

# Dynamics of Management Practices in Eastern Europe: The Case of Bulgaria\*

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*This article provides a critical review of the Socialist Management System with a profile of management practices in the centrally planned economies in Eastern Europe. It draws on the work by Kornai and Chavance, exploring the economic reforms in Eastern Europe pre-1989 and the typical management behaviour in response to administrative changes in that time. The profile of the Socialist Management System is compared with the changes in management practices in the construction industry in Bulgaria in 1994-95. The comparative analysis includes two case studies - one state firm 'Metal Design', and one private firm 'Apolos' - representing the changes in management under the pressure of market reforms.*

*Der vorliegende Artikel gibt einen kritischen Überblick über das sozialistische Management-System anhand eines Profils der Management-Praktiken in den zentralen Planwirtschaften Osteuropas. Ausgehend von den Arbeiten von Kornai und Chavance werden die ökonomischen Reformen in Osteuropa vor 1989 und die typischen Verhaltensweisen des Managements gegenüber den administrativen Reformen dieser Zeit untersucht. Das Profil des sozialistischen Management-Systems wird verglichen mit den Management-Praktiken in der bulgarischen Bauindustrie in den Jahren 1994-95. Die vergleichende Analyse enthält zwei Fallstudien - die staatliche Firma 'Metal Design' und die private Firma 'Apolos' - die beispielhaft die Veränderungen im Management unter dem Druck der marktwirtschaftlichen Reformen aufzeigen.*

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## 1. Introduction: Comparative Research of Management Culture and Management Practices

One of most important issues for the new democracies in Eastern Europe is the question of their national identity. What is the legacy of the last decades of communist rule and what are the historical roots on which the new independent societies could lean for uncovering the 'true' nature of their culture. Overthrowing the communist ideology with its values and attributes does not remove the need for a new system of beliefs.

It is still an open question whether there was a socialist culture as part of the socialist system and whether it produced homogeneous values across Eastern Europe. This paper aims to throw some light on this issue - whether there is a common pattern of observed behaviour across the region.

Usually the concept 'culture' is used to describe a set of 'mental programmes' (Hofstede, 1984) and social experience, or patterns of behaviour which are widely spread and are passed over through generations. The study of management culture is mainly about the driving forces and the motives behind observed behaviour. The underlying values and attitudes which shape managers' behaviour are expected to represent some fundamental cultural dispositions. (Trompenaars, 1993) Management culture, obviously determines management practices and the practices are a manifestation of the underlying culture. The management practices, however, are equally influenced by the business environment (Hampden-Turner and Trompenaars, 1993; Garrison and Rees, 1994) and therefore they could be used as a more representative concept to assess the transformation processes in the region.

The study by Hofstede on national cultures provides a basis for a comparative analysis. (Hofstede, 1984) However, it does not include East European countries and also it does not give good explanatory grounds for mapping out management systems world-wide. Hofstede's findings do not allow one to group management practices in a meaningful way, as each country in his sample is characterised by a different set of cultural attitudes to work. It is also difficult to use employees' attitudes to work as explanatory framework for management attitudes and culture.

Most of the questionnaires used for comparative management research do not address the problem of validity of the instrument and allow biased interpretation both of the questions by the respondent and the answers by the researcher. Exemplary in this aspect is the work by Trompenaars who uses metaphors addressing his respondents. He poses practical dilemmas as part of the question, knowing that his respondents will vary distinctively according to their culturally and economically bound business experiences. (Hampden-Turner and Trompenaars, 1993)

In another group of management research experiments the managers are asked to express verbally what they believe and the material from the interviews usually

represents personal experience rather than general attitudes and beliefs. (Bloom, et al., 1994) This research approach has led to a construction of a whole range of contradictory typologies of management attitudes, beliefs and behaviour with limited explanatory power.

However, the main weakness of the existing literature on comparative management culture is its descriptive character and inability to address the issues of what are the leading trends in transforming culture, i.e. what determines culture and values. The debate on cultural dynamics and globalisation versus localisation of culture has been addressed only partially. (Hegewisch, et al., 1996; Shama and Ciurel, 1996; Drew, 1993; Tung and Havlovic, 1996) What are the dominant patterns in international management and how are international managers influenced by national culture? (Paik, et al., 1996) Is there a management culture that has expanded beyond the national boundaries of a specific country? (Kaufmann, et al., 1994; Tixier, 1995) Does management culture have an autonomous existence in a society? (Simon and Davis, 1995)

In an attempt to overcome the difficulties raised by these fundamental questions it was decided that our comparative research in Eastern Europe should focus on management practices as providing more tangible evidence of the leading trends of transformation in these societies.

It is expected that similar economic conditions shared by East European countries as a consequence of the Socialist system of central planning, with similar past experience of the managers will produce matching patterns of new managerial practices across the region. This assumption is of course debatable and the evidence of managerial practices will be very sensitive to age group of the manager, size of business, type of production technology and ownership.

