

Musil, Libor

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CHAPTER TWO

Participation

Libor Musil

In this chapter we try to answer the question: “What kinds of participation do people in the privatized industrial enterprises prefer and why?”

The first part of the chapter is devoted to the concept of “participation”. We give special attention to this term for two reasons: first, there are specific traditions defining “participation”, and second, it is necessary to choose between these traditions to address specific conditions within the current transformation of the Czech economy (see 2.1). We develop hypotheses about participation in privatized Czech industries by examining case studies of two enterprises. Relevant information and interpretations are included in parts 2.2 (the *DOMUS FACTORY*) and 2.3 (the *MECHANICA CORPORATION*). In the concluding part of this chapter (see 2.4) we hypothesize from the above mentioned studies two possible models of the future development of participation at the enterprise level.

The main variables we tracked were: 1. the differentiation among workers, middle-level managers and the top management, 2. the gender differentiation between men and women. We found very little difference between genders because the selected industrial communities (i.e. enterprises) are poorly differentiated in these terms. (Nevertheless, according to our research results the ways in which people who left the enterprises accommodate to their situation differ systematically between men and women – see **Chapter 4**.)

In the following chapters we use the terms “workers”, “middle-level managers”, “top management”, “employees”, “employers” and “respondents” to identify various parts of our sample. The term “worker” we use as a sign for manual workers. In the English convention these are blue-collar workers paid by wage. By the term “middle-level manager” we mean all people who have any number of subordinates, have the decisive power of a head of a department, section or workshop, and are positioned lower than the deputy to the general manager. “The top management” includes the general director and the directors of eco-

nomic, trade, technical and production divisions of the enterprises. The term “employees” means all people who have a job with the enterprise except top management. “Employers” are the owners and the top management. By “respondents” we mean all members of the interviewed sample.

2.1 “PARTICIPATION” AND PRIVATIZATION – THE CONCEPT

There are two questions to answer: (a) “Which definition of the term “participation” could help us to understand how people cooperate in Czech industrial enterprises under privatization?” We try to answer this question by distinguishing between “functional” and “conflictual” as well as between “static” and “dynamic” approaches to the concept of “participation” in section 2.1.1. (b) “What kinds of participation in the social and economic development of industrial enterprises do people prefer under the changing social and economic conditions of Czech industry?” To answer this question we define “direct” and “indirect” participation in section 2.1.2.

2.1.1 The choice between conflictual and functional approaches

There are two basic approaches to the sociological interpretation of industrial enterprise. The first – the conflictual approach – has its roots in Marx’s analysis of class conflict in capitalist society (Marx, 1953) and in Dahrendorf’s concept of institutionalization of industrial conflict (Dahrendorf, 1963). The ideas of exploitation of workers by the owners and managers, of alienation, and of conflicting working class’ and capitalists’ (owners’ or managers’) interests are basic concepts of this approach to enterprise. “Participation” is defined as a workers’ (or staff’s) effort to gain a more equal or more just share of the economic benefits of the enterprise.

The roots of the second, functional approach, are in Mayo’s critique of Taylor’s “scientific organization” (Taylor 1947a, 1947b; Mayo 1933). The attention to factors which support integration, cohesiveness, and cooperation are preferred in the context of this kind of organizational theory. The enterprise is perceived as a community characterized by a specific tradition or culture. The respect towards values and habits of that culture is perceived as the main source of cooperation and efficiency. From this “integrative” point of view, “participation” is defined in terms of attitude towards the enterprise and its goals, or as a level of workers’ and managers’ identification with the specific culture of the enterprise.

The privatization which has taken place in the early 1990s in The Czech Republic is a stimulus for more or less successful attempts by new owners, managers or workers to change strategies and the institutionalized ways of performing

these strategies. These attempts can be observed. It is possible to detect the meaning these attempts hold for specific groups. It is also possible to identify groups or individuals who are not fond of any change. However, it is not yet possible to answer the question: "Who gains and who loses from these changes?" At the time of our research the changes had been in place for only two months. The results of possible changes, therefore, are not present. The managers and the workers can expect these effects will become apparent only in a distant and uncertain future. Some expect them to manifest after six months, some after six years, and there are voices saying that the real results will be seen only in the next generation.

In terms of participation, the changing strategies, interests and level of owners', managers', as well as workers' involvement in the process of current innovation lie at the core of the question. The extent and the way by means of which the specific groups desire, attempt and are actually able to influence the process of privatization is the crucial factor. This will decide the (now unsure) answer to the questions: "What will be the results of the current changes in ownership?" and "What will be the share of the above mentioned groups of the benefits of the innovation?"

To consider the specific situation of Czech privatized industry it is necessary to distinguish between static and dynamic views of participation. If we are researching a well established enterprise which works in a relatively stabilized economic system, the static point of view is useful: there are standard results, established criteria for their assessment and a relatively stabilized pattern of their distribution in this case. It is possible to ask: "How do people participate in achieving economic results?" or "What is the influence of various groups on the distribution of economic results?". We are examining destabilized enterprises in a changing economic and social system. In such a case we consider the dynamic point of view more useful.

In the case where the outcomes are bad (or worse than the people are willing to accept) and society is expecting a positive effect from innovation, one can describe this situation by the following metaphor: If there is no cake or if the cake is bad, it is necessary to ask "How do people participate on the search for the new recipes?" If there is nothing to share in the community, the functional approach is more compatible with the characteristics of the research topic: the conflictual approach which puts attention to (re)distribution can come afterwards.

For the above mentioned reasons, we chose the "dynamic-functional paradigm". It implies three specific questions which we try to answer in the following pages:

1. The level of participation in the innovation is determined by the level of identification of workers and of managers with the enterprise. If the attitude of alienation prevails, people do not wish to participate actively in the process of

change. That is why we should ask: "Do people wish to participate actively in the search for new ways of working? And in which way do they wish to participate?"

2. The inherited structure of power determines the possibilities of various groups to participate in the change. We should ask: "Do specific groups of managers, workers or 'outsiders' have effective instruments to gain strategic positions during the process of change?"

3. The effects of high-level identification with the enterprise could be suppressed by the hierarchic (or bureaucratic) organization. If management or workers, or both, do not perceive the active participation of workers or middle-level managers in decision-making as a useful method for reaching desired results, attempts to influence the innovation process "from the bottom up" have little or no chance of being successful. We should ask: "To what extent do organizational habits support the active participation of workers and of middle-level managers in the innovation?"

The interaction among the first (alienation/ identification), the second (continuity of the power), and the third (organizational culture) factors will decide "who will gain" and "who will lose" in the future.

