

Management between continuity and change - a case-study from Hungary*

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This study examines how new concepts affect management in a Hungarian, previously government-owned company. The case-study is analysing how the concepts 'market' and 'market economy' are brought into the company and affect management. There is special focus on how management is constituted between 'cargoes-of-thoughts' and a new 'everyday life of reality'. With Berger and Luckmann (1966) as the primary frame of reference the paper will focus on practices in selected parts of management in the case company. It is shown that some parts of management (surprisingly) technically are almost unchanged in the new 'everyday life of reality' despite a new purpose, whereas other parts of management are quite new. In conclusion, the analyses will reveal that post-rationalizations and alternations have attributed to rationality – in a struggle against former 'cargoes-of-thoughts'.

In dieser Untersuchung werden die Auswirkungen neuer Konzepte auf das Management eines ungarischen Unternehmens betrachtet, das früher ein Staatsunternehmen war. Mit Hilfe von Berger/Luckmann (1966) wird untersucht, wie die Konzepte des Marktes und der Marktwirtschaft in das Unternehmen eingeführt werden und das Management beeinflussen. Besondere Betonung liegt auf den Einflüssen, denen das Management aus alten Denkweisen einerseits und einem vollkommen neuen Alltag andererseits ausgesetzt ist. Es wird gezeigt, dass einige – insbesondere technische - Bereiche des Managements kaum Veränderungen aufweisen, obwohl sich die Ziele vollständig gewandelt haben. Andere Managementbereiche sind hingegen recht neu. In der Untersuchung wird gezeigt, dass Veränderungen sowie neue Rationalitäten nicht unabhängig von bisherigen Denkweisen entstehen, sondern sogar teilweise mit ihnen konkurrieren.

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Introduction

This article will examine how the concepts market and market economy – the idea of market economic rationality – are adapted to management in a Hungarian transition company, including the actions that derive from the adaptation. Today, the case company – Budapest Chemical Works (BCW) – is privatized, but under the command economy it was government-owned. With an explorative approach the article describes and analyzes selected issues related to the company's way of doing management in the light of its continuation and reorganization. A continuation and reorganization rooted in the company's former existence as a production company under command economy and oriented toward financial survival under market economy.

The point of departure is to understand what management is and what role it plays in a transition company – to explore how institutional changes affect agents' way of thinking (rationales), and especially how meaning is ascribed to the new rationales. Not much is written about firm-specific organizational effects of the institutional transfers in eastern and central Europe, with Taplin & Frege (1999) as an splendid exception. In this light, the article's institutional and sociological approach abandons the idea of absolute rationality. The objective is to understand why rationales look the way they do, how they result in organizational logic and why it may be a problem to leave, supplement, adjust or replace one logic and rationality with another when a set of logics is socially, organizationally and individually institutionalized. In other words, the article will try to examine how a micro-social system – management in a transition company – is constructed, institutionalized, changed and interpreted in the light of dramatic macro-institutional and social changes in the company's environment.¹

Despite the dramatic changes in the former command economies in Central and Eastern Europe, the article focuses on a transition company characterized by both continuity and change (of techniques and mentality). This perspective relies especially on Berger and Luckmann (1966) and their universe of social constructions as a central frame of reference. As examples of management (and accounting) practises and fields it will be argued that the calculation practice in BCW is an anchor of stability in a new 'everyday life of reality' but with a new

¹ Already at this point it is important to emphasize the paper's two applications of the concepts 'institution' and 'institutionalization'. They will be used on two levels: On one level the meaning will be based on a common-sense understanding in terms of 'social, macro-economic and/or political and social rules or systems'. In other words, a non-theoretical, non-sociological understanding and view of the systems. Accordingly, the other level is given implicitly: A sociological application where the above mentioned 'macro-institutional systems' as well as the 'social micro- (organizational or individual) systems or phenomena' will be discussed. The latter level will primarily rely on Berger and Luckmann (1966).

purpose, whereas cash management is a new discipline (that sometimes defeat the idea of profitability) and represents the new 'everyday life of reality'.

By modifying Berger and Luckmann's 'BC/AD metaphor' the article becomes rooted in an organization of history, where concepts such as transformation and continuity seem more to the point than immediate change and revolution in a description of how agents understand 'changes in realities-of-everyday-life'. By means of this metaphor management in BCW will be described, where former actions are reinterpreted in a market economic framework (a framework that has generated rationales in the company through the institutional changes), but/and legitimized through the former command economic rationales and institutions.

The case company and the theoretical framework

The analysis will primarily focus on calculation practices and cash flow management. It will be examined to what extent the widespread view of a totally changing society and the professing to the idea and rationality of market economy has 'seeped down' and is reflected in management on company level (organizational context) and on the daily operational level (e.g. calculation practice and cash flow management) in a previously government-owned company. It is primarily from this perspective that the description of the case company and the presentation of the theoretical frame of reference should be seen.

BCW's profile

BCW can be called an autonomous transition company. The reason is – which is also what makes the company especially interesting – that the company was not taken over completely or partly by a large foreign investor, a new owner or a 'big brother' in a joint-venture cooperation who introduced a Western management concept. BCW was privatized by preparing it for an employee takeover. At a later development, top management took over the company and as such holds a controlling interest. Thus, external capital has not been invested in the company, although it was offered very favorable government loans. In other words, BCW has had to establish, change and manage itself in the transition from a government-owned, chemical production company to an independent company that must secure its survival in a new market economy environment. BCW has had to face the new challenge in an 'autonomic' way, i.e. creating and constructing a new identity, learning the market values, mode of operation, frameworks, mechanisms, etc. (these events even took place in a period where BCW was facing enormous financial problems, a drop in turnover, a large burden of debt, many unprofitable activities and productions, extreme cash flow problems and poor financial performance in general). Therefore, the analysis of the adaptation of the market economic rationality and context and the interpretation and importance of this process to management in BCW has

had an unusual context. However, it also means that the analysis delimits itself strongly from issues that are based on or related to a) foreign takeover of previously government-owned companies, b) privatized government-owned companies that have entered joint-venture agreements and of course c) new companies in the former command economies.

BCW is a 125-year old chemical production company, the oldest chemical company in Hungary. An important feature is that management and organization of the company to a large extent have been based on 'family clans and dynasties'. Over the years, it was normal practice that 4-5 families exercised a strong influence on company operations, as many family members were employed in or in some way related to BCW. Until 1990, the COMECON countries were the most important markets for BCW. It was an important feature in the trade between the COMECON countries that a large part of the trade was made in an actual exchange of goods instead of trades where goods are exchanged and converted into or through financial trade-off. The trades were centrally assessed (not really 'market related') and settled in 'transferable rubles', an accounting unit created for this specific purpose in the COMECON block, where the 'real' monetary/market value of companies' production and sales was difficult to estimate. The collapse of the COMECON cooperation in the beginning of the 1990s meant an enormous loss of markets for BCW and forced the company to find new markets for its products (EU, Asia, USA)².

BCW was a 100 per cent government-owned company controlled and managed by a government board until June 1992. It was privatized in two phases: July 1, 1992, the company was registered as a company, where the majority of the share capital was owned by the Hungarian state privatization company APV.³ After having looked around for a buyer in vain for 9 months (in vain due to the company's poor prospects, environmental problems, run down production facilities and far too optimistic price expectations), they hit upon the idea of an employee takeover by employee share issue and sale. This idea was realized in 1993. Since then, BCW has been through several organizational changes. In part, the number of employees has been reduced considerably (previously, the company had approx. 3.500 employees, in 1996 it had approx. 700, IN 2000 approx. 350), in part the company has been subject to large structural changes and adaptations in relation to a changed product portfolio, market adjustment, new management tasks, etc. Where BCW previously was a mass producing production company, it is today more apt to characterize an ever increasing part

² Related to this topic, see Kelemen & Hristov (1998).

