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Developments in the Management of Human Resources in Eastern Europe - The Case of Bulgaria

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Introduction

It is clear that, in Eastern Europe, the “paths of transformation” taken both by entire nation states, and by corporations within them are multi- speed and varied. This implies that, at a managerial level, there will be no single set of prescriptions for change that will be useful, but rather that the way forward will needed to be charted with specific reference each organisation’s corporate environment. In this paper, we chart the varying pace of change across Eastern Europe, and then focus upon employment matters in Bulgaria, a country which is regarded by onlookers as being at less advanced stage of adjustment than Hungary, Poland and the Czech Republic. In examining the detail of approaches to the management of personnel in a large state owned concern, we aim to explore the complexities of adjustment in this field of managerial activity, and extract broader lessons pertaining to corporate management in the transformation process across Eastern Europe.

An Overview of Transformation in Eastern Europe

In order to gain an insight into the processes of change from command to market orientated economic structures in the countries of Eastern Europe, we should commence with two propositions.

First, particularly from a western perspective, it is sometimes tempting, but misguided, to view the former communist regimes almost as a single entity. Even though the period of communism applied an homogenising effect on the economic, cultural, political and social features of the members of the communist bloc, looking over a longer historical period, these countries display a rich array of cultures and traditions as well as distinctive and diverse economic characteristics. Second, the move towards privatisation, the more we observe it, did not represent an immediate and once and for all break with the past. The breaching of the Berlin wall in November 1989 presented to the world a dramatic imagery which in fact belied the gradual thawing of communist edifices over a period of time. Perhaps more significantly, the subsequent reality of change at grass roots level has been a testing and even painful experience for many, as it has been realised that the new economic world is far from idyllic. At a cultural level it is clear that peoples' values and beliefs, formed by work and other experiences in a previous era, are slow to evolve in response to grand political initiatives and designs.

Although definitions of Eastern Europe may vary, for our purposes we shall include the Czech Republic, Slovakia, the former GDR, Hungary, Poland, Albania, Bulgaria, Romania and the countries constituting the former Yugoslavia. Soviet influence in the post war economic development of these countries indeed manifested a set of pervasive features associated with the command economy. Key components were:

- Five year plans, which provided for growth and structural change, also ensuring that industrial projects were supported by the necessary buildings, raw materials and labour.

- Provision for international trade through the Council for Mutual Economic Aid (CMEA or COMECON) whose members were USSR, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Cuba, the GDR, Mongolia and Vietnam, with Albania withdrawing in 1961. A founding purpose of COMECON was to deliver a Soviet orientated economic bloc which retained national economic divisions and regional specialisation.

- A preference for large, centrally planned, organisations (sometimes referred to as "gigantomania") with high levels of monopolisation, technically full employment and the existence of politically reliable management.

Despite the imposition of such common structural arrangements the constituent economies were, and continue to be, at various stages of economic development. In broad terms, a distinction may be drawn between the "Northern" Eastern European countries, comprising the Czech Republic, Slovakia, Hungary and Poland and the "Southern" region, which would include Albania, Bulgaria, Romania, Bosnia Herzegovina, Croatia, Macedonia, Slovenia and Yugoslavia (Turnock, 1997:168). Using success in privatisation as a major yardstick of success in economic reform, it is clear that the " Northern" countries are at the vanguard in the quest for membership of the European Union. Their relatively advanced position can be attributed to a range of factors including, notably, the level of industrial maturity (Bulgaria, for example, industrialising only after world war two), and the sophistication and form of financial and institutional arrangements assisting the privatisation process.

It is of interest to note, however, that, as a general observation, those countries which have attained the greater levels of economic success were those that were stepping from behind the "apron" of Soviet matronly care well before the end of the 1980's. Taking the example of Hungary, a devolution of economic power had occurred as early as the 1960's, so that company management gained some authority in the field of production and could take certain financial initiatives outside the remit of prescribed plans. Furthermore, labour markets were liberalised to allow a degree of worker mobility between organisations to counter chronic labour shortages

(Mako, 1997:24). Such initiatives may be viewed as important steps towards internalising the important market related principles of strategic thinking, and flexible deployment of staff, thus paving the way for the more radical privatisation of the early 1990's. By way of contrast, prior to the breakdown of communism in late 1989, Bulgaria encapsulated the classical Soviet type economy and possessed a high level of economic and political dependency on the former USSR. Having around an eighty per cent dependency on COMECON, it had committed itself to a national philosophy which would operate to its disadvantage when subsequently exposed to liberal and global market competition. Labour market rigidity and comparatively poor productivity per unit of labour was also indigenous in a system based on central labour market planning and the allocation of work until unemployment had been eliminated.