Our research was conducted two months after the new owners took over decisive power in both of the selected enterprises. In attempting to describe this situation in terms of "dynamic-functionalism" as defined above, we have used information gained by semistructured interviews with workers (of both genders), middle-level managers, top managers and trade union leaders (for the structure of the sample, see **Chapter 1.3.4 B**). We did not attempt to gain statistically exact information about the share of various attitudes in the sample or in the enterprise. We have used semistructured interviews to speak freely with the people from the enterprises and to gain an understanding of their different responses to the changing situation, and of their presuppositions about and intentions toward their uncertain situation.

2.1.2 Two forms of participation

We assume that employee participation can take two basic forms. Participation can be either "direct" or "indirect" (representative). We define these modes of participation as ideal types in the following paragraphs. Hence, the definition is simplified to some extent: the empirical forms of participation are usually characterized by a "mixture" of direct and indirect participation. A good example of this "mixture" is the participation in *MECHANICA CORPORATION* (see 2.3).

So-called "direct participation" is based on "pulling" the employees into the process of decision-making about strategic, technical, and other questions, including personnel matters. The core of this type of participation is defined as the

employees' responsibility for the execution of the decisions in the making of which they took part. An attendant mark of this type of participation in the firm's life is that employees display less intensive dependence on trade union representation. The employees feel responsible for the previous decisions of their firm, and thus perceive economic difficulties and social instability of the firm more as a challenge to search for new solutions than as a reason for expressing dissatisfaction with the conduct of the management and the owners. Ouchi (1981) and Gregor (1993) perceive this principle as appropriate to an alternative, "non-bureaucratic" organization.

The so-called "indirect" or representative participation is based on the institutionalization of associations of executive workers in industry. Representative participation can be seen in the practice of collective negotiations over social and economic interests between unions, employers, government or other political subjects. Indirect participation appears in hierarchically (bureaucratically) structured organizations where cooperation is based on the separation of decision-making and execution. This separation implies a relatively sharp social distance between the management and other employees. This distance and the resulting distrust becomes an impetus for establishing associations of employees (usually called "trade unions"). These associations defend the social interests of the members through their representatives – negotiators. In bureaucratic institutions with prevailing forms of indirect participation, the employees perceive economic difficulties and the resulting social insecurity as a threat to their position and as a reason for expressing dissatisfaction with the conduct of managers (especially of the top managers), who are in decision-making positions.

2.2 PARTICIPATION – *DOMUS FACTORY*

At the *DOMUS FACTORY*¹, we met repeatedly with signs of employees' unwillingness to assume more responsibility for the fate of their company. Representatives of the top management complained that "people don't take it seriously". The employees insisted that their role was to perform specialized tasks. They complained that the management takes little interest in solving problems on the shop floor. They stated that the top management and the owners should be made responsible for the possible failure of the company. At the same time they all believed that the enterprise had a chance to withstand competition and to hold its position on both the European and home markets.

This state of affairs, recorded in the first months of the existence of the private stock holding company, has developed thanks to the traditions of the or-

¹ The information that we present here has been collected through nonstandardized interviews with 40 employees, managers and trade union leaders in the *DOMUS FACTORY* – see **1.3.4 B**.

ganization and new expectations concerning the change of ownership relations. From the standpoint of these expectations, attitudes towards privatization are associated with substantial hopes and marked by impatience. The privatization of the enterprise is, as a result of Czech historical traditions, understood by the employees as an “innovation from above”². The expectation that the “redress of issues” would be handled by the top management of the company weakens the innovation potential of the whole enterprise. The employees think that the initiation of the current changes is not their affair because they do not know the circumstances surrounding efforts to change the organization’s rules. The workers’ and middle-level managers’ feeling of responsibility for the fate of the company is being weakened by perceptions of the “slow pace” of change (2.2.1), the dominant pragmatic approach to employment in the enterprise (2.2.2), the tradition of large-scale production and an almost universal acceptance of the “bureaucratic organization” based on the “separation of decision-making and execution”³ (2.2.3).

The tendency towards enforcement of a bureaucratic model of the organization was strengthened by the chosen form of privatization. Its application led to a personal union of the company owners and the company management (2.2.4). The concentration of authority created through this personal union evokes among the employees (save top management) an extraordinarily intensive need for institutional protection against the “owners’ willfulness”. This protection is to be secured by the trade union organizations. Employees assign the unions the role of protectors of the “last resort”. The employees’ relationship towards the trade unions is quite passive. People view the trade unions as a specialized institution that reduces their powerlessness rather than a joint solidarity-bound partnership (see **Chapter 3** for more information about trade unions). The employees’ participation in daily decisions about operational, technical and social issues is minimal. The only form of participation in the functioning of the enterprise is the fulfillment of prescribed, strictly specialized tasks (2.2.5).

These factors influencing employee responsibility for the fate of the *DOMUS FACTORY* set the general configuration of the relations between owners, management and the employees. (Its characteristic is described in 2.2.6.)

2.2.1 Privatization as a weak stimulus to participation

Two month after privatization the attitude of the workers towards the privatization was influenced by two factors: 1. the fears of “willfulness” and “social

² The circumstances underlying the rise of the tradition of “innovation from above”, characteristic of societies from the so-called German cultural area are analyzed for instance by the Czech historian Urban (1978) and social philosopher Štítlecký (1990). See also (Mareš et al., 1993).

³ The French sociologist G. Friedmann (1960) considers “the division of the decision-making and the execution” to be a basic feature of the so called “bureaucratic organization”.

insensitivity of the new owners” (60% of interviewed workers recommend that the government compensate for the social consequences of owners’ decisions, mainly in the field of employment), 2. the belief that privatization would strengthen the owners’ and management’s responsibility for the company’s fate, its stability on the market and improvement of work organization. The enterprise had not undertaken any substantial dismissals yet and the paid wages and salaries compensate for the effects of inflation. That is why we believe the hope for prosperity captures the attention of employees more than the fears of social risks involved in the pursuit of prosperity.

According to the employees, prosperity should be a consequence of the “redress of the issues”. Dramatic innovation within the firm is to be secured by the elite of owners and managers. Top management should apply “pressure” which would bring about a strengthening of responsibility, improvement of morale and quality of work (45% of the respondents), wage increases (42%), secure regular and undisturbed work pace (30%), increase enterprise efficiency (28%) and guarantee sales and work for the present employees (25%). The employees (workers as well as middle-level managers) keep waiting for the pressure to “descend” on their shop floor or division. They view themselves as passive recipients of external impulses toward change.

According to interviewed employees, there are problems in communication between “the top” and “the bottom” of the organization. Some respondents stated that “people are afraid to speak” because they fear dismissal.

According to the workers, middle management misrepresents information about the true conditions on the shop floor. The workers say that foremen try to hide the economic consequences of production failures because they wish to avoid criticism from top management.

