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**Article**

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# The Dynamics of Change in a Privatised Polish State Owned Enterprise: An Analysis of the Human Resource Management Implications\*

Izabela Robinson\*\*

*The move from a command to a market led economy in Poland has resulted in extensive political, economic and social change. Western multinational companies drive change in Eastern Europe and when Polish state owned enterprises are acquired by western multinationals this change process is accelerated. This paper explores the human resource management (HRM) issues arising from the acquisition of a Polish state owned enterprise by a western multinational and focuses on the use of four principal mechanisms to stimulate change namely, organisational re-structuring, the use of 'change agents', the re-deployment of key people and the dissemination of new cultural values and norms. It considers how these mechanisms have been used in the process of enabling the organisation to adapt to a changed environment and discusses the varying perceptions of those involved in the change process.*

*Der Wechsel von der Plan- zur Marktwirtschaft in Polen führte zu weitreichenden politischen, wirtschaftlichen und sozialen Veränderungen. Multinationale Unternehmen aus dem Westen treiben die Veränderungen in Osteuropa voran und bei der Übernahme polnischer Staatsbetriebe durch solche Unternehmen beschleunigen sich die Veränderungen. In dieser Arbeit geht es darum, Fragen des Human Resource Managements zu erörtern, die bei einer solchen Übernahme entstehen. Hauptaugenmerk liegt dabei auf vier grundlegenden Veränderungsmechanismen: Restrukturierung der Organisation; Einsatz von "change agents"; Neuverteilung von Schlüsselpersonen; Einführung neuer kultureller Werte und Normen. Dabei geht es sowohl darum, wie diese Mechanismen zur Anpassung an eine neue Umgebung eingesetzt wurden, als auch darum, auf welcher verschiedenartigen Weise diese Mechanismen von den Beteiligten wahrgenommen wurden.*

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## **Introduction**

The dismantling of the communist system in Central Eastern Europe (CEE) has resulted in extensive political, economic and social change. The ‘problem’ now facing post-socialist countries is that of transformation from a socialist planned economy to free market conditions<sup>1</sup>. Discourses of transformation are predominantly focused at the national, macro level and emphasise the progress of privatisation, the role of foreign direct investment (FDI) and the development of tripartite institutions governing labour relations and the manner in which these processes and outcomes reflect the historical, institutional and attitudinal socialist legacies of individual CEE economies (Dittrich et al 1995). What is missing from analyses of transformation are more in depth studies at the micro level of the results and effects of transformation to identify specific conceptual and practical problems and issues, and to contribute to a better understanding of overall developments. It is to this process that this paper aims to contribute. Of particular relevance is the experience of foreign firms setting up business operations in CEE and the implications of the transfer of management practices and policies from west to east. This paper focuses on Poland, arguably the forerunner of economic and social reform against the socialist system and in 1989, following the Solidarity movement, the first East European country with a non-communist prime minister and government not controlled by communists.

## **The research issue**

The purpose of this paper is to present issues in the management of change and the implications for HRM within the context of an acquisition by a western MNC of a Polish subsidiary. Exploration of the change process within post-socialist enterprises from an HRM perspective is a neglected area of enquiry (Ferner 1994, Obloj / Thomas 1996). Attention has focused on the development of product markets and market orientation; organisation of sales forces; technical and quality improvements; new organisational structures; the restructure of financial assets and the development of western style accounting practices. However as Laurent (1986) suggests, HRM encompasses an array of ‘cultural artefacts’ which reflect the predominant assumptions and values of one culture in managing people from another culture and HR policy and practice in areas such as recruitment, selection, socialisation, development, promotion and reward represent mechanisms for translating dominant organisational values into action in a way that supports the organisation’s business strategy. In the same

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<sup>1</sup> The term ‘transformation’ (Thirkell et al 1995) is used throughout this paper in preference to the term ‘transition’ because the latter suggests a known outcome and a logical progression from one state to another - state socialism to free market capitalism. The term ‘transformation’ suggests that the process of industrial change is complex, multi-dimensional and contingency constrained and envisages different outcomes.

way HR systems and procedures can be particularly influential in sending clear messages about the behaviour that is valued and rewarded.

This paper aims to inform current thinking by using field material to evaluate the HR strategy of a Western MNC within a post-socialist Polish subsidiary. It focuses on an evaluation of four key aspects of HR strategy which have been employed as mechanisms for stimulating change namely; organisational restructuring, the use of 'change agents', the redeployment of key people and the dissemination of 'new' cultural values.