It is clear then, that a range of paths are being followed in the transformation of Eastern European economies, these originating in different positions and leading to indeterminate destinations (Stark, 1992:20). What follows from this analysis is that universal prescriptions to direct the process of change are likely to be flawed as they are not sensitive to the nuances of transformation. At a national level, this realisation may lead to a questioning of the grand governmental attempts to introduce "capitalism by design" according to preconceived ideas of desirable outcomes. At corporate level, it implies that advice and assistance needs to be finely tuned to accommodate not only national diversity, but also pockets of variable propensity to change across sectors of industry.

The Nature of Personnel Management in Eastern Europe: The " Starting Point" for Change

The personnel management function, and the nature of its activity, has been clearly influenced by prevailing political, economic and ideological circumstances. Although we should fight shy of generalisation, the pervasive facets of the command economy effected rigid parameters for the management of people. Centralised power structures and planned approaches to economic management meant that the personnel role was predominantly administrative as staffing and pay decisions were taken by central authorities. Typically, personnel administration would be divided into the separate departments of labour and wages, training and development, administrative services and records, employee care and benefits administration, and health and safety. Corporate passivity characterised approaches to key areas of personnel policy. The selection process was hardly rigorous at a corporate level with workers and technical staff being recruited through advertising vacancies, and also by using personal connections, and managerial staff promoted from within the company and through recommendations by party committees.

The system by which jobs were found for people, rather than people finding jobs, clearly had a detrimental effect on labour productivity. The virtual impossibility of dismissal also meant that worker power on the shop floor was bolstered, and western style “carrot and stick” orientated motivational tools inoperable. Furthermore a blanket approach to pay determination based on a low wage policy to retain full employment meant that it had little incentive value, and, from a western perspective, this was exacerbated by the socialist principle of equal pay to all which led to compensation levelling (Prokopenko, 1994:151). Indeed a principle held by “old regimes” was that reduction of pay inequality would promote motivation. In a paternalistic fashion, companies offered social benefits ranging from tax free clothing allowance to housing, holiday accommodation, and schooling for children .

Although skill was an important factor in promotion, this was superseded by considerations of party allegiance and loyalty as manifested through seniority. Indeed, surveillance of these attributes constituted an important part of the personnel department's role. Career development was often assisted through personal connections, and state owned companies were compelled to fill top level managerial positions with senior party committee members. In the supposed absence of conflict at workplace level, trade unions were largely concerned with the meeting of production targets, dealing with individual grievances, and disbursing social and welfare benefits. Union organisation was incorporated into the organs of the ruling party at every level and national trade union bodies were fully involved in national economic strategy formulation (Prokopenko, 1994:157).

In the post communist era, personnel management has needed to re-invent aspects of its activity in response to broader societal changes, and, in particular, to implement policies which are now tuned to liberal market requirements. Our subsequent analysis of Bulgaria, and of state owned concerns in this country, demonstrates that whilst change has occurred, it continues to be at a slow pace around eight years after the fall of communism. In some respects our study represents an important counterbalance to conventional management literature which tends to emphasise exemplary organisations, and those at the vanguard of change. Nevertheless, by charting developments at a "micro" level we aim to identify any paradigmatic shifts in the nature of personnel management, and to illustrate our assertion that Eastern Europe combines shale and quicksand in entering the flow of change.