According to the respondents (workers as well as some middle-level managers) top management does not know what is really going on and is unable to solve the above mentioned problems. The interviewed persons point out that there are too many intermediary organizational levels between the production unit and the top of the “pyramid”. As a result, top management does not know the real workers’ problems and vice versa. In the respondents’ opinion, middle-level management is unable to translate the intentions of the top management to the production units. As a result, many of respondents were skeptical about the possibility of an immediate improvement of work morale among employees. This development has led to disillusionment among some workers as well as middle-level managers and has helped to revitalize the traditional, above mentioned model of passively waiting for incentives “from the top down”.

2.2.2 Value orientation of the employees

The identification of employees with the company depends to a significant degree on the fact that workers as well as managers prefer stable employment (job security) as one of the most positive values of their position within the enterprise. The *DOMUS FACTORY* was the only large employer in the region that successfully dealt with a sales crisis (in 1991). Between 1991 and 1993 it had regained step by step its market position. Because of that, many employees consider employment in the enterprise to be a unique opportunity to keep a relatively stable job without having to commute long distances. It helps them maintain the living standard of their families during uncertain times. That is why a number of employees tend to see their employment in the enterprise as permanent. 62% of those questioned would by no means consider voluntarily leaving the enterprise, 25% concede this possibility only in the case of a dramatic change of circumstances.

The top management's policy of stable employment is the cornerstone of the personnel strategy that was implemented during the sales crisis in 1991. The leadership of the factory decided then to keep layoffs at an absolute minimum. If it was necessary to reduce the number of employees for economic reasons, the management would release almost exclusively employees who have reached retirement age. Those employees who were approaching the retirement age could take advantage of a "premature retirement" option in the collective agreement. In a case of departure "owing to a reorganization", this arrangement also facilitated paying out a relatively advantageous compensation. This "social sensitivity" shown by management during the period of sales difficulties strengthened employees' trust in the stability of employment in the enterprise.

After privatization in the autumn of 1992, top management tried to bring in qualified people from outside the firm. This has slightly weakened trust in the management's preference for "the old staff", and in consequence, strengthened the employees' stress on the value of stable employment.

The enterprise is situated in a rural area, relatively distant from a large town, where a number of employees have a homestead, garden or a plot of land and keep domestic animals (chiefly hens and rabbits). The home budget is supplied by both the income from the employment in the industrial enterprise and the self-supplying activities of the homestead. Some of the employees (workers as well as managers) devote to their homesteads an equal or even larger share of their time and energy than to their work in the factory. Those employees who do not own a homestead demonstrate in their statements an inclination to see the job with the enterprise primary as a vehicle for solving the problems of their family and of their household. However, this inclination is not so strange now as it was in the past decades: the employees now feel their jobs are more insecure than under the previous economic system.

Several feeling in the factory is that wage increases have kept pace with the inflation during the past few years. However, they did not consider this increase sufficient. 63% of those questioned believed that in the future their real wage will be higher and that they will not have to leave the factory in order to achieve a higher wage. It follows from their answers that they expect the top management to make available a sufficient share of the profit to increase wages and salaries. Very few think about contributing to the enterprise profits by a change of their everyday work endeavour. Rather, the employees wait asking themselves: “Will they or won’t they increase salaries?” A number of employees are convinced that “the money is there” and wage increases are, in spite of the deep insolvency of the company, just a question of the good will of the owners and the top management.

2.2.3 Hierarchy and large-scale production

90% of the respondents (workers as well as managers) assume that responsibility for the overall stability and prosperity of the enterprise is to be born exclusively or almost exclusively by top management and owners. Agreement on this issue pervades the whole enterprise hierarchy. The top management assumes that it is they who, having the right to make decisions, are responsible for the prosperity of the enterprise. The workers and middle-level managers view themselves as executors of the top management’s decisions and during research interviews “refused” to assume this responsibility. About a tenth of those questioned perceive the issue differently: “Those who are responsible for failures are those who made the mistake. The point is not to look for the culprit, however, but to fix the situation.”

The employees expect top management and owners to find buyers for their output, to guarantee work opportunities and to prepare conditions for a fluent and uninterrupted course of work. Most of the employees are paid by piecework and their wages therefore depend on the regular flow of work and stability of output. The employees consider the enterprise operation to be an issue for the management and owners. For themselves, they view the work in the enterprise as a source of their social safety. Management is legitimately responsible for the stability of the jobs, and has sufficient competence and enough opportunity to meet this responsibility. This fact confirms acceptance of the hierarchical (or bureaucratic) model of organization, based on the separation of decision-making and execution, by the majority of personnel in the enterprise.

This preference for (metaphorically speaking) “the army style” of relationships in the enterprise follows largely from the already mentioned historical traditions of Czech society. Its roots can be found also in the history of the *DOMUS FACTORY*. Despite the fact that *DOMUS FACTORY* was built in the 1960s, its production, technological and organizational principles were influ-

enced by the tradition of the local pre-war private company. As mentioned above, a descendant of one of the founders of the original joint-stock company established in the 1920s had worked in the *DOMUS FACTORY* during the socialist period and now he has become the general manager of the company as well as a joint owner of the decisive portion of *DOMUS* stock after 1989. His father was, approximately 70 years ago, a co-author of the company's strategy. The strategy was oriented on large-scale production of uniform and inexpensive furniture that would be affordable even for the poor. This old tradition has been carried over into the present.

Today, the inclination to preserve the concept of large-scale, uniform production is upheld by the company management's inability to accept a strategy of more flexible technology and more diverse goods. The two interviewed members of the top management have stated that they admired the ability of some German competitors to meet flexibly the particular desires of individual customers and to deliver one model of ordered goods in many variations. Both managers stated that the *DOMUS FACTORY* was not able to achieve this level of flexibility despite the relatively successful attempts of the company to make uniform products more attractive by means of elements (details) produced by more skilled, handicraft labor.

The preference for unified, large-scale production of inexpensive goods by top management as well as by a substantial position of the employees corresponds well with the above mentioned bureaucratic, strongly hierarchical inclination of the *DOMUS*'s organization.⁴ The technical equipment of the *DOMUS FACTORY*, built in the 1960s to meet the requirements of the then large-scale production strategy, implies the prevalence of low skilled, routine work, the performance of which follows the production and technological intentions of top management. Hence, the factory's traditional strategy and the technical structure of the factory support the centralist tendencies of the new company owners as well as the employees' inclination to accept concentration of decision making in the hands of the managerial elite.

2.2.4 Personal union of company owners and management

The *DOMUS FACTORY* was privatized by a direct sale of the majority of the stock to a small group of six new owners. The members of this group had been in the company establishment during the 1960s, 1970s, and 1980s. Most of them have been members of the companies top management since the 1960s.

