*Dr. Claudio Morrison*

*Middlesex University Business School*

*Hendon, The Burroughs,*

*London NW4 4BT*

[*C.Morrison@mdx.ac.uk*](mailto:C.Morrison@mdx.ac.uk)

**Employment and social relations in the post-soviet workplace: trust and control in Russian management**

**Introduction**

This paper intends to explore changes occurred to employment relations in Russia in the last decade, in order to understand how agents in production will react to the crisis. The paper focuses on issues of trust and control in management. The dominant narrative maintains that post-socialist industrial relations have been marked by strong continuity with the soviet past due to institutional legacies. On the basis of both secondary and case-study research the paper will investigate social relations in the workplace in order to understand whether the experience of work has fundamentally changed for agents. The main thrust of the article is that institutions of industrial relations have remained unchallenged but terms and conditions of employment have not; this have exacerbated contradictions in the labour process but not generated change because of the peculiar nature of social relations in production. Institutionalism like transition theories, lacking theoretical space for contradictions in their model, fails to recognise both the constraints and challenges the latter pose to agency [Aslund, 1995; Schwartz, G. Et *al.*, 2007].

Our study of the Russian enterprise as a social organisation has identified two distinct but interrelated set of relations, namely owner-manager relationship, the managerial process [Armstrong, 1984, 1989, 1991; Willmott 1997] , and the labour process proper [Knights *et al.*, **1990;** Thompson *et al*, 2000]. This paper focuses on the former. Critical accounts of the managerial process in the ‘West’ suggest that managers sustain a trustful relationship with owners by developing control strategies for their subordinates Armstrong, 1984]. The employment of soviet managerial tactics achieves social control but generates strained and ultimately mistrustful relationship with superiors [Ticktin, 1992]. Evidence from case studies indicates how failure in restructuring perpetuates this ‘economy of mistrust’ based on administrative controls and petty tutelage. To the contrary, in cases where restructuring has been achieved, managerial co-operation with owners and tighter control over workers are present.

**Outside ownership and post-soviet managers: an economy of mistrust**

The last decade in Russia has seen bitter confrontation between enterprise production managers and new capitalist owners. Managerial resistance has been blamed on narrow self-interest, ‘coloured’ by a ‘conservative’ soviet, and Russian, mentality [Blasi *et al.*, 1997; Frydman *et al*,*.* 1996; Goble, 1997]. Middle management would be found defending a system that granted them sweeping powers while making them unaccountable for, widely observed, poor performance.

Critics of mainstream approaches have found this argument wanting. It has been observed that could not be reduced to entrenchment and that findings from research in management restructuring and labour relations highlight how enterprise management’s unwelcome reception of market reforms have much to do with structural constraints posed by social relations in production as well as the particular business environment created by market reforms at macro-level [Burawoy 2001; Clarke 1995, 1996].. Their defence of the labour collective, a paternalist system of managing workers, could be better interpreted as an attempt to establish a form of social dialogue [Hendley, 1998]. Furthermore, they find out that capitalist owners, including foreign ones, are no less keen than red executives in employing soviet-type control mechanism and personnel management tactics [Clarke, 2007].

Issues of control and resistance have proved essential to explain manager-owner relationship. In particular research findings, including our own reveal how a) mistrust, and ensuing petty tutelage, is a problematic feature for Russian management; b) trust is related to control strategies c) successful restructuring implies greater autonomy and responsibility for managers and radical subordination of workers. The next sections will present case material on each of these aspects.

***Trust and control in soviet management***

Control as a capitalist function is the defining aspect of managerial work: capitalists tolerate managerial recalcitrance and make room for a larger than expected allowance towards managerial misbehaviour when compatible with capitalist interests.

One of the key tenets of transition was that the re-establishment of the ‘market economy’ would restore the natural order of things; e. g. put managers to manage and workers to work. Conflict between managers and owners about the effective use of resources has made it much harder to achieve than initially expected. At shop level, issues concerning the use of labour and wage-bargaining have resisted scrutiny in the face of attempts by managers at retaining their discretional use as a way to elicit workers efforts and reward key workers.