The Case of Bulgaria - The Cultural, Economic and Political Context

Bulgaria is located on the Balkan peninsula together with Albania, Greece, Romania, the former Yugoslavia and part of Turkey. The region, with its great diversity, stands as a bridge between Europe and the Middle East. The geographical location and the complexity of the area have always played a significant role in the history of the Balkan peninsula and its people, which has frequently been sucked into a cultural, economic and historical vortex. The roots of the Bulgarian state go back to the dawn of the European middle ages. Founded in 681, the country is among the oldest of the European states and is one of the first political formations in Eastern Europe. It turned into a monarchy in 1887, and has been a republic since 1946. Today, the total population is over 8 million. The country stretches over 111.000 square kilometres. Industrialisation in Bulgaria has been rapid. Traditional industries, which include textiles, machine building. tobacco and foodstuffs have been modernised, whilst new industries, including heavy chemicals, metallurgy, electronic and electro-technology have been introduced.

Before the breakdown of communism in late 1989, Bulgaria's economy was centrally planned, hierarchical and highly monopolised. It has been periodically modified by purely administrative changes aimed at improving plan implementation. The Soviet defined and dominated development in Bulgaria is rooted in cultural traditions and in a series of ac hoc historical conditions and political explanations. The main objective of the communist regime that came to power in Bulgaria in 1944 was to establish a Soviet-type economic system. Many steps were taken to this end: It was the first country to complete nationalisation of industry (1947), collectivisation of agriculture (1958) and, together with the former Czechoslovakia to implement a five year plan (1949). The constitution from 1971 introduced a Parliament similar to the Soviet model, except it only had one assembly. In adopting the Soviet model, the country was heavily influenced by the intra bloc division and specialisation philosophy. In Bulgaria, in contrast to many of its Eastern European neighbours, there was no serious attempt to modify socialist structures or to move towards democratisation during the socialist period.

Economic reform in Bulgaria started relatively late, in early 1991, and was based on neo-liberal, monetarist principles. A unique feature of Bulgarian reform was the restitution of nationalised properties, including land, which was carried out before the privatisation of state and municipal properties. There was also "small-scale" privatisation with the transfer of smaller concerns, for example shops, to private owners (Petkov and Gradev, 1995:39). Consequently a new cadre of owners was brought into being, with considerable economic resources at their disposal. The initial thrust of change ran out of momentum in the summer of 1991, and since then the process has been marked by discontinuity. A manifestation of the tortuous nature of the process was the vehement disagreement between the Government and Privatisation Agency in 1993 over the control of state enterprises, and consequent delays in policy implementation in this area.

The first eight years of post-socialist transition have demonstrated that Bulgaria is less successful in the achievement of both macro economic stability and robust economic expansion compared to many other Central and Eastern European countries. Bulgaria is at an "intermediate stage of transition" together with Albania, the former federal republic of Yugoslavia, Macedonia, Romania and most of the Confederation of Independent States. The loss of ex-socialist markets led to a deep crisis in the production systems of all the constituent bloc members, but in Bulgaria this was even more pronounced because of its high level of dependence on the former USSR (around 60% of its trade). Thus, the drama of breaking down the centrally planned economy has featured a slowing down of the Gross National Product, rising inflation and depreciation of the national currency culminating in a severe economic recession. Unemployment rates are alarmingly high, and since 1990, Bulgarians have lost the equivalent of more than 65% of their real income. Coupled with these malaises, at a broader societal level, there are problems of organised crime and corruption, and social disorder.

Changes in Labour Relations Structures

In keeping with the complexities of the broader process of economic and political reform, changes in employment relations are marked by discontinuity and contradictory tensions. A legacy of the era of central planning has been the formal emphasis placed on a tripartite structure for social partnership, ostensibly involving national representatives of labour, employers and the state in co-ordinating interests in economic reform. Two national union structures exist, the Confederation of Labour (Podkrepa) which sprang up in the late 1980's and was at the forefront of the discrediting and demolition of old structures, and the Confederation of Independent Trade Unions (CITUB), which is the regrouped body for pre-existing unions. Both of these union organisations signed up to an agreement to Social Peace in 1991 which legitimised tripartism as a policy making tool. In 1993, the National Council for Tripartite Collaboration (NTTC) was established to regulate issues of wage policy, living standards, pensions, taxation, unemployment benefits and child allowances, and a Labour Code drawn up to define industrial relations structures appropriate for the period of transition. Fledging employers organisations have found it more difficult to achieve representativeness of their constituents, this often in practice reducing tripartism to bipartism (Petkov and Gradev, 1995:44). A constant strain on the social partnership model has been the apparently competing strand of economic policy towards liberalism and associated pressures for deregulation. Indeed at a Government level there has been evident vacillation between these seemingly irreconcilable economic positions, this promoting a waxing and waning of union influence at the highest levels.