³ For the purpose of sale to private investors.

of the production as 'differentiated'.⁴ The background of the former profile should partly be seen as historical, based on command economy and volume oriented, partly based on BCW's actual core competence, research in and production of chemical, semi-manufactured and finished products for agriculture and other manufacturing.

From an organizational perspective, BCW is organized according to functions. In the period where most of the interviews were made, BCW was in the process of being restructured, partly due to the company's considerable, financial problems, partly because the marketing manager was leaving the company. As a consequence, the marketing departments referred directly to the managing director in this period, just as he more or less was directly in charge of the quality and inventory functions. Otherwise, the company was divided into a technical/production column (to which belonged the technical support functions, the research departments and the actual production departments) and a financial column. Although, the company was being reorganized to operate with a smaller capacity and a more selective, financially oriented production, the organizational arrangements still bore signs of former days' 'greatness', e.g. in terms of the scale and importance of the production units.

BCW's overall strategy in response to its new environment and the company's financial problems was, as mentioned above, a revised product portfolio, an emphasis on exports and a targeted effort to attract other chemical companies that might consider outsourcing part of their production. Today, BCW's core competence – chemical production – is continued as manifested and developed strategy, but products, product features and production processes have been adjusted. The company has tried to relate these adjustments to a general agenda of quality and quality standards (e.g. BCW was ISO-certified in 1995). However, the company does not plan to introduce completely new product types or areas that differ significantly from the present manufacturing. The company is continually considering research in and development of new product types within the chemical field, but not in other fields. In terms of exports, its managers intend to profile BCW as a globally small, but respected niche production characterized by manufacturing chemicals of a high quality with a flexible production technology to accommodate specific customer requirements. Efforts are made to cooperate with other firms in terms of outsourcing, as top management would rather increase the capacity utilization in production than cut down on capacity. The idea is to cooperate with companies that need to buy production capacity and know-how and/or semi-manufactured products from a 'low cost' region.

⁴ Strategically defined as a company's **possibility** of fixing prices higher than the prices of competitors due to the unique features of its products (Porter, 1985, Johnson and Scholes, 1993).

A theoretical framework: Institutionalization, management and the rationality of a new 'everyday life of reality'

An institutional argument for focusing on the lack of consistency between micro-rationalities and the environmental context can be found in e.g. the studies of Scott (1995) who speaks of the relationship over time between organizational structures and systems, logic, rationalities and their environments.

"Institutionalists remind us that no organization can be properly understood apart from its wider social and cultural context. These environments create the infrastructures – regulative, normative, and cognitive – that constrain and support the operation of individual organizations. The formal structures of organizations are seen, at least in part, to represent theories of action that embody the prevailing cultural logics. Rationalities are contextualized." (Scott 1995, p. 151).

But the most essential point of anchorage in this article, and at the same time its 'institutional approach'⁵ is linking management and the case company's existence as a transition company with Berger and Luckmann's ideas of social constructions – including their interpretation and application of the concepts externalization, objectivization and internalization. The linking should be seen in a perspective where society/the close environment is interrelated to the individual/social unit. Application of Berger and Luckmann's terminology on BCW deals with the central issue that the close (command/market) institutional environment is a humanly created product, (but) that it has the nature of an objective reality and that the human/social unit (therefore or in spite of it) is a social product. On this basis, the analyses focus on

- a) How the concept market economy, seen as an institutional and discursive phenomenon, 'trickles down', is accepted and interpreted into a transition company and affects management,
- b) How changing a social institutional organization of production in a more economic direction is reflected in a company's management, especially seen in the light of
- c) An organization's survival through priorities in management in addition to a search for a balance between continuity and stability between past, present and future, on the one side, and demands for change on the other.

As indicated above, the concepts of rationales and rationality are very centrally placed. By focusing on the institutional transition of the former command economies to a larger market orientation, it has been chosen to tie up the concepts and see them as two attached, preconditioning and determining sets of

⁵ Institutionalization as understood in Berger and Luckmann's terminology (1966, e.g. p. 72), where 'institutionalization occurs whenever there is a reciprocal typification of habitualized actions by types of actors. Put differently, any such typification is an institution'.

values and logics. On this basis regulations and systems are established. It follows that rationality is seen as context determined and socially constructed. As the consistency of this logic has been chosen, it will be pointless to discuss whether 'market economy is more rational as a social system than command economy'. Transferred to transition companies in Central and Eastern Europe, one might imply that e.g. price calculation or cash flow management, regarded as technologies in some form or another, will be connected with, and therefore reflect, certain institutionalized practices, which in turn reflect underlying rationales, traditions, priorities and values (Miller, 1994, p. 4).

In the article, the concept 'transition company' implies a former command economic, government-owned, organizational unit, that today has been privatized in one form or another, is still existing and now has to survive under market economic conditions.⁶ This definition assumes that the unit has departed from an initial point of anchorage - in this connection a company that is subjected to market changes in its institutional environment and therefore has to reorganize and change. The word 'transition' as opposed to e.g. the word 'transformation' implies a certainty and an awareness of where one is heading. In other words, the goal one is in transit to (Verdery 1991, p. 419, Child and Czeglédy 1996, p. 172)⁷. As it is a **process** of reorganization, it is basically difficult or even impossible to have a clear picture of what a transition company will end up becoming. When the transition concept has been chosen anyway, it is because the case company has had and still has a picture of which kind of 'market economic' company it wants to become.

As mentioned previously, the article uses Berger and Luckmann (1966) to address the interpretation and adaptation of the market concept and the subsequent new institutionalization of management practice in the transition company. One reason for using Berger and Luckmann is the authors' focus on the formation of institutions, explained primarily by attitudes and routines. Another is their approach to describing the humanly created, but objectively perceived situations. Command economy can be seen as an institutional social framework that regulates actors' behavior and perception. An institutional system can be seen as a social construction, but will often be regarded as an objective fact by actors. In the following, Berger and Luckmann represent the sociological theory that focuses on what is **perceived** as (and the basis for)

⁶ I cannot deny that the applied definition of 'transition company' implicitly signals and assumes that there are large rationale differences in operating a company under market and command economic conditions (an assumption that differs somewhat from e.g. the results in Burawoy and Lukás' study (1992)).

⁷ A discussion of the term 'transition' compared to 'reform' and 'transformation' is done by Sevic (1999).

knowledge, and what is **perceived** as reality at the expense of discussions based on the philosophy of science and related epistemological implications.

The concept of reality is defined as the close or remote aspects in people's lives, which in their **view** have certain characteristics, exist autonomously and are independent of their own will. All individuals live in one world or another, regardless of philosophers or sociologists' theoretical categories of worlds and knowledge. And as it is the sum of single individuals' 'common-sense-knowledge' rather than ideas and theories that creates society's progress, the knowledge sociology ought to direct its interest towards the 'common-sense-knowledge' – the social construction of reality:

“Common sense contains innumerable pre- and quasi-scientific interpretations about everyday reality, which it takes for granted. If we are to describe the reality of common sense we must refer to these interpretations, just as we must take account of its taken-for-granted character ...” (Berger and Luckmann 1966, p. 34).