In our research in Bulgaria we decided to analyse the transformation of management practices as a clear manifestation of managers' dispositions and particular responses to the economic and political situation. (Fig. 1) The generalisations that we make are valid only for Bulgaria. However, they serve as a vehicle for comparison not only with the past but also with other countries in the region.

## 2. Research Methodology

The purpose of the overall research was to develop an overview of the management system in Bulgaria before 1989 and its transformation in the new market conditions. One of the objectives of the research was to determine the role which ownership plays in the major changes of managerial practices in the new market conditions, and to analyse how managers have responded to the new business environment. The second objective of the research was to test a typology of managerial roles before 1989 and to investigate the development of new managerial roles related to ownership.

The research was conducted in three stages: a) research of management practices and managerial roles in Bulgaria, conducted between 1986-89; b) comparative case studies in Bulgaria, based on questionnaire and in-depth analysis of the companies; and c) interviews with the managers in the selected companies in regard to their managerial experience and career.

In the summary of our pre-1989 research in Bulgaria we have identified four types of managerial roles according to methods of appointment, control over resources, authority and responsibilities. Detailed analysis is presented in the last section of this paper. This typology was tested again in the interviews with the managers of the selected companies (1994/95) asking them to identify with a particular type chosen from a list with a detailed description of all four types. We asked them also to explain their choice which provided us with a context information for our analysis. We found that most of the roles have changed in the new conditions. The comparative analysis of the managerial roles is summarised in Table 8.

The case studies conducted in Bulgaria post-1989 represent an interdisciplinary approach in management research which aimed at an in-depth analysis of the changes in business strategy and business operations, organisational structures and processes of control, management culture and behaviour. It is believed that interdisciplinary research reveals the inter-relatedness between all these aspects of company management and allows the researcher to grasp the complexity of change.

The research design for the case studies included a detailed questionnaire for observations, interviews, document analysis and data collection and followed the model of management practices described in Fig. 1. The questionnaire comprised of both structured / closed questions for data collection and open questions for discussion with employees, managers and for direct observations in the company. The questions were grouped in three parts - the core questions addressed issues of the management practices in the company; a second group of questions, related to the additional factors influencing managers decisions; and a third group of questions discussing the overall economic and cultural aspects of the transition environment. All interviews and observations were conducted, recorded and analysed by the author.

The theoretical model for the study is an elaboration on the description of management system by Pascale and Athos (1981) and a review of the literature on management behaviour.

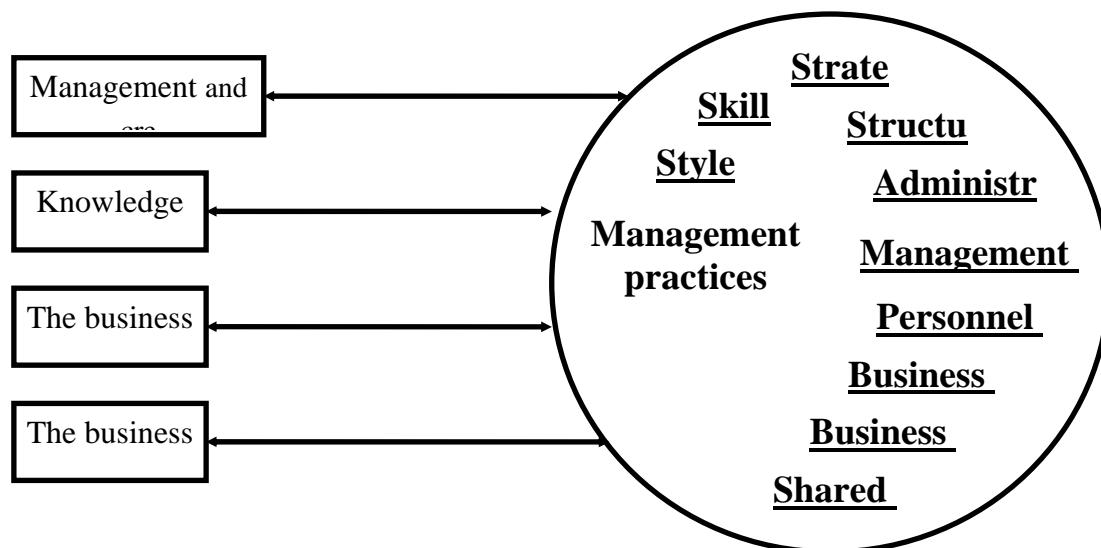
The framework for analysis of the transformation of management practices in Bulgaria is based on the distinction between seven categories. They are divided by Pascale and Athos (1981) into two groups - hard elements and soft elements. The hard elements of the management system are - strategy, structure, and systems, and the soft elements are - skills, style, staff and shared goals.

The category 'systems' corresponds with the concept 'administration' used in our case studies in Bulgaria and the category 'staff' corresponds with the concept 'personnel policy' (both included in Fig. 1).

This approach interprets management practices as directly influenced by management values, attitudes and culture, by the knowledge and experience that managers have accumulated, by the type of business organisation (including size, ownership, production technology) and by the macro-economic and political environment.

