the implementation. In other words, by evaluating specific results.

(c) By handling grievances.

4. *Direct violation of organizational Principle no. 3, i. e., a divorce between decision-making and responsibility*, is a very common phenomenon. Everybody is eager to decide, no one is willing to assume responsibility. I became aware of that by studying the behaviour of my own Council, which consisted of highly educated people. On several occasions, the Council tried to force me, as the director, to undertake (or not to undertake) certain actions which I knew would be definitely harmful to the institution. After I had failed to persuade the Council to accept my proposals, I offered to carry out the decision of the majority under the condition that the Council assume responsibility for the outcome and that the work community be informed about that in advance. I thought that this was a fair deal and was greatly surprised when my offer was followed by an outburst of discontent. I was told that the Council may take any decision whatever and the director was obliged to carry it out at his own risk. My consequential offer to resign was called blackmail. Since this was not an isolated episode.¹⁰⁾ I came to the conclusion that the inherited authoritarian attitudes are so deeply ingrained that they are unconsciously carried

¹⁰⁾ On another occasion, I evaluated a Council's decision as meaningless. I was replied that the Council cannot take meaningless decisions — the Council represents the will of the community — and that in any case the director cannot evaluate the Council's decisions. On a third occasion, the council refused to accept a contract between the work organization and one of its members. It was considered self-evident that an individual member has certain obligations towards the work organization but that vice-versa does not apply. The council cannot be bound by contract stipulations in its dealings with individual workers. The individual and the collectivity cannot have equal rights; the former must be subordinated.

into self-management. The Council holds power. Whoever holds power has the right to issue binding orders. Whether these orders make sense is irrelevant; they must be carried out. An attempt to evaluate them negatively is a challenge to the authority of the Council and that cannot be tolerated. In other words, power is not power if it cannot be arbitrary. A good Reference Council may help in cases of this sort. And, of course, general scientifically-based education about self-management is quite indispensable.

5. Closely related to 4. are *popularity-based or inconsistent decisions*. When self-management is centered on decision stage 3 and, consequently, decisions are not well-prepared, the outcome of a debate depends very much on the prevailing mood of those present. If in the next meeting the membership is somewhat different, or the mood is changed for whatever reason, the earlier decision may be reversed. The Council being sovereign in the sense described in 4, this is not considered inappropriate. On one occasion, the Council allocated an unfinished apartment to a person first on the list of priorities. Soon afterwards, the man was drafted, and somewhat later another worker applied for the apartment. Now, the Council allotted the same apartment to this second man. When the apartment was finished — the first man having returned in the meantime — the manager — a passive type — informed the Council innocently that he cannot issue two titles to the same apartment. The continuation of the story can easily be imagined. Another case represents an illustration of inconsistency coupled with the refusal to bear responsibility or be bound by its own decisions. I find it startling even today. Within the Institute there was a Computer Center which could not cover its cost. We decided to introduce an incentive scheme whereby the members of the Center share in all positive or negative differences in business results as compared with those of previous years. Improvements did not look very likely and, in any case, the incentive percentages were very modest. The new manager of the Center turned out to be an exceptionally capable man and at the time of annual business debate the Center could boast of phenomenal improvements. Instead of giving full recognition to what had been achieved, the Council decided to ignore its own decision of a year ago, proclaimed the incentive scheme inapplicable and distributed the surplus in an arbitrary fashion. No amount of arguing that *facta sunt servanda* for everybody, including the council, could stop the disastrous decision. We did not know that they could do so well — was the answer — and it cannot be tolerated that they earn more than others. The Center lapsed into losses again. After a few more decisions of this sort, feelings of uncertainty and insecurity began to spread through the work community.