To the man in the street, common sense, alias a kind of rational way of thinking within a given context, involves certain homemade philosophical views and interpretations of the reality, progress and logics of everyday life. Eventually, these views become so common that they are perceived as facts and matters of course. Using a sociological approach to explain the appearance, maintenance and changes of institutional matters, it is necessary to focus on these common sense perceptions – how they are interpreted, why they are created, understood and appear as something that we take for granted. Berger and Luckmann argue that the reality of **everyday life** is the reality that a person regards as the real reality. No one can ignore the reality of everyday life. It is constantly and urgently present. The individual perceives this reality as structured, organized and arranged in a manner that is independent of the individual. An analysis of such a social stock of knowledge, everyday realities and individuals' structuring of knowledge based on how relevant it is to their own reality indicates that local logics and rationales are conditional on context and everyday life of reality. What is obvious and logical in an institutional context anchored in practices may seem very illogical and absurd in another context.

Adaptation to market economy rationality

Based on the theoretical framework outlined above, the following two sections will analyze parts of the case company's constitution between its 'cargoes-of-thoughts' and its new everyday life of reality.

Management between cargoes-of-thoughts and a new everyday life of reality

As the title indicates, the intention is to examine how BCW has constituted itself as a company with roots and traditions in the former command economy system under a new institutional framework. The word 'constitution' has been chosen in order to describe what BCW is as a consequence of its history under another institutional environment and what it aims to become in future. One may also say that attention is focused on how a transition company, so to speak, recreates itself in terms of purposes, visions and identity, creating a fertile soil for new institutionalizations. New institutionalizations based on command economic values and rationales in the light of new environments and institutional frameworks. In the following, this perspective will be illustrated by focusing on the changes in management in relation to the new everyday life of reality, indicating how technologies and practices determine or play a part in the adaptation of the new market economic domain and its rationality.⁸

Berliner (1974), Wiles (1977) and Seeger (1981) argue that the former government-owned production companies, and most other actors in the command economies, all should be viewed as individual parts in a larger comprehensive picture. The functions and *raison d'être* of the individual units were based on production, the primary purpose of which was to benefit the whole and not the individual companies.⁹ This relationship has been accused of generating many of the problems in the command economies: Poor morale, lack of incentives and consequently lack of product and technical innovation, lack of discipline in terms of costs, bureaucracy, etc. In order to isolate the constitutional dimension in general it can be questioned whether the employees in BCW, today or previously, first and foremost have seen the company as an instrument for meeting production requirements in relation to the government. And – if so – which rationales still remain in the company in its attempt to create an 'appropriate identity' today, where BCW as an actor in market economy must justify its existence as a subject **for itself**. This leads to questions about how a company constitutes itself. Does such a change and such a process in itself require a new institutionalization of rationales and practices? And if so,

⁸ Calculation practice and cash flow management are among the technologies and practices that will be analyzed. Calculation practice was chosen to reflect partly the general decision behavior, partly the market's influence on and importance to how a transition company relates to the market – calculations seen as a central function that links the company and the market (see Hayek, 1945 and Williamson, 1991). The choice of cash flow management was based on naive common sense expectations, as this technology is new to transition companies, because the government previously had handled cash flow management' through entry systems in the command economy.

⁹ Strictly speaking, we may call it a 'configuration', understood as the external form of an assembly of units constituting a machine or an entity.

to what extent does the company autonomously determine these, and to what extent are they adopted from the environment? A bit provocative, we may ask whether and, if so, to what extent a new constitution of a transition company and any accompanying rationales, technologies and practices are a result of post-rationalization based on history or of externally conditioned innovative thinking after the collapse of command economy.

The concept 'constitution' is in this article closely related to the concept 'institutionalization'. The concept of constitution is used to characterize a process where one or several actors consciously or unconsciously aim to manifest and establish an idea, identity, meaning or attitude. In order to isolate the broad interpretation of constitution one can say that in this sense constitution relates to creating, establishing and determining a (e.g. organizational) frame of reference that applies to centrally interested parties. Human actions through which human beings externalize themselves require a social order that constantly has to be maintained and developed to congruous rules through institutionalization. The core in maintaining institutions is the perpetual routine actions in 'the everyday life of reality'. Berger and Luckmann point out that it is basically the same that happens 'when there is order' in the institutional environments and when society and institutions face potential collapse: Ordinarily, routine actions support institutions, and society makes specific procedures 'for situations that are recognized to involve a risk for disrupting reality'. Thus, institutions implicitly recognize that changes and upheavals may occur.

In this perspective, it is essential to consider whether the change from command to market economy by BCW should be seen as a minor modification of the environment, or whether the transformation seems to be 'total', so it in fact should be called an alternation. The relevance of the question can be related to the perspectives on single and double-loop-learning (Argyris and Schön, 1978, Morgan, 1986), as it seems reasonable to examine whether actions are a consequence of experience and trying-learning-processes or a result of exclusion and falsifications. It will affect choice and design of practices within management whether the employees in BCW from a constitutional perspective regard the changes in the institutional environment (including the company's interaction with and position in relation to the changes) as 'total' or 'procedural modifications'. Are historic practices and the derived experiences ('cargoes-of-thought' in terms of management) of such a nature that they can be applied with small adjustments to the modified, but not revolutionized environment? Or is it necessary to use new rationales, values and management practices (see Haldma 1999)? Practices that basically require new skills and challenge fundamental, underlying assumptions from which the necessity to 'unlearn' follows

“As Hedberg (1981) noted, a key but difficult question in any transformation is what existing knowledge, ways of thinking and practices, managers and others

should be encouraged to 'unlearn' and what should be retained as a valuable basis on which to build a superior level of competence. The remarks just made suggest that Eastern Europe managers should unlearn less than might be assumed either by Western advisors or the members of foreign companies which have located in Eastern Europe. Presumptions that Eastern Europe has failed, and that its managers therefore have little to offer and should be regarded simply as 'learners', are likely to mislead on this matter." (Child and Czeglédy 1996, p. 174).

in addition to the necessity 'to learn how to learn'. Referring to Argyris and Schön (1978), Child and Czeglédy (1996) go on to argue about 'managerial learning' in the former command economies in Central and Eastern Europe:

"In other words, managerial learning is not confined to improving ways of accomplishing existing tasks, through the introduction of superior techniques (the 'single-loop learning' of Argyris and Schön 1978). In the context of something as fundamental as the transformation of Eastern Europe, managerial learning extends to the redefinition of the tasks themselves and of the goals which they reflect. This is equivalent to the 'double-loop' learning which Argyris and Schön admit is difficult to achieve even under favourable circumstances. In Eastern Europe, it is much more difficult because it is so often seen to call into question the social worth of the learners themselves." (Child and Czeglédy 1996, p. 176).

According to Child and Czeglédy, the nature of the transformation of the command economies is so fundamental that the contents of 'managerial learning' and its goals and purposes have to be examined and rediscovered. The interviews conducted in BCW support this view. The economic reforms in Hungary (the liberalization New Economic Mechanism in 1968) had some impact on BCW and its employees emphasizing rationality towards a market economic orientation and cost-effectiveness, but not to such an extent that the upheavals in 1989/1990 could be tackled by patterns of action and instruments based on experience. It is more to the point to characterize the upheavals in 1989/1990 as a kind of revolution. Although a way of thinking that was influenced by the ideal of a market economy had been introduced in 1968, the institutional changes in 1989/1990 were so dramatic that BCW was forced to consider its previous competence and practice in relation to their future *raison d'être*.