This paper is organised as follows: firstly, we draw on existing literature to classify conceptual issues in the management of change, secondly, we present and discuss empirical data in relation to the context and cultural setting of the research site and finally, we employ Nadler and Tushman's (1979) contingency model of organisational behaviour to discuss the HR mechanisms used to stimulate change.

### **Conceptual approaches to the management of change**

Rapid, discontinuous and far-reaching change is an undeniable feature of industrial and commercial life. However the rate of change experienced by western economies and the organisations operating within those economies appears pedestrian in comparison to the changes taking place in CEE. Moving from a command economy to a market economy involves a magnitude of change and turbulence rarely experienced in the west and the dust is still settling on the massive political, economic and social changes initiated a decade ago. The dismantling of the communist system in CEE resulted in free elections and the introduction of a multi party system, mass privatisation and price and trade liberalisation. It heralded an explosion of consumerism and access for western multinational companies to an under-serviced, under-supplied region of some 300m indiscriminating consumers with disposable income and a desire for western goods. It signalled the influx of western multinationals for whom it provided opportunities no longer available in mature markets and access to whole new markets which could be captured at relatively low cost.

The dismantling of the socialist system and the transformation from a command to a market economy has likewise had an enormous impact on the functioning of enterprises. Although socialist CEE economies had been based on similar underlying principles, there were important differences in the trajectory of their development which influence the process of transformation (Whitley 1995). The concept of 'path dependency' draws upon institution theory and the concept of legacy to suggest that individual CEE economies will follow their own paths to a market economy which reflect their historical, institutional, socio-technical and attitudinal socialist legacies (Dittrich et al 1995 / Stark 1992). The concept of 'path dependency' is underpinned by the view that the demise of socialism in

CEE coincided with growing debates about the features of industrial society and the nature of 'western' capitalism which resulted in the lack of '...any dominant way of organising a market economy which could form the common goals for leaders of the new democracies' (Whitley 1995:11). The corresponding lack of any dominant model of capitalist work organisation which could represent a template for transforming enterprises reinforces the likelihood that institutional, socio-technical and attitudinal change will be contingency constrained. As Whitley (1995:12) suggests, 'once the simple dichotomy of standard state socialism and standard capitalism is abandoned, the analysis of economic and social transformation in eastern Europe clearly becomes more complex and context dependent'. Thus the historical, institutional, relational and attitudinal legacies of pre-1989 socialist Poland represent a powerful influence on the management of transforming enterprises and the adoption of market capitalism. Even MNCs do not conform to a standard model of capitalism but demonstrate hybrids of different models within their overseas subsidiaries which reflect their need to adapt their operations to local contexts (Ferner 1996).

Within this context Nadler and Tushman's (1979) contingency model of organisational behaviour represents a potentially useful framework for examining a post socialist enterprise. The model recognises that different styles of management, patterns of work and employment relationships may be appropriate in different contexts. Nadler and Tushman identify the key inputs to the system of organisational behaviour as the *environment* which creates opportunities, demands and constraints, the *resources* available to the organisation and the *history* of the organisation. A further input is the *strategy* of the organisation which represents the key managerial tool in enabling the organisation to respond and adapt to its environment in a constant, purposeful and effective way. Their basic framework views the organisation as the mechanism whereby 'inputs' (in the form of strategy and resources, shaped by history and environment) are transformed into 'outputs' of required organisational performance (Nadler 1993:86).

The version of this framework adapted here focuses on four principal 'transformation' mechanisms available to the Human Resources function to stimulate change. These include;

- organisation and work design and restructure
- the selection and use of 'change agents'
- the redeployment of key people (shifting from production/purchasing to sales/marketing)
- the dissemination of 'new' organisational values and cultural norms

The organisational performance 'outputs' are represented by the stated objectives of the organisation's business plan.