At workplace level, the process of "free collective bargaining" as it is observed in the west is constrained by the predisposition of unions to implement and process norms and policies formulated at a higher level rather than engaging in autonomous negotiations with employers. This stifling of initiative is further exacerbated by the ceilings placed on wage increases by the International Monetary Fund, restricting the process at corporate level to discussing how predetermined and fixed sums can be distributed (Petkov and Gradev, 1995:59). Although these external constraints on the activities of the corporate actors persist throughout the economy, they are most pronounced in the declining state owned sector. Indeed, something of a dichotomy appears to be emerging between those parts of industry where the formal, social partnership orientated mechanisms are applied, and the developing private sector, in which entrepreneurial and more liberal organisational principles are emerging, including greater corporate freedom in pay determination.

The Management of People at Micro Level - Kona

The data collection for the case took place in 1995/96 and techniques applied included investigating documentary materials, conducting semi structured interviews and carrying out informal conversations. The largest part of the data was collected through face to face open ended interviews. There were two main issues which the field work aimed to clarify:

- The case deals with employment issues and relationships as they actually are in the selected organisation. It provides an insight into specific features of the management of people in one Bulgarian company.

- It aims to provide a basis for improving existing personnel functions within the boundaries of the studied firm, and for potentially introducing new human resource practices.

Background

Kona is a pseudonym for a large and complex organisation. Although the activities of the company are technically defined as production, in fact they constitute a kind of service. The company is mainly engaged in servicing the production of other organisations, and only manufactures two entirely independent product lines. The company was founded in 1987, and today Kona is registered as a one man stock company, entirely owned by the state. However, according to the Bulgarian Government, and the Privatisation Agency, part of it is going to be privatised in the near future. At present, Kona is prospering, despite the general crisis of Bulgarian economic development. In 1991 it experienced a real boom in its "production" as a consequence of the heightening activity of the organisations it serves. Operating with a hundred per cent of its own capital, it is able to secure the financing of necessary investments. Although the company used to occupy a monopoly position due to the importance of its services, a powerful competitor has recently emerged. Kona, however, needs to demonstrate value for money in competing for resource inputs. Its state owned status also, to some extent, represents a "cross to bear" as it is unable to emulate the entrepreneurial behaviour of private concerns. In contrast to some other monopolised concerns, the company is at the leading edge of technological modernity. Many of its systems are imported from Germany and Switzerland. In 1987 Kona commenced operations with 135 employees. The first employees, who were highly skilled, came to Kona from similar companies in the same industry. Actual production commenced in March 1988. There are now over five hundred and fifty employees working for Kona, just over thirty percent of these being female.

Personnel Management in Kona

Prior to 1989, understandably in the broader national context, the personnel function itself was highly politicised, with powerful external interest groups influencing its decisions. Interestingly, there is no specialist personnel department as such, although, before 1990, a sociologist position existed to investigate personnel issues and prepare information for top management, as was the case in many larger enterprises. People management functions are now fulfilled by the “Labour and Wages” department which comprises four people including the departmental manager. Line managers also take responsibility for much personnel management. Members of the management team are highly qualified professionals with significant experience and higher technical and / or economic educational qualifications.

There are no written statements concerning the company’s mission, philosophy or organisational culture. Policy and practice in the field of personnel management is not expressed in a written form either. There are, however clear tacit understandings surrounding the company’s goals.

The following sections are concerned with various aspects of personnel policy.