By examining the actions of BCW under the command economy, including the 'revised command economy' after 1968, we see that the company's actions and traditions were anchored in a social reality that was externally given and all-embracing. Within its own logic, this institutional world seemed permanent and

natural¹⁰. For BCW as a whole, and the employees who acted on the part of the company, it must have appeared as an objective reality. This has given rise to a pattern of actions where things are done more because 'experts' say they are 'right' than because they function well (Berger and Luckmann, 1966, p. 135). In a similar way, the immediate environment of BCW has appeared as an objective reality to the company and most of its employees. To be sure, a reality that had been created by humans, but also an institutionalized social world that has appeared as something external and not humanly produced and given.

Calculation practice in BCW is almost unchanged relative to the former practice supporting the idea of continuity. For many years, both under command and market economy, the costs and accounts department has employed the division into costs estimates and cost accounting. The concept, costs estimates, has been replaced by price calculation, but in essence it is the same. A staff member from the costs and accounts department talks about his tasks today, which include (e.g. price calculation):

“Today, my tasks are more or less similar to those I performed under the command economy. The main difference is that today you have to work faster, you have to accomplish more at the same time. Previously, the company acted much more as a social institution than today”.

A manager from the costs and accounts department says:

“Price calculation and the principles behind are not new to usWe knew the principles of calculation, but the final price was fixed by the government.”

Thus, some activities within management are basically the same as previously.¹¹ When it is still relevant to talk about a new everyday life of reality, it is due to production purposes and application of data included in management for decision purposes. Today, the company itself in management uses the technical, accounting instruments and the data they produce, which, as mentioned, to a large extent are the same as before. It is crucial that BCW understands the cost development of the individual products, because today the company itself is held responsible for its actions, e.g. 'wrong' price fixing. It also has to deal with its own failures and shortcomings. Regardless of whether the cost estimates have been too low and the orders consequently are sold at a loss, or the cost estimates have been too high and therefore also the prices, which at worst might

¹⁰ See a very interesting article by Robinson and Tomczak-Stepien (2000). In this article "appropriate" market behaviour of four post-socialist Polish enterprises are being analysed. Several key factors are being pointed out, but the article also deals with reinforcing the strength and endurance of the socialist culture.

¹¹ It is even more obvious that many daily activities have not been subjected to actual revolutions and thus new 'everyday realities'. Activities that are not directly related to the economic discipline, such as the company's core competence, the chemical production, are of course performed in the same way from a technical point of view.

result in loss of markets or market shares - the company is the responsible party. Owing to the positive as well as negative consequences of actions, new dimensions are added to concepts such as responsibility in connection with economic, cost or technical calculation measures. This knowledge that what-I-do-will-have-consequences-and-I-or-the-company-will-learn-the-costs is new and illustrates the essence of 'a new reality of everyday life': A number of the old techniques and disciplines in management (and accounting) will still be used, but with new goals in view.

Beside the application of old instruments for new purposes BCW has had to face the need to apply completely new (instruments and) techniques. As mentioned already, cash flow management is a discipline that the company has had to learn. This has caused some problems. In this connection, it is most relevant to emphasize the problems as a consequence of inexperience in cash flow management under command economy. Governmental wholesales companies handled marketing for the production companies, which is why most liquidity transactions were not carried out let alone optimized by the production companies themselves. The process of learning how to perform company-specific cash flow management in BCW is an example of the company's confrontation with a new everyday life of reality¹².

In general, the purpose of management appears to be basically new. Especially, because BCW, from having been a government-owned and to a large extent secured company,¹³ was privatized and consequently became in charge of securing its own survival. In addition, management has been given another role. The former role of management in BCW was production oriented and supplied reports for people in the ministries. Now, its role represents a logic that is the core in the efforts to govern the company's financial matters in order to secure its continued existence. In other words, management in BCW has changed from being technology-oriented to a role where it is an exponent of a market oriented frame of reference. Basically, BCW's management practice has had to redefine itself and to reconceptualize its *raison d'être*. As a consequence, new management instruments have been implemented in order to meet the new demands¹⁴.

The demonstration of a new everyday life of reality for BCW is important, especially because Berger and Luckmann emphasize that in relation to

¹² The learning from crises and confrontations for transition enterprises is described by Liuhto (1999). Liuhtos results indicate that crises are more linked with change than previous success.

¹³ Secured in the sense that many activities which companies acting under market economic conditions have to handle themselves were handled by the state.

¹⁴ For an excellent analysis combining management instruments, change and human resource management implications, see Robinson (1999).

institutionalization of changes it is not a new everyday life of reality nor reorganizations in themselves that generate dynamic conditions or permanent changes in the perception of reality. The important thing is to continue to take such reorganizations or the new everyday life of reality seriously (Berger and Luckmann, 1966 p. 177). For many employees at BCW it is a problem to continue to take the new reality or transformation seriously, to face new rules in the social (here economic) field and to believe in the new reality:

“To do things better, to keep a time limit, to say to a colleague 'listen old boy, let me help you – when we are two about it, things will work out better' – I don't see any of this happening. The workers in production do still not believe that they may end up having problems, e.g. that the company may go bust. Such problems do not exist for them. Even when they are told that there are problems. It is a typical example of 'Peter and the wolf. When you say 'the wolf is coming, the wolf is coming...', then people's reaction is 'yes, yes, we have heard that many times, but it never happens'. Even if people are told that we have a lot of unpaid bills, they just keep talking, they believe that everything will turn out well in the end.” (technical/administrative employee).

To some extent this lack of 'seriousness and realism' prevails in understanding that the company's reality has changed, including the *raison d'être* and conditions for its survival. From this, two situations can be singled out: In part, it seems that the old rationales, logics and attitudes from the command economy still prevail in production activities¹⁵. One might say that a total alternation or understanding of the new everyday life of reality more or less has failed to become part of these activities. In part, it seems probable that the production side has not exerted a heavy pressure to introduce new management or accounting instruments/practices.¹⁶

The changes in BCW's environment have to be seen as a catalyst for the transition process in BCW towards more market oriented logics and processes, including changes in management. The cooperation with an American consulting firm was used as a lever to launch measures to assist in changing processes, attitudes, priorities and ways of thinking. In the following, these measures will be regarded as an example of adaptation of factors coming from outside the organization. The incentive of top management to start cooperating with the consulting firm is illustrated in the following:

¹⁵ Ilieva (1999) finds that implementation of new approaches of human resource management (but not particularly related to production units) are preliminaries for the success of change and organisational efficiency.

¹⁶ This seems to indicate that changes in management and accounting practice have not come from the floor or from within the organization – it is more likely that changes have come from top management and that the adaptation of new practices has been initiated through top down control.

“If you are small and slapped in the face, well, then you will start thinking: how can I avoid to get slapped again? Perhaps I should learn to behave differently.” (the managing director).

“To change your way of thinking is one of the most difficult tasks. If you read the Greek tragedies, which were written 2000 years ago, you see that they are struggling with the same human problems as we are now. Precisely the same: to change our thoughts and way of thinking. It is a terrible thing. That is why we needed a consulting firm, an American firm or from another country, a firm that could act as a catalyst for this change in thinking.” (the managing director).

But the recognition that it would be necessary to adapt, learn and acquire techniques and instruments from outside the organization by means of consulting assistance did not proceed without serious considerations and some skepticism. This phenomenon is not unique:

“One striking feature of direct discussion with companies was general awareness of the risk of importing the wrong model from the west. This had nothing to do with sophistication or wide experience, but simply with unwillingness to exchange one form of alien control for another.” (Webb 1992, p. 30).