6. *Misconceived justice and misplaced solidarity*. If managers are superiors, it is evident that they may behave unjustly and inflict harm on individual workers. Therefrom a recognized need for a due process in handling grievances. If workers rule, this need is not so obvious. If something wrong happens to you, you appeal to the Workers' Council and your grievance will be redressed by your colleagues. This explains the tendency to let the Workers' Council deal with everything

and to neglect institutionalized handling of conflicts. As a result, grievances are dealt with in an arbitrary fashion, among the last items of long agendas of an exhausted council. Less vocal, less persistent, less popular and less powerful workers are likely to be turned down. The council's justice appears to be very disappointing. Embittered workers then turn to Trade Unions and to regular courts or go on strike — which of course destroys the very essence of self-management. However, not only harm done to individuals remains uncorrected but also damage to collective interests remains unpunished. This may be called misplaced solidarity. Railway men responsible for railway accidents are not fired unless they are convicted in courts. Cashiers imprisoned for embezzlement are employed again in the same job. Managers convicted of felony again become managers.

7. *Neat separation of political and administrative work is not possible.* Education means power. Information means power as well. Since managers are likely to be better educated than workers (for the time being) and better informed about the firm's affairs than anybody else, they will hold more power than some other group. This power can be — and is — abused. How naive attempts to exert control by participating in administrative decisions backfire — was explained above. What can be done to cope with the problem? Empirical research reveals certain interesting facts which are not quite consistent with the expectations. The wielders of arbitrary power tend to be general and departmental managers. The victims are skilled workers in small work organizations and experts in the larger ones. The hostility of hegemonic cliques towards skilled workers and experts reveals their professional inferiority. Indeed, further sociological research indicated that managerial groups with a lesser degree of education are less inclined to cooperate with other groups, are less ready for critical communication, are less interested in correct information and are more sensitive to hierarchical differences. In short, the less competent a manager is, the more arbitrary and aggressive he is likely to be. He must form a ruling clique since this is the only way to retain power. And if, for some reason, political criteria play an important role in the selection of managers, incompetent managers will tend to form political alliances with the centers of power outside the enterprise which will exert stifling effects on both worker management and efficiency. It has also been found that arbitrariness in the personnel policy is highly correlated with the poor organizational development of the work organization.¹¹⁾ Once again we reach the conclusion that strict professionalization of (executive) management is a necessary precondition for successful self-management. The other precondition is a fully developed and consistent organizational structure.

8. *Decentralization may mean fragmentation.* According to the first organizational principle, the Economic Unit is the basic organizational unit. If an enterprise is treated as a Federation of Economic Units, internal organization is likely to be rather complex and requires experience and professional knowledge in order to be handled appropriately.

¹¹⁾ The results of empirical research referred to are quoted from the article by Veljko Rus, «Klike u radnim organizacijama», *Gledišta*, 1966, 1079—98.

Internal decentralization is practiced in capitalist firms as well and there is a body of professional literature on its various aspects. The relevant knowledge exists and can be usefully applied. Yet, this does not reduce the complexity of the problem and, besides, capitalist literature is frowned upon. The spontaneous amateur reaction to the problem is to ask for an economic autonomy of Economic Units. If the Work Units are to be self-governing, they must have financial independence. This will be achieved if the Economic Unit has its own banking account and sells its services to other units at market prices. (The head office is, of course, jointly financed and there are some joint funds at the level of the enterprise.) As a consequence, Economic Units begin to behave like separate firms. Since it is in the nature of things that some units cannot operate like separate firms (an accounting department or a specialized repair shop), those which can (producing finished products to be sold at the market) are in a privileged position and begin to exploit their advantages. The enterprise disintegrates into quarreling constituent parts. And if the integrity of the firm is preserved, decentralization turns out to be a mere window dressing.¹²) The mistake committed is obvious. An enterprise is an enterprise exactly because its internal organization is based on non-market principles. The market stops at the gate of an enterprise. If it is introduced inside, the enterprise disintegrates. Self-governing autonomy of an Economic Unit can be preserved by appropriate budgeting, but this again requires adequate professional knowledge.

9. *The dangers of inefficiency and etatism.* If managers form cliques, injustices are not corrected, Economic Units fight each other and meetings last ad nauseum — workers' management will not be very idyllic. Far from disappearing, alienation may in fact increase. Human relations will markedly deteriorate. Efficiency will decline. The faith in self-management will be shaken. Workers will spontaneously turn towards government. Instead of solving their problems by themselves, they will ask the government to intervene. That provides a mass social basis for etatism.¹³) Unsuccessful socialism degenerates into etatism.

