

# Approaching the Macro-Micro Interface in Transitional Societies: Evidence from Bulgaria\*

*Snejina Michailova*\*\*

*The article approaches the dynamics of the macro-micro between organizational environment and organization) in a dramatically changing command society. It is based on the empirical findings of a case study conducted by the author in Bulgaria in 1994. Kanter et al.'s organizational change model (1992) has been selected as theoretical framework for studying. The model is confronted with the collected field data and on this basis modifications in the model are suggested.*

*Der Beitrag setzt sich mit der Dynamik des Makro-Mikro Interfaces (zwischen Organisationsumfeld und Organisation) in einer sich dramatisch verändernden Kommandogesellschaft auseinander. Er basiert auf den empirischen Ergebnissen einer Fallstudie, die die Autorin 1994 in Bulgarien durchgeführt hat, wobei das Modell des Organisationswandels von Kanter et al. (1992) den theoretischen Rahmen für die Untersuchung bildet. Das Modell wird konfrontiert mit den gesammelten Daten der Fallstudie, und auf dieser Grundlage werden Modellmodifikationen vorgeschlagen.*

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This article is based on my Ph.D. thesis "Inertia. Organizational Culture in Bulgarian Industrial Companies between Stability and Change". The thesis is in the final phase of preparation. The present article concentrates on the conclusions drawn in the thesis.

\*\* Snejina Michailova, born 1965, Doctor student at the Centre for East European Studies at the Copenhagen Business School, Major areas of research: organizational culture, organizational change, macro-micro interface on the cultural background of transitional societies.

The main purpose of the article is to contribute to a better understanding of the dynamics of the macro-micro interface (in terms of interface between organizational environment and organization) in a dramatically changing command society. The aim is to explore processes in organizations situated in the Bulgarian society which was overcentralized for decades and which is undergoing changes in the very basis of its development at present. The article concentrates on how macro forces determine processes at organizational level and which are the mechanisms that enable this. It examines the impact of macro trends on intra-organizational relationships in a command economy (totalitarian state) and in the state of transition to a market economy. The second issue concentrates on the relationship between organizational reality and dramatic macro-events.

Lack of space does not allow deep theoretical consideration and precise analysis of the field data. The most that seems prudent to discuss are certain issues, unavoidably chosen subjectively. For the purposes of the article the negative and dysfunctional issues of the presented problems are stressed even though in reality they are not the only ones.

## 1. The Case of SOBIO and How It Was Studied

The article is based on the empirical findings of the case study conducted in one Bulgarian organization in 1994. Anonymity protects the real case and its participants: the name of the organization is disguised for discretion and given the pseudonym "**SOBIO**" (**S**tate-**O**wned **B**ulgarian **I**ndustrial **O**rganization).

SOBIO is a large and complex heavy industrial organization. It was founded in 1955. The company has always been and still is owned by the state. It has strategic importance for the Bulgarian economy and is one of the largest industrial enterprises in the region. Today, the number of items it produces is more than twenty, and the number of products is more than sixty. For forty of them SOBIO is the one and only producer in Bulgaria. It provides products for around 400 other Bulgarian enterprises.

SOBIO is one of the most prosperous Bulgarian enterprises. 85% of its products are meant for export. It makes a good profit and invests in new technological, technical, and ecological systems. SOBIO's staff are very well paid compared with employees in other Bulgarian state owned enterprises and the best paid in community Z (the local community in which SOBIO is situated). At present there are around 1.500 employees working for SOBIO.

The case study was limited to a single case with a linear-analytic structure (Yin 1989:46,138) in which SOBIO was the primary unit of analysis. The complementary techniques were historical research, observation, conducting in-depth semi-structured interviews, together with informal conversations. Prior knowledge was an essential substantial part of my research: First, I was closely

connected to community Z for fourteen years and second, the present study is my second empirical research on this organization. The first one was done in the summer of 1989 (in the last weeks of the totalitarian regime in Bulgaria) when I examined the leadership style of SOBIO's top managers.

Historical research included investigating data mainly from private archives as well as public materials. Among important sources were two books about SOBIO's history, written by three organizational members; the first book was edited in 1970 and the second was published very soon after the start of the changes, in 1990. The secondary sources, which included statistical materials, productivity data, performance indicators also contained useful information. Another set of sources were company reports, chief executives' speeches, written statements, minutes of meetings and letters.

A large part of the data was collected through observations and open-ended face-to-face interviews with clarifying and exploratory probes. I conducted 52 interviews: 50 individual interviews and 2 interviews with more respondents taking part simultaneously. Interviews required from one hour to three hours to complete. 51 interviews were tape-recorded. 7 organizational members refused to provide information.

## **2. Kanter et al.s Organizational Change Model as Theoretical Framework for Studying the Macro-Micro Interface**

The organization change model developed by Kanter et al. (1992) contains important elements which are useful for analyzing the macro-micro interface. As suggested by the authors, these are as following:

- a) Historical forces are to be taken into consideration in their own right, and their interplay with present states has to be examined;
- b) The relationships between the macro environment and the organization are discussed as a cluster of multiple forces which create change in and around organizations;
- c) The political element in organizational reality is considered to be of great significance. Political interests which come into play when change has to be identified are discussed, and organizational change is approached as a result of a struggle for power.

Organizational character which is made up of "consistent patterned behavior of an organization's members over time" (Kanter et al. 1992:11) is another central category in the model.

Kanter et al. (1992) define three different kinds of movement:

- a) "The motion of the organization as a whole as it relates to motion in its *environment* - change that is *macroevolutionary*, historical, and typically related to clusters or whole industries.

b) The motion of the parts of the organization in relation to one another as the organization grows, ages, and progresses through its *life cycle* - change that is *micro-evolutionary*, developmental, and typically related to its size or shape, resulting in coordination issues.

c) The jockeying for power and struggle for control among individuals and groups with a stake in the organization to make decisions or enjoy benefits as an expression of their own interests - change that focuses on *political dimensions* and involves *revolutionary activity*" (Kanter et al. 1992:14-15, emphasis in original).

After having listed the three kinds of change, Kanter et al. introduce three different forms of change and three different groups of actors with their own assumptions, agendas and reactions (Table 1).

Table 1: Kanter et al.'s "big three" model of change

motion in environment ( <i>macro-evolution</i> )	life cycle change ( <i>micro-evolution</i> )	political changes ( <i>revolution</i> )
changes in organizational relationship to environments	changes in organizational culture and in organizational structure	changes in the dominant coalition of interests and how benefits are distributed among them
identity changes	coordination changes	changes in control
change strategists	change implementers	change recipients

In their study Kanter et al. state that environments are multiple and that they "exacerbate the forces for change by pulling the organization in many directions" (Kanter et al. 1992:33). The important questions they ask are: "Which environment should it [the organization] "fit"? Or which environment should it favor, to maximize success prospects? To which standards, from which network, should it conform?" (ibid., emphasis in original).

The parts of the environment which are relevant to the way I approach the macro-micro interface are the *economic* and the *political* and *ideological macro forces*. I emphasize these contextual segments, even though there are other factors which influence organizations. It is important to analyze these selected factors first, because there are changes in the basic principles of their

functioning and second, because they have great impact both on the past and on the present development of organizations in transition.