One way in which the adaptation mentally could be moderated and accepted was to explicate and maintain BCW's professional competence, know-how and expertise and on this basis specify in which areas the company needed and did **not** need assistance:

“It was us – the top management – who decided and defined which areas they should examine. The American consultants had no expertise in our field, but they analyzed our data and found contradictions. They could see e.g. that sometimes we could handle an order in 8 hours, while the very same task at other times took 30 hours to produce. And then it is possible to regulate and systematize so the process will take 8 hours rather than 30 every time. It is that simple. They summoned production managers, discussed the problems with them and decided on the production processes. They summarized and decided that from tomorrow they would do things in a different way.” (the managing director).

However, the adaptation process and the cooperation with the consulting firm were very complex both in terms of technological and operational issues and in terms of approaching how new the new everyday life of reality was and in which areas:

“We know how to deal with the market, but not how to control and manage”. (the managing director).

Which logic can explain a statement that at the same time reflects a mastery of the prevailing logic and precedent (the new everyday life of reality and its 'precedents') but also recognizes a failure to master the corresponding control and management competencies (which was an important factor in recognizing the need for external assistance)? Part of the explanation can be found in how

the company understands the market concept – which in the following will be illustrated by BCW's inventory policy. It was not until the consulting firm had analyzed the company that attention was focussed on BCW's purchasing and inventory policy. The following will give an impression of the former purchasing and inventory policy and the logic behind it:

“Because we are a chemical plant, we have a large inventory of spare parts for our machines. But this 'technical inventory' was based on the old system prior to 1990. If we needed two spare parts for a machine, we would buy 5 or 10, as nobody knew when it would be possible to buy spare parts again. Consequently, far too many spare parts were ordered. Today, this practice is giving us problems as we have a huge inventory of spare parts that we cannot use, e.g. parts to Bulgarian fork-lift trucks...” (manager for the department of social politics, delivery and inventory).

Below, a manager reflects about 'the old way of thinking', exemplified by the company's inventory policy:

“I would like if things were more orderly, that we stop throwing ordinary waste in the dangerous waste dump – and vice versa, that we don't throw screws out because perhaps they can be used at some other time – small details like that. Another example of the old way of thinking is our endless discussions with the maintenance people. They insist on having a large inventory. It is easier for them to go to the inventory to find a spare part instead of having to order it. In this connection, I always ask them: how many faucets do you have at home in reserve? You have three faucets fitted, but how many reserve faucets do you have at home? None, of course, because if you need a faucet you will go to the store and buy one. If we can introduce the same mentality in our company, we have come a long way.” (manager).

The consulting firm suggested that BCW should start to look at its input-side as subject to markets (and recognize that the supply was larger than previously). Therefore, the company should aim at on-going purchases instead of purchasing (allocation of) large quantities each time a supply of raw materials relevant to BCW was available at the (allocation) 'market'. A way of thinking that would imply a smaller stock level and thus less capital costs. This way of reasoning was far removed from BCW's normal way of thinking, despite the claim that 'we know how to deal with the market, but not how to control and manage'. This contradiction can be explained if the quotation is moderated. It implies that BCW has some knowledge of the market, by implication BCW's **marketing** side. BCW's input side has never been viewed as governed by the 'market'. Seen in this perspective, the introduction of new fields of management (e.g. inventory policy) and the unaccustomed and simultaneous control and coordination of financial and production fields may explain why the managing director admits to a lack of competence in control and management. The new tasks include new logistics issues, liquidity coordination tasks, greater attention to production costs, new marketing tasks and routines, etc. It is in this context that BCW's

adaptation of new logics and technologies through the consulting firm must be seen.

In general, most of the measures that BCW in recent years has launched in management derive more or less from their recognition of (cf. above) their lack of competence in how to succeed on the market: Which rationales and management approaches are appropriate on the market, and how can and should these qualifications be reflected in management of the production processes in an efficient way. We might also say that BCW's top management has recognized a lack of knowledge about (market) economic management in general. A realization based on an uncertainty about how to adjust management practice to new institutional environments that are perceived as very different from those that prevailed under command economy. This is the reason why to focus on the concept 'market' in the following.

Signals from the market

In this connection, it is relevant to take a closer look at the respondents' understanding of the concepts 'market' and 'market economy' and the corresponding logics and rationales. Apparently, these concepts are so influential that they have been able to enter BCW from the outside and change ideas and practices¹⁷. The idea about the market and market ideology seems to be such a matter of course that it is difficult ideologically, economically and in principle to 'be against' market economy. Some respondents even talk about 'the market as a dictator'. Under such circumstances, it is easy to argue for implementation of various 'market economic' adjustments and restructuring. In order to clarify such mechanisms it is a good idea to examine the importance attached to the concepts of market and market economy. In particular, compared with command economy, where the discourse could be called 'dictates of the state'. In this perspective, it can rhetorically be asked whether the market is an antonym to the hierarchy/dictate from the state:

“Under command economy the prices were fixed top-down. The government dictated that such and such an article should be sold at such and such a price to the Soviet Union, and then the article would be sold at that price to the Soviet Union. The prices of raw materials were fixed in a similar way. As it were, the practice applied both ways. Under the old system you did not have to think, there was no reason to think, everything was planned and decided by others. It functioned in another way than today, because the relevant ministries interfered. Contrary to today, where nobody comes to tell us that we have to produce 100,000 tons or where we have to sell the goods. And contrary to today, quality was not important then – neither in our products nor in the products from our

¹⁷ As mentioned earlier Taplin & Freges article (1999) focuses on managerial action in order to re-shape organizations to meet market exigencies.

suppliers. These are the main differences for BCW between command and market economy. It was definitely easier to be a company then.” (employee from the costs and accounts department).

“The plans predetermined what had to be produced. Under the market economy it is the market that determines what has to be produced. You have to adapt to the market's needs. You have to produce what the market dictates, back then you had to produce what the plans dictated. In those days, the market also played a role, but not at all such a big one as today. The most important difference is that under market economy you adjust to the market. Buyer and seller meet, come in contact with each other, and the seller's aim is to satisfy the buyer's need for his own sake. In other words, the seller has to remain competitive on price and quality.” (marketing employee).

These two statements express perceptions that see the concepts 'market' and 'plan' as antonyms. The government's dictates about which orders had to be produced at which date and to which customer have been replaced by a situation which requires that the company itself has to make far more decisions, but based on signals from the market: The market needs must be met. The company has to adapt itself for its own sake in order to be responsible, make a profit and survive (see Kelemen & Hristov, 1998). It may be questioned whether these signals should be interpreted as 'dictates', but today BCW has the freedom and autonomy to make its own arrangements, to make its own decisions, to accept or reject when opportunities, threats or offers present themselves. However, this 'freedom' may also turn into a problem if the company is not prepared and lacks instruments for action, qualifications and knowledge about a rationale in a new everyday life of reality.

Under the command economy, the company's input side was fixed in terms of prices. However, delivery of raw materials was at times problematic. The output side or the marketing side was also fixed both in terms of buyer and price. As a result, BCW was able to concentrate on the actual production processes. Today, the market related price and order terms are determined in interaction between BCW and its suppliers and buyers. This requires economic analyses and coordination between the purchasing, production and sales departments (production and financial control compared to merely production control previously). The following respondent compares the altered information requirements as a consequence of the company's more autonomous management practice (not to be confused with the techniques that so to speak have been imported from the environment, e.g. through the consulting firm) with the financial reporting to the ministries under the command economy:

“It is in fact very interesting that previously it was our obligations towards the ministries that determined whether our reporting should be on an annual, semi-annual or quarterly basis. We were obliged to comply with such terms when they

were posted. But today we must increasingly be able to read the consequences of actions quickly. Previously, we did not have that need." (manager).