<sup>1</sup> *Table 1 Contingency framework of organisational behaviour and change*

Inputs		Transformation Mechanisms	Outputs
environment		organisational/ work re-structure	adequate staffing to support expansion
resources	strategy	use of change agents	improved employee productivity
history		re-deployment of key staff	development of a performance driven culture
		cultural change	

(Adapted from Nadler 1993: 86)

## Research design

The research design adopted a case study approach where the effects of the mechanisms employed to stimulate change could be explored and analysed within the context of the Polish subsidiary. A grounded qualitative approach was adopted which sought to identify and explore the complexities of the transformation process and the perceptions of those involved. The research methodology utilised a naturalistic setting which enabled interaction with participants in their own language and in their own environment which made for a more authentic exchange. Semi-structured interviews were carried out with enterprise directors and senior managers, and with change agents, trade union representatives, HR practitioners and individual employees. The interview protocol focused on the use of open questions and unpacking critical incidents in order to obtain different perspectives on particular issues. A qualitative approach was felt to be more sensitive to processes in terms of how changes had taken place but nevertheless allowed for an holistic view rather than a narrow focus on component elements.

## **The case study company**

Markco is a leading international manufacturer of highly engineered bearings and alloy steels supplying the aerospace, automotive and industrial markets. Its headquarters are in the USA and it operates in some 45 plants in 24 countries, including large plants in the UK and France with respective workforces of 1500 and 1200 people. In April 1996 the company acquired a tapered roller bearing business in Southern Poland as part of a wider strategy to increase market penetration and customer base in CEE. The Polish acquisition employed 850 people most of whom were employed within the production area which included large scale auxiliary facilities such as tool room and repair and maintenance sections. As with other Polish socialist enterprises, the plant operated within a hierarchically administered system (union of enterprises, ministries, the planning committee) and was subject to the influence and interference of external power centres (the Communist Party and bureaucratic hierarchy). (See Otta 1996, Kostera/Wicha 1996 for characteristics of Polish socialist enterprises).

It was the role of central agencies to sell the output of the enterprise and finance production and consequently management attention was focused on the supply side of the value chain and the procurement department had an important role in ensuring receipt of sufficient supplies of raw materials to fulfil the requirements of the plan. Two skills were particularly important in this process; obtaining soft targets which could be achieved relatively easily and accumulating resources and raw materials to cope with emergencies and tight deadlines, both of which depended on connections with the administrative hierarchy and the Party. The resulting environment of the enterprise conformed to what Kostera and Wicha (1996) have described as 'cultural schizophrenia' where economic considerations were subjugated to political rationality as the dominant logic. The results were economically damaging in that there were few incentives to improve plant efficiency or effectiveness but likewise contributed to low levels of employee productivity and motivation. The enterprise personnel department had a predominantly administrative role focused on pay administration and the social and welfare aspects of employment.

Markco's acquisition of its Polish subsidiary represented a drive by the western parent to develop market penetration and customer base in CEE and was characterised by a high degree of strategic opportunism (in contrast to normative models of the acquisition process which emphasise a rational, linear, objective approach, see eg Ramsey 1987). The company was operating within a mature market and had experienced intense product market competition, particularly from Japan where its competitors had made greater use of technological developments in manufacturing and communications technology. The company had also been severely affected by the economic recession of the mid-1980s. Within CEE the dismantling of the socialist system and trade and price liberalisation provided access to a whole new market which could be accessed at

relatively low cost but the company had to move quickly and decisively to gain the advantage of potential new markets and to prevent the Polish plant from falling into the hands of a (western) competitor.

### **Background and context: a consideration of ‘inputs’**

Markco’s acquisition of its Polish subsidiary represented a drive by the western parent to develop market penetration and customer base in CEE as part of a wider business strategy of extending global production capability and market growth through low cost production. There were a number of characteristics of the Polish manufacturing plant that made it an attractive acquisition. The plant was relatively new having been built by a Japanese company in the early 1980s<sup>2</sup>. The equipment was also relatively modern, in good condition and well maintained although there had been no investment in computerised monitoring and quality control processes and the work process depended on visual checking by operators. In addition the plant was not greatly overmanned, the workforce were skilled and well educated and wage rates relatively low. However, there were also a number of constraints in developing and improving the manufacturing facility in order for it to become a global source for the product and in developing the CEE market. Foremost amongst these constraints, as perceived by the expatriate senior management team, were the attitudes and perceptions of the workforce and in particular the perceptions and competencies of host country managers.