⁴ Historically, the emergence of large-scale production was interconnected with the development of hierarchical or bureaucratic organization based on the separation of decision-making and execution. The best example of correlation between these phenomena is F.W. Taylor and his "scientific management" (Taylor, 1947a, 1947b).

They took part in the development of its investment policy in the 1970s and 1980s and were strongly identified with its strategy. The company became the possession of a part of its own top management following privatization.

The identity between the previous top management and the present owners strengthens employee reliance on the new owners. That new owners are very familiar with the enterprise makes people feel that the owners understand the problems of the enterprise, feel responsible for its fate, and will have an interest in keeping its traditional production strategy along with stable employment opportunities for current employees. These sources of employees' trust strengthen their inclination to see the concentration of decision-making power, which is implied by the personal union of top managers and owners, as a positive and legitimate trend.

The tendency towards the centralization of decision-making is substantiated by the combination of the owners' and top managers' extensive power. They perform top management or advisorial functions in the headquarters of the company or in the company's individual factories, including the *DOMUS FACTORY*. The owners' position allows them to concentrate decisive authority in their own hands even if their formally granted authority is limited by their – in the context of the top management – subordinate positions. From this point of view, the position of the general manager is important, because he is at the same time an owner and an authority in the technological field. In the eyes of employees, his position is solid because he was forbidden for political reasons from being in the leadership of the company in the 1970s and 1980s⁵. This gives him an aura of ideological trustworthiness and supplements his image of informal authority. The concentration of power in the hands of a man equipped with the above mentioned attributes was acceptable for many employees (workers as well as managers). He became a symbol of an ideologically trustworthy technician, one who knows the factory (as well as the whole company) well, and who keeps the economic as well as the social stability of the enterprise in view. However, the employees' attitude towards the center of power of this nature is ambiguous. On the one hand, they would like the owners to be enlightened and wise “rulers” who would fix the problems left by the former “despots”. On the other hand, they are afraid of their almost unrestricted power over the enterprise and the people involved. Both the respect and the fear of the “enlightened rulers” limits the openness of interaction between the owners and managers on the one hand and the employees on the other hand (see 2.2.1).

The fear of the owners is not caused by any particular manifestation of ruthless behavior. Both the belief in “innovation from the above”, made by an

⁵ Anybody who was in a top management position during 1960s was viewed as an ideologically untrustworthy “opportunist” by the communist elites in the early 1970s. This “opportunism” was perceived as sufficient reason of degradation.

“enlightened ruler”, and feelings of alienation of the elites from the workers are an inherent part of the almost generally accepted organizational pattern. A number of respondents are unable to imagine themselves in any other role than as a passive follower of somebody else’s will. Fear of such authority evokes in the employees a need (stated explicitly by some of the interviewed persons) for a “social safety fuse” represented by the trade unions (see **Chapter 3**).

2.2.5 Forms of employee participation

Two thirds of the employees assume that “there is no place for democracy in an enterprise.” In accordance with the broadly accepted logic of the above mentioned bureaucratic, hierarchical organization, respondents understand “democracy” mostly as a state of affairs opposite to hierarchical order and effective control of subordinates. They perceive “democracy” as a kind of chaos opposed to responsibility. They are afraid that it would lead to disobedience and disrupt the functioning of the enterprise. According to the logic of this attitude, “democracy” means that people who “do not understand the problems” could have a word in the decision-making. Insufficient control would undermine quality of production, problematic as it already is. This argumentation by the opponents of “democracy” in the enterprise is associated with a seemingly self-evident belief that “one must obey.” This belief is shared by the top managers, middle-level managers and many of the workers. For top managers, this attitude legitimates the right to rule subordinates. For the middle-level managers and for many of the workers this belief means the duty to obey.

This rejection of “democracy”, which is perceived as a synonym of “disorder”, shows that majority of the enterprise’s employees consider giving orders and monitoring their execution as the most effective way for managers to coordinate cooperation. In addition, the rejection of “democracy in the enterprise” implies the employees’ aversion towards accepting responsibility for any decision making.

Unlike the majority, one third of the respondents assume that the organization of the enterprise should be more “democratic”. Some think that many problems can be solved and the company can be prosperous only under the condition of an open exchange of suggestions and comments between subordinates and their superiors. Others do not understand it as a vehicle for effectiveness and insist that democracy in the enterprise should provide, first of all, protection against possible socially insensitive behavior on the part of the owners.

The decision-making power in the areas of production, personnel and social welfare strategies of the enterprise is not allocated equally. Nearly 90% of the interviewed stated that they had no influence on the decisions concerning production. 85% of the workers claim that they have no influence over decisions in personnel matters. 90% of them are convinced that they cannot influence deci-

sions concerning the employees' working and living conditions. However, the trade unions' mediating function in the area of social welfare is not considered to be an effective way for enforcing the needed changes vis-a-vis the "obstinate owners".

60% of the respondents assume that they should have influence over decisions about social issues. The employees are clearly interested in making decisions about social benefits, safety within the workplace and hygienic conditions. They see their participation in terms of having a chance to express their demands. This kind of participation of the employees would, in their opinion, help reorient deliberations toward the most pressing issues. The effectiveness of investments could be enhanced that way.

Workers doubt the influence of their voice in this field. They suppose that the top management is not willing to invest in hygienic and safety measures. (The statement of the top managers, that they are not willing to give more than is ordered by labor legislation, coincides with this supposition.) They are skeptical about the ability of union leaders to change the top management's attitude. The respondents did not speak about the possibility to organize strike or other "pressure" activities to change top management's approach. Instead, some of them demonstrate their respect of the economic difficulties of the company a few months after privatization.

70% of the respondents said that although they could not take part in strategic decision-making about production, they could assist in product innovation on the production line. According to most of them, workers should contribute to the production process at the point when the most important decisions have already been made – small modifications of applied technology during the process of production and organization of work flow in regard to a particular product. 73% of interviewed workers state that they, as a result of their position in the decision-making process, cannot influence how their everyday work should be performed. However, only one third of them agrees with this "state of affairs." Nearly half of the questioned workers think that it would be better if they had the opportunity to discuss the work procedure with technicians and superiors and "fine-tune it" themselves.

80% of the workers made it clear that personnel decisions were not their problem: "Let this be decided by the superiors." One of them said explicitly that he "would never let himself be used for that."

The tendency toward accepting the legitimacy of the principle of separation of decision-making from execution has been documented most persuasively in the attitudes of employees toward decision-making about daily distribution of tasks. Almost 90% of workers said that the daily workload is decided on by their superiors. 80% of them said that they find this correct and that they would not be able to decide such things themselves.