Management in BCW have changed from formal, hierarchical directions to adaptation to a new market/everyday reality. These demands have created an internal need for information and control. In other words, if BCW intends to survive under the market economy, it must voluntarily accept and adapt to a certain set of rules – the rules of the market. Or we may say that the market 'forces' and disciplines' BCW to adopt a certain behavioral pattern through automatic penalties when the company acts in a non-competitive way. In Berger and Luckmann's terminology the relation between 'the social institution and existing theories' can be analyzed. If looking at BCW in general - its traditions, values and processes - as one large social unit and regarding the market concept as the existing theory (the discourse, the dominant set of rules), we can take our point of departure in the following quotation:

“...the relationship between 'ideas' and their sustaining social processes is always a dialectical one. It is correct to say that theories are concocted in order to legitimate already existing social institutions. But it also happens that social institutions are changed in order to bring them into conformity with already existing theories, that is, to make them more 'legitimate'.” (Berger and Luckmann 1966, p. 145).

As a framework for understanding some of the respondents' statements about the market and its functions and importance to BCW, we may apply Berger and Luckmann's line of thought that institutional logics are created through individual reflection, attaching importance to institutions. If employing an individual perspective, i.e. a perspective where the individual regards the relationship between BCW and the market, the rules and functions that apply explicitly or implicitly, it is the individuals' reflective consciousness that ascribes its own logic to the institutionalized relationship. It has not been written anywhere in the relationship between BCW and the market that BCW should dismiss employees and be cost conscious, that the company should build up a new management information system, that the distribution of responsibilities should be tightened or that reliability and quality are key concepts for survival and success in the West. Those are logics that the respondents ascribe to the market. The point is not whether they are right or not on the basis of some kind of rationality. The point is that it is the individuals who define the logic. The general rule that most respondents ascribe to the market provides that its logic and force cannot be discussed. It just exists everywhere and has a strong influence on BCW's arrangements, priorities and decisions. The market is viewed as everlasting, as a gene in the economic life. In periods, the market may be denied, but not eliminated:

“Now, I am not a politician, but employed in the economic life. However, you cannot resist linking the two things – politics and economy. The fact that we had

an economic Iron Curtain for a very long time, the fact that we denied the importance of the market for ideological reasons – that is of course feasible. But therefore the market does not cease to exist". (acting production manager).

The observation that the market cannot be eliminated implies that this gene in reality is the controlling element in business in general, including BCW. The logic that is ascribed to the market and the corresponding forces, dictates and disciplines should be viewed as very important 'drives' in BCW's transition process: The company is trying to learn the 'rhythm' of the market as it has realized it knows too little about how the market functions. In this process, BCW's understanding of its own information needs is very important.

Constituting 'new' management ideas in BCW

Based on the former analyses of BCW's new everyday life of reality, the procedural adaptation to institutional changes and the description of similarities and differences between BCW's relationship to government dictates and the market (general view of the market), the purpose is now to examine how BCW has (re)constituted itself as a company after the drastic changes in its environment: How has the company defined its new existence and by which means? Which platforms in management has the company been able to reuse, and which has it had to create? The following quotation supports the discussion about the new constitution of BCW despite and on the basis of the turbulent environment:

"Today, the domestic market has hit rock bottom, the economic situation in Hungary is miserable. That is first and foremost why it is difficult to forecast future developments. In addition, various rules and regulations are changed all the time, and you never know in which way they will be changed and when. So it is difficult to find and form a platform from which to act. Plans have to be prepared, anyway." (financial staff member).

The quotation illustrates why it is justified to focus on BCW's constitution in general and its management practice in particular: For obvious reasons, an understanding of the turbulent environment must be the macro-institutional point of anchorage to which BCW has to relate. Planning of actions becomes problematic due to the on-going changes in the environment and the ideologies that flourish and to some extent are adapted into and by the organization. Nevertheless, attempts are made to link actions and ideologies and determine whether they motivate one another. As an example, we have BCW's realization that it had to obtain external consulting assistance in 'application of market economic control and management instruments'. Thus, the consulting firm had aconcerting effect on relatively simultaneous changes in actions and ideologies. Brunsson (1985, p. 138) pointed out that employees' failure to adapt to new actions because they do not see the point in them makes it more probable that

the underlying and corresponding ideology is rejected. To some extent, this situation applies to BCW.

When looking at BCW's transition from a government-owned production company to a privatized, economically oriented company and the latter's constitution, it is appropriate to ask how many 'cargoes-of-thoughts', including related rationales¹⁸ that have been transferred by themselves or by political/strategic decisions to the constitution. In the quotation below, the managing director reflects on qualifications, the former, general objectives and the new demands from the external environment and their impact on the internal management practice:

“Previously, the most important objective was to produce as much as possible. We can still use the technical know-how, i.e. how to produce, how to do things, etc. However, we cannot use our former knowledge of the 'market' and the way in which our activities were financed previously. The financial reality and the world today are different. Today, e.g. we have to work with open credit, depreciation, the new opportunity for leasing, that Hungary today has 50 banks, that the interest rate changes, that we ourselves to a certain extent can negotiate credit terms with the bank, that we have to provide security for our loans through goods and mortgage, etc. All these concepts are new, they did not exist before 1968, neither after for that matter. It was not until the mid-1980s that such issues appeared.”

Thus, it is a fact that the technical production qualifications are present in BCW. The actual technical core competence is intact. It can be used today as well. However, the lack of experience in management practices is emphasized as a consequence of the market economic institutions: The 'financial reality' and the new environment. The 'market' under command economy differed from the 'market' today. The complexity appears staggering. Many disciplines must be learned at the same time. The new ways in which the company has to finance its activities provide examples. Cash flow management must be learned not only as a partial discipline, but also as a discipline closely coordinated with activity and capacity control, etc. An employee who is responsible for implementation and coordinated the decisions on which BCW and the consulting firm had agreed comments as follows on the lack of (market) economically trained, qualified employees:

“To solve tasks under the old and the new systems is very different. Basically, the problem is that previously people were trained in a command economic curriculum at the university, and not in market economy. And today, the new graduates do not apply for jobs at BCW. Almost all of our new employees have been educated under the former system. The transition from command to market economy is a fairly recent event so there are not very many people trained in 'market economic' disciplines. At any rate, there are not many who are familiar

¹⁸ The author's choice of terminology for Brunsson's use of the word 'ideology'.

with and can work professionally in the market. By God, if I knew how we could solve the problem, then ..." (coordinator between BCW and the consulting firm).

It is important to notice the comment on the lack of employees who are 'familiar with and can work professionally' under market economic institutions and rationales. The result is that BCW to a large extent must rely on staff that is trained in command economy. As long as the company has recruitment difficulties, it will to some extent delay the transition process. Time seems to be both a supporter and an opponent¹⁹.

According to some respondents, the constitution of BCW as a company that simultaneously must unite 'cargoes-of-thoughts' with a new identity is also faced with cultural/psychological barriers:

"Perhaps, the changes in general are difficult for the Hungarian people. Another aspect might be a Hungarian tradition for belonging to a unit, be part of something, the family, a company, an organization, etc. To be part of a community. During the command economy we had some 'socialist-brigade-excursions'. Attendance was compulsory, so for many it was a nuisance, but I think that most people regarded the spirit of solidarity as more important. A third aspect may be that when people have put a lot of energy into something, e.g. in a company through many years of work, and you have seen things change, then, although it is hard to say why, you may reach a stage where you just wish that things will remain the same." (employee from the information and personnel department).