Management practices are obviously situationaly determined. The relationship is bi-lateral. On one side management practices are expressions of the cultural dispositions and a product of the specific macro-economic and political situation. In their complexity they are a manifestation of the management culture and also indicative characteristics of the management system in a particular locality (country or region). On the other side management practices reinforce the existing culture, extend the managerial experience, determine the success of the business organisation and influence indirectly the overall economic and political environment. (Fig. 1)

*Fig. 1: Examination of Management Practices.*



### 3. Comparative Case Studies In Bulgaria

Our research based on the questionnaire for comparative case studies was conducted in Bulgaria in 1994-95. Five of the cases were in the construction industry, one in metallurgy, one in communications and one in textile industry. After a careful examination two cases were selected as representative for the private and state sector in construction - a small private company 'Apolos', specialising in residential property, and a state company 'Metal Design', specialising in project design and construction of metal buildings.

Both companies are involved in design and construction. Apolos, however is directly responsible for the construction process while Metal Design relies mainly on subcontractors. Apolos is two years old, while Metal Design has existed for over twenty years. Apolos has 35 employees (27 - full time and 8 - part time) while Metal design operates with 82 full time staff members (downsizing from 460 employees in 1989). Both companies have no evidence of their market share. However, they are aware of their market segment which for Apolos is the local market of residential property and buildings for banks, and for Metal Design it is the national and international markets - industrial buildings, ware-houses, garages and kiosks.

Obviously, there are many differences between the two companies. It could be said that in the real business world there are no two companies alike and yet comparative research is possible, based on the existing similarities. The similarities between Apolos and Metal Design could be summarised in the following way:

|                                |  |
|--------------------------------|--|
| Industrial Sector              | Construction   |
| Annual Capital Turnover (1994) | 4 - 10 million leva (equivalent to \$57 - 142 thousands) |
| Size                           | Small and Medium size companies                          |
| Production Process             | Design and construction                                  |

The selected case studies contain details which allow analysis of typical vs. specific characteristics of management, the context in which managerial decisions are made, motives of the main economic agents, and evaluation of structures, relationships and practices in the studied companies. Profiles of the management practices of Apolos and Metal Design were developed and compared with the management system that existed in Bulgaria before 1989. Our comparative analysis makes references not only to the two types of companies by ownership, but also to the historical transformation that had occurred with the transition to market economy. The description of the management system before 1989 is of incisive importance in identifying the parting momentum of the management transition.

#### **4. Management System Of The Centrally Planned Economies**

The economic activities in the Socialist system of central planning were quite distinctive. They have generated a whole range of administrative practices which have accommodated control and initiative in a specific interlock. Unfortunately the study of the role of the administrative system and the work of state bureaucrats in the Socialist System has not yet past its descriptive phase. The research is fragmented and does not allow extensive comparative analysis.

The managerial sciences in Eastern Europe are used to interpret management as macro-economic decision making, planning and control. The lack of access to inside information on the other side had restrained western scientists from developing a more detailed knowledge of management behaviour and practices in the region.

Recent research, conducted in Easter Europe, tends to look at different aspects of the socialist system. The analysis is focused primarily on the economic transition and the democratisation of the society. The research conducted by Holmes on communist corruption in Eastern Europe (1993), Bozoki, Korosenyi and Schopflin on the post-communist transition in Hungary (1992) and Willerton on patronage networks in USSR (1992) all describe similar patterns of political and administrative decision making, similar problems of the shortage economy, and similar behaviour of party apparatchiks, state bureaucrats and enterprise managers. Even though the question of cultural variations in the region is still open for a debate, there is a distinctive pattern across all East European countries based on the historical experience in the last decades.

One of the most successful descriptions of the Planned economies is made by Chavance (1994). He suggests eleven characteristics of the Socialist system of central planning:

- a) state property of the means of production;
- b) control through administrative hierarchy;
- c) central allocation of planned indicators for performance;
- d) administrative distribution of resources;
- e) administrative pricing;
- f) administrative and political redistribution of profit;
- g) macro-economic control of the wages;
- h) financing through a central bank;
- j) monopoly over exports;
- k) restrictions over the private initiative;
- l) collective responsibility.

These characteristics have determined a specific type of social and labour relations, based on extreme empowerment of a range of administrative and political agencies. The main decisions were made with consideration of the macro-economic conditions and without detailed knowledge of the market. The systematic 'dispowerment' (or political manipulation) of the professional groups in society had led to an overwhelming growth of bureaucratic structures, managing every single activity.

The dominant pattern of managerial behaviour consequently represents all features of administrative and political control over the economy. The initiative usually would come from the top and would involve mobilisation of resources and there would be a number of control agencies to monitor the process. The initiatives, also were open to manipulation by particular individuals in conjunction with their personal interests.

More detailed analysis of the role the state property of the means of production, and of its effect on management behaviour is conducted by Kornai (1992) and Frydman and Rapaczynski (1994). The domination of the state property in the economy had led to an extreme depersonalisation of property, an elimination of property relations in the organisation of the economy, and their subordination to political authority. This had created an environment for quite unified management practices across different industries and even different countries in the region.