The Polish subsidiary demonstrated many of the characteristics associated with a socialist state owned enterprise. The enterprise had originally been established to serve the agricultural sector which represented a guaranteed market for its products. The higher quality product was selected for export and the remainder was sold on the domestic market but all output was sold and quality was never an issue. As the (Polish) purchasing manager suggested there was an ‘overall emphasis on quantity not quality’. Such ‘artificially secure’ markets conditions created and reinforced the development of particular working structures and arrangements and attitudes to work. Working structures were production oriented, functional and hierarchical, jobs were vertically segregated and there existed a framework of rules, regulations and procedures which defined relationships at work. Thus problems and difficulties were passed up the organisational hierarchy for resolution and there was limited cross functional co-operation. Concepts of review, monitoring and problem solving (which underpin many western initiatives such as TQM and continuous improvement) were

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<sup>2</sup> Economic reforms in the early 1980s had linked many large state enterprises to western and Japanese firms. This was seen as a means bringing the benefits of access to western markets and technological improvements without the loss of central control fundamental to a planned economy (see Radice 1995:117).



largely absent because the enterprise lacked the supporting technology, it lacked people with appropriate skills and it lacked the motivation. As the Polish purchasing manager commented, 'There was no reason to analyse. If something broke, the solution was to replace the broken part, not to discuss and analyse why the part had broken, how it might have been prevented and what might be done in the future to prevent a repetition'.

The environment of the subsidiary was described by the (British) MD as follows:

'It's as if someone switched off the power at about 1975. The whole place seems to have gone downhill. There's been no investment and the people are stuck in a 1960s sort of timewarp in terms of their mentality. I keep telling people when they talk about the Polish business, we didn't acquire a business here - businesses as we know them didn't really exist. We acquired a manufacturing plant'.

The key strategic challenge facing the enterprise was therefore identified as the transformation of a bureaucratic, autocratic, formalised culture to a customer oriented culture suited to free market conditions.

A second major constraint arising from the history and environment of the acquisition was that of language. Few Polish managers spoke English and even fewer expatriate managers spoke Polish and it was anticipated that language would represent a barrier to effective communication. What was not fully anticipated however, and what has proved to be a greater constraint, was not the basic Polish English divide but a far more fundamental lack of understanding by the Polish workforce of a whole raft of terms used in the western work situation. Terms such as downsizing, de-layering, right sizing, flexibility, continuous improvement, total quality management, performance management, productivity which underpin the rhetoric of many western capitalist organisations have a limited currency within a Polish context shaped by a legacy of socialist central planning. The gap between Polish and Anglo-Saxon rhetorics is illustrated by the following comments:

'I expected the communications problems at a fundamental level. I suppose the depth of those has surprised me. All the tremendous which has gone on in the west in terms of human resources and of trying to involve people more, training and development, TQM - although

they've been very piecemeal, there's a whole language and a whole culture that's totally non-existent here (in Poland). (MD, British)

'Although the rhetoric of change is heard and accepted, there is no corresponding understanding of, or commitment to the mechanisms whereby this might happen - whose responsibility is it, how, when, through what procedures? There is a degree of defensiveness, yes, and some cynicism towards some current initiatives. Communication and team briefing isn't new or different

to initiatives introduced under state systems of working'. (Purchasing Manager, Polish)

Highlighting the gap in management rhetorics is not to suggest the superiority of fashionable western management rhetoric but to illustrate the strength and pervasiveness of the socialist legacy and the potential advantages of developing mutually supportive rhetorics that reflect the context and environment of the organisation.

### **HR strategy supporting the acquisition**

Political and economic change within CEE coincided with the emergence within western capitalist organisations of HRM as an approach to managing the employment relationship and HRM thus represents an aspect of that western management orthodoxy that suggests a best practice approach to managing the employment relationship. The model of HRM that was to provide the template for Markco's Polish subsidiary was predominantly an 'Anglo-American' high commitment model, emphasising a unitary frame of reference, the assertion of management control and an individualistic employment relationship stressing flexibility, quality and performance management<sup>3</sup>.

In the words of the HR Manager, '...we thought we would start with the UK HR model, very ignorant of what we would find over in Poland'. However there were constraints associated with the adoption of an Anglo-American model as the following comment from the HR Manager illustrates:

'...the British model of HR success was based on the flexibility of the workforce and the strength of leadership...we couldn't introduce that in Poland because we didn't have the skills we needed. Whereas in the UK we had a grading structure where groups of manufacturing support associates might grind, inspect, pack, sweep up, distribute...they are multi-skilled. In Poland we found a very rigid, fast structure which had no flexibility'.

