Power and Institutional Change

in

Post-Communist Eastern Europe

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7. Patterns and Processes of Elite Continuity: Post-Communist Managers in the Czech Republic[1]

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Introduction

Underlying the dynamics of the political and economic shifts in the former state socialist societies of Central and Eastern Europe are fundamental processes of social re-formation. It has been argued (e.g. Haynes, 1992) that the pressures for political change for the most part originated from two levels: the grass roots and the top. In many of the communist regimes the former pressures for change had been resisted, through force if necessary, for many years, so it could be proposed that the critical element in tipping the balance during the months leading up to the revolutions in 1989 was the reorientation of the interests of those at the top.

This has had paradoxical effects on the post-communist societal transformation. It is irrefutable that the changes in the political and economic systems of these countries have been revolutionary, a characteristic that has attracted so much Western interest in the problems and times of these countries. However, both researchers and journalists who have considered the political and economic decision making behind the changes have tended to suggest that the transition is being directed and driven by the same people as had misdirected and defended the politico-economic status quo before 1989.

> The state is being dismantled to some degree, planning is giving way to more market control but the same social group, shorn of its figure-heads and old secret police, is still in control. (Haynes, 1992, p.46; see also Callinicos, 1991, p.58; Wolchik, 1991, p.223).

Much of the discussion about the old social elites and the new emergent elites has been fairly abstract, or oriented towards groups on the national political scene. Very little light has been cast upon the social and structural continuities and changes taking place at the local level of economic life. Yet, the study of local economic elites not only complements the more common strategy of researching changes in national political elites but there is little doubt that the former were always important parts

of the communist ruling class (cf Callinicos, 1991, p 56; Haynes, 1992, p.86). Their contemporary significance is potentially even greater, since, in any one enterprise, the powerful managerial group takes decisions about privatisation, restructuring and rationalisation, which affect the lives of thousands of individuals, the survival of the enterprise itself, the vitality of its community, and, through a cumulative effect, the very structure and dynamics of the industry, the economy and society. It is relevant therefore to know whether and how the composition of the local economic elites has changed during the early years of the post-communist transition, and what their relationship is to the pre-1989 elites.

The more open access to post-communist industrial enterprises offers opportunities for Western researchers to understand local elites in a more direct empirical way than had ever been possible before 1989. The more concrete information that can now illuminate questions of local managerial elites permits a more detailed examination of their composition and recruitment patterns, which in turn may offer insight into the general processes of post-communist elite re-formation.

In this paper, we shall draw on findings from an enterprise level research project to examine the structure and dynamics of the new post-communist managerial elites in the Czech Republic. The research has been conducted since 1992, and has led to the accumulation of information about senior managers in four large, mechanical engineering enterprises in Moravia. In the previous Czech and Slovak Socialist Republics, heavy engineering was an economically influential industrial sector, linking the Moravian region in particular into the CMEA (Council for Mutual Economic Assistance) planning systems (Thomas, 1992). Three of the enterprises studied were notable contributors to this industry, and their directors were similarly important players in the wider politico-economic structures.

From the viewpoint of this paper, we not only treat the sample of managers as a whole group, we also examine patterns within the sample according to the managers' hierarchical position within the elite, and according to the enterprises of which they are a part. We have given details of the enterprises only where they help to explain patterns in the data. In general, we shall argue that the new managerial elite has been re-formed around the same body of people who controlled the state socialist enterprise. In the paper we shall explore the dynamics of this re-formation, and examine some of the factors which account for the processes and structures identified.

The paper is divided into four substantive sections. In section 1 we introduce the concept of a social elite in order to establish criteria by which to evaluate the evidence for the status of the new senior managers as an elite. We also look specifically at the nature of the managerial elite under state socialism. In section 2, we outline the contours of the sample of Czech managers which forms the empirical basis of the paper. The third section examines the structure of the sample in more detail, considering the composition of, recruitment to and internal dynamics of the post-communist managerial elite. Before a concluding discussion, we evaluate the elite characteristics of the post-communist manager sample, using the criteria developed in section 2.

Managers and Elites

The Concept of Elite

Although their social composition, dynamics and roles differ in important respects from capitalism to communism, managerial and business elites have everywhere been understood by social and political researchers to be of enormous social, economic and political significance. In the context of the post-communist transition, it is consequently critical to develop not only a general conceptual view of elite formation, but also to appreciate some of the concrete institutionalised patterns which underpin the historical inheritance of the emerging society.

Giddens (1974) provides a starting point for identifying the key features of an 'elite', using the term to

designate those individuals who occupy formally defined positions at the head of a social organisation or institution. (Giddens, 1974, p 4)

He further sees society as comprising multiple elites, with their own spheres of influence, but existing in varying degrees of mutual independence and isolation, or interdependence and integration. The pluralism of a poorly integrated societal elite contrasts with the more integrated or monolithic type of elite formation within society (see Giddens, 1974, p 9). Much research in Britain and the United States has sought to examine the actual structural patterns.

The first necessary ingredient of an elite is therefore related to the holding of a formal position in the hierarchy of an organisation or institution, although having positional authority begs the question about the actual power individuals can wield (Giddens, 1974, p 5). Empirical stud-

ies of communist and capitalist elites have tended to focus on the positional criterion as the primary or sole indicator of elite membership, thereby opting for a formal view of elites rather than a sociological one (cf Pahl and Winkler, 1974). Studies of communist politics and society (e.g. Ionescu, 1967; Lane, 1976, pp.120ff; Hill, 1977) have adopted such an approach more by methodological necessity that choice, since access to elite members, their attitudes and behaviour has been limited to documentary evidence of, for example, Central Committee or Politburo membership. Much research on elites in capitalism have adopted a similar approach, since similar problems of inaccessibility undoubtedly abound; though perhaps methodological convenience is an equally powerful explanation.

A more sociological view of elites moves beyond the formal qualities of membership to identify the social dynamics that define their internal, or inclusive, characteristics, and the nature of their relationship with other social groups. Whitley's (1974) definition encapsulates the first social dimension, seeing elites as:

> ... sets of individuals in positions of authority over major social organizations sharing, to some minimum degree, common perceptions, beliefs and values, over time... (Whitley, 1974, p.65)

This highlights the degree of 'moral or normative integration' (cf. Wasilewski, 1990) that acts to bind elite members together with a strong sense of psychological identification. To this cultural dimension of eliteness can be added 'relational or social integration', which proposes that elite members will tend to interact together on the basis of common values and interests (cf. Nichols, 1969, p.135).