Recruitment and Selection

In 1987, clusters of employees (10-15) were recruited simultaneously, but this practice has been discontinued, and in fact, there have been few job vacancies in recent years. However, should the need to recruit arise, vacancies are only exceptionally advertised in newspapers, for example when a specialist for the accounting department was needed. Often outsiders enter the plant and speculatively enquire about employment opportunities. When vacancies do arise, applications are sent to the “Labour and Wages” Department. These are relatively brief and accompanied by an autobiographical description of the applicant. Applications are rarely acknowledged. A conversation will subsequently be arranged between the applicant and the production manager, covering the job requirements and the previous experience of the applicant. The decision on employment will be taken by the Production Manager often in conjunction with deputies and the manager of the "Labour and Wages" Department. Although the process has been *depoliticised* since 1989, when party political considerations were an important criterion in selection, it is still the case that personal networking plays a significant role. According to one employee:

"There is no accidental selection in Kona. Everybody from outside is connected to somebody in Kona."

Also suggesting resonances from the previous system, it is the case that the company does not look for highly qualified staff from the external labour market, but prefers to place an emphasis on experience and skill acquisition on the job. An emphasis is placed on job security of existing employees, and internal career flexibility, so that internal employees will be protected, if necessary through job rotation, from an internal influx of new skills.

Induction and Integration into the Workforce

Staff are now appointed through signing the equivalent of a probationary contract for three months. If both the company and the new employee is convinced that satisfactory acclimatisation to the job and the organisation has occurred, a permanent contract is offered. Only in cases where the newcomer has lengthy experience will the labour contract not be probationary. The team work method at Kona facilitates the induction process and reinforces the development of collective capabilities of the workforce. This approach also reinforces the social relations of production, and assists with polyvalent skill acquisition. Team working is therefore a pivotal mechanism as a means of organising work, inducting and training staff as well as exerting peer group pressure on members' performance.

Only in some of the departments are there job descriptions. To an extent these are viewed as vestiges from the previous era as they codify job requirements as seen from an upper level and therefore can be regarded as instruments of control. The restrictiveness of job descriptions have been noted in some quarters, according to one employee:

"Job descriptions are survivals from the past. They limit people. Organisational members don't take responsibility when this is needed, saying that this is not included in their job descriptions."

Career Development

Promotion to higher positions in Kona is normally from within. It is the policy of the firm to let the newcomers start in the lowest positions. Whilst not everybody will reach higher positions, position is normally achieved through seniority. The standards according to which employees are evaluated and promoted are also fundamental in establishing how their pay will change over time. A close correlation is discernible between personal development and compensation which, in turn, plays a crucial role in structuring and developing social relations within the company. The foreman, whose competence is specific to the production process rather than managerial, has an important role in the team in assigning workers to tasks, and developing their skills. The foreman will therefore be aware of the reserve of skills, and when feasible can recommend step by step moves for qualified individuals to move to higher level positions.

Compensation

In this organisation management has a fairly free hand to raise pay above industry-wide averages. Pay rates in Kona are above the average for the industry. Kona's employees are rewarded according to the extent that established targets are met. In the early 1990's, the company began to engage strategically with the issue of compensation. Job position and skill are the principal criteria for promotion and wage determination. Each job is evaluated on the basis of knowledge and problem solving for the upper hierarchical levels, and knowledge / skills and working conditions for the lower levels. The power to determine reward has now been devolved to production department leaders and their deputies.

The design of this system for compensation establishes significant vertical differentials between employees, but also the "working conditions" factor meant that there were horizontal distinctions between departments. Interestingly (and perhaps alarmingly) factors considered in the working conditions category include noise, irradiation and dust, and these criteria are scored and converted into pecuniary benefit. When the number of points exceeds a prescribed level, the employees receive extra holidays and free food. Commenting on the benefits of the scheme as a whole, one employee states:

"The CEO has nothing against the workers in production getting a higher salary than him because he well knows that they are the key persons in the company, and that the production process could stop if they leave the company."

Education and Training

International influences on corporate expertise has been engendered through the initial employment of staff from the GDR and the USSR, visits of employees to the west for training, and the advice of international equipment suppliers. Once some company members had been exposed to this level of expertise, it could be diffused throughout the organisation. All members of the management team have received higher education, and most shopfloor employees possess a secondary education, frequently of a specialist nature. There is a positive correlation between educational background and formal status within the organisational hierarchy. An obligatory course has always been in labour safety and fire precautions. Most other training in Kona is technical and on the job with less skilled workers gravitating towards the “elite”. The approach is, however, piecemeal as opposed to complex and continuing. It should be noted too that the national trade unions also provide training, but this tends to be on broader matters concerning transformation.

