

SOCIAL AND LABOR RELATIONS: CONFLICT OF INTERESTS BETWEEN OWNERS AND PRODUCTION MANAGERS

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Abstract: *The article describes the process of reorganization of the administration in the Russian enterprises with foreign ownership, where there are opportunities to introduce «capitalist relations» due to export Western management models. The authors set the task to a deeper study of the employment relations and identify the nature of labor conflicts, provoked clash introduced Western management models and the continuing Soviet traditions. Methodology monographic study, which we have followed in the situation analysis in the enterprise, allows seeing the interest's clash of various social groups in the production when implementing the Western management model.*

Keywords: *conflict of interests, labor relations*

1. INTRODUCTION

Various forms of property suggest the enter market of new types of social and labor relations. However, the efficiency of labor and production are determined by interest, motivation of its employees in enterprises of any ownership. Practice in enterprises of different ownership indicates that the options economic realization of property relations may be different. It depends on the labor relation system, the forms of relationships. This determines the working efficiency in the company. Today the system of labor relations must provide the position of each worker as «an assistant in management». It proposes to create an appropriate intraeconomic mechanism, ensuring the successful implementation of such a relation system. In this article we have tried to explore the employment relationship and identify the nature of labor conflicts in industrial enterprise.

The history of the studied companies started from the beginning of the 1960s [1]. It is timber industry enterprise with a powerful material and technical base. Enterprise faced the transfer problem from a planned economy to market competition in the period 1992-1998. The crisis has somewhat improved its economic situation and even allowed to increase production in 1998. At the same time, technical resources were depleted. First of all, large investments required for technical modernization, which was not in the country [2]. The company's management has decided to seek the assistance of foreign companies, as a result there was a redistribution of property and began a period of active measures aimed at increasing production efficiency. Currently, International Corporation possessed 90% of the share holding.

Nowadays Mondi's mill in Syktyvkar is one of the largest producers in the Russian pulp and paper industry.

With its containerboard paper machine, the site produces the white top kraftliner grades ProVantageKomiwhite and ProVantageKomipak for the manufacturing of corrugated boxes and liquid board packaging. In order to ensure the highest standards of quality, environmental, and occupational health and safety management, the state-of-the-art operation in Syktyvkar is ISO 9001, ISO 14001 and OHSAS 18001-certified [3].

At the time of the survey (2005), economic success was reflected in the constant growth of production and full use of technical capacity, profitability and regular payment of dividends, a well-deserved product reputation in the domestic and international markets. Employment at the plant is considered prestigious, competitive and difficult among the local population.

With the introduction of Western management models rules of the game have changed on the domestic market (the company), constructed new models of economic behavior and attitudes among employees within the team, and in the implementation of the overall strategy of the company - to maximize profits - employees have their own interests, trying to protect through the resistance of the official policy about jobs. We'll look at specific examples how to achieve a compromise the interests of employees and owners. First of all, we will focus on the changes in the management system and improve its efficiency.

2. WEST MANAGEMENT MODEL IN THE MODERN RUSSIAN ENTERPRISE

Restructuring of enterprise management begins with the date of its entry into the international corporation. With controlling interest, the owner is trying to optimize the production cost for profit. Given that the Russian labor market is not formed group of professional managers, there are no stock markets, which would allow to evaluate the production efficiency and operation managers respectively, and there is no transparency in financial flows and real production costs, the owner was faced with the problem of controlling the enterprise activities. Local administrative personnel were only performers and informants on the activities of the enterprise.

Complex «losses» caused resistance managers. The presence of certain professional knowledge specific to the post-Soviet enterprises, informal knowledge management practices (practices of communication, the ability to contract) authority within the enterprise, the lack of professional managers in the Russian labor market becomes the main factor allowing managers to influence the decision of the owner (to fight and defend their interests).

Limits of management control: Western innovation and the Soviet tradition.