The same processes that create these internal social processes of integration add to the tendency, in their relationship with other groups, to develop a form of social exclusivity – an excluding of, or separation from, nonmembers. Keller (1968, quoted in Hill, 1977, p.7) sees elites as

> ... minorities which are set apart from the rest of society.

This idea of 'apart-ness' points to further aspects of elite formation. In particular, a processural view would investigate the ability of an elite to adopt and practise successfully what Parkin (1974) calls 'strategies of social closure', whereby its members restrict '... access to rewards and opportunities to a limited circle of eligibles' Parkin, 1974, p.3). Clearly, such matters can only be examined empirically at the level of behaviour itself.

The empirical study of social, political and economic elites, both under communism and capitalism, has traditionally focused on three main problems – recruitment to them, their composition, and changes in their composition over time (e.g. Guttsman, 1974; Stanworth and Giddens, 1974; Whitley, 1974; Hill, 1977; Lane and Ross, 1994). Because these studies are often dependent on the quantitative analysis of data gleaned from official or statistical documentation, they are usually unable, in themselves, to examine the social and cultural processes of elite formation. The case study approach to concrete, local managerial elites, which has informed this paper, allows us to report specifically and with a qualitative richness on the 'processural dimension' (Pahl and Winkler, 1974, p.104) of elite structures and dynamics.

In summary, a social elite may be seen as a formal, cultural and social group of distinctiveness, emphasising its members' access to social and economic rewards and privileges by virtue of their inclusivity and exclusivity.

Elites under Czechoslovakian State Socialism

The questions of elite formation and reformation become particularly interesting at times of radical societal transformation, when the social and institutional bases of authority and power change. The post-communist transition therefore offers a challenging setting for the study of elite formation. Before moving on to an examination of the information gleaned from the Czech research project, it is necessary to reflect briefly on the nature of the managerial elite as it existed in the Czechoslovakian state socialist system. We shall start by considering the institutional base of elites in communist society – namely the *nomenklatura* system – and to consider the specific nature of the economic elites as they operated in Czechoslovakia before 1989.

One of the main features of the Soviet-style communist society is the way in which its formal classlessness -in the absence of private property relations – was turned into a new form of class society. The key institution responsible for developing and sustaining a new social elite, or ruling class, was the *nomenklatura* system:

> The *nomenklatura* is first of all a series of posts which cannot be filled without the special scrutiny of some special organs... The categories of the party-*nomenklatura* are by far the most important. They contain all the main 'responsible posts'... (Ionescu, 1967, p.61)

By having control over access to the *nomenklatura* posts, the Commu-
nist Party, at central, regional or local levels, sustained a senior group of
trusted comrades. As Lane (1976, p.109) argues, this institution served
to stabilise society, and to produce and reproduce a top social class
whose members shared similar values (especially in certain periods of
history) and similar interests in maintaining the privilege and power of
the chosen few.

The *nomenklatura* lists included all the senior managerial posts of
industrial enterprises (see examples in Ionescu, 1967, pp.61ff. and
Waller, 1993, pp.257ff.), the more important ones – such as in military
manufacturing sectors and key engineering enterprises – requiring
approval at the most senior levels of the Party. Internally, applicants for
managerial jobs which involved foreign travel (e.g. commercial posts),
or gave access to vital information (such as financial or personnel posts)
also needed party dispensation, though for the most part at a lower level
of authorisation. With senior enterprise posts only available to approved
individuals, aspiring career managers, as well as committed commu-
nists, were attracted to membership of the various institutions of the
Communist Party – such as the Party itself, its youth association and the
enterprise *milice*.

The senior personnel of industrial enterprises in the Czech and Slo-
vak Socialist Republics were generally speaking either *nomenklatura*
managers, and/or members of the various Party institutions. Of course, it
is difficult in these terms to identify the exact boundaries of the enter-
prise management elite under state socialism, but the formal, social and
cultural definition of such a group would certainly include the senior
management team (the directors), and possibly a few of the key manag-
ers at the level below the functional and operational directorate (below,
we refer to them as second level, or department managers). Analysis of
the affiliation and aspirations of the younger, second level managers
would suggest that where these individuals were not included directly in
the managerial elite, they constituted the 'elite-in-waiting' – the 'recruit-
ment stratum' to which Giddens (1974, p.13) refers. In the remainder of
the paper, we shall refer to the directorate as the 'managerial elite', and
to this elite and its recruitment stratum as the managerial elite structures,
or substructures. In sections 3 and 4, we shall evaluate the use of these
terms in relation to post-communist management.

In some respects, the processes and outcomes, including the distribu-
tion of power, rewards and privileges, arising from the *nomenklatura*

system, are sufficient to account for the inclusive nature of the enterprise
managerial elite. However, a number of other social processes further
enhanced the potential solidarity of the group. First, the nature of senior
managerial work under the central planning institutions, specifically
dealing with the uncertainties of production targets and of supplies, was
conducive to intensive networking behaviour between enterprise manag-
ers. This networking was clearly realised using, albeit informally, the
conduits of the Communist Party and its organs, and it created a strong
shared understanding of enterprise management, and relatively cohesive
relational bonds between individuals in a common economic position (cf
McDermott, 1993, p.12).

Second, and special to Czechoslovakia, the circumstances of the
nomenklatura managers changed following the 1968 invasion of the
Warsaw Pact countries. Before that time, most Czechs and Slovaks felt
that it was honourable to belong to the Communist Party and prestigious
to hold a *nomenklatura* post; however, following the defeat of the Prague
Spring and the reestablishment of the neo-Stalinist political and eco-
nomic practices, the credibility of communists and those in positions of
senior responsibility was seriously challenged. Thus, the inclusive forces
for elite integration mentioned above were reinforced by the elite's
forced exclusion from the rest of civic society (Ulc, 1978, p.422; Wol-
chik, 1991, p.37). This exacerbated the social apart-ness of the elite,
which turned in on itself in order to protect its members' status, eco-
nomic and political privileges. While its moral integration may have
diminished, since members joined the Party organs in order to pursue
pragmatic career interests rather than realise political ideals, the elite
became more focused on preserving the social integration necessary to
protect those interests increasingly seen by the rest of society as non-
legitimate.