The significance of the economic environment to organizations is suggested by two main facts: first, I am writing about industrial business organizations and second, organizations were not prepared for changes in their economic environment. Therefore, the mechanisms for dealing with changing basic elements of economic context were not worked out. Since late 1989 Bulgarian business organizations had to learn within a relatively short time about complicated relations within new economic realities and about changing conditions under which they interact. In a period when organizations succeeded in becoming actors on the market (in the cases where they were able to do it) the economic macro forces were the dominant ones through introducing competitive spirit and behavior to them and their participants.

Within the boundaries of Bulgarian totalitarian society, large industrial organizations have always been fostered, directed and controlled by the political elite, both in the country and in the local community in which they were situated. Changes in the political environment, and in ideological objectives and constraints in late 1989 and at the beginning of the 1990s had a great impact upon them often creating major changes in personnel policy, in intraorganizational relationships, in organizational fields of influence and power, and in line of communication. The impact of political and ideological macro forces both in the past and at the beginning of the change processes was exerted in the form of strong pressure on organizations.

The terms "evolution" and "revolution" are central to Kanter et al.s model. Nevertheless, the emphasis is put on the evolutionary aspect; on both macro-evolution and micro-evolution. Macro evolution is approached in terms of changes introduced from the environment. Addressing the notion of micro evolution, Kanter et al. are not consistent in their way of dealing with it. On the one hand, they contrast the evolutionary aspect with the organizational life cycle stating that "the focus of evolutionary models is not on ageing but on evolutionary forces outside the organization that necessitate change and the intra-organizational dynamics that facilitate or inhibit it" (Kanter et al. 1992:24). From this point of view the intra-organizational dynamics is in line with "evolutionary models in which organizational death is not preordained, and organizations reform and renew themselves to fit the environment".

The authors state later in their work that growth dynamics force "another kind of evolution - micro-evolutionary change - involving the life cycle" of the organization "as an organism in its own right" (Kanter et al. 1992:35). In this perspective internal organic change pressures involve and stress explicitly the importance of organizational life cycle. The confusion created by these inconsistent and contradictory lines of arguments is probably based on the dual

way the evolutionary perspective was formulated in biology (from which it was borrowed as a term), namely referring to the continuing way systems follow their own logic of development on the one hand and adapt to their wider environment on the other. In the present article I adhere to the second method of dealing with micro-evolution, that is, as strongly connected to and derived from the life-cycle logic of organizational development. The evolutionary perspective implicitly accords great importance to gradually and acknowledges continuity in organizational growth and this, to a great extent is due to the life cycle logic.

The revolutionary aspect, on the contrary, stresses discontinuity and interruption; in most cases there is a crisis which can lead to changing the basic principles of existing systems. In Kanter et al.'s model, revolutionary changes are associated with the interplay of power interests within organizations ("control changes"). This view is too narrow and does not address the complexity of the possibilities for revolutionary shifts. SOBIO's case is a good illustration of this.

### 3. The Macro-Micro Interface in the Example of Bulgaria

In order to be able to answer the questions formulated at the beginning of the article I need to be concerned, in Kanter et al.'s terms, about "changing *from* what" and about "changing *to* what" (Kanter et al. 1992:50, emphasis in original). The following sections are aimed to answer these questions: Section 3.1 approaches the interplay mechanisms between the macro and the micro level in the Bulgarian context before the start of the changes in 1989, and in section 3.2 the subsequent period.

#### 3.1 Bulgarian Organizations in a Socialist Context

##### 3.1.1 *The Planned Economy*

Bulgaria has always been a centrally planned, hierarchical command, and highly monopolized economy. In running state industry the country has tried everything except the market. It has been periodically modified by only administrative/incentive changes aimed at improving plan implementation. Before the breakdown of communism in late 1989 the country exercised the "classical" Soviet-type economy. Together with other socialist countries Bulgaria was a part of the CMEA (Council for Mutual Economic Aid).<sup>23</sup>

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<sup>23</sup> CMEA or COMECON was founded in 1949. Founder members were USSR, Bulgaria, Czechoslovakia, Hungary, Poland and Romania. Later admissions were Albania (1949, ceased participation 1961), Cuba (1972), German Democratic Republic (1950), Mongolia (1962), and Vietnam (1978)

In all socialist countries and particularly in Bulgaria the main economic sector is built on the principle of public ownership of the means of production in state-owned enterprises. Strong emphasis was put on industrialization with the aim to overcome the relatively slow tempo of development from a rather traditional agrarian base. Concentration on "big industrialization" and heavy industry gave rise to the development of large-scale bureaucratic organizations.

The whole economic environment is subject to political and administrative rules, rather than to economic incentives and the so-called gigantomania is no exception to this. Gigantomania fits very well with the socialist system and with the interests of the ruling elite. It is much easier to regulate a few very big branches/companies than many diverse economic actors. This makes the economic environment extremely stable and predictable and contributes to the maintenance of the rigid traditional orientations and existing social structure. Moreover, the small size of Bulgaria decreases the scope for central planning and makes the effects of gigantomania more pernicious.

The high degree of industrial concentration in the state owned manufacturing sector and the stable environment make it impossible to induce competitive behavior in large enterprises. In most industrial branches almost complete monopoly prevails the result of this strategy is the socialist principle "More of the same". Companies in Bulgaria have tended to stay within those boundaries where they have had political protection and were not subject to open international competition. Because of the monopolistic position of many enterprises, no competition did exist between companies even within the country itself. In a non-competitive and extremely stable environment enterprises in monopoly situation are less keen to introduce innovations.

The key element of the communist doctrine which has been exercised for decades in all socialist countries is the mechanism of central planning. In order to prevent possible misunderstandings two preliminary remarks seem to be suitable.

First, it has to be mentioned that there is no existing economy in the world with a perfect market system or with a perfectly planned system, which are seen as two idealized opposite theoretical extremes. Every modern economy is in effect a "mixed economy" and combines both market forces and planning. No system can exist effectively with only one or the other. Therefore, when I am writing about transition to a market economy I mean transition to a mixed economy with a significant and substantial private market sector.

The second remark refers to the distinction between the terms "planned economy" and "centrally planned economy". One has to remember that the economic plans in all countries, including the western countries, are made up by a central authority (mostly the respective government) and are in this sense central plans. Balicki (1983) calls an economy centrally planned not when the

authorities make up a plan but only when they, in a certain way, exact its realization. He points out that "this special way is firstly based on the fact that every producer receives an individual and separate strictly defined production task, which is part of the global plan. Secondly, it is based on the premise that the refusal to execute this instruction (or its acceptance and non-execution) is stipulated by a number of formal and informal, legal and illegal sanctions far exceeding afflictions of financial nature. If in a country such a system of exacting economic plans dominates, he assumes that in such a country the centrally planned economy dominates" (Balicki 1983:9).

It is important to understand what concretely is meant by the "model" of a centrally planned economy (CPE), seen as a system of institutions and of rules and norms of institutional functioning. The question arises: which are the key characteristics of CPE.