The introduction by the owner «his people» does not automatically improve management. It was needed a flexible management structure consisting in highly qualified specialists. The owner had decided to reduce vertical and horizontal linkages lining up, a clear allocation of functions and to create continuity managers.

Reducing the number of management levels and the introduction of matrix management structure allowed for more rapid decisions, supervise and act as coordinator of subordinated divisions according to the owner. However, it is the presence of succession management team-created difficulties in the formation of the matrix structure. This practice assumed that each senior executive should be «deputy», ready to replace his boss in the next two to five years. Such measures weakened the centralization of power, distributing power to state enterprise managers. For some - it was a loss of power levers (limited access to benefits), for others - taking on additional functions, stress and responsibility. Given that the traditions of the Russian organizational culture do not involve explicit competition, the redistribution of power has become a serious problem. As a result of the new recreated traditional management structure through informal practices. This contradiction can be seen at all levels of the management structure, including at the level of senior management. Enterprise management is carried out on the basis of the trinity «one director in three persons». It was assumed that three persons will hold equal positions in the social hierarchy of the enterprise, influence equally the management and strategic decision-making. In reality, director-general had considerable power.

Middle managers had to coordinate decisions on organizational and management issues with their supervisors, and then discuss with the experts one rank, but other divisions.

Traditional succession in the management structure was observed in distancing managers from production workers, namely in managerial reluctance to implement masters in management structure. This is most clearly demonstrated by the example of the masters to training programs aimed at improving the qualifications. Despite the knowing of the new attainments by the owner at the lowest level management and the desire to get new knowledge by masters, the real practice was such that managers had significant benefits in training. They had the possibility of obtaining organizational and managerial skills, studying of corporate language and ethics, while the masters did not have such opportunity. As a result, linear management has not been included in the management structure, but objectively had fewer chances for career.

And if production managers could not enter into the management structure, the situation was quite different from the position to the chief accountant. Trying to implement the Western model in Russian life and completely withdraw from the chief accountant senior executives failed. The first reason was Russian legislation as requested by the signature of the chief accountant in financial document. Another reason was in the current informal labor practices, conferring additional powers of the chief accountant, and allowing to qualify for an exclusive position in the senior management structure.

Orientation to career reflects views of local managers about power as a necessary condition for access to the benefits, and not as the responsibility for the functions that describe the continuing Soviet influence of stimulation and control. Resource power ensured access to social benefits at the time. Power resources have become crucial for managers to use the limited resources of the enterprise in its own interests.

Limitations and advantages of «particular speciality» in management.

Referring to examples of labor relations in the target enterprise we have considered how is the control establishment over the enterprise by the owner. One way of improving the control management was the information creation and accounting. So the company introduced specialized software, a computer program developed in-plant control, acted local computer network to exchange information between divisions and control activities. In fact, information was usually fragmented and settled within the divisions. At best, the exchange took place between the two interact departments. Problem situations lobby dealt, decisions were made informally by managers, who should solve these problems. The manager-owner interaction was made on the principle «to wash no one's dirty linen in public» without bringing the problem to the top management and the foreign owner.

Knowing the «weak spots» of the Russian management, the owner tried to optimize production costs through a narrow operation and output solutions of non-productive tasks from the management control. Below examples is confirmed. For example, to control money flows foreign owner was forced to remove marketing department from the management structure. This measure has limited to influence sphere and access to enterprise resources for local managers. However, this measure has resulted in problems. Replacing of high-class professionals who are interested in production distribution by disinterested specialists led to overstocking and dropping in sales. Managers have tried to point out the mistakes of intermediate marketing services and suggest ways to solve the problem, but the owner did not respond. This led to the conflict, reducing the quality of services. «We spoke to the owner several times, more will not speak, that's his problems» (mid-level manager).