In order to understand this point it is important to return to the peculiarity of the Soviet economic system, which rests on the limited control of the elites over the labour process [Arnot 1988; Filtzer, 1992; Ticktin, 1992]. From the point of view of the economic bureaucracy, managers had to be relied upon to generate and execute plan orders; but, to the extent that such tasks implied managers’ mobilisation of labour collectives, they also forced them constantly to distort and falsify plan targets. From the point of view of managers the problem consisted in the expected inability of the system to provide sufficient resources to meet the expectations of the leadership. The use of tight planning and the recurrent innovation campaigns launched by the leadership to enforce productivity growth and innovation countervailed by managers, resisting modernisation, represent the conflictual dynamics generated by this contradiction. The temporary composition of interests in Soviet management rested on the fact that managerial practices represent ultimately an effective form of social control consistent with the then primary objective of eliciting workers’ efforts towards the fulfilment of planned physical output.

***Managerial control of labour in transition***

With privatisation and then with the appearance of outside ownership, demands from above gradually shift towards the achievement of financial and quality objectives, i.e. from product to commodity, introducing a new set of contradictions, namely between the production of things and the generation of profit. The incorporation of formerly independent privatised enterprises into financial-industrial groups has provided a governance framework within which conflicts arising from these contradictions are articulated [Johnson, 1997]. Under this arrangement enterprise management is reverted to its original functions, production and personnel, while finance and commerce are dealt with at group level. As Clarke (2007) observes, the relationship between groups and subsidiaries are characterised by the tension between top executives, informed by market individualism, and enterprise management still purportedly acting in defence of the ‘collective’ interests of their production unit. Within enterprises, this translates in the use of traditional soviet methods of work organisation and social control. Findings from case study research (Morrison et al. 2003, 2007) indicate that such managerial practices aim at retaining a co-operative arrangement with key cadre workers and ultimately (limited) control over the production process. Cadre workers praise the piece-rate for ‘forcing workers to work’ but, as manager respondents observe, this system always implies significant discretion on the part of workers.

This soviet type management, based on continuous bargaining, appears increasingly at odds with demands for economies and high productivity. Yet Kolya, a reformist head of production in a researched enterprise, referred to it as ‘democratic’ management as opposed to the ‘authoritarian’ methods employed by new owners. He later accepted that the former is not compatible with market-oriented production.

Managerial resistance in the Russian enterprise tells us that a) the control function is central to managerial work and b) that, when capitalist priorities of accumulation appear, managerial control strategies have to accommodate them. What the experience of transition suggests is that control over labour in mature capitalist countries, since Ford and Taylor, is incomparably greater, and that workers’ (and petty managers’) autonomous decision-making is the first victim of the development of capitalist management.

Russian capitalist owners have to rely on managerial strategies to retain control over workers in the shops but they entails considerable waste which is not tolerable in the long run. Understanding why they do not proceed with restructuring requires scrutinising the managerial relationship further, looking into the state of manager-owner relations.

***The new owner-manager relationship: mistrust, control and resistance***

One of the consequences of limited control over the production process in the soviet system was a conflictual and distrustful relationship among the agents distributed along the hierarchy of its centralised command structure. Lack of trust was compensated by cumbersome control over managerial decision making. Such a feature of soviet management according to Clarke (2007) has not been yet modified by private (capitalist) ownership and our ethnographic research suggests that lack of trust between managers and new owners has much to do with it.