From the aforementioned information it follows that the employees see two ways of participating in the life of the company: 1. They would like to submit their demands concerning social welfare and labor hygiene in the workplace without having to bear any responsibility for them. It should be the duty of the management to improve these matters in accordance with the demands of workers. 2. They are interested in performing the specialized activity they were hired for and are being paid for. They do not care to take over responsibility for decisions about preparation of and management of the work. They expect all the conditions for a fluent output to be prepared in such a way that they could earn as much money as possible. Most employees do not consider any other active participation in the life of the enterprise important, neither through participation in the trade unions, nor through direct sharing of responsibility in making decisions about the production problems of the enterprise.

According to the respondents, the duty of the ordinary employees is to work well and without production rejects (70% of the respondents in contrast to 87.5% of the middle managers), to keep and make the most of the working hours and to obey superiors (40% of respondents). A "good employee" should, then, deliver good work, keep time and also be well-disciplined.

One indicator of the employees' (workers as well as middle-level managers) participation in the life of the enterprise is ownership of company stock. One can suppose that an employee who has "bought" his or her share in the company's stock by means of voucher privatization feels a greater deal of responsibility for the company and has more trust in its future prosperity. 82.5% of the interviewed persons took part in voucher privatization and have bought his or her share in the stock of some Czech privatized company. 25% of the respondents own shares in the stock of *DOMUS*.

The ownership of company stock is evidently related to the employees' attitude toward the company's future. Those respondents who had not bought their company's stock mostly said that the current structure of the enterprise is fit for surviving in the market economy. In contrast, employees who had become owners of the *DOMUS* stock were critical of the enterprise organization. How may we explain this apparent correlation between the ownership of the company stock on the one hand and criticism towards enterprise organization on the other hand?

It is possible to understand the criticism towards the enterprise's organization in conjunction with ownership of a share of *DOMUS* stock as signs of a high level of identification of *DOMUS* stock owners with the enterprise. The company stock holders are worried about the enterprise's fate under the conditions of social and economic transformation. They consider the accommodation of the enterprise to the new economic conditions their responsibility. The criticism is an instrument of improvement and of reaching prosperity in their eyes. Their criticism contrasts with the indifference of those employees who make the oth-

ers (the top management and new owners) responsible for the state of the enterprise. They identify less with the *DOMUS FACTORY* and that is why they did not buy the company stock.

The ratio of the company stock owned by those workers who are *DOMUS* stock holders is negligible. The workers also do not find any major imperfections in the enterprise organization. The workers appreciate that the enterprise finds a ready market and provides them with a job in uncertain times. However, as we mentioned above, they simultaneously believe that they can barely influence the situation within the enterprise and the key decisions. The workers accept this state of affairs as legitimate. That is why they seek guarantees outside the enterprise: The voucher privatization gave them an opportunity for that. By investing their privatization points outside the establishment, they lower the probability that the sources of their economic well-being will dry up.

A similar strategy can be found also among some of the managers. Only 40% of them bought the stock of the company during the voucher privatization.

2.2.6 Relations among groups in the enterprise

When evaluating the status of separate groups in the enterprise, the questioned employees (workers as well as middle-level managers) used two criteria: the stability of jobs in the group and the development of their wages or salaries. From the first point of view, most respondents believed that hardly anybody lost in the recent development of the Czech economic transformation and privatization. (3,5 % level of unemployment is perceived as full employment.)

The assessment is more diverse from the point of view of the changes in income. About 40% of the interviewed persons say that everything is the same as before. Nobody gained anything, and nobody really lost anything. One fifth draws attention to the fact that workers in the production departments got a wage increase. In the support service department there was a comparatively lower raise and this situation is a source of uncertainty.⁶ One third of the respondents assume that the new owners and the top management gained economically. This attitude is evenly distributed at all levels of the organizational hierarchy in the enterprise.

The perceived division of the enterprise into the employees and the "leadership" (i.e. the owners and the top management) does not have only an economical dimension. The above mentioned groups have rather different interests and consequently also different views on the way the enterprise works. The employees (workers as well as middle-level managers) consider the enterprise

⁶ The top management, in the situation when the most important problem was to ensure the timely production and delivery of ordered goods, started to increase wages in the production departments first.

strategy to be an issue for the “leadership” to decide. They take their employment in the enterprise as a source of income and individual social safety. Accordingly, they expect the “leadership” to guarantee the sales and work opportunities as well as good earnings and the conditions for regular and fluent work. By contrast, the top management sees as its chief long-term goal the growth of the work effectiveness in the enterprise.

If the top management and the employees do not find a way to bring their notions of the enterprise goals closer together, their strategic differences, along with mutual misunderstanding, will grow. The difference is not wide yet because the employees still expect that their situation, as it stems from the privatization, will improve. Until recently, the top management has preferred quantity of the production over efficiency. If the top management started taking any conspicuous steps towards differentiation between the effective and the wasteful workshops and individuals, considerable tension could arise, given the present workers’ orientation.

The probability that better compatibility between the employee and the top management strategies will not develop is increased by the leadership’s tendency toward centralization. This tendency is manifested on the one hand by efforts to concentrate decisive power in the hands of the director and one of his deputies who is co-owner of the company and to prevent access to strategic information. On the other hand, the middle management tends to camouflage the real state of affairs in the production departments. This development, if not counterbalanced by an effort to communicate across the hierarchic structure, could lead to growing uncertainty and increasing mutual misunderstanding.

The employees increasingly feel that the “leadership” is not aware of their problems. They also lose orientation in the situation of the enterprise because they are not provided with strategic information. The employees are unable to answer the question: “What is the prospect for the future?” This intensifies their insecurity.

There is a relatively large space for reaching consensus between the two strategies. The employees see investment into modern technology as an optimal way toward the stability of work opportunities and wage increases. 73% of the respondents consider that the best way to use the profits would be to make reinvestments in modern technical equipment. They see technical innovation as a necessary condition of keeping the enterprise’s competitiveness on the market. Hence, they perceive the investment into modern technology as a factor supporting stability of their jobs.

18% of the respondents think that the profits should preferably be used for improvements in the sanitary equipment of the departments and workshops. This view is more frequently taken by the workers (33%). A part of the respondents see the investments into technologies and the investments into the sanitary infrastructure as one package – as “investments in enterprise development.” The

use of the profits to increase wages is considered to be the priority by only 10% of the respondents.

The employee orientation toward social certainties, then, does not imply a preference for short-term strategy of immediate wage increases. The employees prefer long-term stability of work opportunities ensured by an increasing capacity of the enterprise to withstand competition. This strategy is compatible with the leadership's orientation toward efficiency. The problem is that the leadership does not discuss this topic with the employees and therefore mutual accommodation is difficult.