The Post-Communist Managers

The sample of Czech post-communist managers has been drawn from a
study of four large, former state enterprises, now privatised. The aim of
the research project has been to examine the organisational and manage-
rial changes that have taken place in the enterprises over the initial tran-
sition period since 1989, but the interviewing and documentary methods
deployed in the field research have yielded data and observations that per-
mit a reasoned discussion of the changes in membership of the senior
managerial groups.[2]

All four enterprises are part of the economically vital mechanical engineering industry of Moravia, and in 1994 they varied in size from 1,000 to 6,400 employees. We have called the four enterprises Vols, Montaze Jesenice, Jesenické Strojírny and Agstroj, and we have good quality information on a total of 62 post-communist senior managers, comprising the General Directors, 22 senior managers with a title of Director (*reditel*), and 35 second level department managers (who report to a director). Of the 62 managers in the sample, we actually conducted intensive interviews with 53, building up pictures of the others through the interviews and using documents available. The interviews also yielded critical information about the pre-1989 managerial elite, some of which we have drawn on in developing the historical perspective. Table 4 summarises the sample, and includes information on the former members of the Communist Party and its related organs.

The sample is neither random nor constructed through devices that ensure representativeness. However, within the practical limits of everyday fieldwork, it was selected by the researchers to give as comprehensive coverage as feasible of directors and to develop a systematic view of departmental managers across significant functions like strategy finance, commerce, management services, personnel and operations. As will emerge below, we do not have complete information on all managers in the sample, and at times we have exercised some educated and informed guesswork. Further, it must be recognised that some of the information supplied by interviewees may reflect aspects of the power structure and political processes that were unfolding at the time of our fieldwork and revisits. Nonetheless, our methods include a thorough inter-interviewee checking procedures, and we are confident that we can present a broadly reliable and valid account of the managerial elite, its composition and internal changes, as reflected in the four enterprises.

A few preliminary comments on the overall sample are worthwhile, before moving into a more detailed discussion of the two constituent groups in the sample. It is evident from the outset that our sample suggests a picture of both continuity and change in the managerial group across the four enterprises. 35 of the managers (or 56.5%) are former members of the Communist Party and its organs, and, given some missing information, the actual percentage is likely to be larger rather than smaller. This proportion increases as you ascend the enterprises, with 40% of department managers, 74% of directors, and 100% of General Directors being former Communist Party members. As we shall see

Table 4: The Post-Communist Management Sample

	VOLS		MONTAZE JESENICE		JESENICKÉ STROJÍRNY		AGSTROJ		TOTALS	
	total sample	inter- views	total sample	inter- views	total sample	inter- views	total sample	inter- views	total sample	inter- views
GENERAL DIRECTORS	1	0	1	1	1	0	1	0	4	1
FORMER CP	1	-	1		1	-	1	-	4	
DIRECTORS	7	6	5	5	8	3	3	3	23	17
FORMER CP	5	-	3	-	6	-	3	-	17	
DEPARTMENT HEADS	8	8	9	9	11	11	7	7	35	35
FORMER CP	3	-	3	-	4	-	4	-	14	
TOTAL FORMER CP	9		7		11		8		35	
TOTAL MANAGERS	16	14	15	15	20	14	11	10	62	53

below, this does not mean that there has been a lack of mobility within the management group (indeed only 37% of managers fill the same level posts as before 1989), but it does indicate the continuing influence of pre-1989 factors in the make-up of enterprise management – especially at the most senior levels.

This managerial sample is a particularly well-educated group. For example, 77% of 58 managers whose education levels are known have enjoyed university education, including 89% of the directors. This managerial group has also shown commitment to the enterprises (partly, of course, an artefact of the special labour market conditions of state social-ism), with an average employment of 21.8 years[3] with their respective enterprises. Of the 57 known cases, only 4 managers joined their enterprise since 1989, and only one of these was at the level of the directorate[4]. The average age of managers in the sample falls in the range of 45-54.

There are of course differences between the enterprises, though only significantly so in the case of Montaze Jesenice, newly established as an independent state enterprise in 1990, before being privatised by 1993. In the case of Montaze Jesenice, the managerial staff – especially the directors – is younger, with fewer years of service, and the departmental managers have lower levels of education.

Elite Structure, Recruitment and Change

The simultaneous characteristics of continuity and change in the managerial elite can be analysed in a number of ways. By 1995, two full years after the completed privatisation of the enterprises (with the strange exception of Agstroj – see later), the post-communist composition of the new managerial elite can be assumed to have stabilised. In this section, we will use the data from the Czech enterprises to examine the nature of the changes that have taken place in the structure of managerial elite. It is useful, following Giddens' distinction (1974), to see the managerial elite at local enterprise level as itself comprising substructures: the elite proper is a small group of directors, consisting formally of all of them, though in reality probably a subgroup, clique or cabal; and the elite-in-waiting, or recruitment stratum, is made up of those with ambition and potential to take over elite positions in the future. The latter structure can be understood, for the most part, as second level management, here represented by the department managers. This proposition can be supported as a working hypothesis by our findings on the historical nature of the *nomenklatura* elite, a pattern which, as we shall see, has strongly influenced the structure and development of post-communist management.

Before looking at these two substructures of the elite individually, we shall present mobility data for the sample as a whole, and comment on some general patterns. Table 5 presents the patterns of mobility within the management elite structures. It can be seen that 48.4% (30) of the managers have been upwardly mobile, while only 5% had suffered downward mobility. This latter percentage is, of course, partly a direct consequence of the sample choice, since there will be a proportion of managers who had been demoted below the level of our study, or dismissed. Some will have retired, as is the case of the two outgoing General Directors of Jesenické Strojírny and Agstroj. Significantly, 53% of the upwardly mobile managers came from the pre-1989 recruitment stratum – the aspirants to senior positions who had joined the Communist Party. In fact, 25.8% (16) of the managers in the elite structures of the four enterprises had gained promotion since 1989, and a further 19.4% (12) had remained secure at the same level of the hierarchy. On the other hand, each of the three remaining downwardly mobile managers had surrendered former *nomenklatura* posts. The result, as indicated earlier, is that 78% of the elite directorate positions (including General Directors) remain in the hands of former *nomenklatura* and aspiring *nomenklatura* managers.