To understand how the contradictory interrelation of trust and control operates at the level of manager’s work it might be useful to listen to their own account of how the ‘system’ works. As Kolya brilliantly put it, the manager-owner relationship is based on a ‘great deceit’ (Morrison, 2007b: 211), which he describes as a mechanism to stimulate managerial work by assigning unrealistic targets. Mistrust on the side of manager derives from the conviction that above-plant bodies will not provide resources to achieve assigned targets. The latter in turn will rest on the belief that managers exaggerate their needs or even falsify results to avoid punishment and have an easy way with the plan. In soviet times, generalised scarcity forced managers to cut corners in order to achieve results the best they could, prioritising output over quality and costs. Strict controls were intended to enforce rationing and keep managers under the constant pressure. During the transition period, the new owners, in order to cut costs and waste, are inducing scarcity of funds and materials hoping that managers would find a solution. This system stifles initiative and prevents development as well as fuelling mistrust. ‘Now, managerial turnover is high’, the same respondent explains, ’because owners are desperate to find who can push the red button that would turn losses into profit’. For the same reasons, blaming failures on individuals leads to underestimating systemic problems while breading either excessive conscious or reckless behaviour in managers overburdened with responsibilities.

Managers in our case study enterprises have sought to get over this impasse by working for reforms aimed at standardising procedures and making managerial work more transparent for owners to see but also more reliable for managers to work with. The experience has been so far disappointing: top executives have felt that normalising relations with subordinates might deprive them of an essential control stick wile subordinates have shown unwillingness to volunteer information about their ‘strategies’ for fear of reprisals. One of the consequences is that whatever solution managers might find will not translate into innovation dictate because ’successful managers get promoted and their wisdom follows them, leaving their workplace once again in the dark’. On the other side owners are made quite reluctant to invest and grant decision-making powers to untrustworthy subordinates.

This can contribute to explain the frailty of Russian economic recovery at micro level and its poor development perspectives. It also leads us to conclude that trust between managers and owner is a crucial ingredient in establishing capitalist management of Russian companies. Controlling managers and workers alike, as one of our respondent put it, was the first mistake of the post-privatisation era.

Lack of trust between managers and owners represent the definite limit to successfully pursuing restructuring. The use of administrative controls and over-centralised decision-making that frustrates managerial initiative is the pathological manifestation of this condition. When managers act consciously to gain the trust of new owners, in order to claim decision-making powers and economic rewards, they present themselves as reformers able to deliver efficiency via the implementation of control and monitoring systems.

While we maintain that the point made above concerns the Russian management system in general, evidence suggests that production and other managers in manufacturing have been those suffering, and therefore resisting most transition. The issue should be raised therefore about the different impact of capitalist development on different professions within management, i.e. whether control and resistance have to do with the deskilling of a particular group of managers.

***Intra-managerial relations: responsibility without deskilling***

One problem that has tainted post-soviet restructuring consists in the practically conflicting requirements of subordinating operational managers to entrepreneurial executives but also to have the former adopting a market-oriented mentality and imposing discipline over workers. Russian analysts report on these issues in terms of ‘problems of integration of line managers’ (Goncharova, 2005). Capitalist development in Russia has led to finance and commerce eroding the once dominant position of the production function. Production managers complain of loss in status, actual limitation of prerogatives and discrimination in pay. These problems are particularly acute among lower and petty managers as they feel an unsustainable pressure to deliver while confronting ever growing limitations to traditional informal methods [Ledeneva, 1998]. This may lead to line managers identifying themselves with subordinate workers and taking their sides against superiors.

FIG controlled enterprises have responded with the following strategies. On the one side, top managers have resorted to exclusionary practices towards old ‘recalcitrant’ cadres, replacing them with younger managers; a second option consists in granting them better (as compared to workers) status and pay in order to clearly demarcate the workers manager divide. These though have engendered problems in the manager-worker relationship. A third strategy, referred by G. [2005] and observed in our case studies [Morrison, 2007], is delayering. Removing the people does not necessarily remove the problem. In the absence of a new division of labour, this move makes matter worst as it removes a buffer between workers and managers. The outcome lies in greater ‘authoritarianism’ of the shop chief.