The property rights of control have been exercised by the state bureaucracy. The bureaucracy itself, in the Socialist system, is a centralised, uniform social formation that uses hierarchical division of responsibilities, and has established a web of vertical and horizontal links between officials. This control through political and administrative hierarchy has produced four distinctive types of managerial roles and expertise described in Table 8 (political worker / aparatchik, administrative functionary, company manager, and professional / technocrat). Further discussion of these roles is given in the last part of this paper.

A unique feature of the system also is the separation between the bureaucratic apparatus exercising control over the utilisation of property from the apparatus handling the financial affairs. (Kornai, 1992) This meant that the managers were accountable to at least three control agencies - political, administrative and financial.

The central allocation of planned indicators for performance put company managers in complete dependence on the central administration. It induced the need for patronage relations as the only alternative to express choice and to influence the impersonal system. The administrative distribution of resources developed a pattern of rigid management behaviour which lacked any sense of competition. It also encouraged development of personal networks and favouritism based on formal professional links.

The administrative pricing and the centralised mechanism of redistribution of profit deprived the company managers of any incentive to improve quality and efficiency. As a result the organisational restructuring was instigated by political arguments and patronage relations rather than by being justified through cost-efficiency. The concept of change and development was perverted and replaced by the ideological slogan of constant growth of the economy.

The macro-economic control of the wages created a rigid and distorted labour market accounting for labour deficit throughout the whole economy while at the same time hiding the surplus of low qualified labour and high inefficiency. A range of other administrative measures restrained labour mobility and this stopped the professional development of qualified staff in all industrial sectors.

The mechanism of financing through a central bank developed a pattern of investment decisions which facilitated the extensive growth of the industrial sector and created barriers for the intensification of processes within it.

The monopoly over exports created a group of powerful state organisations and enabled individuals to manage large capital resources overseas. Restrictions over private initiatives and collective responsibility both created irresponsible economic agents, restrained completely from individual initiative.

All these characteristics of the Socialist system of central planning have had a different impact and significance over the years. Our profile of the Socialist Management System presented in tables 1-7 describes a static picture of the system in the 80's and does not relate to any dynamic changes that had occurred in different countries. More detailed analysis of the management practices in Bulgaria during this period is based on previously conducted research and observations which compliments the analysis by Janos Kornai (1992), Chavance (1994), Frydman and Rapaczynski (1994) and Child (1994).

## 5. Transformation of Management Practices in Bulgaria

The characteristics of the management practices in the private construction company Apolos and the state firm Metal Design are based on the in-depth case studies conducted in these companies. The two profiles comprise of assessment of the management practices based on expert assessment (where information has been available); personal accounts of interviewed managers (including their awareness of the way the economic activity of the firm is organised and their self-perception of their personal roles); and direct observations in the companies. The interviews with the managers and key personnel from the companies were conducted by the author and in the premises of the firms. The interviewees were probed to analyse the dynamics of the situation since the late 80s. The author had the opportunity to compare different facts given by the respondents in their retrospective analysis and to request additional clarification at the time of the interview. The interviews were long and consisted of extended personal accounts by the managers and employees. Most of the data was of qualitative nature and required a thorough and structured interpretation. For each of the categories in our model a set of indicators were defined to organise the data and to allow comparison between the two selected companies and the characteristics of the socialist system before 1989.

Our comparative analysis of the three patterns of management practices is presented in Tables: 1 to 7 for each of the elements. For the purpose of clarity of expression I will refer to the three types of managerial practices as exercised by socialist manager, private entrepreneur and state company manager.

The main objectives of the socialist manager have been to fulfil party tasks, as he/she has been appointed by the Party and his/her managerial performance is monitored primarily by the Communist Party officials. This situation usually determines the priorities set by the manager, who place concerns with the company in second place after loyalty to the party. This is one of the main contradiction within the socialist management system - split loyalties.

*Table 1: Transformation in Strategy*

| Indicators                                | Socialist System<br><i>Apolos</i>   | Private Company<br><i>Metal Design</i>  | State Company  |
|---|---|---|--|
| <b>Primary Goal</b>                       | <b>Fulfilling party tasks</b>   | Making money  | Desire for security & continuity   |
| <b>Knowledge of the Market</b>            | <b>No knowledge &amp; perception of the market</b>  | Identifying niches in the local market  | Searching for contracts using old networks<br><br>No direct knowledge of the market  |
| <b>Strategic Behaviour of the Firm</b>    | <b>Compulsory implementation of the Plan - companies are geared to reach targets (volume of production, priority products, input quotas, import quotas, manpower quotas with nominal wages, financial targets -including pricing decisions)</b><br><br><b>Filling shortages</b> | Geared to quick return on capital investment and maximising profit<br><br>Subcontracting policies | Minimising profit in order to obtain a contract<br><br>Leasing equipment<br><br>Emphasis on both financial criteria & social acceptance of the decisions |
| <b>Changes in the Range of Activities</b> | <b>Increasing quantity of existing products</b><br><br><b>Saving of resources</b>   | Developing new products   | Reducing the range of activities   |
| <b>Investment Decisions</b>               | <b>Strategic investments for extensive growth - allocated investment quotas &amp; targets</b>   | Investment in machinery   | No investment  |

|  |                                  |  |  |
|--|----------------------------------|--|--|
|  | <b>for technical development</b> |  |  |
|--|----------------------------------|--|--|