Table 5: The Mobility of Enterprise Managers since 1989

	General Directors				Directors				Department Managers				Totals		
	Vols	MJ	JS	Ag	Vols	MJ	JS	Ag	Vol	MJ	JS	Ag	Ex-CP	Non CP	TOT
Upward total	·	1	1	1	5	2	7	1	3	3	5	1			
ex-CP		1	1	1	3	0	5	1	0	1	2	1	16	14	30
Downward total					0	0	0	0	1	0	1	1			
ex-CP									1		1	1	3	0	3
Mobile total	1				2	3	0	1	1	6	5	2			
ex-CP	1				2	3		1	2	2	1	0	12	11	23
Inward total					0	0	1	0	0	0	0	2			
ex-CP							1					2	3	0	3
Unknown total								2	1			1			
ex-CP								1	0			0	1	2	3
totals	1	1	1	1	7	5	8	3	8	9	11	7			
ex-CP	1	1	1	1	5	3	6	3	3	3	4	4	35	27	62

Notes: there was a complicated arrangement of 'job swaps' between former senior communist directors and department managers in Montaze Jesenice, following the Screening Act of 1991. The table shows the real situation, which was anyway reverted to following privatisation.

'ex-CP' indicates former membership of the Communist Party and its organs, and includes *nomenklatura managers*.

The Changing Nature of the Managerial Elite

We now turn in more detail to the managerial elite structures, which we shall examine by looking at the General Directors and the directorates and followed by the department managers.

The General Directors

The General Directors of Montaze Jesenice, Jesenické Strojírny and Agstroj have been appointed since 1989, although they came to position in very different ways. Montaze Jesenice's General Director was appointed in 1990 following competitive interviews in front of a panel including internal and external members (a *konkurs*), having spent six

months in a senior position in the local administration. Until one month before the Velvet Revolution, he had been the Technical Director of Jesenické Strojírny, a post he had held for nearly twenty years.

The General Director of Jesenické Strojírny had previously been the enterprise's driving, ambitious Commercial Manager, travelling widely. In the 1980s, he had married the daughter of a senior Communist Party official in Prague, and had joined the enterprise *milice* to demonstrate his allegiance to the regime. His rise to the top followed the changes in allegiance to the regime. His rise to the top followed the changes in 1989, succeeding in a *konkurs* against the three other internal rivals. In the internal field was the 'caretaker' General Director who had been appointed following the enforced retirement of the previous, long-serving General Director. The successful candidate had played his pre-1989 role in the Commercial Department with deftness, making strategic alliances with influential managers across the otherwise conflicting areas of Technical and Production functions. It was a cabal based around these pre-1989 alliances that provided the critical political and technical support for his elevation.

In the immediate wake of the Velvet Revolution, Agstroj's General Director was retired, and his place taken by the former Commercial Director, who had been considered a progressive manager during the 1960s. Agstroj was held back by the government from voucher privatisation because of its economically strategic position. In 1993, Agstroj's supplier of diesel engines, 'Stromêsto Diesel', which had been separated from its large parent enterprise and privatised in the first wave of the voucher process, was absorbed into Agstroj, turning the larger enterprise into a (29%) privatised enterprise. The General Director of Stromêsto Diesel then took over as the new Agstroj's chief executive, and the post-1989 General Director moved to the top position of one of Agstroj's ex-production divisions, which had simultaneously been hived off as an independent state enterprise awaiting launch into the second wave of voucher privatisation. The current General Director created his new directorate, composed in majority part of his former Stromêsto Diesel directors.

In each of these three cases, the transition heralded a coup at the top of the enterprise, leading to the promotion of managers who had themselves been *nomenklatura* or aspiring *nomenklatura* staff. They had each been distant enough from the top of their respective enterprises, and/or had a managerial reputation independent of their past communist associ-

ations – they immediately set about making visible changes to their enterprises (cf. Clark and Soulsby, 1995).

The case of Vols is the exception. In this instance, unusually, the boardroom coup took place two months before the Velvet Revolution in 1989. By reputation, the former General Director was the worst in Vols' history, and was replaced, on a vote of the existing senior directors, by the current General Director, whose elevation from Production Director was authorised by the regional Communist Party. Like the other three General Directors, his appointment was considered good enough because of the significant business and foreign contacts which he had, and on which he could call to promote the survival of the enterprise. Before the November 1989 changes, he had personally appointed new directors with communist connections. Unlike the other three General Directors, he has little internal personal credibility with his senior colleagues or the workforce. According to other directors and managers, he had become a relatively powerless chief executive, conceding all significant influence and authority to other members of the directorate.

The Directors

To illuminate the whole process of elite re-formation we would like to be able to examine the destinies of all members of the pre-1989 senior managerial groups. Unfortunately, our research project was not set up to discover such data; by chance, however, we do know what happened to Jesenické Strojírny's former directorate, and it is possible to deduce some aspects of the wider story.

Table 6 tells the story of what we might call a 'recycling' of the managerial elite in Jesenické Strojírny. The General Director, being 62, was 'allowed' to retire gracefully from his position, in spite of having committed supporters in the enterprise, whereafter he joined at a senior level another local enterprise. From this base, he founded an investment privatisation fund, which in 1993 became one of the leading owners of Jesenické Strojírny, with a representative on its new Board of Directors. Two of the former directors were dismissed from Jesenické Strojírny, but used their knowledge, contacts and (presumably) funds to set up businesses in the vicinity. Four directors were demoted to lower level jobs, most of whom continued to utilise their managerial skills and contacts; the former Personnel Director was demoted to a manual job, but within two years left for another enterprise (the exact job is not known). The old director, as we have already seen, applied for, and got, the General

Director's position at the newly independent Montaze Jesenice. Closer scrutiny of these changes suggests that, by the end of 1993, three of those initially demoted had been partly rehabilitated within the elite structures. In summary, by 1994, seven of the eight former directors had taken on, or begun to take on, duties in keeping with their former status.

The exception, the former Personnel Director, is significant. Such posts were *nomenklatura*, and given to only the most trustworthy of people, since it involved being the direct representative of the Communist Party in the enterprise, maintaining political records on managers and technical staff. His demotion to 'normal worker' was probably in part symbolically significant; certainly his replacement, by a 'man of '68' was both symbolic and practical.