Pursuing deskilling, the ‘consummation of the real subordination of capital to labour’ [Armstrong, 1984: 319] entails quite different though clearly interdependent processes: integrating managers, subordinating workers. Deskilling of both workers and production managers should entail fragmentation, i.e. subordination via division of labour. Lack of it in most of the Russian cases, as anticipated by our discussion of control, might explain the unusual occurrence of managerial resistance. What line managers in our case studies resented most was the increasing chasm between their crucial role in production and the loss in status and pay; leading to confrontation with shop chiefs, described by Kolya’ key assistant, Vitya, as parasites ‘sitting in their office while all the work is done by foremen without any reward or recognition’ raising the question ‘what we need all these managers for?’ The situation is altogether different where greater responsibilities and more work are compensated by clearer (and narrower) tasks and more control.

***The new managerial process: collaboration, autonomy and responsibility***

At this Moldova based-FDI exporting quality clothing, the reorganisation of managerial work and labour organisation has been sufficiently thorough to put former soviet managers at easy with the requirement of world manufacturing as well as confidently in control of supervisors and ordinary workers (Morrison, Croucher 2010). True tells the shop chief, ‘now we have more responsibilities than before when one sat in the office in charge of yearly plans . . . New electronic machinery is fast, you have to adjust to the pace or get worn off rapidly. If a worker does not understand so I tell her: “you do it this way!”. Managerial discretion over workers has increased: ‘At the end of the season’ she explains’ we check out ‘weak spots’ - the sick, the truant - and get rid of them.’ Line managers have more definite tasks and work closely with the shop chief to organise the production process. They all complain about the poor pay and the crazy work pace but ‘work on the machines is monotonous’. They still retain some discretion ‘but’ as one put it: ‘I can never say that something cannot be achieved: everything is possible if you try enough’. It is workers who ultimately take the brunt, their responses not surprisingly portraying a case of material deprivation and exploitation. Such enthusiastic embracement of just-in-time production by line managers might raise reservations about the typicality of such case but in this corner of the former Soviet Union FDI-led restructuring have taken a clear turn towards differentiation of roles and conditions between managers and workers. Here, ‘foreign capitalists take some into management and these forget they belong to the same place as the other [workers, C. M.]’, a top trade union official bitterly remarks.

The Russian enterprise has not seen full scale rationalisation but this is not to say that nothing happened. Hard-budget constraints have led to a crude intensification of work. The loss of autonomy, intensification of work, and the decreasing success at bargaining are unevenly affecting workers and managers

Where new (particularly foreign) owners have successfully implemented western managerial techniques and work organisation this has led to increasing autonomy for managers but greater control over subordinates, developing new fault lines among managers and between managers and workers.

Conclusions

What does the experience of post-soviet restructuring tell us? Whereas, the structural features of capitalism in the post-soviet space could be imposed by decree, capitalist management of economic unit instead requires the willing and purposeful participation of management, their trust. Managers’ own experience has come to appreciate it as an alternative to economic stagnation or personal annihilation, which result from collective or individual resistance.

Where resistance stems from? Again paradoxically, it is the ambiguous position of the red executive, trained as an agent of the party-state but made into a leader of his or her labour collective that represents the problem. Such ambiguity has proved so far to be at odds with capitalism, i.e. hard-budget constraints and market-oriented restructuring. In fact it can only survive as a strategic, yet increasingly marginal tool of social control in such way as Thompson’s ‘customs in common’ [2001] of the pre-industrial moral economy. Managerial resistance to hard-budget constraints and outside owners’ interference has been also an attempt to preserve the conditions under which material production and social reproduction are sustained

A third point though also emerges that while changes affected all male professional-oriented workers, still a different accent could be recognised: a worker could sympathetically assert that in soviet times ‘a skilled man . . . used to be able to influence things’, for those ‘with higher education’ and ‘managerial responsibility’ or entrepreneurial orientation ‘the freedoms of the Soviet system’ existed only ‘in a negative sense’ [Ashwin, 2006; Kay, 2006: pp. 90-92]. This reinforces the findings of our cases where they show that opportunities for self-assertion by managers as an outcome of transition are rather at the expense of workers. It is not that conflictual identities among workers could not be found at all, only that they could only make an impact within a collective or labour movement and cases of this kind have been found to these days to be rare and fragile.