Employee attitudes towards training at the company reveal broader orientations towards change. In general the workforce is favourably disposed towards receiving technical training, and towards the introduction of new technology. Such developments not only bolster the position of employees within the enterprise, but also contribute to their labour market value. Technological developments are, perhaps somewhat spuriously, distinguished from organisational changes, which are viewed with considerable suspicion by employees. For example, a minor change in staffing arrangements in 1993 led to considerable employee resistance.

The Social Program

There are various social allowances negotiated in the company, which include a certain amount of money for food, bus cards and free company transport for employees working on the night shift. The company has built a block of flats, and fifty four employees have been accommodated in this way, the tenants having paid an artificially low price for the property. The company does not provide holiday homes or sports facilities, but has contacts with external providers of these, allowing employees preferential rates. The company also provides payments for child care and care of elderly relatives. There is also a free internal medical and dental service for Kona employees and their families, and for the company's pensioners.

Trade Unions

Formerly, in the extent to which union leaders at enterprise level directly served the interests of their members, they did so mainly by activities such as disbursing holiday vouchers and handling social insurance claims. There is also evidence that, during the mid 1980's, at plant level, union leaders would spend considerable time and energy pursuing individual grievances and supervising workplace safety. However, at the time of central planning, representatives were not involved in functions traditionally associated with western-style collective bargaining. Moreover protests such as strikes were completely prohibited.

Since 1989, in keeping with the broader changes in labour relations structures in Bulgaria, both the Confederation of Independent Unions (CITUB), the old union, and the Confederation of Labour (PODKREPA), the new union, have gained independent footholds within Kona. Section leaders are elected by employees, they are unpaid, and their period of office is two years. There are currently around seventy five PODKREPA members. On the other hand the number of CITUB members has declined significantly since the early 199O's. The overall number of union members has declined from some forty per cent of the total workforce in 1994, to around twenty five per cent. The reasons for this are twofold. Firstly employees can now opt into membership, where previously this was obligatory. Second, the results of union negotiations with management apply to all employees, whether they are union members or not. According to some workplace sources, the high level of satisfaction with wages and benefits is a disincentive to union membership.

There is basic solidarity in the position of the two unions when they meet management. The results of negotiations comprise the so called collective labour contract. Such collective negotiations are supplemented by free and direct communications between the CEO, production leader and the union representatives. The major priorities of the unions are to influence the fulfilment of the social programme, and to protect members jobs, both in terms of retaining employment and in preventing work intensification. The unions also aim to enhance skill and pay levels, and to protect health and safety. The protection of job security is viewed as paramount.

To date technological change at Kona has been absorbed without significant rationalisation of employment, although the redeployment of five workers in 1993 created a high level of tension and anxiety. It is conceivable however that the intensification of competition in this sector, and the privatisation of Kona itself, would lead to more profound restructuring in the future. More positive scenario is that future technological development will require the active participation of skilled staff.

Uncertainty about the future is expressed in the following statement made by the CEO:

"We all were surprised by the list of the Privatisation Agency and by the fact that our firm is included in the number of companies that are going to be privatised. We thought and stated that Kona should be the last company in the industry to be privatised. But obviously the way the Government is thinking, and the way that we do is different."

Kona, and the organisations it is serving, have insisted that the privatisation should be postponed for at least five years.

Implications for Practice and Theory

It is worth re-iterating that Kona is a state owned concern in a country which is only at an intermediate stage of transition. In comparative Central and Eastern European terms, therefore, it remains at a relatively retarded stage in responding to the pressures presented by liberal and global product markets. Even within the Bulgarian context, the company, at least in the short term, remains in the slower and protected stream of economic reform, and not in the more entrepreneurial privatised torrent. The company's strategies can therefore be comprehended with this in mind. Central to its approach is the emphasis on technological advantage coupled with high levels of skill acquisition on the part of its workforce. The corporate management has been prudent in realising that the skills of its staff are its greatest asset, and have moulded areas of policy to recognise this.