Based on this quotation three aspects can be discussed:

- The many years of work in BCW has resulted in an individual constitution, a pattern of action where a new approach to thinking and change no longer is tempting. In this connection, Berger and Luckmann's characterization of habit formation and institutionalization as factors that limit flexibility and moderate progress seems relevant. It goes without saying that such a situation has a hampering effect on new constitutions.
- It seems appropriate to talk about local rationality, understood as local phenomena and features or cultural characteristics to explain social institutions and constitutions. Such aspects are not covered by the focus of this article, but their importance must be recognized in one way or.
- The above quotation indicates that the Hungarian people has a tradition for understanding themselves as part of a (large) social unit: the family, the company, etc. It appears that the former government-owned

¹⁹ A point somehow in contrast to the findings of Grayson & Bodily (1998). These authors found in their studies of 24 cases in 3 eastern european transition countries, that success of firms was determined by managers' flexibility to quickly adapt to rapid competitive, market and institutional changes.

companies should be viewed rather as parts of a larger whole²⁰, where general social goals set out guidelines for the individual companies, than as autonomous entities – units that attend to their own narrow interests.

It naturally follows that the latter phenomenon to some extent pulls in the opposite direction of economic constitution of BCW as a company that is able to protect its own interest and survive without support from the government. This scenario illustrates the change in purpose of BCW's management instruments: From management instruments used first and foremost for the 'sake of the ministeries' (existence as part of a unit) to instruments used for the 'company's own sake' (existence as entity). The phenomenon is supported by the fact that a striking number of interviewed persons intuitively and on their own initiative related their own situation to the company as a whole and just as automatically saw the situation of BCW in relation to the society as a whole, the economy, the prevailing politics and history:

“Liquidity and money problems are visible everywhere. All over the country – no matter where you go. All companies are struggling with scarcity of money, so those that have the possibility survive by raising loans. All companies suffer from a scarcity of liquidity and capital. And the consequences are many. They cannot e.g. invest in capacity, expand the product range or pay good employees well. There is scarcity of money everywhere. And the same situation applies to us.” (employee in the export department).

As mentioned before, it is not my task here to evaluate the culture seen as a local and important rationality. However, it seems reasonable to conclude that 'cargoes-of-thoughts' from the command economy exist as a rationale that almost instinctively regards individuals and organizations in a larger context – collective rationality rather than autonomous entity²¹. In kind, a phenomenon that will counteract the creation of a new identity and – constitution in terms of entity and e.g. economic approach²².

Institutional practices in BCW

As mentioned before, BCW has known and applied the concept 'calculation' over many years, although the application has changed in relation to today. The point is that the phenomenon 'calculation' in accounting has played a crucial

²⁰ Alias command economy, the government and society.

²¹ The article of Pook & Fustos (1999) is quite interesting related to this problem. The authors argue that national cultures affect managerial styles, and that although the communist in Hungary tried to change work values, attitudes and ideas of information sharing, they did not succeed.

²² See Savitt (1998). Savitt is arguing that restructuring with current practices does not bring the innovative environment that is necessary to push old state enterprises toward marketing practices.

role in BCW in the transition years while it **simultaneously** has been a concept under change by means of which BCW has had to constitute itself and its "raison d'être" in a new everyday life of reality. The calculation concept has been a **stabilizing** element, if only for the reason that many employees have been involved in calculation work of one kind or another, and because the concept is not new. The concept 'calculation' is increasingly seen as the instrument that can link a clarification of sub-optimal resource application to the market concept and the demands that the market makes on BCW, provided the company is to survive in the new reality. In this way, it has become apparent that the calculation concept has had a institutionalizing and constituting social function in the transition period. Of course, it has had a technical function in relation to price fixing and cost benefit analyses. But precisely through these functions it has been one of the accounting instruments that has helped to determine values and practices and constitute BCW as an autonomous, economically oriented company. Both the changed calculative practice and its application have helped to introduce and constitute the economic domain through the social and institutional practice. The new calculations result in actions and consequences as opposed to calculations under command economy where their importance and function were less visible to BCW. The new calculative practice becomes an instrument to disclosure and explication of productions and processes and their economic consequences. Top management can present and interpret it as one of the market economy's own instruments, which can be used as a response to the demands 'made by market economy'. The calculation concept in terms of price determination and profitability explication has thus functioned as a link between BCW and the market: A link that has led to a changed basic understanding of the concept supplemented with an awareness that the company has to search for impulses of the market and adapt them to its management practices and transactions.

Cash flow management may also be seen as a social and institutional practice that has an impact on the constitution and explication of the economic domain. The following comments illustrate the perspectives that some of BCW's employees entertain as a consequence of the company's liquidity problems:

"I have never been in favor of the type of privatization that BCW went through. I would have preferred if we had been able to attract a financially strong company, a company that could afford the necessary investments. Let alone that we cannot afford investments, but we are at a stage where we take one day at a time for cash flow reasons. In order to develop the company it is necessary to invest, but we cannot afford that. I have always had the opinion and dream that one day a large financially strong company would appear ..." (production manager).

"In 1996, we have had constant problems with liquidity management. We have been unable to coordinate our payments received with payments made. At a time, we had bills for 200 million HuF, which we could not pay. And that is a real problem when you ought to think in sound long-term objectives. When you ought

to look ahead and invest in machines with a view to research, development and production. Another result of our cash flow problems is that we can only afford to examine our present customers' requirements and wishes – not those of potential, new customers. And I can neither see that we have improved our cash flow management or that our liquidity situation has improved. I hate be a pessimist, but I would like to see BCW function well. It is an unfortunate situation to like your work and to want BCW to prosper while you are not quite convinced that the others have the ability and will to make BCW into a better and more competitive company. I am not sure that we have the necessary skills and will. I wouldn't bet on BCW existing in five years." (manager).

Both statements appear to indicate that cash flow management and BCW's inability to exercise the discipline in an efficient manner obstruct a constitution of BCW as an economically sound company acting under market economy terms. The first quotation indicates that the chosen form of privatization due to the resulting poor liquidity and capital capacity per definition fails to encourage a constitution of BCW as an equal competitor and player in the everyday reality of market economy. The liquidity problem is an issue in itself, but it also prevents the necessary constitution, as the company cannot afford to invest in modern capacity²³. As a result, the company continues to be in a position where it has to catch up to its competitors – an additional circumstance that obstructs the constitution of BCW as an 'equal market competitor'²⁴. The other statement is even more pessimistic. It comments on the employees' lack of abilities and will, including the skills and the capacities to handle cash flow management. The latter is evaluated to be so poor that the quotation even mentions the ultimate antipole to constitution – that the company will cease to exist in the long term. It can be argued that the statement contributes, although in a negative way, to define the organization's identity: BCW as a clumsy actor under market economy, failing to master the basic disciplines in accounting and management in general. In this roundabout 'negative' way cash flow management also contributes to constitute the economic domain and make it more concrete (Vámosi, 2000).

Historicism and constitution

From the above quotations, the general opinion in BCW should be clear. Owing to the transition of rationales towards market orientation, top management is now facing more complex problems than it did before, in spite of its great technical and administrative capacity and competence from the command economy period. Especially, the technical know-how originates in the 'cargo-of-

²³ See Czaban & Whitley (2000) among other things discussing lack of resources inhibiting organizational restructuring and strategic change.

²⁴ A phenomenon quite in contrast to the findings of Antal-Mokos (1998).