In the form of five year-, three year-, one year-, a half year-plans, directives fly in one direction: from the top to the bottom. In this process commands are important, not demands. There are no discussions and no real negotiations: it is a game between the top and the bottom in which communist party, government, and other bureaucrats avoid unnecessary interventions into the affairs of enterprises. The top is interested in maintaining the significance of bureaucratic commands over economic incentives. The most vital interest for the bottom is to secure the fulfilling of the plan quotas following the "quantitative principle" (fulfilling the production plan in physical terms). "Storming" (the concentration of efforts at the end of the month to meet the indicators set by the plan) is a common and widespread practice.

The planning-practice experienced in the former communist countries is called by Drewnowski "planning without facts" (Drewnowski 1982:79), i.e. planning without information, or based on inadequate and limited information, which automatically leads to incorrect decision making. Therefore, there are enormous coordinating difficulties and problems in central planning. Additionally, it is hard to overlook the fact that the state plan was much more an ideological than an economic program. Lenin has called it "a second party program".

Rigidities in central planning cause problems and inherent contradictions which are well known; stagnation in production, permanent shortages and unsatisfied consumer demand on food and industrial products, disequilibrium between supply and demand, shoddy quality, wage equalization and mismanagement. These are just some of the attributes of centrally planned economies. In such an environment only the widely dispersed shadow economy (underground, "second" economic activities), black market and corruption are growth sectors.

### 3.1.2 *The Political Hierarchy and the Ideological Basis*

The system of institutions running the national economy is characterized by a very strong hierarchy. From the bottom up, the pyramid consists of enterprise managers, associations, ministries, the Planning Commission, the Entire Council of Ministers, and finally the top decision-making body, the Communist Party Central Committee with several departments, secretariat and Politburo at the top. The main constituent component of socialist society is the political system, that is, organizational environment is a network of political institutions. What is also essential is that the top is the main decision-making authority and not simply a control or coordinating board. According to Jozsa (1987) the insistence of the leadership function of the Party has two possible meanings: "the Party claims always to be right because the Party apparatus has more rights than any other group. If correct instructions are not carried out properly, the state and economic bureaucracy can always be blamed" (Jozsa 1987:322).

The party-state bureaucracy is administrative and highly centralized. The creation of hierarchical levels is extremely significant because it is the basis for allocating power. The particular system of power relations has a vital importance for the existence of the communist regime. Power domination is embodied in the Marxist-Leninist-one-party-system in which totalitarian traits prevail. In the highly monopolized political market the power is centralized and at the same time unprecedentedly concentrated in the hands of a few people.

The atmosphere of one-man authority (edinonachalie) can be described in terms of power-dependence relationships. "The power evolves from an instrument to an end itself" (Djilas 1992:320). It becomes the one and only goal and there is a cult made out of it. It is the foundation of social differentiation and the universal medium of communication. In the Bulgarian context power represents the inspiration and source for more and more power. Kristeva notes the typical Bulgarian lack of a flexible attitude towards power - "to respect the own position in the society on the one hand, and not to identify entirely with it on the other hand" (Kristeva 1991:181). This is a plausible interpretation of the more general tendency of personification of power in Bulgaria.

All high-status positions at different levels were occupied by the members of the communist Nomenklatura (seen by Djilas as "a new class" 1992:159) who are extremely careful about introducing changes: the last ones are minor, are always in the context of the previous policy and are made incrementally and slowly without any drastic innovations. This is supported by all these who profit from the communist rule; nomenklatura members enjoy different kinds of privileges. The privileges, whose sources are official status and power, differ widely according to rank in the state-party hierarchy and are granted practically for life. Enjoying them is the most significant and attractive value in totalitarian societies.

The term "ideology" is used in the paper as it is defined by Gowler and Legge: as "sets of ideas involved in the framing of our experience, of making sense of the world, expressed through language" (Gowler / Legge 1989:438). Ideology shapes, to a great extent, the way members of a given society think about and construct their reality through various socialization and education mechanisms.

The ideology of socialist society is Marxist-Leninist. Nevertheless, much of the formal content of Marxism was lost and rather Lenin's ideological postulates containing strong political attitudes were applied.

One of the strongest postulates made by Lenin is the conception of the communist party and its leading role in the building of socialism. Until 1990 Paragraph 1 of Bulgarian constitution proclaimed the Communist Party's right to be the only governing party. Party-political and ideological mechanisms are the spine of the state socialist society. In order to maintain the existing regime the communist party formulated its main theoretical assumptions. The leading oligarchy in the country created and proclaimed the laws and leading maxims of Bulgarian society. On this basis norms and values have been introduced and established. At this point is appropriate to list some of them.

The so called basic economic law of socialism asserted that the socialist economy has an imminent goal: to satisfy maximally the needs of the people. This economic "law" of socialism would be perfectly valid if by people only top elite of the state is understood. Otherwise it is basically apologetic.

The shortcomings and the crises in satisfying the vital needs of people in socialist society were not accidental. Instead they are caused by and therefore can be explained by the law of faster growth of sector I (producing the factors of production). The economic mechanism has always forced the expansion of sector I which automatically means permanent under-development and discrimination of sector II (producing consumer goods). The regularity of persistent predominance of the rate of growth of sector I can be observed in all the countries with a centrally planned economy. As a consequence, the practice of these countries would not recognize the case of the predominance of supply of investment goods over demand. It has always been the other way around.

This is closely connected to another leading maxim of socialist planning which reads: „As few products as possible should be produced in parallel by two different manufacturers“. This is the ideological basis of the monopoly in the economy. Kornai has reduced this to the concept of the "seller's market" (Kornai 1982:37) in which, not the sellers, but rather the consumers are forced to compete with one another.

Everything in communist countries was explained with the key assumptions of dialectical materialism (the philosophical science about nature) and of historical materialism (the philosophical science about society) supplemented by scientific communism. Clearly, in this nonsensical separation there is no place for the

individual with his specific way of thinking, feeling, and behaving in the collectivist-autocratic system. As stated by Puchlikov "in the dialectical materialism the man does not come into view yet and in the historical materialism he is "overcome" by the deeper notion of society" (Puchlikov 1990:10). The general interest in the form of class interest or of collective interest always had priority over the private interest.

### 3.1.3 The Macro-Micro Interface before 1989

The key features of the macro and micro level, and of the relationships between them, are summarized in Table 2. They are described with the help of key notions and broader categories which are of significance for understanding the specifics of the levels and of their interface in the case of Bulgaria.