Obviously, with the political changes after 1989 the political dimension of business operations had declined and the state company managers were driven to a greater extent by the desire for security and continuity, protecting their own position and their employees. The private entrepreneurs in the new market conditions are profit seekers by their own account, driven primarily by the motive of maximising profit

The notion of the market with its main orientation for sales was replaced in the past by the concepts of demand and supply, or satisfying needs and horizontal and vertical flows of resources and products. This perception of the economy had to be replaced with a new understanding of the market forces. It is interesting that the private entrepreneur had developed a more comprehensive view of the market. He has identified niches of growth. Apolos has entered the niche of high quality residential property and offices for small businesses. The specific taxation system has created incentives for investment in machinery and equipment. High inflation has forced the private firm to diversify into external decoration and refurbishment of large office blocks and into food retail for a quick return on capital. The subcontracting policies include close interaction with other small entrepreneurs for small scale operations.

The state company operates both in the national and international market (with recent projects in Russia, Germany and Israel). Access to the international market is provided by a trade organisation (GLAVBULGARSTROI) as a mediator. As the national market has shrunk dramatically and the contracts are of limited value, the state manager has reduced the range of activities performed in the past with reduction of the labour force as well. The state company is forced to lease equipment and premises to other businesses to secure additional income. In contract negotiations the company is prepared to minimise profit in order to obtain these jobs. The director also puts a high emphasis on the social acceptance of managerial decisions. The reason for that is the power given to the labour collective in case of privatisation and therefor there are vested interest in co-operative action. Both companies are reacting to changes in the economic situation.

*If we compare the strategic orientation of all three types of management practices the main difference is that the socialist manager is reacting to problems and decisions made by the state governing bodies, while the private entrepreneur is responding to the chaotic changes in the environment. The state company manager responds to contract opportunities provided by the state, and new opportunities in the national market, identified through accidental and non-systematic activities, i.e. potential clients brought by members of staff, or by colleagues from a wider professional network. The similarity is that they all have limited knowledge of the market and their actions are not directed to better positioning.*

Table 2: Transformation in Structure

| Indicators                      | Socialist System  | Private Company<br><i>Apolos</i>  | State Company<br><i>Metal Design</i>              |
|---------------------------------|---|---|---|
| <b>Administrative Structure</b> | <b>Tall hierarchical structures of authority</b>  | Flat organisational structure with owner centralised structure of authority | Matrix structure with reduced hierarchical levels |
|                                 | <b>Imperfect hierarchy of the bureaucracy - each activity is controlled by several superior individuals or agencies</b> |   |   |

Table 3: Transformation in Systems

| Indicators                           | Socialist System   | Private Company<br><i>Apolos</i>  | State Company<br><i>Metal Design</i>                                 |
|--------------------------------------|--|---|--|
| <b>Accounting System</b>             | <b>Annual &amp; five year financial plan</b>   | Monthly balance   | Monthly balance  |
| <b>Decision Making</b>               | <b>Bureaucratic decision making, co-ordination &amp; control of activities; Asymmetrical vertical links for dissemination of decisions, based on command &amp; obedience</b> | Individual decision making by the manager-owner<br>Informal consulting with employees | A mixture of bureaucratic, individual and collective decision making |
| <b>Information and Communication</b> | <b>Controlled distribution of information with lack of sharing</b>   | Controlled distribution of information  | Controlled distribution of information                               |
| <b>Rules and Procedures</b>          | <b>Indicative &amp; contradictory rules, designed by different agencies involved in the management process</b>   | No specified rules and internal regulations   | Redefined rules under collective bargaining procedure                |
|                                      |  | Personalised roles  | Generalist roles & job rotation                                      |

One of the main changes in the organisational structure in the transition economy in Bulgaria is its rationalisation, or reducing the hierarchical levels with relocation of responsibilities. The high level of centralisation prevails both in the private and in the state company and there is an attempt to establish a clear line authority, cutting down duplication in control so each individual is supervised and managed by one superior only.

The state company manager has designed a very simple matrix structure, which groups employees in teams and allows flexibility of different teams and individuals to work simultaneously on a number of projects.

One of the main changes in management systems, affecting both the state and the private company, is the abolition of the state plan and the introduction of strong financial incentives for company performance. However, the decision making procedures remain almost the same in the state company - a mixture of bureaucratic, individual and collective decision making, which still prevents managers from making clear allocation of responsibilities.