Table 6: The Post-Communist Careers of Pre-1989

Pre-1989 Position	Post-1989 Status
GENERAL DIRECTOR	Enforced retirement; became owner of investment fund with significant share in the new privatised Jesenické Strojírny
ECONOMY DIRECTOR	Interim General Director; demoted to department manager, recently elected to Supervisory Board
PRODUCTION DIRECTOR	Demoted to sales manager, recently transferred to Strategy department
PERSONNEL DIRECTOR	Demoted to 'normal worker', recently left enterprise for new job
TECHNICAL DIRECTOR	Appointed General Director at Montaze Jesenice
INVESTMENT DIRECTOR	Dismissed, set up own business
COMMERCIAL DIRECTOR	Demoted to commercial manager, re-promoted to adviser
ENGINEERING DIRECTOR	Dismissed, set up own competitive firm

Moving to the sample as a whole (see Table 5), we can see that 18 of 27 (67%) directorate posts were filled by the promotion of lower managers, but 12 of those 18 newly promoted directors held pre-1989 membership of the Communist party or its associated organs. As a whole, the new managerial elite of directors (27 in the sample) was made up of 21 (78%) former CP members – either members of the former elite (8, or 30%) or members of the elite-in-waiting (12, or 44%). Only one of the

new managerial elite was a known 'man of 68', whose promotion from obscurity as an engineering designer to the Director of Human Resources was seen as a way of redefining and relegitimating the personnel function[6].

The stories behind these data have clear implications for the recruitment of the new managerial elite, but can only be told in the specific contexts of the individual enterprises. We shall focus on the changes at Jesenické Strojírny and Vols because they offer very different stories: in Vols, a substantial minority of the directors maintained their position in the elite, while in Jesenické Strojírny, there was apparently a complete revolution at the top. However, behind these apparent differences are some commonalities.

As we have seen, Vols' new General Director was appointed with the authorisation of the Communist Party, and immediately invited some aspirants in the elite-in-waiting to join the directorate. In the aftermath of the revolution, five of the directors were replaced, but three (the General Director, the Investment Director and the vital Finance Director) remained in position. Of the five replacements, three were from the former elite-in-waiting; the two new recruit were appointed to the critical positions of Strategy Director and Commercial Director. The General Director was perceived as relatively powerless, and the dominant alliance was between the Finance Director – whose ability to pay enterprise bills and wages was likened to magic – and the new Strategy Director, who masterminded the privatisation process. The new managerial elite was seen as stable, ironically because of the presence of the managerially disabled General Director, whose departure would have exposed the communist pasts of too many other senior members of the enterprise. Six of the eight post-1989 directors, therefore, had a common goal of creating their managerial credentials and distancing themselves from the past.

Only in Jesenické Strojírny did the revolution bring to the fore a complete set of new faces, since none of the former directorate managed to hold on to senior director positions. The new General Director had been appointed through competitive interview, his persuasive business plan having been put together by a small group of cross-functional department managers with whom he had cooperated to change poor management practices during the 1980s. The political and technical support of some of this cabal was rewarded by promotion into the new directorate. Further, the new General Director recalled from Prague a

former Jesenické Strojírny director, who had led progressive organisational changes in the 1960s; he was appointed as Strategy Director. Together, the General Director and his experienced Strategy Director forged a powerful alliance, and they controlled most of the key strategic decisions of the new managerial elite. In spite of the domination of the new directorate by newcomers and the apparent revolution at the top, seven of the nine members represented in the sample had former communist connections.

Whether the composition of the managerial elite changed by 'evolution' (as in Vols) or 'revolution' (as in Jesenické Strojírny), the continuing relevance of pre-1989 communist associations for membership is clear. The balance of the directorates assembled by the General Directors favoured former *nomenklatura* and former aspiring *nomenklatura* managers, all of whom had a mutual interest in promoting privatisation in order to secure their own future managerial careers. Within these elites, the continuity of personnel is complemented by changes in the axis of managerial power. Under central planning, the balance of managerial power lay with the autocratic leadership of the General Director, and with production and commercial directors, whose responsibilities were strategically important for enterprise performance. Following the revolution and exposure to the vicissitudes of the international market economy, the locus of power shifted generally to a Finance-Commercial-Strategy axis, although the exact alliance varied between the enterprises. In the case of each privatised enterprise[7], however, members of the former managerial elite held a majority or the balance of influence within this strategic internal coalition.

Department Managers: the Recruitment Stratum

It was not always necessary to be members of the Communist Party and its related institutions in order to join the ranks of department management, since some managerial positions at this level, such as engineering, design and project management, required more technical expertise. Given the shortage of highly skilled technical experts on the labour market, the enterprise managements were rarely in a position to insist on Party membership. Indeed in all four enterprises, managers in the production or design side of the business were likely, when asked, to cite such 'technical' managers rather than senior managers or general directors, as their historical heroes. Where the latter were remembered as heroes, it was often their engineering work rather than their managerial competence that informed the choice.

On the other hand, some department managerial posts did demand outward signs of political allegiance. Commercial managers' work frequently required travel abroad, especially to non-CMEA countries; economy managers worked on information about enterprise performance, and processed official planning data; managers in the *Kadr* and Personnel department routinely accessed and collected sensitive political information. Such roles needed trusted incumbents, and it was normal for Party membership to be a prerequisite. More importantly, it was crucial for all those individuals who aspired to senior and *nomenklatura* posts to evidence their loyalty and trustworthiness by joining the Party. In Jesenické Strojírny, young ambitious middle managers were expected to demonstrate extra commitment, for example, through enlisting in the enterprise *milice*. Indeed, the post-1989 General Director of Jesenické Strojírny was a member of the *milice*, as were, according to some interviewees, 'most of the directors'. Three young but senior members of Montaze Jesenice had also joined the *milice* during the late 1980s, because it was understood as the only way for managers to pursue their careers beyond the middle and technical levels of management.