We may now conclude our discussion of producer equality. It is clear that worker management is no panacea. It creates its own problems which are by no means insignificant. If they are not handled with the utmost care, the society runs a great risk of ending up in etatism.

Self-management is a radically new social organization. People raised in and conditioned to another system cannot change overnight. In particular, individuals are not used to evaluate other individuals' views objectively and do not readily tolerate decisions taken without

¹²) Describing the Yugoslav scene in 1974, Jozo Županov writes: »The idea that Economic Units should be autonomous self-sufficient units capable of earning and distributing their own income... prevailed over a sociological proposal... of fusing formal and informal organization on the lowest possible level into basic building blocks of the organization... In most firms management was successful in preserving a *de facto* centralized organization... («The Self-Management Work Organization — The Ideal and Reality in the light of an Organizational Theory», mimeo.)

¹³) J. Županov (*Samoupravljanje i društvena moć*, Naše teme, Zagreb, 1969, pp. 54–56) and V. Rus («Novi model samoupravljanje i njegova relevantna društvena okolina», in J. Obradović, V. Rus, J. Županov, eds., *Proizvodne organizacije i samoupravljanje*, Sveučilište u Zagrebu, 1975, p. 60) noticed this tendency and documented it by empirical research.

them by their peers. This leads to those mistakes in organization discussed above. But even if organization is appropriate in principle, it still need not work. Not everything can be regulated. In fact, overregulation has similarly negative effects as misregulation. What is required is mass experience and social adaptation. Only after appropriate customs and traditions have been formed can the organization be expected to work properly. *Quid leges sine moribus?* It is good to be reminded that early capitalism needed decades to get rid of such barbarous practices as corporal punishment and police intervention in labour relations. Once the first generation has passed through self-management experience from kindergarten age onwards, the society will be in much better shape to handle the nine problems revealed by social practice until now.

The present analysis also indicates factors which facilitate the development of worker management. They are:

(a) Long industrial tradition. Skilled workers show a markedly more positive attitude towards self-management than unskilled workers. Industrial workers take division of labour and professional competence for granted.

(b) Long tradition in political democracy. Since self-management is a political process, the relevance of this condition is obvious.

Conditions (a) and (b) can be substituted — I do not know whether wholly or only partially — by a genuine social revolution which raises the social aspiration level and generates willingness to make sacrifices for a cause.

(c) High wages which provide for satisfaction of essential needs. Since existential risks are reduced, people are not so greedy and are more willing to get along with others. Competition can more easily be replaced by cooperation.

(d) Short working week, which provides sufficient free time for participatory activities.

(e) High educational level which reduces barriers in communication.

It is clear that these five conditions taken together imply a high level of economic development. This is, of course, the old Marxian conclusion that the most developed countries are potentially most ready for socialism. Yet, since social development is not deterministic, existing potentials may or may not be used. That is why workers' management need not — and did not — appear first in a most developed country. On the other hand, low level and low rate of development are likely to kill workers' management even if it, for some reason, appears.

One last remark remains to be made. The obstacles to development of genuine workers' management are truly formidable. But this is no reason for despair. On the contrary. If we are interested in a more human social system, which is what socialism is supposed to be, then workers' management is the most powerful instrument of social transformation at our disposal. It provides a daily training ground for the development of socialist production relations and of a meaningful political democracy.

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RADNIČKO SAMOUPRAVLJANJE

Branko HORVAT

Sažetak

Ovaj rad predstavlja pokušaj generalizacije četvrtvjekovnog jugoslavenskog iskustva u radničkom samoupravljanju. Autor je bio i lično angažiran u samoupravnoj praksi od prvih početaka kao član radničkih savjeta, upravnih odbora, različitih komisija i kao direktor.