The contradictory rules designed by different agencies in the old socialist system are replaced by the private entrepreneur with direct orders and decisions responsive to the situation of the day. Following a reduction of the labour force, the state company has redefined the internal rules and regulations and created generalist jobs where people are interchangeable allowing them to take more than one responsibility.

An interesting fact is that there is no change in the way information is handled within a company. All three types of practices demonstrate non-democratic hidden mechanisms of controlled distribution of information amongst employees.

*Table 4: Transformation in Skills.*

| Indicators                           | Socialist System                      | Private Company<br><i>Apolos</i>                       | State Company<br><i>Metal Design</i>                   |
|--------------------------------------|---------------------------------------|--|--|
| <b><i>Educational Background</i></b> | <b>General professional education</b> | General professional education; no managerial training | General professional education; no managerial training |

*There is no major change in management skills area. The background knowledge of all three types of managers stems from a general professional education with high emphasis on technical expertise. There is also lack of proper management training and the learning process is dominated by trial and error approach.*

Table 5: Transformation in Stylea

| Indicators              | Socialist System  | Private Company<br><i>Apolos</i>       | State Company<br><i>Metal Design</i>   |
|-------------------------|---|--|--|
| <b>Management Style</b> | <b>Inefficient, rigid &amp; passive bureaucratic management</b> | Entrepreneurial risk taking management | Maintaining balance, self-preservation |

The transformation of management style is quite significant. Inefficient and passive bureaucratic management through the plan has been replaced with an active type. However, the behaviour of the private entrepreneur, who is prepared to take risks and to invest in new ventures, is quite different from the behaviour of the state manager who is seeking balance with emphasis on self-preservation and preservation of the organisation along with good relations with the workers. The distinction, however, between the two managerial styles is marginal.

Table 6: Transformation in Staff

| Indicators                                  | Socialist System   | Private Company<br><i>Apolos</i>                                      | State Company<br><i>Metal Design</i>                                       |
|---|--|---|--|
| <b>Appointment</b>                          | <b>Appointment, promotion &amp; dismissal only by party officials and branch Ministry bureaucrats</b>  | Personal selection of appointees based on networks                    | Appointment & dismissal by branch bureaucrats & under trade union pressure |
| <b>Managerial Incentives and Motivation</b> | <b>Managerial motives are: formally political &amp; moral conviction; in reality they identified with the job because of status, power, prestige, additional material benefits</b> | Changing status through capital accumulation                          | Keeping the job  |
| <b>Job Design</b>                           | <b>Intensification of labour based on formal efficiency criteria</b>   | Intensification of labour negotiated through contractual arrangements | Intensification of labour based on job redesign                            |
| <b>Labour Mobility</b>                      | <b>No labour mobility and restricted mobility of managers</b>  | High labour mobility  | Only outward mobility  |

The main changes related to the category of personnel policy and staff development are linked to an increase of unemployment and labour mobility; to end of political control on management appointments; and to the introduction of different approaches for intensification of labour. In the past the intensity of labour was calculated through a complex system of efficiency coefficients similar to the type used in the scientific management approach, while in the new conditions the managers have designed a more simple and effective procedures. The private entrepreneur controls efficiency through specific contractual arrangements determined by the labour supply.

The state company manager achieves improved efficiency through job redesign and job rotation of the personnel. However, labour efficiency is not monitored officially as pressures from the macro-economic environment determine to a greater extent company performance.

There is also a significant change in the appointment procedure for the managers, which changes their motives and personal strategies. Being self-employed, the private entrepreneur has strong incentives for success and a full awareness of the need for training and self-development. The state company manager is still constrained by the appointment procedure, which exerts a pressure to balance and negotiate his position with employees, trade unions and the higher administrative authority.

The mistrust of authority is still predominant in both state and private sector. However, the private sector employees have developed respect for authority to a higher degree (according to manager's view), probably due to their vulnerability caused by high unemployment.

*Table 7: Transformation in Shared Goals*

| Indicators                      | Socialist System   | Private Company<br><i>Apolos</i>          | State Company<br><i>Metal Design</i> |
|---------------------------------|--|---|--------------------------------------|
| <b>Attitude to Authority</b>    | <b>Mistrust &amp; suspicion within the company due to the existence of political police to check on the reliability of individual agents</b> | Respect of authority                      | Mistrust of authority                |
| <b>Motivation of the Staff</b>  | <b>Formal political mobilisation, based on persuasion, reward &amp; compulsion;</b><br><b>Drive for self-preservation</b>                    | Keeping in job;<br>Trading time for money | Keeping in job                       |
| <b>Sharing Responsibilities</b> | <b>Collective responsibilities with political accountability</b>   | Individual responsibilities               | Collective responsibilities          |

The political mobilisation used in the past to motivate through persuasion has been replaced by the fear of losing the job. This suggests that there is still a gap between the individual self-interest and the goals of the organisation. It is interesting that in the state company both manager and employees have almost identical motives to preserve the status-quo. This probably is the most residual force in the economy - the lack of incentives for change at a company level.