Yet, in reading the case, one suspects that Kona's instincts are not fully tuned to the cataclysmic world around it, and the "articles of faith" to which both its employees and management subscribe are to be exposed to extreme scrutiny. Most notably, the principle that jobs should be preserved at all costs is based on the dubious assumption that its previous position as a monopoly supplier will not be fundamentally usurped.

Closer scrutiny of Kona's approach to the management of employment reveals it to be a mosaic of policies, some of which were established in the previous era, sometimes masqueraded in a more modern guise, and others representing pragmatic adjustment to the new market situation. Thus, most attention has been given by management to increasing the sophistication of the compensation "lever", and devolving responsibility for its manipulation to line managers who are closer to the employees it impacts upon. Here there are clear resonances of attempts in the west to use pay as finely tuned mechanism to promote individual and corporate performance. Kona's management thinking in this respect has been acutely conditioned by the realisation that if its benefits package is undermined, it risks the flow of its highly skilled lifeblood to competitors. In other areas of its policy however, the passivity associated with the previous era is still apparent. This would apply to the ad hoc approach taken to recruitment and training and to the obvious emphasis placed on internal, if unsystematic, acquisition and development of skills. In other areas there are perhaps more sinister echoes of the previous regime, most notably in relation to the use of personal contacts in the recruitment process, and, somewhat ambiguously, through the continued use of job descriptions, previously used as an instrument of control.

It would be too easy, however, to dismiss the entirety of Kona's policies as archaic. Even though the emphasis on teamworking reverberates with the old emphasis of "mafia" work groups showing solidarity and loyalty to each other and their leader at the expense of the outside world, in its new mutation it appears highly beneficial in promoting staff versatility and imbuing strong principles of social organisation in the workplace. The convergence of personnel policy, including pay, on the crucial dynamic of skill acquisition is a practice which could be viewed as exemplary far beyond Bulgarian borders.

In charting a way forward for Kona, and for organisations like it, inevitably the hazardous process of "benchmarking", or drawing upon "exemplary" practice is invoked. Although this has been a taken for granted feature of managerial life in the west for many decades, our analysis of the complexities of the transformation process in Eastern

Europe would suggest that this type of activity should proceed there with great caution. Even so, we would assert that one form of benchmarking that has been neglected, yet which could have most value for indigenous Eastern European concerns, is to draw comparisons *within* Central and Eastern Europe. As we have indicated, there is a variable pace of change across the former bloc, and it is conceivable that those countries on the threshold of entering the EU, notably the Czech Republic, Hungary and Poland may serve as reference points for the rest.

Prokopenko (1994:153-156), for example, in surveying developments in personnel management across Eastern Europe finds that selection principles are changing to embrace competence, experience and trainability rather than good connections. In the area of motivation and reward he suggests that there is a move towards practices which temper entrepreneurship with social responsibility. At a cultural level he identifies, in private companies, a shift towards market (and implicitly western) orientated values in the field of personnel management towards increased environmental awareness and strategic planning. Prokopenko (1994:157) also suggests that the prospect of collective bargaining has led them to develop a more effective relationship with rank and file members.

This leads us to the important question of the influence of western management concepts and techniques on the newly privatising Eastern and Central European economies on which we have a number of observations. The diffusion of management ideas from the west may take a variety of forms, and may be channelled through a range of media. The most direct conduit is through the establishment of an East / West joint venture, or through the location of a western owned multinational on a green field site in the east. Frequently the influx of capital associated with such a move will be welcome, as will be the creation of jobs. Such multinational concerns, particularly if they are American or Japanese owned, are likely to put into place, in these new locations, principles of work and organisation associated with “flexible specialisation”. Examples of practice would be just in time production systems, total quality management, profit centres, flat hierarchies and outsourcing.

Although indigenous concerns in Eastern Europe, particularly joint ventures may welcome the “competitive edge” these systems provide, and others may face little choice if they wish to compete but to emulate such practices, at a deeper cultural level it is worth sounding a note of caution about the “cloning” of such processes. Mako (1997:58) captures this well in his analysis of multinationals operating in Hungary. He advises that it is inappropriate to expect eastern managers to “jump” from their experiences associated with Tayloristic forms of mass production to the new organisational and management principles associated with more flexible systems.