The Polish workforce were perceived as having a 'technology mind set' which saw improvements as requiring capital investment in new plant and equipment. The organisation's business plan however emphasised the need to improve productivity, quality and performance levels to the levels achieved in the west through more effective utilisation of existing plant and through the development of the skills and competencies of the existing workforce thus reinforcing a

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<sup>3</sup> This model had been introduced at Markco's UK subsidiary as part of an extensive change programme and was characterised by withdrawal from collective bargaining and the introduction of personal contracts, harmonisation of terms and conditions, performance based pay, elimination of job titles and move towards a core/peripheral workforce with 15% of the workforce employed on a temporary, short-term basis providing numerical flexibility.

unitarist perspective. In view of these constraints there has been a move towards segmenting the workforce in order to secure productivity increases without increasing costs as the following comment from the HR manager illustrates; '...we want a cheap product at a good quality ... we don't really want the guy to come out and say 'I know how to improve the quality of the product' if its going to increase costs, however we want the engineers to make the process quicker and more efficient ... and we'll pay them for their performance in that role'.

Markco adopted an essentially ethnocentric (Heenan / Perlmutter 1979) approach to managing its Polish subsidiary characterised by the retention of strategic control and decision making by the parent company, reliance on expatriate managers with extensive experience of parent company operating procedures and organisational norms and limited authority for host country managers. However there were an number of constraints in the effective transfer of parent company policies and approaches and the adaptation and integration of the subsidiary. The HR strategy was seen as having a crucial role to play in transforming the culture of the enterprise to support market capitalism and we now move to consider the specific mechanisms used by Markco in the change process within the Polish subsidiary which further highlight the degree to which the environmental context of the subsidiary mediated the adoption of parent company norms and practices.

## **Evaluation of transformation mechanisms**

### **Organisational design and restructuring**

Organisational change can be categorised as radical or incremental and there are a number of documented reports of radical change in Polish organisations driven by organisational restructuring initiatives (Taylor 1991) and studies of 'breakthrough', adaptive strategies by former state owned enterprises and new ventures (Obloj / Thomas 1996, 1998). Such strategies are characterised by the formulation and implementation of clear, almost text book, strategic choices, a clear bias for action and the development of knowledge about operating within a market economy but then using this information and knowledge to differentiate paths to market leadership.

Within Markco the change process has been less radical and more gradual, adaptive and incremental. There have been no major structural changes or organisational re-design changes. Instead change has centred around quality developments and the attainment of quality standards and has not been as rapid or as extensive as many employees had expected. There are two principal reasons behind this incremental approach. Firstly, the senior management team responsible for the acquisition and for running the business post-acquisition were expatriate managers from the French subsidiary (which at this time was Markco's European HQ). As a group the French senior management team did

not perceive the need for radical change preferring to focus on developing sales and distribution networks.

Secondly, there were unresolved issues over the branding of the product which resulted in lengthy and protracted negotiations with the parent company and the need to improve the quality of the product to international standards - hence the immediate emphasis on quality improvement. The current Managing Director who is British and who has extensive experience of working in the US, has a very different approach from his predecessor and it is likely that the change process will be accelerated in the future. This is reflected in the following comment: 'The previous MD took the view that everything was perfect and that when we got a few sales everything would come right. I've taken a different view, that we make our own future. I'm impatient and ambitious and the culture will begin to reflect that'. However, the opportunity for rapid, radical and extensive change as part of the acquisition process has perhaps passed.

### **Selection and use of change agents**

One of the central planks in the strategy of developing a performance culture and philosophy of continuous improvement has been the selection and use of change agents. Sixteen individuals (from all areas of the organisation but predominantly from the production area) were selected to take part in a six week programme based in the UK subsidiary. The objectives of the programme were to develop English language skills and to familiarise participants with the culture, management style and methods of working within the UK subsidiary. As a result of such cultural immersion it was hoped that participants would return to Poland with the necessary knowledge, skills and motivation to initiate and implement improvements to work processes and methods.

The change agent programme was generally well received by participants. It was widely considered to have been a worthwhile experience and a powerful vehicle for self development and awareness raising. However the tangible benefits of the programme to the organisation in terms of improved decision making, problem solving and team working have proved more difficult to assess. The change agent group have individually identified potential changes/improvements within their areas of work and plan to present their proposals to colleagues and managers for discussion and amendment before moving on to implementation. However as a group the change agents demonstrate considerable differences in their perception of their role and function. A number have appreciated that the change agent role represents the development of a specific mind set that involves questioning and challenging established ways of working as part of a new cultural paradigm. For others, fixed patterns of thinking inherited from the past have proved difficult to set aside and they remain suspicious of the change agent programme and their role within it. Characteristic of the behaviour of such

individuals was a tendency to be retrospective and focus on past problems and reasons why past changes and initiatives failed.

