

Modes of Restructuring. Empirical Research in Czech Industry

The processes of adaptation and restructuring of industrial enterprises are of crucial importance to their successful transformation of the countries of Eastern Central Europe into free-market economies and democracies. This process is taking place in the context of global economic changes caused by the emergence of supranational free trade areas and economic blocs, transnational corporations and strategies. In the long run, these global trends will result in the replacement of the dominant Taylorist industrial production paradigm. For this reason, western structures of industrial production and work are of only limited use as models for societies in transition from a command to a market economy.

The research group *Transformation und Globalisierung* at the *Wissenschaftszentrum Berlin für Sozialforschung (WZB)*⁹ seeks to answer the following questions: Which forms of firm and plant organisation have come into being and are proving successful? What consequences do these new structures and institutional arrangements have for management and working conditions? Which social inequalities and forms of power all established as a result of competition shaped by strength, by changing political structures, and by modern processes of individualisation and dissociation?

The research group's approach is a synthesis of industrial sociology and cultural sociology. A holistic concept of action is adopted which includes the concepts of self-understanding of the social actors in their his-

torical and social contexts. From the perspective of problem-solving, both the systemic order of technical and bureaucratic rationalisation and the social actors' patterns of interpretation and decision-making are analysed, showing the firm as a social construction of reality in a historical situation.

This cultural approach in the field of transformation in Eastern Central Europe was the main theme of a conference held at the WZB in June 1994. The participants agreed that culture must be seen as a basic feature determining the process of modernisation. The new global model of production places high value on qualified work and strong social networks as factors of productivity.

The high esteem of professionalism in connection with specific solidarity patterns forms the core of an Eastern European working culture, which, in the research group's opinion, constitutes a comparative advantage under the conditions of a globalising world economy. The cultural aspects were also the subject of the conference *Communication and Co-operation in Joint Venture Firms*, held in Prague in autumn 1994 in co-operation with the Sociology Department of the Philosophy Faculty of Prague's Charles University. Joint ventures were chosen for discussion because they play a central role in the transformation process as transmitters of innovation. Participants included German and Czech social scientists together with managers from Czech mechanical engineering and automotive industries in particular. The industrial specialists' reports of their experiences in multicultural organisations showed that the presence of foreign partners on site supports tremendously the exchange of know-how, experience, and – last but not least

– the constitution of trust relationships among the partners. From the Czech point of view, the benefits of joint ventures were seen in the transfer of foreign investment, management know-how and in access to the EU and world markets. For the foreign firms, the advantages are the highly qualified specialist workers and engineers, deinstitutionalised deregulated regulations and access to the Eastern European market. An important result of the conference was the evaluation of the behavioural patterns of foreign partners in Czech firms. Three typi-

⁹) The research group is part of the *Technology-Work-Environment-section* of the WZB. The group started in 1994. The WZB is a publicly financed non-profit corporation researching developmental trends, problems of adaptation, and possibilities of innovation in modern democratic societies. Work at the centre interlinks basic research and practical relevance following a multi-disciplinary approach and often has internationally comparative dimensions. The results are communicated to scientific and policy-making communities.

These measures confront the joint venture with great challenges to its social integration. Traditional structures and practices have to be synthesised with new forms of organisation. The resulting conflictive dynamic has to be transformed into a 'conflictive cooperation' to set free extra synergies. A precondition for the successful realisation of this is the competence of reflexive organisational learning.

In the case of an "autochthonous" company – a traditional mechanical engineering concern – the restructuring process has proceeded in at least two stages. In the course of the privatisation and decentralisation initiated by the Czech government, the concern has been transformed into a joint-stock company. All individual companies – at the moment more than forty – form a conglomerate of autonomous subsidiaries within the framework of a holding. The privatisation policies of the state worked as an exogenous impulse which forced the individual companies to take measures for the development of new markets and to ensure competitiveness. The exceptional scope of action available to the subsidiaries had several advantages from the concern's point of view. Considering the lack of proven methods of management under market principles, only smaller business units were transparent in their activities and thus controllable. In addition, this offered incentives to managers to test and develop independently new methods of leadership in an experimental manner. This process of the concern's internal dissociation into a number of entrepreneurial units externally instigated by the privatisation policies caused a segmentation into those companies that were able to survive autonomously and those that were not. However, after only a short period the restructuring by straight principles of market economy reached its limitations: The destruction of internal concern relations with regard to supplying and buying began to jeopardise the existence of companies which were already developing successfully. The second, actual phase of internal restructuring started in around early 1995. It was initiated by the first remerger of two subsidiaries, at first still as legally autonomous companies within a consortium. But de facto the consortium is acting under one management. The merger stems not only from

the necessity of preventing the destruction of a production chain which would jeopardise the survival of the two companies but also from the independent concern strategy. Concurrent to addressing the direct financial interests of the holding, the group is realising the plan to integrate a couple of industrial core activities plus their suppliers under its control. From this perspective, the support of unprofitable, but irreplaceable subsidiaries and the rather aggressive expansion of the concern is reasonable. The contemporary initial restructuring demands stronger control of the subsidiaries. In addition to the financial controlling, the main instrument of the holding in the phase of privatisation, the holding intensifies methodological controlling to harmonise the subsidiaries' actions and to homogenise their image.

During the privatisation period, the first steps in the direction of a technological rationalisation, i.e. the modernisation of machines and equipment, were made. The second phase of restructuring is being accompanied by the first attempts at holistic reorganisation, the aim of which is to free up the human resources blocked by the socialist production regime.

On the tide of restructuring, a radical reorganisation and reduction of the number of autonomous subsidiaries will follow analogue to the already realised merging of two metallurgical plants. In addition, the new subsidiaries have to be integrated in the concern. In contrast to the politically initiated transformation which resulted in "greater autonomy" for the units, the actual phase of restructuring undermined partly the radical market-oriented logic of action to serve and reanimate the synergies still latent in the networks of traditional exchange relations in- and outside the concern. Its strategy follows the principle that the survival of Czech industry depends on a concentration of industrial potentials to a degree that makes it possible to withstand international competition. Only a minority of Czech industrial firms would survive as single enterprises on the market. Were there to be no such concentration, then the Czech Republic would lose her historical status as a leading industrialised nation.

The creation of the new organisation of work is being accompanied by a change of