The dissolution of administrative and political responsibilities with political accountability from the past have been transformed into two distinctive types of practices in the new conditions. The private entrepreneur sets individually the goals while the state company manager participates in a complex procedure of collective decision making by an authorised body - Board of Directors. This Board of Directors is appointed by the branch Ministry.

In fact, this system is more of a barrier for change. The interests of the branch Ministry are represented by low qualified administrative staff. The Board of Directors is composed in such a way that it allows conflicts of interests at different levels. The complex relationship between the branch Ministry, the Board of Directors, and the company manager in Metal Design dilutes the responsibilities for the company strategy and performance.

In summary, the rigidity of the Socialist management system in the past did not allow positive developments within the state firms. The vast management experience was not supported by incentives for change and innovation in company structure, systems and strategy. This created a whole generation of company managers with lack of strategic thinking and market orientation and who were well experienced in avoiding direct responsibilities. A more detailed profile of this type is provided in Table 8.

The Apolos manager is responsive to changes of the market, has more strategic orientation and higher independence. His profile of expertise resembles the main features of a small business owner in a western type of market economy.

The management practices of the state company manager of Metal Design form a peculiar profile of corporate dependency, limited flexibility, reluctance to accept radical changes and to instigate innovation.

## 6. Types of Managerial Experience in Bulgaria - Before and After 1989

Management practices in a system usually characterise specific roles and positions held by those individuals that make decisions with economic implications. These practices could be described through the experience of large groups of individuals. Based on previous research conducted in Bulgaria between 1986-89 we have identified four types of managerial roles within the Socialist system - political worker / aparatchik, administrative functionary, company manager and professional technocrat. (Table 8).

The information on these types was collected through in-depth interviews with different individuals representing a specific role. Over twenty formal officials were asked to describe their particular activities and the activities of their professional partners with whom they communicate most often, including authority position and sphere of control, strategic experience, responsibilities, accountability and particular experience in decision making and negotiations. The information was recorded in a diary and it comprised not only personal statements by the interviewees, but also observations by the author. The four types were formulated after the field work was completed. The four definitions of the roles derive from review of the literature on management of the centrally planned economies (Kornai, 1992; Holmes, 1993).

*In the later research (1992-94) all company managers from our sample of eight cases were asked to assess the four types of managerial practices from the past. They all identified themselves with the role of professional technocrat which they had performed before 1989. If we take their personal accounts as a valid source of evidence this means that most of the changes of management practices in the transition period stem from the group of professionals / technocrats. Table 8 summarises the profiles of the four managerial types before 1989 (political worker, administrative functionary, company manager and professional technocrat) and compares them with the profiles of managerial practices of the private entrepreneur and the state company manager after 1989.*

The management experience accumulated within the Socialist system has been quite a specific one. The managers of both the state and the private company have reported that it is much easier for them to negotiate with local clients. The manager of Metal Design indicated in his interview that the company has the skills and the potential to satisfy all demands of foreign partners and he sees the dependency on the branch Ministry and the insecurity of the company status as the main barrier for change and development. It is another question how correct is this assessment by someone who is an insider in the managing process.

The private entrepreneur sees the main barriers for growth with the unstable macro-economic conditions and estimates his expertise as quite sufficient to run the business.

*Table 8: Differences in Managerial Roles by Appointment, Power, responsibilities, Decision Making and Negotiation Practice - Before and after 1989.*

| Political worker / aparatchik   | Administrative functionary   | Company manager  | Professional/ technocrat                                    | Private Entrepreneur                                     | State Company Manager  |
|---|--|--|---|--|--|
| <b>Appointment</b>  |  |  |   |  |  |
| Appointment based on political characteristics  | Appointment by documents and based on patronage links  | Appointment by the Communist party through a branch Ministry             | Appointment by professional characteristics                 | Self-employment  | Appointment by the branch Ministry and by the Board of Directors |
| <b>Power, Authority and Control</b>   |  |  |   |  |  |
| Assists the development of inter-industry links and business collaborations; Assesses the political reliability and trustworthiness of the managers, determining their professional career through appointments and allocation of party tasks; Actively participates in monitoring of the public opinion and manipulating the public response | Monitors the fulfilment of the State Plan<br><br>Formulates the economic aims of the enterprises | Has a marginal control over the process of application of the State Plan | Has no control or limited control over a team of colleagues | Has a full control over strategic and technical decision | Has a marginal control over technical decisions                  |