Organizaciono-politički cilj socijalističkog poduzeća jest maksimiranje demokratičnosti u donošenju odluka uz maksimalnu efikasnost u njihovom izvršavanju. Da bi se taj cilj ostvario, autor postulira šest organizacionih principa:

1. Osnovna samoupravna jedinica mora imati karakteristike primarne grupe. U tom smislu poduzeće je suviše velika jedinica. Poduzeće se stoga formira kao federacija ekonomskih jedinica, odnosno radna zajednica kao udruženje radnih jedinica.

2. Kad god odluke radne jedinice bitno utječu na interese neke druge radne jedinice, pravo donošenja odluke delegira se narednoj višoj razini odlučivanja. Stoga pored neposrednog odlučivanja na razini radne jedinice mora postojati i radnički savjet za donošenje odluka na razini poduzeća.

3. Pojedinci i forumi koji donose odluke snose za njih punu odgovornost.

4. Izvršavanje odluka stvar je profesionalne spreme i administracije, a ne demokratije.

5. Princip 4. implicira razdvajanje dvije različite sfere djelatnosti: interesne i profesionalne sfere. Prva se sastoji iz političkih odluka, a potonja iz profesionalnog rada i administrativne rutine.

6. Budući da se razdvajanje političkih i tehničkih odluka ne da precizno izvesti, moguće su zloupotrebe. Zbog toga je potrebno ustanoviti društvenu kontrolu.

U organizacionoj shemi samoupravljanja radni kolektiv i radnički savjet predstavljaju legislativu, izvršni odbor i uprava egzektivu, a komisije za zaštitu radničkih prava i za odgovornost na radu sudstvo. Pored toga, sudsko-arbitražnu funkciju vrši savjet za tumačenje, a kontrolnu funkciju odbor radničke kontrole. Različite stručno-funkcionalne komisije radničkog savjeta imaju savjetodavno pravo. Radnički savjet sastoji se od predsjednika radnih jedinica (sekcijski interesi) i od predsjednika stručno-funkcionalnih komisija (funkcionalni interesi). Svaka radna ekonomska jedinica zastupljena je u centralnim organima s dva predstavnika: predsjednikom kao političkim licem u radničkom savjetu i poslovođom kao tehničkim licem u upravi. U radnim organizacijama od posebnog društvenog interesa formira se još i savjet povjerenika koji se sastoji od predstavnika radnog kolektiva i predstavnika relevantnih društvenih interesa.

Od problema koji se u praksi javljaju, autor izdvaja slijedećih devet kao najvažnije:

1. Gubitak vremena zbog nepripremljenih sastanaka,
2. *Narušavanje organizacionih principa 3, 4 i 5, uslijed čega se efikasnost poslovanja znatno smanjuje.*
3. *Pogrešne predodžbe o funkciji i načinu vršenja kontrole uslijed čega se smanjuje efikasnost poslovanja, a kontrola praktički onemogućava.*
4. *Narušavanje organizacionog principa 3, uslijed čega se odluke donose neodgovorno.*
5. *Nedosljedne ili popularnošću uvjetovane odluke.*
6. *Pogrešno shvaćena pravednost i solidarnost uslijed čega štetočine ne bivaju onemogućene.*
7. *Zloupotrebe i klikaštvo uslijed stručne nespremnosti rukovodećih ljudi u radnoj organizaciji.*
8. *Fragmentacija radne organizacije uslijed pogrešno shvaćene decentralizacije.*
9. *Etatistički pritisci uslijed pogrešne organizacije i loših međuljudskih odnosa.*

Ovih devet problema lakše se rješavaju u ekonomski razvijenim sredinama s dugom industrijskom tradicijom, s dugotrajnim iskustvom političke demokracije, s visokim životnim standardom i visokom razinom obrazovanja. U tom smislu analiza potvrđuje Marxov zaključak da su najrazvijenije zemlje objektivno najspremnije za socijalizam. No, budući da se historija ne odvija po determinističkim shemama, objektivne mogućnosti biti će ili neće biti iskorištene zavisno o ljudima i njihovoj praktično-političkoj djelatnosti.