*Table 2: Relationships between environment and organizations before 1989*

MACRO (Environment / Dominant institutions)	INTERFACE MECHANISMS Macro ----- Micro	MICRO (Organization)
<p><b>Economy</b></p> <ul style="list-style-type: none"> <li>• central planning</li> <li>• public ownership</li> <li>• concentration, big industrialization, gigantomania</li> <li>• "more of the same" = market of the sellers</li> <li>• socialist shadow economy</li> </ul> <p><b>Politics and Ideology</b></p> <ul style="list-style-type: none"> <li>• Marxist-Leninist one-party system</li> <li>• party-state bureaucracy</li> <li>• one-man authority (edinonachalie)</li> <li>• Marx-Leninist conception of the communist party</li> <li>• dialectical materialism, historical materialism and scientific communism</li> <li>• socialist principles and maxims</li> </ul>	<p><b>Economy</b></p> <ul style="list-style-type: none"> <li>• enterprises' founding</li> <li>• goals' determination</li> <li>• resources' allocation, coordination and control</li> </ul> <p><b>Politics and Ideology</b></p> <ul style="list-style-type: none"> <li>• political pressure on organizations</li> <li>• political and ideological control over information</li> <li>• establishing of ideologies in organizations</li> <li>• introducing and establishing of political and ideological symbols in organizations</li> </ul>	<p><b>Organizational type</b></p> <ul style="list-style-type: none"> <li>• stable organization</li> <li>• political organization</li> <li>• quasi bureaucracy</li> </ul> <p><b>Management</b></p> <ul style="list-style-type: none"> <li>• party-management symbiosis</li> <li>• oligarchies</li> <li>• authoritarian leadership style</li> <li>• lack of people orientation</li> <li>• active political life within organizations</li> <li>• social distance, anonymity and apathy</li> </ul> <p><b>Organizational change</b></p> <ul style="list-style-type: none"> <li>• continuity</li> <li>• if any, then first-order changes</li> <li>• silent resistance to change</li> </ul>

In the past, Bulgarian large (more than 1000 employees) state-owned industrial companies were bureaucratic organizations directly subordinated by the central authorities. They can be described as organizations with a high level of

formalization, control, and power-centralization, with a slow rate of growth and unchanged basic products.

There are aspects that make a certain difference when we discuss the bureaucratic prospects in socialist organizations. As stated by Grancelli "in the West, bureaucratization has been "regulatory", in that it has been principally geared to the rationalization of work relationships, to the definition of criteria for the evaluation of performance, and to providing the legal-institutional framework within which the market allocates its resources" (Grancelli 1993:12). In the socialist enterprise instead, all activities are directly controlled. Moreover, "there may be rules but no one takes much notice of them" (Burawoy / Lukacs 1985:734). According to them, this is a kind of "quasi-bureaucracy".

An example connected to organizational personnel policy illustrates this: even when one was an obvious and complete failure in performing his job he was transferred to another job at an equivalent, even sometimes at a higher level. This is a system which permanently reproduces itself. It effectively prevents "new blood" from coming into managerial ranks, protects incompetence, and invites protectionism and favoritism.

Managerial positions at lower levels were not reserved for the "Nomenklatura" members but a similar practice was exercised. The support of respective party committees is decisive. Drewnowski has observed that "this system is certainly most effective in making sure that managerial positions are occupied by incompetent people" (Drewnowski 1982:80). This makes bureaucracy in Bulgarian organizations unworkable.

The central question which is at issue in the consideration of specific features of bureaucracy in Bulgarian organizations is the special kind of "cooperation", on symbiosis between Party and management in organizations. The managers supply support for party-decisions and preferences, and the party functionaries provide the managers with security and relatively good salaries. The atmosphere was ideologically laden and incapable of encouraging effective decisions within organizations. Functions that could be efficiently performed at organizational level were exerted by much higher levels of the party-state bureaucracy.

The good relations of the enterprise managers to the party officials are of vital interest for the whole enterprise. These relations are the most important factor (beside the position of the enterprise in the hierarchy of strategic priorities and the size of the enterprise) for obtaining "easy" plans, resources and credits from the state bank. Workers and managers face only production goals which are set by the government and whose fulfillment is a prerequisite to obtain extra premiums or other bonus payments. Results from empirical research show that decisions influenced by politics and political conflicts within top management correlate positively with poor performance (Eisenhardt / Bourgeois III 1988:38) and the reality of Bulgarian organizations confirms this causal relationship.

The stable macro context is the key to understanding the planning-processes in organizations. The situations they are coping with are not complex. Although the major object of concern was the production area, understood in quantitative terms only, the technology was stable and did not follow modernization trends. As a consequence, most of the activities were routine with a strong resistance to fundamental innovations. Changes in organizations (if any) were simply reduced to technical and technological aspects. The complexity of organizational changes in areas where they affected people working in the organization were either ignored or underestimated. This situation created permanent conflicts. Technical changes or modifications did not affect either long term goals or organizational policy and strategy.

Therefore, there is enough evidence to state that the basis of activities in Bulgarian large industrial organizations is more political than economic. The political issue in this context refers to the following: Party officials interfere directly in companies' internal matters using the power of their formal positions. This is exercised through establishing party committees in the enterprises and party bureaus in the single departments within the enterprises. In the larger companies the party secretary position (chief of the party committee) is rewarded, and fulfilling party tasks by transmitting them to the employees is the only function (s)he is paid for.

Bulgarian organizations constitute very strong and tall hierarchical forms. Creating purer and taller hierarchical levels in organizations is vitally important because this is the basis for establishing formal power relations. This causal statement derives from the institutional perspective and is an unidirectional expression of the general view according to which power is facilitated by rules and rules are institutionally structured (Clegg 1990:97). Doubtless, it has to be interwoven with the specific Bulgarian attitudes towards power mentioned in the previous section.

What makes the hierarchical status structure of Bulgarian organizations different is its marginality. This is a paradox if we take into account the well defined levels and the strong distance between them. The marginality is caused by the existence of many (more than necessary) positions at the same level. To use Mintzberg's (1983) terms, this is a structure of the administrators, not of the operators. Thus, there are not a few functions which are duplicated, and at the same time there are functions which nobody in the organizational structure is responsible for. Practically, if efficiency is not favored, there are no limitations for growing of the structure in breadth.

Creating more positions at the same level means automatically that the need for coordinating and leading their occupants appears. This in turn justifies the creation of a new level in the organization's hierarchy which is a source for additional power for the levels above it. The logic of this argument does not

stress hierarchy as a necessary element of the modernity and complexity of organizations but its potential dysfunctional consequences.

It is not the very hierarchy of Bulgarian organizations which makes them different, it is rather the way the hierarchy was functioning. Management was extremely centralized, rigid, power motivated and not concerned with "human relations". The main source of power was "reward power" (French / Raven 1959 quoted in French / Bell 1990:281) based on the ability of management to pay money the workers which is probably the only thing highly valued by the last ones. In principle, the leadership style was authoritarian, which led to a very strong but ineffective control on the one side and to the lack of people-orientation on the other. However, it has to be noted that even in a stable environment organizational realities are enormously complex and multiple, and in terms of members' values, needs and interests.

The hierarchical organizational structure and the low participation of the workers in decision making has created a great social distance between various subcultures within the organizations. One expression of a very closed atmosphere in this climate was the "them and us" attitude on the shop floor with the ensuing feelings of dissatisfaction, of uneasiness and alienation. Another sign were the disturbed communication lines among hierarchically based subcultures. Workers had little or no opportunity to express their opinion. All this caused feelings of anonymity and organizational apathy. In more general terms, there was an increased separation of the management of labor from labor itself.

This is not the final point of the process. The anonymity and the passivity of the shop floor subculture has increased their dependence on the hierarchical subcultures and therefore, logically and automatically accumulating of additional power for the last ones. This means that because of the absence of effective mechanisms for regulating power processes in socialist organizations, they perpetuate themselves. The dependent become more dependent and the powerholders gain more power ("zero-sum game", Bacharach / Lawler 1980:31). In other words, the activity of the ones is at the expense of the passivity of the others and vice versa.