The extent to which different groups are mutually informed about their problems is manifested by the different emphasis they put on different dimensions of company organization and operation. The employees see two issues as problematic: the stability of their employment and the guaranteed regularity of production as a precondition for achieving a good income. The top management is fully focused on the reorganization of the wage system as a means of increasing labor productivity. By blocking strategic information and applying stricter procedures in personnel management, they increase the employees' feelings of insecurity. The interviews with the top management show that the leadership is not aware of this.

The different notions of what the enterprise should accomplish, relative closeness, or rather the nonexistence of communication channels between the leadership and the owners on one side and the employees on the other, are the reasons for poor mutual familiarity about the problems and objective of the two groups. This creates the potential for conflict. Its activation is suppressed for the moment by a good situation on the market. Because of this, the respondents do not expect the relations to culminate in an open conflict. Nevertheless, they describe the relations as tense. 45% of the respondents mention increased dissatisfaction, nervousness, tension, uncertainty and fear. The respondents expect that the mentioned signs of instability will culminate in distrust among people at the workplace (12.5%), departure of capable workers (10%), decline of labor productivity (5%), the search for alternatives outside the enterprise, growth of doubts about the leadership abilities, and distrust of the managers (12.5%). To sum up, the core of these various "solutions of instability" is the presupposition of the interviewed employees that their colleagues would preferably seek an individual solution of the situation (as opposed to collective trade union effort). They do not expect any rupture in the relations between the groups yet and consider the possibility of collective action quite improbable.

2.3 PARTICIPATION – *MECHANICA CORPORATION*

The kinds of employee participation in the process of privatization and reorganization of the *MECHANICA CORPORATION*⁷ are influenced mainly by:

- the orientation of employees toward job security and the preference for long-term job security over short term gains (2.3.1),
- the mixture of contradictory tendencies towards hierarchic organization on the one hand and towards decentralization on the other (2.3.2),
- common management's and worker's interests which are seen as contradictory to the interests of new large owners, i.e. PIFs (2.3.3),
- the focus on productive performance as the sole legitimate form of participation of workers and by individualization of workers interests (2.3.4),

We try to explain these factors of employees' participation more comprehensively on the following pages.

2.3.1 Privatization and the values of work

Mutual interrelations between the employees' value orientation on the one hand and the attitudes towards privatization of the Czech industry on the other hand is broadly discussed in Chapter Three (see below). We want to highlight the growing stress of *MECHANICA CORPORATION*'s employees on the value of job security under the conditions of privatization. Workers as well as middle-level managers perceive the guarantee of a secure job as a duty top management holds toward them. Investment into new machinery is seen by interviewed employees as an important condition for maintaining competitiveness as well as job security. That is why they prefer investment into new equipment over the present distribution of profits through wages and benefits.

2.3.2 Hierarchic organization and the tradition of production unit autonomy

The involvement of employees in decision-making is influenced by two factors in the *MECHANICA CORPORATION*: 1. the "hierarchic" conviction of managers and workers that decision-making and execution should be separated, and 2. the attempt by top management to revive the pre-war enterprise tradition of the autonomy of decentralized production units.

The idea that decision-making and execution has to be separated is shared by managers as well as by workers. The long (pre-war) tradition of this "taylorist" approach (see Gregor, 1993) explains the weak attempts by those

⁷ The information that we present here has been collected through nonstandardized interviews with 70 employees, managers and trade union leaders in the *MECHANICA CORPORATION*

from the "bottom" of the enterprises' hierarchy to influence the decision-making of Czech industrial enterprises. If participation in decision making is sometimes described in the West as a "hollow ritual rain dance", it is doubly true about the formal participation that in the communist economy had masked ideologically the rigid Taylorian hierarchical model of management. After many long years of its application, this systemic habit has penetrated the thinking of managers as well as workers. Separation of execution from decision making is seen by the majority of the managers as the embodiment of effective, "rational organization". The hierarchical model of management is understood as the counterpole to chaos. This conviction supports the idea that "discussions with workers about whether, what and how they will produce are unacceptable".

Workers have a tendency to understand this separation as a natural phenomenon and accept their role as directed subjects. The effort on the part of management to gain their participation is seen by the workers as the "attempts of the management to transfer their responsibilities onto workers". Workers widely share the conviction that "a worker is here to have everything prepared so that he can do the work" and that "he is not interested in the information that has nothing to do with his job". Hence, direct participation is being prevented by lack of interest in it by management and workers alike.

The top management has undertaken a number of organizational steps that could reinforce the possibility of employee direct participation. The top management has introduced a system of stimulation through profit shares. Some entrepreneurial activities have been transferred to decentralized units (divisions). A new wage system is being established which implies a degree of autonomy within these units in decisions concerning remuneration. The conception of *MECHANICA*'s top management is that decentralization might increase collective responsibility on the part of autonomous division managements for the development of the whole firm. A computer system of management with an analogous philosophy is being prepared, through which managers of all levels expect their autonomy in the sphere of information to be increased.

Another element supporting the model based on direct employee participation seems to be so-called "management through projects". The model is based on the conception of flexible teams. The teams are set up ad hoc from specialists of various professions regardless of their organizational classification. They represent "islands of change", from which the idea of overcoming the split between decision-making and execution might spread through the enterprise. The influence of these "islands" is, however, blocked by the employees' tradition derived from the generally acknowledged idea of hierarchic organization. Especially the workshop foremen perceive the current decentralization, limited as it is, as introducing chaos.

The organizational changes favoring greater autonomy for units have not been accompanied by changes in organizational philosophy which would cast

doubts on the established ideas of separating decision-making from performance.

2.3.3 The coalition between managers and small share-holders

The new owners of the corporation (mostly PIFs) are perceived as an irresponsible element by managers as well as by workers. The new owners are perceived as an “external” factor, as “outsiders” able to threaten both the long-term development of the corporation and employees’ job security. A coalition of managers, workers and small shareholders of the *MECHANICA CORPORATION* stock was established (see **Chapter Three** for more information about this coalition). The development of the employees’ participation is influenced by the sharing of a common interest in preventing the impact of the new owners on the enterprise’s development by the managers and workers. The probability for implementation of methods of direct employee participation in decision-making processes is increased by this sharing of interests by managers and workers. This feature of the *MECHANICA CORPORATION*’s development is broadly discussed below (see **2.4.2**).

2.3.4 Forms of employee participation

The above mentioned coalition should help the people from *MECHANICA CORPORATION* overcome the power of PIFs. Under this condition workers apportion blame, for the potential failure of their company, primarily the management, only rarely the owners, and not at all themselves. In their eyes management is responsible for organizing production in such a way that regular workers would not have to accept any other responsibility than that which can be expressed in terms of their everyday performance. While in the eyes of the management the status of themselves and of the workers is legitimized by the sales of the company’s production, in the eyes of the workers it is the productive work itself, free from any relationship to the demand for what they produce.