Closing or segregation of nonspecialized divisions has reduced the costs non-connected with production, and established financial control over expenditure. Social services became «a sticking point», preserved from the Soviet era, required large cash investments which badly controlled by the owner. In this situation, local managers, who was previously aware of the inevitable reduction in the social sphere, tried all ways to oppose this decision. The argument is the need of forming the external enterprise image, well-connecting with local authorities. Search for a compromise aimed at compound interest of both parties: the owner and the local managers. However, maintaining costs of social services would be justified if social services costs would be less than the wage cost in the budget. This is possible on the strict costs associated with the maintenance of these services.

Corporate culture as a control.

It is considered that the corporate culture is a set of rules and values that are explicitly or implicitly cultivated in the company; some agreement to achieve success. In this case, the corporate culture is a way of manager joining to carry out duties.

Workers did not show enthusiasm in corporate culture implementation. Notably, managers themselves identified it with the Soviet ideology: «The same slogans: «Get ready», «Always ready». «We had these slogans in Soviet time» (the head). Of course, the recent past has been the main obstacle to a positive perception of the corporate culture. Obstacle is possible to gradually overcome thanks to the owner perseverance. On the one hand, he actively promoted and imposed ideological goals, formulated the slogans, direction indicators and the rules of the work collectives, on the other – he offered additional stimulus for managers,

such as the opportunity to participate in educational programs, period of trainee abroad, sectional workshops in projects for an additional charge.

It was possible to achieve high performance in the production intensification and compliance with labor order. Productivity increased by 10% yearly with reduction of investment in twice. For a short time the company managed to achieve compliance with safety and reduce injury rates. The innovation success consisted in the administrative staff received additional stimulus that are of interest to them. This has contributed to the implementation of management control over production. We reviewed the management structure in the enterprise, now we consider production.

3. MANAGEMENT REORGANIZATION STRATEGIES IN THE PRODUCTION: STIMULUS AND CONTROL

It is considered that one of the main problems of the Soviet mode of production was imperfect technology. However, foreign owner had a possible to increase productivity while reducing capital investment. This was possible by strengthening management control over the production process with an emphasis on social aspects and active use of Soviet traditions in modern labor relations.

Soviet «heritage» in the labor practice.

Production manager had to look for the necessary spare parts and materials singly while lack of investment in production, as in Soviet times: «Nobody relieves us of responsibility... We somehow do, we order something, we singly do something» (foreman). The practice of non-interference conserved in fulfilling the duties workers, relations «manager – subordinate» were built on trust and respect, thus ensuring conflict-free production environment and good-work. «Well, foreman trusts us, he does not interfere with our work, he does not interfere with work» (foreman).

This practice was extended not only between productive managers, but also among the workers. The company retained the most responsible workers were responsible to undisturbed operation, process control production, giving collective labor values and maintaining the labor order in the workplace. Such workers are characterized by high business knowledge and had prestige with the workers.

Preserving the Soviet practice of labor relations based on moral encouragement of employees – general recognition of professionalism and authority. However, exclusive workers received material stimulation of their status.

Soviet practices solved some problems but parallel created new problems. Firstly, highly skilled workers monopolized personal resources (knowledge, experience, credibility) and used them for their own benefit. For example, in spite of the training system outside and inside the company, mentoring and professional knowledge of the skilled workers remained classified information. It precluded the creation of competitive forces and strengthened the employee's positions. Managers had to reckon with the exceptional situation of highly skilled worker to compensate for the management lack and productive organization as well as in Soviet times. Otherwise workers could provide professional resistance to the requirements of precise instructions for the implementation of production tasks. Culprits in the production miscalculations would have been managers, not well-versed in all the intricacies of production and

technological cycle. Also, there would be difficulties in keeping labor discipline. If the first problem was the product of modern labor relations, the two others kept from the Soviet times.

Thus the main task of a foreign owner was implemented. The owner task was realized at all levels of the enterprise: «to use all human reserves and only then invest in technical modernization» (foreman). How the problem was implemented we consider further.

Market innovation: organizational management practices in production monitoring.