This allows the creation and legitimacy of oligarchies in socialist organizations and consequent oligarchic subcultures. Oligarchic groupings and coalitions come first, to the organizational scene, rise very quickly and then, become established and dominant without an active exchange with organization members of other subcultures. On the other hand (but again because of no adequate reducing or counter mechanisms) the power exercise becomes low, gross, and manipulative instead of more refined. Morality as a project of bureaucracy and power certainly has no central place under such circumstances.

Information within organizations was not a resource for a creative decision making process and operations, but rather a source of additional power and official status for managers. Lines of communication were not direct. It was much more important for members of management subcultures to follow the instructions of the communist party leaders, the so-called "lions", who were responsible for the particular community (the metaphor underlines the fact of their formal power-status). According to the planned dogma even inter-firm contracts were subject to conformation from above.

The unique flow of information and lines of communication in Bulgarian organizations are a clear expression of the contradictions in the processes of "cooperation" between party and organization bureaucracy. The paradox was that the managers in the enterprises were systematically deprived of actual information concerning the wider context but nonetheless they had the full responsibility for the performance of their organizations which operated in the same context. The monopoly over information was in the hands of party officials. On the other hand, they were not held responsible for the consequences of decisions taken.

### **3.2 After the Failure of the Communist System - Bulgarian Organizations in a State of Transition**

Some of the peculiarities of the change processes in eastern and central Europe, and particularly in Bulgaria in late 1989, can be summarized as following:

Changes were sudden. They were not expected and not predicted although the basis of the command society began to lose its stability quite fast since 1985, with the processes of "Perestroika" and "Glasnost". What happened at the end of 1989, and in the following years was not imaginable some years ago, at least not the scale of the changes that actually happened. There are several reasons for this which belong to different aspects like closeness of the socialist system within its own boundaries, very strong ideological considerations in the social life, in the organizational reality and in the academic culture, existence of strict censorship and so on.

Change processes in Bulgaria are fundamentally relevant and take place simultaneously, not gradually. They are, to a great extent, characterized through chaotic tendencies: destabilizing processes, breakdown of institutions, collapse of networks. Additionally, a specific feature of the changes is their totality: they affect large numbers of people.

Change processes are ongoing and far from reaching their final point. This makes difficult the crystallization of theoretical concepts that approach various perspectives of the transition. Many of them have taken place within a very short historical time. This allows me to speak about the cultural shock which strongly affects organizations. The term "short time" is extremely relative (more

relative than the term "time"). When I label it "short" I put it in relation to the degree of change. The same time period would be, for instance, not short for implementing a minor structural change.

Table 3 summarizes the main characteristics of the proximate institutions in Bulgaria before 1989 and after that.

*Table 3: Main characteristics of proximate institutions in Bulgaria before and after 1989*

Before 1989	After 1989
Aim: Preserving the system	Aim: Changing the system
<p>Stability, certainty, predictability, closed</p> <p><b>Economy</b></p> <ul style="list-style-type: none"> <li>• central planning</li> <li>• public ownership</li> <li>• concentration, big industrialization, gigantomania</li> <li>• "more of the same" = market of the sellers</li> <li>• socialist shadow economy</li> </ul> <p><b>Politics and Ideology</b></p> <ul style="list-style-type: none"> <li>• Marxist-Leninist one-party system</li> <li>• party-state bureaucracy</li> <li>• one-man authority (edinonachalie)</li> <li>• Marx-Leninist conception of the communist party</li> <li>• dialectical materialism + historical materialism + scientific communism</li> <li>• socialist principles and maxims</li> </ul>	<p>External shock / dramatic changes</p> <p>Uncertainty, unpredictability, openness</p> <p><b>Economy</b></p> <ul style="list-style-type: none"> <li>• introducing market principles and elements</li> <li>• market versus plan</li> </ul> <p><b>Politics and Ideology</b></p> <ul style="list-style-type: none"> <li>• multi-party system</li> <li>• political life becomes an open arena for power and influence games</li> <li>• contradictions and dilemmas</li> <li>• ambiguity</li> </ul>

The economy is no longer coordinated by central planning, but market forces have not really developed to replace them. There were no forces able to make the dramatic start down the road of market driven mechanisms. Kotz describes this aspect as the following: "[...] the system of state orders and economic plans was declared over. But the new economic actors did not have the power to impose capitalist institutions in their place. Thus, with the old economic links severed, and no new ones put in their place, growing chaos developed in the system of production and distribution" (Kotz 1992:25). Political life became richer by introducing the multi-party system and at the same time became an open arena for power and influence games. This, in turn, caused complicated ideological dilemmas and contradictions on the one hand, and uncertainty and ambiguity on the other hand.

Bulgarians feel an inner strife between hopes for something better, discovering new and positive sides of their post-communist everyday lives, and despair to watch the steady deterioration of economic and social affairs. In this situation

patience has become an increasingly rare commodity. Genov summarizes this problematic aspect very precisely: "Just in this context (in the temporal context) Eastern European societies fell into the trap of two-way schizophrenia. On the one hand, the suppression of traditional beliefs and practices along with dynamic industrialization and urbanization of the region turned the public attention to privations and conflicts in trivial round. The values-instrumentalization was complemented by the short time outlook of the simplified philosophy of surviving which captivated influential propaganda directed towards the future in order to attach the historical significance of everyday difficulties. The conflict became inevitable. More and more people worked themselves up against the ideology and the practice of postponed needs' satisfaction to the indefinite future" (Genov 1991:23-24).

It is very important to realize that the collective understanding about the change processes grows very slowly. In 1992 54% of Bulgarians thought that it was more comfortable to live in a socialist economy such as before the revolution, than in a economy like the present, and 59% shared the opinion that the economic situation was worse compared with the situation five years ago (Rose 1992:19-20). These empirical findings testify to the changes in the general feeling compared with the end of 1989 and the beginning of 1990, and to the loss of hopes for a fast adaptation to the new economic system.

It is interesting to note, however, that there is no correlation to the preferred system of governing. In 1992, 76% of Bulgarians thought that the present system was better than the one before the revolution (Rose 1992:20). Nevertheless, politically the mass euphoria was quite quickly lost and displaced by disappointment and low spirits. These data support the argument that most of the changes were not merely a technical issue, to be imposed by experts. Instead, it is a value-laden act with far-reaching implications which involves critical public opinion and perceptions.

Speaking about the failure of the old system it has to be mentioned that it is not the whole system which has collapsed. The old communist Nomenklatura has accumulated considerable financial wealth. It created a powerful network which still occupies influential and leading positions. Instead there are processes of dynamic regrouping rather than a falling away from power positions. The other well situated group includes the "entrepreneurs" of the shadow economy and the actors of the black currency market. The first years of transition have legalized part of the former socialist underground economy and of the capital accumulated in a criminal way, and this contributes to the "high voltage" of the social tensions.

Table 4 summarizes the main notions again concerning the macro level, the micro level and the relationships between them but this time after the start of the changes.