***Bibliography***

Armstrong, P. (1984) ‘Competition between the Organisational Professions and the Evolution of Management Control Strategies’ in Thompson, K. (Ed.) *Work, Employment & Unemployment*, Milton Keynes: Open University Press, pp. 97-120.

Armstrong, P. (1989) ‘Management, Labour Process and Agency’ *Work, Employment & Society,* 3(3), 307-322.

Armstrong, P. (1991) ‘Contradiction and Social Dynamics in the Capitalist Agency Relationship’ *Accounting, Organisations and Society,* 16 (1), 1-25.

Arnot, B. (1988) *Controlling Soviet Labour,* Basingstoke: Macmillan.

Aslund, A. (1995) *How Russia Became a Market Economy*, Washington: Brookings Institution.

Burawoy, M. (2001) ‘Transition without Transformation: Russia's Involutionary Road to Capitalism.’ *East European Politics and Societies*,15(2), 269-290.

Clarke, S. (2004). ‘A Very Soviet Form of Capitalism? The Management of Holding Companies in Russia’ *Post-Communist Economies*, 16(4): 405-422.

Clarke, S. (2007). *The development of capitalism in Russia*. London; New York: Routledge.

Filtzer, D. (1992). *Soviet Workers and De-Stalinization: The Consolidation of the Modern System of Soviet Production Relations, 1953-1964*. Cambridge, Cambridge University Press.

Frydman, R., Katharina P., andRapaczynski, A. (1996) ‘Investing in insider-dominated firms: A study of Russian voucher privatization funds, in *Corporate governance in Central Europe and Russia: Insiders and the state*, R. Frydman, C. W. Gray and A. Rapaczynski (eds), 2: 187-241. Budapest: Central European University Press.

Goble, P. (1997) Russia: Analysis from Washington - The paradoxes of privatisation, *Radio Free Europe/Radio Liberty 29 September 1997*.

Goncharova, V. (2005) ‘Problems of integration of line management into the management hierarchy’ [in Russian], *NISOTZ*, 1, pp121-128.

Johnson, J. (1997) ‘Russian Emerging Financial-Industrial Groups’, *Post-Soviet Affairs* 13(4): 333-365.

Knights, D. and H. Willmott **(Eds.) (1990) *Labour Process Theory*,** Basingstoke: Macmillan.

Ledeneva, A. (1998) *Russia’ Economy of Favours:* Blat*, Networking and Informal Exchange*, Cambridge: Cambridge University Press.

Morrison, C. (2003). ‘Labour and Technological Discipline: Chaos and Order in a Russian Textile Company’. (Ed, Dannhauser, N. and C. Werner) *Anthropological Perspectives on Economic Development and Integration*, Oxford: Elsevier, 22**,** 171-197.

Morrison, C. (2007b) *A Russian Factory Enters the Market Economy*, London; New York: Routledge.

Morrison, C. (2007a) ‘Ownership and Management in Holding Companies and the Future of Russian Textiles’, *Post-Communist Economies*, 19 (2), pp. 167-186.

Morrison, C. and G. Schwartz (2003) ‘Managing the Labour Collective: Wage Systems in the Russian Industrial Enterprise’, *Europe-Asia Studies*,55(4): 553-574.

Morrison, C. and Croucher, R. (2010) ‘Moldovan employment relations: ’path dependency’?’, *Employee Relations* 32(3): 227-247.

Schwartz, G. and L. McCann (2007) ‘Overlapping effects: Path Dependence and Path Generation in Management and organization in Russia’, *Human Relations*, 60(10): 1525-1549.

Thompson, D. (ed.) (2001) *The Essential E. P. Thompson*, The New Press: New York.

Thompson, P. and C. Smith (2000) “Follow the Redbrick Road”, *International Studies of Management & Organization*, 30 (4), pp. 40-67.

Ticktin, H. (1992) *Origins of the Crisis in the USSR: Essays on the Political Economy of a Disintegrating System,* New York; London: Sharpe.

Willmott, H. (1997), ‘Rethinking Management and Managerial Work: Capitalism, Control and Subjectivity’, *Human Relations,* 50(11), 1329-1359.