The second level or department managers before 1989 can meaningfully be conceptualised as the recruitment stratum for the managerial elite. It was a natural career path to move from department management into the senior positions, where a combination of two criteria – ability and loyalty – determined the institutional 'rules of elite recruitment' (cf. Wasilewski, 1990, p.754). We have seen above that in the early 1990s, the department management stratum continued to act as the main source of recruitment for the new managerial elite. Table 5 shows that in our sample of 35 post-communist department managers, 16 (46%) were at the same level as before 1990, while a smaller proportion (34%) were promoted, and a small minority (9%) were demoted former directors. Only 2 of the 35 managers had joined the enterprises at this level. 40% of this stratum comprised managers who had communist affiliations under state socialism, and most of these (29%) were those who had held positions in the former elite structures such as directors and department managers both in these enterprises and in other economic institutions. Of the 12 people promoted to department management, only 4 had been communist party members.

However, a few points may add more substance to the internal dynamics at the department management level of the elite structure at particular enterprises. First, managers in all the enterprises perceived

the commercial managers to have power and influence beyond their formal position, and one manager in Vols overtly expressed the view that the commerce department was still run by former communists. On the other hand, one of the first steps taken in all four enterprises was the visible removal of the former communists from the Personnel Department.

Third, there is a hint in the findings, as described in the section above, that those former directors who were downwardly mobile following the changes, have found new ways of moving back into higher echelons of managerial decision making. One example of this is the system of 'job swaps' that was contrived at Montaze Jesenice. In this case, in 1991, following the passing of the Screening Act, Montaze Jesenice's General Director received anonymous letters naming three directors as former members of the Communist Party who had been active in the enterprise *milice*. The *lustrace* legislation required that such individuals could not hold positions of authority in state enterprises. The General Director could not ignore the letters, but arranged that the three managers be formally demoted to department management level, and their juniors (all women) be formally promoted to director status. The understanding between all parties was that this scheme would operate in name only, and that, when the enterprise was duly privatised, the demotees would be re-proposed for their former senior jobs, needing only the formal acceptance of the new Board of Directors. And this is exactly what happened.

In spite of these stories, the new recruitment stratum – to the extent that department management continues to perform this function – is the most free of previous political influences, and constitutes the most open section of the post-communist elite structures. We shall now turn to a more focused examination of the extent to which the new managerial groups described above can be understood as a new post-communist 'elite'.

The Enterprise Managers – a New Elite?

In section 4, we explored the composition and the internal dynamics of the enterprise elite structures, namely the enterprise directors and the department managers. The findings show that there is an overall continuity of membership between the pre-1989 and the post-communist elite structures, with greater persistence of the former *nomenklatura* and aspiring *nomenklatura* in the higher echelons.

The arguments so far have based on the quantitative and qualitative analysis of features of our sample of Czech managers, but in themselves they do not demonstrate the existence of an 'elite', or of elite structures. To push the argument that step further, we need to evaluate the qualitative features of the post-communist managerial groups in the enterprises. In section 2, we identified some defining characteristics of a social elite, pointing beyond formal membership to its internal social and moral integration, and to the degree of 'apart-ness' it has from other parts of society. Drawing on evidence from our management interviews, we shall look at both processes of inclusivity within and exclusivity of the enterprise management groups.

Moral and Social Integration

An important aspect of an elite is the degree to which its members hold shared values and assumptions about their position. Our research offers indicative evidence of such similarity. The majority of those in the elite structures (i.e. both directors and department managers) had many years of shared experiences of enterprise management, mostly within the same enterprise. The average length of service in the sample was 21.8 years, with some important variations according to the particular enterprise. In Vols, managers had worked together under state socialism for, on average, more than 25 years, having been recruited during the early and late 1960s. Six out of the eight Vols directors had worked in the enterprise since 1969 or earlier. Even in the young enterprise, Montaze Jesenice, managers had served on average 15 years together in Jesenické Strojírny (its former parent). More meaningfully, five out of the six Montaze Jesenice directors in our sample had worked for Jesenické Strojírny and Montaze Jesenice together since at least 1982.

Over three quarters of the sample had common educational backgrounds, having completed a university degree, mostly in mechanical engineering. Nearly one in three of the managers (2 in 5 directors) had gone to the same, regional technical university, mostly through the same faculty. This identifies the real possibility of a common framework of managerial and professional values, promulgated through the politically controlled higher education system, a possibility reinforced by the former communist affiliations of 56% of the current managers.

The consequence of these common backgrounds has been the development of a shared set of post-communist rationalisations of elite membership, the rhetoric of which has implications both for their own re-

legitimation claims as *bona fide* post-communist managers, and also for the social integration of the emerging management group. For reasons explained in section 2, Czech post-communist managers have actively sought to account publicly for their continuing membership of the enterprise elite. The managers in all four enterprises had established a folk-lore of previous enterprise managers, whereby some played the role of heroes, and others villains – some managers played both parts for different reasons. In brief, the 'good' managers were seen to be managerially or technically competent – the so-called 'professionals' – and these managers were 'men of their time', suiting in some contingency fashion the environment of state socialism. Professional managers, it was argued, would excel in any system – it was just unlucky for them that their careers were played out under communism. The 'bad' managers – the so-called 'politicals' – were essentially incompetent, and achieved their position solely on grounds of their political affiliation. In each enterprise, managerial respondents could offer examples of each type, usually at all levels and across all functions of management.

The post-communist managers internalised this discourse about professional and political managers within their own moral system. The new managers were able to justify their own managerial survival by virtue of mutually supported claims to professional competence, identifying the non-survivors as being in the main the political managers. In making this point, we are not attempting to assess the reality of these propositions. Rather, such personal and social theorising was important to the cultural integration of a managerial elites which had been considered by many just a few years earlier as being morally bankrupt (Clark and Soulsby, forthcoming).

One outcome of a shared set of values or ideology is that there is a common basis for the *social* inclusiveness of the elite. The origins of many of the post-1989 managers as *nomenklatura* and aspiring *nomenklatura* personnel have meant that they shared many common interests and belong to networks of mutual contacts inherited from the past.

The managerial elites have in some respects been in a precarious state because of the inherited non-legitimacy of many of their members. This is clearly demonstrated in the 'job swap' incidents at Montaze Jesenice reported above, where public outcry at the directorate status of young, 'militant' communists could have destabilised the balance of managerial expertise assembled by the General Director, himself a figure of some political importance under state socialism. The managerial

response, perhaps a hallmark of elite behaviour, was to devise the protective mechanism of job swaps, in the knowledge that the formality of the elite membership could be reestablished after privatisation.