| <b>Political worker / aparatchik</b>  | <b>Administrative functionary</b>  | <b>Company manager</b>  | <b>Professional/ technocrat</b> | <b>Private Entrepreneur</b>   | <b>State Company Manager</b>  |
|---|--|---|---------------------------------|---|---|
| <b><i>Strategic Experience and Skills</i></b>   |  |   |                                 |   |   |
| Contributes to the development of the regional strategy, industrial strategy and policy, employment and wage policy | Manages the economic activities by industries, regions and at national level | Applies strategic decision made at higher levels of the state administration  | No strategic experience         | Develops new ideas, products and services; Searches for market niches; Re-invests profit in company growth      | Adopts defensive strategy which rejects initiative and non-standard solutions |
| <b><i>Responsibilities and Accountability</i></b>   |  |   |                                 |   |   |
| Political responsibilities assessed by ideological and moral criteria   | Participating in and monitoring the calculation of the company accounts      | Responsible for fulfilment of the Plan indicators; Responsible for the supply with resources and realisation of the product; Resolving production problems with supply, realisation, quality and remuneration; Uphold political and administrative responsibilities for fulfilment of | Managing a group of employees   | Makes independent decisions and carries full responsibility; Accountable only to himself and to tax authorities | Carries higher personal responsibility in comparison with the past            |

|  |   |  |  |   |  |
|--|---|--|--|---|--|
|  |   | the party tasks.   |  |   |  |
| <b>Political worker / aparatchik</b>                       | <b>Administrative functionary</b>   | <b>Company manager</b>   | <b>Professional/ technocrat</b>  | <b>Private Entrepreneur</b>   | <b>State Company Manager</b>   |
| <b><i>Decisions</i></b>                                    |   |  |  |   |  |
| Participates in the development of new investment projects | Develops the indicators of the State Plan, which co-ordinate the performance of the enterprises; Determines quotas for managing wages and allocation of resources | Most of his/her decisions are monitored by internal collective bodies which stimulates development of patronage relationships as a means of protection | Makes technical decisions with high risk and responsibility                | Diversifies activities of the company with the purpose to maximise profit by all means; Signs risk contracts and looks for non-standard solutions to problems | Makes decisions for reducing the costs, the scale of activities and the number of employees  |
| <b><i>Negotiations</i></b>                                 |   |  |  |   |  |
| Mediates negotiations carried by other parties             | Negotiates with enterprises their future activity   | Negotiates with higher administrative authorities the work of the enterprise;  | Negotiates on behalf of the management with clients and state institutions | Uses old contacts for business co-operation   | Negotiates with higher state institutions and with trade unions<br><br>Uses old contacts networks for cooperation with other companies |

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|  |  |  |  |  | nies and<br>institu-<br>tions |
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## 7. Conclusions

The societal change in Eastern Europe involves deep transformation of the main system characteristics. The people have to adapt with dramatic speed to those changes. The most visible aspect of the change for company managers is the uncertainty of the business environment which goes beyond the concept of market competition. If we look again at Fig. 1, all four factors on the left side of the model have been transformed to certain extent. The business organisation has changed for both private and state companies, however the status of private business owner has given him much more opportunities for development in comparison with the state company manager. Both managers stem from similar background and they share similar experience from the system before 1989. They both are adapting fast to the new requirements of the situation. In our analysis the ownership had produced more positive effect on management practices, i.e. they have become more market oriented. However, the assessment of the business performance of both companies should not mislead us in concluding on the effective adaptation of management practices. The differences in managerial responses do not mean necessarily differences in cultural dispositions and attitudes. What our analysis had revealed is that the change in the macro-economic and political environment had produced new patterns of management behaviour and it is yet to be concluded how this new managerial experience will effect personal and professional dispositions.

More detailed study of the transformation of the business environment in Bulgaria will reveal additional information about the factors that affect managerial practices and will develop further the explanatory framework proposed by our approach.

The three profiles of management practices described in Tables 1 - 7 are supported by evidence only from Bulgaria. However, their significance is that they give a systematic picture which could be used for further comparisons through the region.

If we assume that similar situational factors combined with a similar range of experience and opportunities in the new environment will produce identical patterns of behaviour, we may expect that the profile of management in Apolos will be similar to other entrepreneurs in Eastern Europe. Consequently the management practices in Metal Design will be indicative for a large group of state enterprises not only in Bulgaria, but also in other East European countries. Obviously, the later will require support with more evidence from further research.

The typology of managerial roles before 1989 and after the changes (Table 8) provides a detailed and structured description of the managerial practices in Bulgaria according to the position and the role the individuals played in the centralised system of managing the economy. The six profiles of roles and

practical experience are defined as typical for the system. They explain the transformation of the professional / technocrat into a new type of manager. It is believed that the process of standardisation of management practices world-wide influences Eastern Europe as well. The private entrepreneur running a small business in the construction industry in Bulgaria has become more like any other entrepreneur in Europe, or US, or Japan.

However, more determining factors for future changes in managerial practices will be the access and experience in a particular market as a source of personal learning. Access to local markets only, which is expected to be typical for the small size companies, could narrow down their access primarily to local expertise and business knowledge. In this case the local culture will have a predominant effect on managers' practices. The transformation of management culture in Eastern Europe is more likely to develop through more intensive cross-country and cross-business fertilisation of new ideas and approaches. This internationalisation of business on the other hand is seen to be more dependent on the stability of the macro-economic environment as a whole, rather than on particular structure of ownership. Further research on the effect of the macro-environment on management behaviour should address this relationship in more details.

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