'thoughts', the former rationales. Today, top management has more projects than previously. Many respondents indicated that the difficulties for BCW had increased, if only because today you have to handle and coordinate an increasing number of management aspects: Production quantity and quality, costs in general, calculation and cash flow, marketing, just to mention a few. The following quotations reflect explicitly that some employee groups and middle managers to some extent are governed more by a production oriented (here representing command economic rationales) than a market oriented frame of reference:

"Fair is fair, our top management is still much better than any former top management, not to mention the managers at the lower levels. Here, focus is first and foremost on production. And that is certainly a leftover from the command economic system. A way of thinking based on the principle 'we are only going to sell the type of goods which we produce'. But that doesn't work today. Today, we must produce what is in demand." (manager).

"One of my most difficult tasks is to make the engineers understand that it is necessary to raise the economists' salary to their level. They cannot or will not understand that this field is also very important. And that has been my job in recent years, trying to push the salaries in such a direction that we can pay our marketing staff, financial staff and the employees in the accounts department better. The marketing staff, for example, is some of the most important people in the company today. When the company is operating at half capacity, then the marketing man is the most important person in the company. But the workers, foremen and engineers refuse to accept that. I have had to insist on this type of priority, and therefore I have tried to push the salaries in that direction, otherwise we will run into problems. Thank God, my engineers are slowly beginning to think in more economic terms." (the managing director).

The last quotation clarifies a conflict between and the transition from old to new rationales and priorities – in other words, the difference between the production oriented and the economic approach. The rationales ('cargoes-of-thoughts') that BCW's employees carry with them from the command economy can be placed in a Berger and Luckmann terminology. To a large extent, Berger and Luckmann describe institutions (habits, practices, and rationales) as products of their history. In order to understand institutions it is necessary to know the historical processes under which they were born. The concept 'historicism' in terms of a ballast that the institutions carry with them, reproduce and are reflected in may explain the process that BCW is going through. A process where a company continues to build on its historical identity while it **simultaneously** has to take stock of some of the logics and rationales derived from the historicism. At the same time, BCW's accounting practice is a **target** for change and an **instrument** (catalyst) in the process towards a new (management) constitution and institutionalization.

The new institutionalization of management and accounting as a means to constitution in the new everyday life of reality support the creation of an identity for BCW. The company is in the process of forming a new autonomous identity, an identity based on the fact that BCW exists for its own sake. Attempts are made to change BCW despite the historicism attached to the company. BCW has understood and accepted the external environment – alias market economy as a new institutional framework – and the lack of safety net it implies for the company. However, as indicated above, the employees in the company distinctively relate their own situation (individual or BCW's) to the changes in the external world.

Viewed as an entity, BCW appears to have made more progress in terms of speaking and understanding than action. There is a big distance in time and space in BCW between seeing, understanding and 'knowing' the new everyday life of reality and its premises and actually what has to be done – in other words, taking action:

“BCW has become more dynamic. Whether the process is too slow or not, I cannot say, but in any case the process has started and it must continue. In particular, we must cut down the workforce. Already in 1989, we had too many employees. In 1990, nothing happened, nor in 1992 or 1993. Although everybody knew, we only talked about things. It was not until 1995 and 1996 that the necessary steps were taken. It had to be done, it could not be postponed any longer. Emotionally, it was very difficult, but people were primarily given early retirement. And if we look closely, there are still areas where there are too many employees. I am now speaking specifically about technical work areas. But then we also have to admit that the last two to three years have meant a huge step forward in relation to the preceding years.” (manager).

There may be many factors that can explain the phenomenon. Besides the general lack of experience in how to be a success under market economic conditions and what this might imply in 'lack of drive', lack in courage to take on responsibility may also play a part as indicated by Bratnicki and Krys (1992) and Dlugosz (1992). In other words, a cargo-of-thought from the command economy seen in light of its very centralized distribution of responsibility. Many respondents point to top management's hesitation about taking unpleasant decisions. There were lots of talk and discussions, but very little action^{25 26}:

²⁵ Markóczy (1993) has also observed this phenomenon in Hungarian managers in her study of management and learning in joint-venture agreements/companies between Hungarian and Western companies.

“Today, under the market economic terms we have to fight for the company's survival. It is a demand that primarily top management is faced with. Perhaps, it is not so much me or the workers who are affected. It is mostly top management. In the boardroom the atmosphere is very tense. They are continually trying to adapt to one thing or another, to the exports or to the domestic customers. In the West, it might very well be a matter of routine – you have your thoroughly tested procedures – but here ... here it is all something we have to learn, and many of the old ways of thinking still prevail.” (technical/administrative employee).

The quotation illustrates the reasons for the failure to take action. Adaptation to one approach after another does not indicate proactive company measures, but rather hesitation and groping after the right formula for market economic behavior. A formula for successful, market economic behavior and management in the new everyday life of reality that has to be (re)found, examined and learned.

Conclusion

The constitution of BCW under new institutional settings has proceeded over production dictates from the government to the present situation where the company itself must make a growing number of decisions based on market signals. The company has received the right to make its own decisions in order to respond and react to the market – an opportunity that also may be seen as a threat, when we consider the company's unpreparedness for acting in the new everyday life of reality. The company needs instruments to guard against a reaction from the market to its activities. Such a reaction will no doubt be much more tangible than under command economy. In other words, BCW has chosen to adapt to logics and rationales from the market, while the market at the same time has a coercive and disciplining effect on management practice in BCW. As a consequence, management in BCW have changed from formal, hierarchical decisions to adaptation to a new market/everyday reality. This development has in turn created an internal need for new types of (fast) economic information and control. From Berger and Luckmann's perspective, the recognition of these needs in relation to the logic of market economy should be seen as a social

²⁶ In this connection, cf. Brunsson (1985, p. 121). Here Brunsson discusses e.g. companies' failure to take action and start implementation after decisions have been made. Brunsson advocates that companies with consistent ideologies in general are better prepared for 'organizational action'. Conversely, such ideologies may also have a narrowing effect. Ideologies must not be too narrow-minded under 'changing environments'. Inconsistent ideologies permit a larger range of tolerance for change actions (with exceptions). Most important: '...that radical change actions should wait until new ideologies have been established.' Also Jönsson (1997, p. 8) indicates by means of Kotter (1982) the generally known phenomenon that management does not like to make decisions: 'Decisions are rare events – asking questions and getting information are the most frequent activities.'

phenomenon where individuals define the meaning of and the logic behind the recognized need. In other words, they construct and ascribe a powerful rationale and logic to the market, a rationale so powerful that we may say 'follow the logic or leave the market'.

Due to the company's prior experience with calculations, calculation practice was a stabilizing element in the 'economic' constitution of BCW. Compared to former times where such calculations had a more pro forma and informative nature to satisfy the planning ministries, the application of these practices was new to the company in terms of using them as management tools. Cash flow management has caused great difficulties for BCW, as this was a completely new discipline. However, it has played a very central and disciplining role in constituting BCW as a 'economically' thinking actor, 'compelled' by factors in its environment.

BCW's transition can be described as a transition away from resource and production oriented rationales and institutional approaches towards constitution and entity formation based on a more economic frame of reference. As a consequence, management tasks have become more complex and it has been necessary to learn new management disciplines. Historicism as a stabilizing factor explains the dilemma that the company has had to face. At the same time that BCW had to continue developing its identity and certain technical qualifications and competencies, it also had to confront some of the 'cargoes-of-thoughts' derived from historicism; Ways of thinking, habits and routines – 'cargoes-of-thoughts' – cannot be wiped out by recognition alone; in BCW it has been shown that management at the same time is characterized by continuity and change despite huge institutional changes in BCW's environment.

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