This points to one of the driving motives of members of the new, but still delicate, managerial elites. For all but a minority of managers, it was in their interests to move their enterprises as quickly as possible to privatised status, which would permit them to secure their long-term post-communist careers. Vols and Jesenické Strojírny were both nominated to be in the first wave of voucher privatisation, with the first meetings of private Boards of Directors at the beginning of 1993. Montaze Jesenice was originally put into the second wave, which would have been completed later, but the General Director used his influence to apply successfully for the first wave. Having been held back from voucher privatisation for national reasons, Agstroj was able to slip into privatised status even though it is still effectively 71% owned by the state. The new private Boards of Directors have duly confirmed the senior managers in their positions.

The interlocking, mutual interests of the elite can also be demonstrated in other ways. In Vols, for example, the vulnerability of the enterprise directorate was diminished by the professionally incapacitated General Director, because it was in the interests of several powerful members of the new directorate to support him as a puppet. One young manager in Agstroj, described recruitment to the state socialist managerial elite in terms of a 'jug of wine'.

> The enterprise was like a big jug of wine with a small hole – it was hard to get in, but there was lots of nourishment once you were 'in'... After getting in, all was well, because you have a job, and you have your friends. Your Communist Party friends were a 'mafia', a network in which each depended on and defended the others... If you did something wrong, the ranks would close...

Although he was unwilling to go into details, he alluded to the enduring effects of such systems of mutual interest for the post-communist enterprise.

Such processes of social inclusivity offer some support for the elite characteristics of the new managerial groups. However, it must be remembered that the state socialist enterprise elites were themselves embedded in socioeconomic networks external to the enterprises. Business friendships and contacts were established through common educational backgrounds and Party affiliation, and these served as social

frameworks through which economic activities could be conducted more effectively than depending on the 'formal channels'. After the revolution, there is evidence that enterprise managers did not only operate to look after managers within the enterprise, but that there was some tendency to consider the fates of former contacts made dismissed from other enterprises or from the rapidly dismantled central planning institutions. Agstroj, for example, was a major enterprise in the Czechoslovkian state socialist agricultural machinery industry, and was therefore very close to the industry's *Vyrobní Hospodárská Jednotka* ('Productive Economic Unit' or VHJ) and Foreign Trade Organisation (FTO), which were significant institutions in the hierarchy of the command economy (see Altmann, 1987; McDermott, 1993; Clark and Soulsby, forthcoming). With the gradual demise of the planning system in the late 1980s and its complete dismantlement in 1989-1990 (cf. Jeffries, 1993, p 248; Myant, 1993, p.158), many experienced but *nomenklatura* managers were made redundant. Just as those internal demotees in our enterprises have tended to be 'recycled' into more responsible jobs since the revolution, so the enterprises picked up several VHJ and FTO directors and managers who had been released on to the market.

The attraction of these external recruits – there are three in our sample (see Table 6, row 4) – was evidently their experience and their industry-wide contacts. Socioeconomic networking has continued to make a significant contribution to enterprise survival in the transition economy, and the importance of well-connected managers has been one major reason for the proliferation of former Communist Party members in the managerial elite (McDermott, 1993; Soulsby and Clark, 1994). These same processes serve, however, to reinforce the social integration of a *business elite* across an industry sector, as well as within individual enterprises.

Social and Economic Apart-ness

So far, we have examined social processes which have emphasised the internal elite dynamics of integration, or inclusivity. Another aspect of elite structures, however, is the degree to which they are separate from the rest of society. We saw in section 2 that this was typical of the state socialist managerial elite, and the 'jug of wine' metaphor illustrates the exclusivity as well as the inclusivity of the elite. Our research provides some indication of the continuing exclusivity of the post-communist managerial elite.

In all four enterprises, new recruits to the two managerial strata tended to express frustration at the difficulties in breaking into the inner circles of power. Many younger managers argued that the older managers should leave, and give them a chance to take on responsibilities. There were various phrases, but they were along the lines that 'you can't teach an old dog new tricks'. There was among the lower levels of management the view that nothing had really changed, and

the same people are still there. (young Personnel Manager, Montaze Jesenice)

Even one of the more avid converts to market capitalism among the former *nomenklatura* in Agstroj complained about the resistance to new ideas that existed among some of his director colleagues, whom he referred to as 'rose directors': they like to '... keep the old order'. Similar points about the continuing influence of (former) communists, or 'mafia', were made by Vols' Personnel Manager.

This sense of social and psychological apart-ness that was attributed to the new managerial elite from both nonmembers and occasionally members of the group was reinforced by decisions made to increase the economic differences between senior managers and the rest of the employees. Whereas the economic separation of the old *nomenklatura* elite was based upon privileged access to goods, property and services (cf Soulsby and Clark, 1995), information from the four enterprises indicates that the post-communist elite has, to some extent, used the methods of western management to assure its economic privileges. By making managerial rewards individual and private, and increasing managerial remuneration much more quickly than that of other groups, the new senior managers have rapidly 'monetarised' the basis of its economic separation from other employees. At Jesenické Strojírny, for example, the basic salaries of 'senior managers' as a group increased by 101.5% in the two year period 1993-1994, whereas those of middle managers rose by 31% and of ordinary workers 34.5%. Figures from a confidential report of consultancy firm that has been circulated around the senior managers of certain Czech enterprises suggest that this rate of increase of salary differentials is low compared with many other privatised enterprises.

The consolidation of privilege into monetarised rewards has created a basic economic system differentiating senior manager groups from other enterprise groups. But the managerial elites have made other deci-

sions to increase their material separation from other people in the organisations, introducing western ideas such as performance related pay and company cars for directors (Soulsby and Clark, 1995).

Concluding Discussion

Our analysis would certainly support the view of one of our interviewees:

> Everyone had a chance to go to the starting line; it's just that some people knew where the starting line was. (Man of 68, Director, Jesenické Strojírny)

But what has been particularly important is that members of the former managerial elite knew what to do when the starting gun was fired. They have been in the right position to have a major influence on the process of redefining the 'rules' both of enterprise management and elite membership, i.e. its institutional base. It is therefore not surprising that they themselves fulfil the new criteria.