Furthermore, traditional working methods and reporting relationships have continued to act as a barrier to co-operation. Prior to the acquisition work relationships and communication mechanisms were vertical and hierarchical with problems referred to higher management, and characterised by bureaucracy and delay. A continuing legacy of such practices is seen in the limited co-operation between departments and the criticism, by their colleagues, of some individual change agents, who are perceived to have been more proactive in their proposals for change. This rather narrow focus on task oriented changes together with the absence of any perceptible improvements in cross functional team working, suggest that the cost effectiveness of the change agent programme has been limited and that the anticipated benefits have not been as rapid and far reaching as had been hoped for.

### **Re-deployment of key people: shift from production/purchasing to sales/marketing**

As outlined earlier, there have been no radical organisational restructuring initiatives following the acquisition. There have for example been no moves towards the establishment of discrete profit centres with budgeting and performance targets. Instead a degree of functional re-alignment has been implemented with a corresponding re-deployment of key people and resulting in a significant shift in power and control mechanisms. Overall this re-alignment has taken the form of a shift from production and purchasing functions and activities to the development of sales and marketing. The scope of responsibility of the production function has been reduced as responsibilities for technology, health and safety and tooling have passed to other (expatriate) Directors. Additionally, a new post has been created, that of Deputy Production Director reporting to the (Polish) Production Director which has been filled by an expatriate manager from the UK plant. The rationale behind this appointment was to provide another perspective on the production function and another channel for the communication of change and thus to overcome the resistance to change perceived as characterising the production function and the individual responsible for it.

The development of marketing and sales expertise has also involved an aggressive recruitment campaign for engineers which has utilised Western style recruitment and selection techniques involving open days, tours, interviews and the use of psychometric tests. Selection criteria have emphasised technical, language and behavioural attributes and have been geared towards the recruitment of young, English speaking engineers who are technically qualified but who are also open-minded, fast learning and unencumbered by traditional attitudes to work.

### **Culture change and the dissemination of ‘new’ values**

Apart from the change agent programme, initiatives aimed at developing a performance oriented culture have focused on the development of more direct, individual and open forms of communication. As a mechanism for implementing culture change, the Managing Director has held communications sessions with all employees, designed to inform them of the company’s future strategy and goals and to give them the opportunity of asking questions, and a formal system of team briefing has been introduced. Likewise, measures for assessing employee attitudes have been implemented as a tool for change. A company wide employee attitude survey has been undertaken to gauge employee views on a range of issues including customer focus, quality awareness, business strategy, styles of management and degrees of involvement. The employee attitude survey generated a high response rate (over 80%) and results indicated a high level of awareness amongst employees of organisational goals to improve quality and develop a strong marketing and sales focus and a perception of the company as forward thinking, results oriented and with expectations of high performance. Furthermore the survey results demonstrated a positive endorsement on the part of the workforce for initiatives to support higher levels of performance in the forms of additional training and development, improved teamworking and co-operation between functions and departments, additional individual rewards linked to individual and company performance and to the concept of change generally.

Barriers and suspicions remain however. Many Polish managers and supervisors were defensive about the employee attitude survey and the fact that this went directly to employees and were critical about its purpose, the actual degree of anonymity involved and whether employees had sufficient understanding to complete it. Likewise employees do not ask questions when invited to do so at briefing meetings because their managers are present and they are frightened of being openly questioning or critical. (Not unlike the situation in the UK). The employee survey indicates that despite the introduction of team briefing there is distrust of the honesty of the information being provided allied to a widespread distrust of management generally. Likewise there is a perception of an overall lack of people orientation which involves limited opportunities or encouragement to exercise responsibility and initiative, and limited opportunities for involvement.

### **Consideration of ‘outputs’**

The preceding analysis has focused on an evaluation of the ‘inputs’ of the transformation process (in the form of strategy and resources, shaped by the history and environment) and the mechanisms used to stimulate change. The ‘outputs’ of required organisational performance as defined by Markco’s business plan include adequate staffing to support expansion, improved

employee productivity and the development of a performance driven culture. However any meaningful evaluation of the successful achievement of these outputs is both difficult and premature.