Table 4: Relationships between environment and organization after 1989

MACRO (Environment / Dominant institutions)	INTERFACE MECHANISMS Macro-----Micro	MICRO (Organization)
<p>External shock / dramatic changes Uncertainty, unpredictability, openness</p> <p><b>Economy</b></p> <ul style="list-style-type: none"> <li>introducing market elements and principles</li> <li>market versus plan</li> </ul> <p><b>Politics and Ideology</b></p> <ul style="list-style-type: none"> <li>multi-party system</li> <li>political life becomes an <i>open</i> arena for power and influence games</li> <li>contradictions and dilemmas</li> <li>ambiguity</li> <li>vacuum</li> </ul>	<p>Mixed signals from the top</p> <p><b>Economy</b></p> <ul style="list-style-type: none"> <li>no stable laws and economic regulations</li> </ul> <p><b>Politics and Ideology</b></p> <ul style="list-style-type: none"> <li>political pressure and power and influence games</li> </ul>	<p><b>Organizational type</b></p> <ul style="list-style-type: none"> <li>changing organization</li> <li>political organization</li> <li>quasi versus working bureaucracy</li> </ul> <p><b>Management</b></p> <ul style="list-style-type: none"> <li>team management</li> <li>people orientation through task orientation</li> <li>new relations to government, suppliers, customers competitors and local communities</li> </ul> <p><b>Organizational change</b></p> <ul style="list-style-type: none"> <li>lack of continuity</li> <li>second-order changes</li> <li>crisis driven and problem-solving driven</li> <li>change agents also from within, mainly from organizational top</li> <li>resistance to change</li> <li>open conflicts</li> <li>disorientation</li> </ul>

Some of the notions in Table 4 have already been analyzed, some are the subject of analysis in the following Section 3.3, based on SOBIO's case.

### 3.3 SOBIO in the Context and under the Influence of Environmental Macro Forces

By the end of 1989, the change in the political system in Bulgaria became a key challenge for the whole staff of the company and especially for its leadership. The mixture of political, economic, and social pressure have influenced SOBIO's reality and have changed it to a great extent. The business environment has changed dramatically. High inflation, high unemployment in the country, together with the break-down of many Bulgarian enterprises with which SOBIO was closely connected, as well as the failure of the market in all eastern European countries and the business connections between them, created a completely new situation for SOBIO's staff.

### *3.3.1 The Economic Macro Forces: Plan versus Market*

#### **The Plan ...**

Top economic boards (but actually the communist party) set up the goals, and the organization had to fulfill them. The goals were quantitative and formulated in physical terms.

"We simply got the plan from above and that is all. We had to fulfill it every year. There was a union-meeting organized in SOBIO in which we were told: The plan for next year is this and this. The plan is a law. Nobody was asking us. The servants are not to be asked, they are to execute." (former member, worker)

"Nothing else but the plan tasks were important." (present member, worker)

Under the conditions of the overcentralized economy there was no opportunity for SOBIO to invest in modern technology. It could not even maintain the existing machines and installations to proper working standards.

"Of course we were not so blind as not to understand that there has to be a payment-differentiation, that the working time has to be used efficiently, that a part of the profit has to be spent for reconstruction. If we could realize the last one the ecological problems would be solved faster. But we went all-out for this. We had a fight for 10 years in order to get the measurement instruments which we needed in our laboratory. There never was money for such purposes. SOBIO was not allowed to sell its products by itself. If this was the case we could really use the money in a good way. It was viciously." (engineer in the administration, former member)

Generally, Bulgarian products did not have a good image on the international market and although SOBIO's products have always been of high quality nobody knew the name of the company. In past years SOBIO was a very closed system. It did not even know where its products went and who its customers were. Export was organized through two Bulgarian central trade organizations.

Within the socialist economic system factors like competitiveness, product quality and image were not important. The central authorities determined the production of which enterprises would be exported and which would remain for the domestic market.

"Before, because of a stupid government decree, the production for export was delivered by another Bulgarian plant in the same industry. Our products remained for the national market except for a few products. Our production has always been of a high quality and the country could have had a bigger profit exporting our products, but it preferred to export the products of the other enterprise. Both for this other company and for us our partners abroad were anonymous. We also were anonymous for them because everything was exported through a central monopoly." (present member, top level)

During the years the external pressure became stronger and SOBIO was getting a more demanding plan every year.

"When the plans were in preparation the whole state planning commission came from Sofia and they drained us to the last drop to tell them how much we can produce. The plan became higher with every passing year and it was a law. There was a crisis period in which they

wanted from us to produce 4 times more than our installations were projected and designed for. I remember that in this period the municipal party committee hold its meetings in SOBIO. They said that this quantity had to be produced at any cost." (present member, administration)

"We got very strenuous plans which we fulfilled with hard work and even with breaches of technological order. The plans became uninterruptedly higher but there was no machinery-reconstruction undertaken." (former member, worker)

The direction of organizational development, organizational resources were also determined by environmental conditions and requirements. In the first period the internal harmony in SOBIO can be explained with its fit to the environment. Organizational survival was guaranteed, organizational success depended on adapting to the environment. This is the extreme case of the more general possibility of organizational adaptiveness to the environment.

### **... and the Market**

After 1990 there was no longer a central authority giving plans to SOBIO. Confronted by the totality of the initial transformation this was the most tangible change. Suddenly, without being prepared for change and, moreover, used to a great stability in the last nearly 40 years, SOBIO had to play the role of a real actor and all this in a moment when the environment became extremely turbulent. To use a more expressive language, SOBIO was thrown into a cold and deep water without being able to swim.

"It was a big crisis. All the markets became closed and we couldn't sell our production. The plants which were our main customers were not operational. 1989-1990 we didn't have space for storing our products. My husband who has been working for thirty years in SOBIO told me: Oh my goodness, I have the feeling the earth will fall in under the weight of the products." (present member, middle level)

In 1989-1991 SOBIO's survival was questioned for the first time in its history. The company overcame this critical period (in which it showed first signs of influencing the environment) and later success came to be dependent on innovation, on new relationships with the environment, and to some extent on determining it.

"We were deeply in dept. I didn't have any knowledge of trade and everything in the country was collapsed. Nobody in SOBIO could help me. Absolutely nobody. They simply didn't know. Within forty days I came to my senses. We started to sell our production, to pay back our debt, to examine and discuss a different quota." (SOBIO's present leader)

It took more than a year until SOBIO found a way for normal functioning.

"1991 we found partners by ourselves through furious advertising and through active participation in fairs especially in 1992. It was important for us to present ourselves to the world. Now there are so many foreigners coming to us. Now we don't need to advertise our products either in Bulgaria or abroad. If you see our advertising somewhere it means that these people will want money from us. We are famous enough. We get credits from western companies without any guarantee from anybody. We are the only guarantee. We fulfill our requirements correctly and honestly. We rely preliminary on long-term contracts because we

want to stay out of trouble. Our products are looked for without interruption. I'm sorry for not having the capacities to produce the double quantity." (SOBIO's present leader)

"My great joy was in May 1992 when we organized our first direct export for abroad by ourselves. [...] Today we already are an actor on the market. We start to feel the market. We are learning by doing things." (the present chief of the trade office)

The introduction of market mechanisms created high unemployment in Bulgaria since the beginning of the 90s, which was a new situation for the whole country. Community Z is no exception. Unemployment became an extremely important issue for the organization.