The formation of the senior directorate shows continuity with its previous structure and membership, and analysis of the internal dynamics suggests that this group has operated to defend its membership, and to sustain its coherence. New recruits have entered almost entirely from the old state socialist 'recruitment stratum', of managers who were anyway being groomed for *nomenklatura* position. In effect, the Velvet Revolution acted as a catalyst for internal elite dynamics, accelerating the promotion prospects of the elites-in-waiting within the enterprises. Our findings confirm the continuity of the post-communist senior managerial group with its state socialist predecessor, and the ways in which it has sustained its internal integrity, external apartness and access to privilege are compatible with the concept of a social elite. Before concluding the paper, however, it is important to raise a few caveats.

Three general types of argument contextualise and delimit the scope of the above proposition. First, that it might be feasibly argued that state socialism developed a real strength in its management cadre, and it is really these people who have reached on merit the positions of senior management. Further, these managers, once in positions of authority in the process of privatisation, had little choice but to establish new practices and systems that sustained their own privileges – such are the institutionalised trappings of market capitalism, and failure to incorporate them within the organisation would have risked the enterprises' survival

in the transition process (Soulsby and Clark, 1996). Many current managers have certainly expressed positive feelings about their own and their colleagues' competence, and some actually lament the loss of several able former directors – e.g. Jesenické Strojírny's General Director – who were sacrificed in 1990 in order to symbolise a real break with the past. However, it is very difficult to distinguish the rhetoric from the reality; as is often the case, over time the two have become inextricably linked. Needless to say, some second level managers, as well as some directors themselves, do not wholly subscribe to the meritocratic argument. Some even suggest that, even if the former and former aspiring *nomenklatura* were able, natural justice and a sense of morality should rule them out of competition for the new post-communist privileges.

A second argument is more empirically based. There are within our enterprise managements clear schisms over certain important issues, so the elite may not be as well integrated as our propositions above might suggest. We can identify a line of division that has affected the management of the four enterprises, which has consequently led to consistent internal disagreements within the senior group, and thus created important subgroups within the dominant coalition.

The issues that have led to internal friction concern choices about whether to keep old ways and transform incrementally only slowly, or to accelerate changes no matter what the short-run consequences. At one extreme, there are the 'rose' or 'red' directors who value the social role and contributions of the enterprise, abhor unemployment and care for the local community. At the other, are the enthusiastic converts to capitalism, those who had been excluded from the former system, those who have a lesser degree of conversion to market rhetoric and the young managers keen to get on. The political process is contested over issues such as unemployment, the destiny of social and welfare activities, and policies of centralisation or decentralisation of enterprise activities. Our research indicates that the relative strength of and the balance of power between the factions vary between the enterprises according to a whole variety of factors such as their relationship with their community (see, for example, Clark and Soulsby, 1994) and the enterprise's particular traditions and values. For example, Vols, in its small local, traditional community, has been quite slow to change its structures and to reduce its levels of staffing; while Jesenické Strojírny and Agstroj, in larger communities and with more progressive histories, have reduced employment more rapidly and moved to more decentralised structures.

Third, while the early transition period may be one in which the former elite is socially reproduced, and succeeds to a greater or lesser extent in protecting itself, this may be only a short term process. It might be argued, as we have partly done above, that in the uncertainties of societal transformation, enterprises are more or less dependent on those with experience, and who were in some degree managerially competent. However, after a relatively short period of time, the elite may become more open from both below and outside. In short, the transition period might be the death knell of elitism in its previous closed form. The democratic and egalitarian traditions of the Czech Republic which predate communism and its continued commitment to more openness offer support for some wider reassurance and optimism about a meritocratic approach to enterprise management. Our own data presented in Table 5 are at least compatible with the opening up of the recruitment stratum of management. Unfortunately, we also have evidence of the managerial newcomers (such as 'men of 68') being marginalised where they disagree with majority line.

The evidence and arguments do not point in one direction. It is our conclusion, however, that the current managerial elite, reproduced and recycled from before the 1989 revolution, exists not just by accident or because of some functional necessity, but because it has successfully adopted strategies to reassert its own inclusivity and exclusivity. The common interests of its members in this transitionary period far outweigh the importance of policy differences that may cause temporary splits. The extent to which this elite is sustainable depends on the social, political and economic institutional developments in the Czech Republic, and on the fervour with which Czech citizens and employees pursue their traditional values of equality and social democracy.

Notes

1. This paper appeared, in a shorter version, as 'The Re-formation of the Managerial Elite in the Czech Republic', in Europe-Asia Studies, 48/2, March 1996.
2. We would like to express our gratitude to Milos Kerkovsky (Technical University, Brno) for his invaluable support during this research. Hana Skyvarová, Milos Drdla, Ales Vladik, Thaddeus Mallya, Mirka Lesniaková and Jan Hobl (at the same university) worked closely with us as interpreters of language, culture and other social nuances about which we may have remained ignorant. The names of enterprises and

places have been changed in order to preserve the confidentiality of the information and the identity of our respondents.

3. Montaze Jesenice is a special case in our sample. As an independent enterprise it has only legally existed since 1990, when it was separated from Jesenické Strojírny, within which it was the site assembly division. For all information that goes back before 1990, we assume that employment in Jesenické Strojírny counts the same as employment in Montaze Jesenice.

4. In reality, there is some ambiguity here, since there is a handful of managers who had been employed in their enterprises for a period before they had moved on to promoted posts within the state economic planning apparatus. With the disbandment of these structures in the 2 or 3 years leading up to the Velvet Revolution, these former enterprise managers had been re-engaged by their enterprises.

5. This is a common term used to refer to those individuals, often themselves communists or sympathisers, who stood out publicly against the 1968 Warsaw Pact invasion. They were persecuted in some way during the normalisation process, losing Party membership, their career prospects, and those of their family members.

6. During 1994, this individual returned to an engineering position, and his place was taken by an external member of the new private Board of Directors. The latter's background has all the hallmarks of *nomenklatura* status.

7. Agstroj is a more complicated case, where the balance of power is contested not only between former communists and noncommunists, but also between the incoming directors from the merging engine manufacturer, and the post-1989, but pre-merger Agstroj directors. We were not allowed to get close enough to this recognised conflict to understand its dynamics and implications.