At present the change process is somewhat ill defined and whilst individuals within the organisation know that change is taking place they remain unclear about the direction and what is expected of them and do not feel part of the process. In this respect employees have received mixed messages about the nature and direction of change. The original management team was French and adopted a style that was very different to that being adopted at present. The present philosophy reflects very much the personal style of the current Managing Director and is characterised by a bias for action and the strategic use of human capital to achieve business and organisational objectives as reflected in the following comment:

‘That’s really where the battleground is. Its for the minds of the people and whether we’re going to be able to convince them of the changes we need to make. They tend to have a technology mindest, that to do better you need new machines and you need to spend millions of dollars - that’s not the case.’

To a certain extent the current situation is seen as necessary for the introduction of more specific strategies, specifically a changed organisational and reward strategy focused on individual performance. Such an approach is seen as representing a watershed and a radical break from the past where remuneration systems resulted in compensation levelling between highly skilled and unskilled workers regardless of individual performance and often with a concomitant loss of motivation for top level performance. Whilst there are issues to be resolved about the extent and form of remuneration, how performance and productivity are to be assessed and what is legal and acceptable within the Polish context, a reward strategy based upon the measurement and reward of individual performance at all levels in the organisation is seen as a key vehicle for the development of a ‘performance culture’ and represents the main thrust of proposed future change. It is recognised that such an approach will be highly contentious, will require a high degree of sensitivity in communication and implementation and will have industrial relations implications. It is nevertheless seen as a crucial element in the development of an appropriate culture to support the business strategy.

## **Conclusion**

It is difficult to imagine a more fundamental transformation than that of a state owned enterprise into a market driven, world class manufacturing company which is what Markco plans its Polish subsidiary to become. Such a transformation requires change of a magnitude and complexity that pervades the very essence of the organisation and represents a difficult and challenging

agenda. In this dynamic context, Nadler & Tushman's contingency model represents a useful conceptual framework for evaluating the change process and exploring the dissonance between the desired blueprint as it exists in the minds of those initiating change and the change process as it happens. However the model can be broadened to consider not only the nature of the transformation process but also the reasons contributing to a failure to transform. The Markco experience reflects the fundamental problems identified by Nadler (1993) as associated with the implementation of change process; that of *resistance to change* and the challenges inherent in getting people to alter established patterns of behaviour, that of *control* and the design of appropriate methods of monitoring performance during the change process and that of *power* and the reactions of different individuals, groups and coalitions with their own vested interests which make up the informal organisation. Invariably within the Polish enterprise there have been differing responses to the change programme with some groups more enthusiastic and committed than others.

The case material likewise demonstrates that whilst the transfer of western management approaches and practices may be appropriate and even necessary, there is a need for cultural and contextual sensitivity in the process. It has been suggested that centrally planned socialist enterprises demonstrated a certain uniformity of operation which militated against the development of distinct corporate cultures (Czarniawska 1986:313). Nevertheless, the case material demonstrates that it is both naive and simplistic to underestimate the strength and pervasiveness of the socialist legacy and its implications for work and employment relationships. Within western capitalist organisations a strong culture is frequently portrayed as a 'moral glue' bringing together diverse organisational interests in pursuit of a common, shared purpose and the emergence of HRM as an approach to managing the employment relationship has likewise served to emphasise the development of a management ideology and set of prescriptions aimed at creating an appropriate (or changing an inappropriate) organisational culture. However a strong culture may likewise contribute to organisational conformity, complacency and inflexibility which can inhibit change. The Markco experience demonstrates the limits to which a unitary approach can be imposed and the constraints upon managers in attempting to unilaterally impose change. Whilst the change process may be accelerated within MNCs through transfer of management practices and policies as part of the acquisition, in practice host country norms, traditions and practices mediate parent company influence and constrain the adoption and transfer of such practices and policies. Organisation transformation is a complex social process in which social relations at work need to be redefined as groups and alliances form and re-form to address different tasks and problems and requires more than a change of ownership. As Konecki and Kulpinska (1995:243) have demonstrated, organisational change (in the form of the development of sales mentality, quality awareness and HR awareness) can begin before ownership



change but can be equally inhibited by the actions of vested interests and groupings. The case material thus reflects the challenges facing MNCs in reconciling need for economic and commercial integration with social, cultural and political pressure to respond to the local environment.

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