"We couldn't speak about staff selection before 1989. Almost everybody who wanted to start to work in SOBIO was accepted. There were cases in which we were looking for workers. We took people from the villages and made them workers. It was not like it is now. Now people with university education are ready to do whatever job in SOBIO only in order to have a job. This is also wrong." (former member, administration)

According to a present member working in the administration, the high unemployment rate is one of the main reasons for the high level of the staff in SOBIO at present:

"Because of the fact that everything collapsed and there is now high unemployment, many young and intelligent people came to SOBIO. In the first years we had many workers with secondary and specialized education which was something great then. Now we accept many people with higher education for workers' positions." (present member, administration)

At present SOBIO does not only stay in its passive position reproducing past experience and meaning. It went from a mechanical response to its environment to responding by initiating control over it. The organization found new partners on the professional market, its connections to the local community became increasingly dynamic and active, which strongly influences it in terms of image and relationships with the outside world.

### *3.3.2 The Political Pressure*

In its past SOBIO was situated in an extremely stable and predictable political environment (one party system, party-dictatorship, overcentralism, overcontrol). The organization accepted this broad context to be reality within its own boundaries without having translated it into own appropriate meanings and behaviors, and, without having internalized the environment. Therefore, at organizational level, uniformity and universalism are determining notions as well. Organizational culture is stable; basic assumptions, beliefs and values are generally commonly shared and organizational language is uniform and stable. There are reasons for organizational conflicts and contradictions but they remain covert and suppressed.

"The political element was presented very strongly in all the companies including SOBIO. There was no need for this in my view. But on the other hand, one could always go to the plant's party secretary and tell him what one was worried about. People saw a protection in

this figure and rested on it. They accepted the party secretary as a level in the leadership and thought that if the director neglected them, the party secretary could not do the same because of the specifics of his position." (former member, middle level)

Using metaphorical language some organizational participants stated:

"The father in SOBIO is the party secretary, the mother is the organizational leader." (former member, administration)

"The father was the company leader, the mother was the party secretary. According to party policy the party secretary had to be over everything. But when top party officials came to SOBIO they went not to the party secretary but to the chief. I was always wondering about this. (former member, middle level)

Consider the following interpretation:

"Before 1989 the political element was presented, for instance, through the fact that the party secretary was in the executive board of the company. On the other hand, 85% of the time spent in party meetings was devoted to production problems. There was even a greater tolerance to people with different opinion. Actually, their opinion didn't differ so much from the common one. If this was the case, we should have had many more dissidents in Bulgaria. The people with the highest salaries in SOBIO were departmental chiefs and many of them have not been party members" (present member, administration).

In terms of anomalies:

"Every third was kept under observation. There was a man from the state security in SOBIO. Who is talking, who is keen - a sharp eye was kept on everything. Everybody had to think in the same way. It was an obligation to take part in meetings, seminars and other similar stupid activities. If one doesn't participate..." (former member, worker)

Until 1990 the top level of the organization was also under strong control, namely under party-political control, exercised by the communist party officials. Because of SOBIO's strategic significance, due to its special mission and tasks, its higher levels were under the strong control of both the party officials in community Z and the central party-political institutions.

How did the party-political organizational reality change under the strong pressure of the external party-political forces in late 1989? The mutuality between content of processes in SOBIO and political macro environment is extremely clear expressed in the following quotations:

"The political changes in the country influenced SOBIO's life also. People felt they were on a borderline. They split very seriously into two groups - red and blue. Even colleagues who have been working for years together suddenly split into two camps" (present member, administration)

"People divided themselves - who are communists, who are not?" (former member, middle level)

According to others:

"In SOBIO and generally in the town we were not so much polarized. It was not like in Sofia." (present member, worker)

"Just about 10-15% are very strongly polarized." (past member, worker)

The political support for organizational changes was very strong.

"We experienced the biggest crisis just after the start of the changes until the present leader came to this position. It was unusually restlessly at this time. The problem was to find both an economic chief and a politically favorable figure. It was very difficult to find such a person because SOBIO is a key enterprise in Bulgarian economy and it was very important for the man at the top to be politically appropriate." (former member, at this time newcomer)

"After the events in 1991 the aim was to demonstrate that the new ones, those without the membership cards, can be better managers." (present member, top level)

"The politicization is stronger now than before. I was shown in an indirect way that I am not allowed to rejoice at the democracy because I was a party member." (present member, middle level)

The following quotations indicate how organizational members do compare directly the past with the present in party political terms:

"There were more possibilities for a collective life before. Now there are two-three unions which instead of bringing people together disunite them." (former member, worker)

Describing the politicization in SOBIO they use broad concepts like "totalitarianism" and "democracy":

"I started my career in SOBIO when the old totalitarian rule was in power. I'm still working here. The old management was more democratic as an idea. I'm a member of the socialist party, and I like some things from the old system." (present member)

Organizational members directly connect their assumptions, beliefs and thoughts with broader and more general processes in the state.

"It is a great frustration which we are experiencing. At the end of 1989, right after the start of the changes I thought, it will be different and I will have the chance to see another state leader, not to be born and to die with the same one. After that came the disillusionment and the apathy." (present member, administration)

"The new became established. The tragedy is that in Bulgaria the destroying tendencies always overbear the constructive element. This is a sign of a very low level. There could be fallacies and delusions at our time but the constructive tendencies prevailed. The main thing was to go forward." (present member, middle level)

The strong polarization in SOBIO on the basis of politics turns the confusion into conflict.

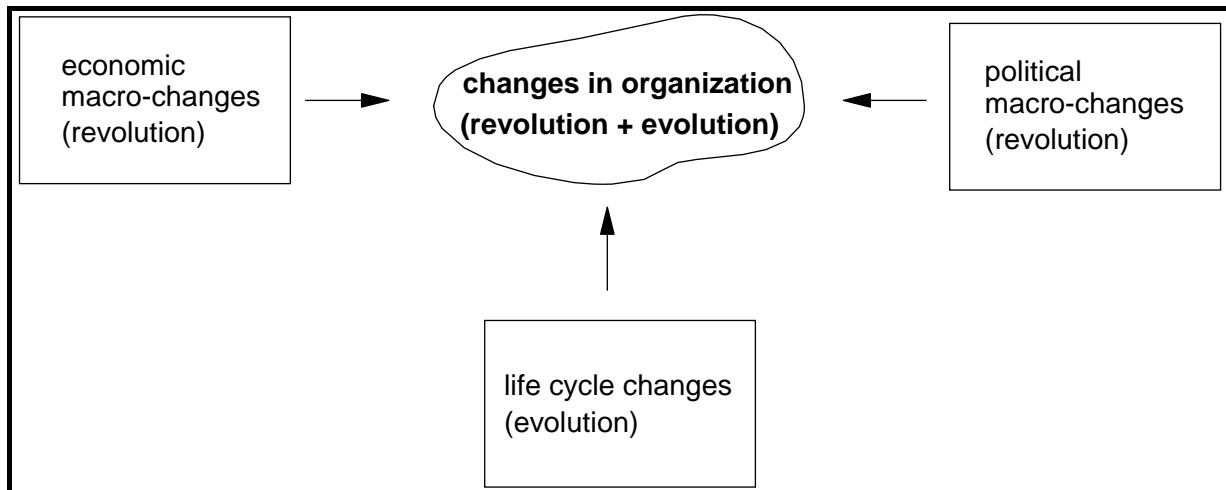
"How horrible it was in the period 1990-1991... Everyone against everyone. People became opponents. Take the Socialist Party and the Union of Democratic Forces and transfer them into SOBIO. The same situation. It was really terrible." (present member, middle level)

Heterogeneity is the determining notion at the present. This means that SOBIO is a far-from-equilibrium organization. Ambiguous and contradictory tendencies cause a great amount of confusion. Conflicts become overt: older conflicting situations are reproduced on a different level and new ones appear. The contrary notions develop into contradictory tendencies. Paradoxes are caused to a great extent by the inadequacy of mechanisms producing change.