Production management is carried out through the plan on the shop floor. However, in contrast to the Soviet plan, on the one hand, the plan is linked to the product sale, on the other hand – on the strict control of production capacity. In addition, if in Soviet workers-monitored targets and thereby adjust the labor intensity now they are interested in hitting the plan. Wages and premium bonus depend on the labor results. If before a premium is not an incentive for the labor intensification and it was more profitable to control targets for workers, now it was more profitable to cash payments (premium bonus). In this case, the production capacity accounted for much that no time to produce the wastage.

Improving wage systems is a management technique to stimulate intensive work: *«Previously, the tariff rate was. Well, you get wage. Now they have the integral gain wage system. They really see how much they will receive a salary; they have a desire to work»* (head of production).

Of particular importance to reduce the possibility of workers' control, enhancing the role of the human factor, cost reduction was an innovative policy that through rationalization movement and activation initiative allows employees to implement the interests of the owner at the lowest cost. *«Here's another way, one great idea: a decrease in wastage by reducing the paper balances on the platform. The efficiency of the paper machine greatly increased due to the paper on the platform fully used. That is, the paper was just as much as it is necessary to cut. The economic effect was more than 20 million»* (Innovation Department).

With the establishment of additional incentives for skilled workers the owner was able to increase the number of innovative proposals aimed at improving the labor efficiency and the weakening of workers' control.

The effectiveness of management practices, offered by the owner on the production, is shown on the manager's reasoning the production process. To increase investments manager suffered production worker stake action and to demonstrate the negative impact of under-investment in production, but faced with patriotism: *«You can stop shop. Show that they cannot continue to work, but they continue to work, to give the plan. It is understood patriotism»*.

In fact, the owner was able to balance control methods and incentives to ensure good production operation, to minimize the impact of worker's control, giving the Soviet labor practices a substantial meaning.

Today «Mondi Syktyvkar is one of the leaders in pulp and paper industry and the biggest paper producer in Russia. The company's core business is the production of office and offset paper. It also manufactures newsprint and white-top kraft liner.

The mill operates three paper machines and one cardboard machine. It comprises a wood yard, a pulp mill, power plant and waste water treatment plant. Mondi Syktyvkar's fully integrated wood supply operation includes wood harvesting, road construction, wood transportation, reforestation and forest management.

In 2010, the company completed the STEP modernisation project - the biggest investment project in the Russian pulp and paper industry in the last three decades. STEP aimed to upgrade technologies, create a safer, healthier mill for employees, improve the quality and competitiveness of the products, and increase the mill's overall eco-efficiency.

The company takes great measures to protect the environment and implements various ecological initiatives annually. Through contributions to Silver Taiga and WWF Russia, Mondi has been a lead example in the process to secure the high conservation value forests in Komi, Russia. All of Mondi's forests (2.1 million hectares) in Russia are Forest Stewardship Council® (FSC) certified. Apart from 12% of protected forest plots according to the forest management plan MSY voluntarily maintains strict guarding of another 13% of the territory». [4]

4. CONCLUSION

It was considered that the efficiency problems in Soviet (post-Soviet) enterprises related with the production, but research has shown that efficiency problems associated with the management. For managers retained power resource that provides access to social benefits, opportunities for professional growth and career, the realization of other interests not always coinciding with the owner interests. Obviously, as the owner of skillfully uses the Soviet practice of labor relations in production to minimize costs.

Thus the objective of research in the field of sociology of labor is the development that increases the efficiency of the organization by improving the efficiency of workers. It's possible to assume that one can solve this problem through the study of installations on corporate success. In recent years, the first Soviet heritage formed a corporate solidarity but now it is abolished due to the economic globalization, increasing labor automation and labor mobility. Therefore, the relevance of the study of corporate labor units increases. Moreover, the proportion of office workers increases and the impact of their work is more difficult to measure, and the factor of corporate labor behavior is of great importance in the performance of the enterprise. Therefore, the research relevance of corporate labor installations increases. Moreover, the proportion of office workers runs up, the effectiveness of their work is more difficult to evaluate, and the factor of corporate labor behavior is of great importance in the performance of the enterprise.

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