Workers feel themselves rather as individuals than as members of solidaristic workers’ (trade unions’) community. This is indicated by two tendencies:

1. The hope widely shared among workers that each reduction in the company workforce increases job security for those who remain employed. Only foreigners (the Vietnamese) have been laid off in large numbers so far and this was understood as a strengthening of the position of native workers. Other layoffs have been presented and understood in the company as letting go of useless employees whose work had only been necessary for the maintenance of the centralized planned economy. In the market economy, however, their work appears not only unproductive but outright nonsensical. Elimination of these positions therefore created no tensions. Layoffs of white collars workers were met with satisfaction

among workers from the reduction of overblown administrative apparatus. 2. The second indicator of the individualization of workers' interests is their perception of trade unions as ineffective and weak in defending workers' rights. This criticism does not mean the unions are incapable of taking collective action. A wider notion of solidarity, however, is not present in the workers' conception of trade unions. The interviewed workers expect the defense of individual employee rights by unions ("they should be heard when someone is dealt with unjustly"). They see the roots of the diminishing ability of union leaders to defend their individual rights as a consequence of legislative changes and privatization but also as a loss of the union's initiative. The workers, however, do not have much will to increase this power by their own initiative.

2.4 A COMPARISON – TWO POSSIBILITIES OF FUTURE DEVELOPMENT?

In this part of the chapter we compare the situation in both of the enterprises (see 2.2 and 2.3). We try to answer the question: "Do different conditions exist for the future development of participation in the *DOMUS FACTORY* and *MECHANICA CORPORATION*?" The comparative goals of this part of the chapter imply – to some extent – its repetitive character. We try to avoid redundancy by putting the above mentioned information into a broader context and by including new information concerning the peculiarities of each enterprises' developments.

This section is devoted to summing up similarities (paragraph 2.4.1) as well as differences (2.4.2) between *DOMUS FACTORY* and *MECHANICA CORPORATION*. We define the modes of "further bureaucratization and reliance upon indirect participation" (*DOMUS FACTORY*) and "softening of bureaucracy by elements of direct participation" (*MECHANICA CORPORATION*) as two hypothetical paths for the future development of participation in Czech industrial enterprises (paragraph 2.4.3).

2.4.1 The common tendency to hierarchic organization and indirect participation

In both cases the relationship of the majority of the interviewed towards their firm is markedly instrumental: workers as well as managers perceive their enterprise as an institution which can help them to achieve their individual or private (non-employment) goals. The conception of work at the enterprise as valuable in itself is stressed less by interviewed persons. The employees, as in the past decade, expect their firm to guarantee a stable job. That, however, has ceased to be a matter of course owing to the changing situation in the labor mar-

ket and to the uncertainty of the sales situation in the whole national economy. Yet the employees often express the view that a stable job guaranteed by the firm's management is their legitimate claim.

The employees of both enterprises feel responsible for fulfilling their given task. They expect the firm to provide them with conditions necessary for continuous work and to remunerate them for the performed job with a wage which will at least compensate for rising inflation. They perceive their work with the firm primarily as a source of social security. They assume that the production process should be organized well so that a worker might earn his or her due wages within his capabilities without having to worry about the "matters of the management" (i.e. attracting the customers and ensuring stable jobs, choosing technology, designing products, delivering supplies the workshops, deciding personnel questions etc.). Performing specialized tasks and the fulfillment of prescribed duties is the only active form of participation which the employees consider legitimate.

The employees of both firms under survey accept the bureaucratic (hierarchic) model of organization. Frequently, they are unfamiliar with organizational models based on the idea of participation in the decision-making process. If they are introduced to these models during the interview, they usually dismiss them.

Respect for hierarchic organization by the interviewed employees implies a preference for indirect, representative forms of participation in the defense of employees' individual rights. They perceive the trade unions leaders as the representatives of "the last resort". The interviewed individuals emphasize that the unions should guarantee their interests against the power of the new owners and the management.⁸ At the same time, they are not willing to take an active part in the activities of their trade union organization.

2.4.2 The factors of differences

On the basis of our data it seems possible that the development of the employees' participation in the *DOMUS FACTORY* and *MECHANICA CORPORATION* could – within the overall prevailing tendency towards bureaucratic organization and indirect participation – take different courses in the years following the first month of the enterprises' operation under private ownership. The reason for the differentiation could be two factors: 1. a different organizational tradition going back to the period prior to the World War II, and 2. the different ways in which the firms were privatized.

⁸ There are differences with respect to relations between workers and managers between *DOMUS FACTORY* and *MECHANICA CORPORATION*. See 2.4.3 for more information.

The Influence of the Firms' Different Traditions

As we stated above (see 2.2.3), the manufacturing, technological and organizational conception of the *DOMUS FACTORY* has been derived from its earlier tradition as a joint-stock company, established in the 1920s. The strategy of the firm was influenced by the idea of serial production of unified and, thus, cheaper goods. This tradition implies the preference for large-scale, unified, production-line work. The monotony of the "assembly line", routine operations became one of the factors leading to the appearance of a sharp separation of decision-making and execution. In the case of large-scale production, the preparation of manufacturing and projects of technical innovation take place almost solely outside the workshops. The workshop foremen and the workers get just the models and techniques which they can only modify to a minimal degree. Direct participation is very difficult under these conditions.

The *MECHANICA CORPORATION*'s pre-war tradition was based on autonomy for individual production units and the idea of diversification of production programs. The current enterprise's reorganization has been inspired by this tradition (see 2.3.2).

The different traditions of both firms are reflected in the employees' ideas of what a "good manager" should be like. From the point of view of the employees of both firms, "good management" is capable of securing sales and work. However, the employees of the respective firms differ considerably in their ideas of the type of manager capable of securing the expected stability of employment.

In the *MECHANICA CORPORATION*, the managers are praised for their structural and systematic way of thinking, flexibility, adaptability, courage to make changes, high intelligence, and ability to react quickly. The employees of the *MECHANICA CORPORATION* derive their requirements from the management's ability to respond to the market situation. In the *MECHANICA CORPORATION*, the already mentioned pre-war orientation towards the production adaptability to market fluctuation is still effective.

In the *DOMUS FACTORY*, the employees stressed more the willingness of management to solve problems emerging in the plants, the ability of acting authoritatively so that the workers' discipline is secured and the indifference of the lower management overcome. The employees of the *DOMUS FACTORY* praise more the managers' ability to control the factory's internal situation. In the *DOMUS FACTORY*, the predominant notions are those derived from the practice of state directed, large-scale production. The monopoly position of the *DOMUS FACTORY* established during the time of state directed planning led to the stability of external conditions (i.e. especially stable possibilities of sales). Hence, there is a habit to direct attention to internal problems of the factory and

to ignore external conditions of production. This tendency has not been "opposed" by the market oriented tradition in the case of *DOMUS FACTORY*.