#### 4. Modifying Kanter et al.'s Organizational Change Model

In order to be able to apply the model suggested by Kanter et al. I need to recognize not only its strengths and the possibilities it offers but also its limitations. There are modifications in Kanter et al.'s model caused by the specificity of Bulgarian case which are needed. I suggest three main modifications (Figure 1).

*Figure 1: Modifications in Kanter et al.'s model suggested by Bulgarian organizational reality*



The first modification is needed because of the fact that in Kanter et al.'s model the environmental changes are defined as macro-evolutionary. In Bulgaria this is hardly the case in the period after 1989. The change processes are extremely dynamic and have all the symptoms of a revolutionary situation. The context and its dramatic changes are generators of changes at the level of organizations.

The second modification of Kanter et al.'s model is associated with the fact that the political dimensions are seen to be generated at an organizational level: "who is the dominant coalition, or which interests or set of interests predominates, who owns and governs the organization" (Kanter 1992:15). In this frame is also Pfeffer's conclusion: "Since organizations are coalitions, and the different participants have varying interests and preferences, the critical question becomes not how organizations should be designed to maximize effectiveness, but rather, whose preferences and interests are to be served by the organization. [...] The assessment of organizations is dependent upon one's preferences and one's perspective" (Pfeffer 1978:223). This is a question of vital importance and interest also in the case of large Bulgarian industrial organizations but there is a remarkable difference, which will be a subject of discussion in the following chapters.

This leads me to the argument that political macro-forces can play strategist's and generator's role. The recipient is the particular organization and its organizational reality, including its political dimensions, suggested by the larger

pattern of political change in the environment. Therefore, the form of change is not only through control, as identified by Kanter et al. but also identical changes such as proposed in the relationships between environment and organization in their model.

The first two modifications lead to and premise another one. The third important difference which necessitates the model's modification is caused by the fact that change-processes taking place in Bulgarian organizations are only partly caused by changes in their life cycles and are not only identical with them. For instance, the organization I am studying is a 40 years old organization and went through different stages of its life cycle which had a great impact on its development in terms of forces or difficulties in change processes. That is why I will try to separate analytically the influence of this factor from the other ones when I analyze the changes in this organization in a cultural perspective after 1989.

The forces for change, both external and internal, and both evolutionary and revolutionary act simultaneously. Additionally, they reinforce one another as suggested in Kanter et al.'s model.

## 5. Conclusion

In the past (until late 1980s) the socialist regime legitimates and re legitimates itself. There were no alternatives: identity produced by society and organizations was consistent with past experience. Political mechanisms were the leading ones and substitute for economic mechanisms. There was only one party which exercised total control over the centralized and monolithic society. In a totalitarian society the power exercised by the environment over organizations is extremely strong: environmental influence becomes the content of organizational reality and activities. Under such circumstances organizational success is a function of the fit with the environment

A reasonable explanation of the existence of fit between SOBIO and its environment before 1989 is the following: neither the organization nor the environment were efficient. But because they both were not, the relationship between them was marked through a high consistency. Both the organization and the environment were stable and predictable. The environment did not allow any alternatives: SOBIO had fixed and stable suppliers, it worked in a simplified managing regime, the decision making was programmable. The exit of the system was determined as well - SOBIO's production was sold through external institutions.

At the end of 1989 and in the following years, environmental uncertainty became prodounced. Economic, political and ideological spectrums became divided. The situation both at the level of society and at organizational level

became unprecedently polarized. The notion of linearity turns out to be significant: if non-state socialism, then capitalism; if not hierarchy, then market; if not communists any more, then only democrats. The search for, and production of, new meanings become important. The interest composition within organizations changes in a direction of polarization. The deep and covert ground and the reasons for contradictions develop into concrete causes. Conflicts and contradictions become visible.

SOBIO has imitated to a great extent the larger pattern of development of the wider party-political macro environment in which it is situated also after 1989. Changes are of extrasystemic character and are not initiated by it: much of organizational change is direct expression of the outer context of political changes in the society. To express it in another way, organizational change is rather reactive than proactive. The organization reacts to the environmental pressures and outside forces in a rather mechanic way without promoting internal independent changes. It is a matter of implementation rather than decision-making and deciding about the direction in which the organization should develop. In Kanter et al.'s terms, managing change under such conditions means "managing the changes others are creating for the organization" (Kanter et al. 1992:247). This serves SOBIO's general fit with its political environment in terms of beliefs, values and norms but creates complicated intra-organizational dissonance and problems and does not necessarily mean organizational "identity changes" (Kanter et al. 1992).

I would formulate if not the same, then a very similar conclusion with applications to large Bulgarian state-owned industrial organizations. The pressures for changes at organizational level are rather external and institutional than internal. In these companies not sufficient attention is drawn either to the complexity of the relationships existing among elements of the party-political macro reality and the organization, or to the organization's own perception of them. The external challenges have strongly accentuated the need for organizational changes but without internal rationalization. The strong external macro forces and the politically environmental challenges are not meaningfully interpreted in the changed organizational context. Large industrial organizations in Bulgaria react to political macro changes but do not anticipate them. During the transition to a new model of development changes in the society occur relatively rapidly. Bulgarian companies react to the environmental pressures trying to duplicate these changes. This is one of the reasons why changes within organizations are rapid but mechanical.

The logic of the paper assumed the society to be "the whole" and SOBIO to be a part of the whole. SOBIO on the one side, and Bulgarian society on the other, can be viewed as loosely coupled systems. According to Hernes "the more interdependent the components of a system, the more a disturbance in one part will create problems in another" (Hernes 1976:540) and "loosely coupled

systems may combine reproduction of the parts with transformation of the whole or may combine transformation of the parts with reproduction of the whole" (Hernes 1976:541-542). In this specific case I would state that until 1989 there were single minor transformations in the parts but the society as a whole was in a process of reproduction: changes in the parts were not sufficient enough to cause a complete progressive transformation of the whole.\_

As Hernes pointed out "adaptive behavior may change conditions so much that the system can no longer function under them" (Hernes 1976:533). In 1989 the point was reached at which the quantitative and additionally cumulative effect of the single transformations of the parts turned in a qualitative change: The whole went on the road of transformation.\_

What I consider to be external shock for the organization is just a stage of the internal development of the society. Because of their very high degree of interdependence during the years it was and it is possible that changes on the level of society influence strongly and directly processes on the level of organizations. However, this is not a monolithic process and the nuances of reality are (like always) much richer than the theoretical frames which try to explain and interpret it.

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