At a different level, we should also observe the activities of “messianic” representatives from the west, diffusing a bowdlerised version of western management reality through channels such as management consultancies, international and national educational establishments, as well as through journals and newspapers. Koubek and Brewster (1995:231) interestingly observe, in the context of the Czech Republic new forms of “systematic propaganda” to replace the old.

The field of human resource management is one in which it is tempting to consider possibilities for diffusion and transplantation. It is instructive to note that current conceptions of HRM were borne in the free market environment of the Reagan era in the United States, and that of Thatcherism in the UK. In these countries, a spirit of rekindled entrepreneurialism provided managers with the opportunity to experiment with new techniques in labour management to gain more flexible deployment of staff and high levels of employee commitment to organisational goals. HRM emerged in a climate in which economic deregulation was usurping the bureaucratised structures of trade unions and the public sector of industry, this realisation prompting an almost irresistible temptation to use HRM to fill any management vacuum in Eastern Europe.

Yet, as we have seen from the Bulgarian example, Governmental designs for future economic structures in Eastern Europe are not always along the lines of market liberalism. The long term influence of the International Labour Organisation in this country, predating the communist era, provides a counterbalance to the entrepreneurial agenda by ensuring that trade unions are taken into the reckoning in formulas for change. The social market model, based upon tripartite interaction between the interest groups of the state, labour, and employers is a preferred model for many Eastern European states and indeed it will orientate structures and policies in those countries accepted into the EU.

Consequently, it would seem to be important that prescriptions for the management of human resources, based on free market economic thinking, and aiming to promote flexible deployment of staff, should be tempered with advice that encourages employee participation in decision making, possibly through the operation of works councils, and promotes minimum standards of employment. Related to this, a fundamental assumption underlying western conceptions of HRM, is the notion of independent "stakeholders" (Beer et al., 1984:16) and management autonomy in the formulation of human resource initiatives. In Eastern Europe, however, the cultural legacy of communism means that, despite there having been widespread replacement of senior managers, and seeping entrepreneurialism in the small business sector, considerable attitudinal and professional adjustment is needed, particularly at middle management level, if truly autonomous and strategic entities are to be created.

Is there, then, any kind of model, or expression of "exemplary" practice which can act as a template for organisations in the throes of transformation? As we have suggested, we have reservations about the wholesale transference western managerial paradigms on the grounds that the cultural and institutional complexities of Eastern Europe militate against emulation. Moreover the realities of western practices are inevitably less seductive that the rhetorics, although at the level of consultancy, it is frequently the rhetorics that are packaged for export. So, for example in the UK, the link between the implementation of HR initiatives and business success is far from proven, and at a broader level there is a fear that rationalised businesses have become almost anorexic, with managers themselves subject to high levels of stress and insecurity.

The illusory nature of benchmarking "exemplary" foreign practices is to some extent indicated by our study. We were intrigued to find that that certain of the practices at Kona, albeit in a different institutional setting, such as team working, company loyalty, seniority based wages and highly developed internal labour markets, were all features of the Japanese organisational ideal type, imported with much gusto into the USA and UK in the 1980's. What seems to emerge is an international management "hall of mirrors"!

Kubes and Bentovic (1994:187) suggest that the "learning organisation" (as advocated by Senge 1990 and Pedlar et al. 1991) is a useful concept to guide developments in Eastern Europe. We would concur with this, as it places an emphasis on organisational self generation of change, it is sensitive to the external environment rather than following a predetermined path, and it allows for building on previous strengths, as well as correcting weaknesses, in organisational adaptation. We would suggest that Morgan's (1986:77) metaphor of organisations as brains has particular utility in Eastern Europe, where decision making facilities are being internalised into organisations. In keeping with this, there are two main questions that Eastern European managers could ask themselves in making the cognitive shift to greater environmental awareness. First, do the existing organisational norms, structures and policies provide an appropriate basis for guiding action? Second, can appropriate higher order skills be generated and nurtured not only among managers but among all organisational members? The answers to these questions could form a sound basis for future human resource management strategy formulation.

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