The tradition of the *MECHANICA CORPORATION* increases the probability that elements of direct participation will appear in the organization of autonomous divisions. The tradition of large-scale production increases the tendency towards the bureaucratization of the decision-making process in the *DOMUS FACTORY*.

The Influence of Different Forms of Privatization

The *MECHANICA CORPORATION* was privatized through the voucher method. Thanks to that, its dominant owners are the so-called Privatization Investment Funds (PIFs). Four large PIFs own the controlling block of shares. What is important for the development of relations between management and the owners is that by law a single PIF cannot own more than 20 % of the company shares. The association of the individual shareholders, which includes many of *MECHANICA CORPORATION*'s employees who share the corporation's stock, owns more than 20 % of the shares: The trade unions, supported by the management, have organized the individual voucher shareholders. They succeeded in establishing an association of shareholders which influences about 23 % of the company shares. Hence, this association can, like some PIFs, act as a decision-maker. This association of shareholders is represented by a managing board in which the representatives of the lower management of the company exercise significant influence.

The development of such an ownership structure corresponds with the intentions of *MECHANICA CORPORATION*'s management. The management intended to preserve its dominant influence in strategic decision-making which could not be attained through a direct purchase of the corporation. When setting up the privatization project the management expected that through the voucher privatization it could achieve the dispersal of the shares among a great number of individual owners. The management counted on the possibility of organizing them in order to counterbalance the influence of the large PIFs. This aim has been realized. The association of individual shareholders is an institution embodying the common interest of the management and the employees who hold shares. The management can influence the firm's strategic decision-making with the help of the association of the individual shareholders. Employees no longer need to fear that the PIFs will be able to achieve a complete reorientation of the production program of the firm, thus jeopardizing the stability of their jobs. The employees, together with the management, have found a way of standing up effectively to such an attempt.

The mentioned community of interests between the management and the employees expressed by the association of individual shareholders supports the

participation of the employees in the decision-making. The managers, in their own interest, can use the association as a channel for passing on strategic information. In this way they can increase the possibility that the individual shareholders' decision-making will be in compliance with their intentions. The negotiations within the association of individual shareholders will probably become an opportunity for discussions between the managers and the employees and a way to reduce the distance between both groups.

Something similar is quite unlikely in case of the *DOMUS FACTORY*. The ownership structure of the joint-stock company, part of which is the *DOMUS FACTORY*, is altogether different. The controlling block of shares (64.5 %) has been acquired by a group of six individual owners at auction.

The owners were – with one exception – the top managers of the factory and – all of them – still are the members of the company's or factory's management. The management has gained influence over the strategic decision-taking without having to link its interests with anyone against the influence of the PIFs. This fact strengthens the tendency towards centralization of the *DOMUS FACTORY* and weakens the possibility of cultivating direct participation of employees.

Unlike the situation in *MECHANICA CORPORATION*, the fear of the split between those concerned with the future development of the factory and the short-term interests of the big shareholders, does not occur in the *DOMUS FACTORY* owing to the personal union between the majority owners and the top managers who are deeply identified with the company's tradition. Yet, the lower management feels too powerless in relation to the strong position of the top management which is, in comparison with the past, fortified by its position as the owner. Hence, among the lower level managers, there is a growing feeling similar to that of the blue-collar workers. The fear of the owners' power often suppresses attempts at charting an autonomous approach to solving the problems of production organization by middle-level managers. Such a tendency has been evident also among the interviewed individuals who have expressed explicit and expert opinions of some strategic issues. A passive "wait-and-see" attitude on the part of middle-level managers without taking risks is more evident than the courage to put forward new ideas.

Maybe this tendency cannot be linked together solely with the influence of the ownership structure. Centralized decision-making and unified, routine, large-scale production, which were usual long before privatization, required obedient fulfillment of the superiors' orders rather than initiative and venture. That led to the loss of the sense of responsibility for the firm's destiny in a considerable number of managers during the past three decades and the personal union of the owners and top managers made it even stronger. In *DOMUS FACTORY* it is not counterbalanced by a stated policy which urges technical staff and the lower level managers in the *MECHANICA CORPORATION* to rely on their own prudence and responsibility.

2.4.3 Two possibilities of future development?

Common to both the surveyed firms, there is a tendency towards hierarchic forms of organization. Yet, within this tendency there are evident differences. The tradition of autonomous production-units in the *MECHANICA CORPORATION* and the need of its management to link their interests with the interests of those employees who are individual shareholders of the company's stock support efforts to decentralize and the appearance of elements of direct participation. In the *DOMUS FACTORY* the tradition of large-scale serial production and the personal union of the owners and the top management fortifies the bureaucratization of the organization and the unwillingness of both workers and the lower management to take over responsibility for the firm's fate.

If this tendency to differentiate organizational developments in the respective firms continues it could lead to the emergence of two models of the relationship between management and employees: (a) The model of "softening hierarchy by elements of direct participation": The inclination towards perceiving the problems of the firm as a challenge to resolve the situation in the interest of the firm's survival would likely be strengthened by this development in the *MECHANICA CORPORATION*. (b) The model of "further bureaucratization and reliance on indirect participation": In the case of the *DOMUS FACTORY* it is probable that the employees would react to the economic instability of their firm with the sentiments that the management "did not meet their rightful" expectations. The employees would then be willing to force "social considerations" through collective action. For this purpose they could use their trade union organization which they have up until now "kept in reserve" without taking an active part in its activities.

The tendency to use collective action is weakened by a considerable individualization or "privatization" of the employees' interests. Both case studies show that a number of employees of both firms react to the signals of social uncertainty and to the attempts of wage differentiation with envy and mutual rivalry rather than with the inclination towards solidaristic workers' action. Therefore, the "individualism" of the employees in the Czech industry must be taken into consideration as a factor weakening the course of a possible industrial conflict.

On the basis of the acquired data it is impossible to assert that the development of both the firms will necessarily take the indicated course. Different trends observed in these two different firms with different traditions and different structures of ownership could be labelled as two hypothetical models of development in employee participation in the life of industrial firms. It is also possible to express the hypothesis that the trend observed in the *DOMUS FACTORY* will probably prevail throughout Czech industry. We think that this

trend will be supported by the above mentioned tradition of expecting “innovations from the top” fortified by the *dirigisme* of the socialist era. It is necessary to add that this hypothesis applies only to larger industrial enterprises privatized at the beginning of the 1990s. It is impossible to predict the development of smaller firms in the private sector on the basis of the data obtained from the presented case studies.