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## **Post-Soviet Management and Critical Agency Theory**

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*Dr. Claudio Morrison  
HRM Senior Research Fellow  
Business and Management, Middlesex Business School  
Middlesex University,  
Hendon, The Burroughs,  
London NW4 4BT  
email: [C.Morrison@mdx.ac.uk](mailto:C.Morrison@mdx.ac.uk)  
work tel. +44 (0)20 8411 5848*

This paper intends to explore issues of trust and control, as they emerged from the labour process debate, in the context of management restructuring in Transformation Economies. On the basis of ethnographic research in post-soviet manufacturing industry, the paper will present problems faced by managers and owners in carrying out restructuring, unveil the contradictions that constrain their relationship and identify the nature of the social transformation at work in the process. The paper will contend that critical agency theory (Armstrong 1984, 1989, 199) is the best suited tool in problematising the ownership-management relationship in this context. The post-soviet context in turn, with capitalist transition still in its early stages, represents an ideal field for operationalising this approach. The peculiarity of the soviet economic system rests in the limited control by the elites over the production process, which, in turn, translates into a conflictual and mistrustful relationship within management. The emergence of outside ownership in privatised enterprises introduces a new dimension to this contradiction. This calls for problematising managerial issues of control and decision-making, keeping in sight the way in which managerial work occurs in the circuit of capital.

## **Management and ownership in the post-soviet industrial landscape**

The history of soviet management in the decades preceding the fall of the SU, through transition to present, has been one of continuous tensions, conflict and resistance to pressures from above. The most significant difference being that, while in the soviet period western analysts discounted soviet managerial practices vis-à-vis the irrationality of the command system and praised their attempt at freeing enterprises from bureaucratic ministerial interference, they switched sides after transition.

Transition to a market economy gained momentum with mass privatisation in 1993 which initially took the form of employee's ownership, in fact managerial insider's control. Western economists and liberal commentators blamed red executives for encroaching on assets, luring employees to retain control, and ultimately blocking transition by procrastinating restructuring. Focusing on corporate governance they saw outside ownership as the only solution to alleged managerial resistance to transition. The second half of the last decade has seen a change of hands with new private financial-industrial groups taking over much of the industry. The appearance of capitalist owners has not extinguished tensions but given managerial resistance a more familiar face opposing enterprise middle and lower managers to group level top executives (Johnson, 1997). Managerial resistance in the post-soviet space, as opposed to other post-socialist economies, has raised issues about cultural and institutional legacies as a key explanatory factor. Managerial resistance in Russia represents therefore a significant case to explore issues of identity and resistance in management.

Marxist scholars on the other hand have observed how the break up of the command economy did not at first yield the sudden appearance of capitalist practices and institutions but a 'marketisation' led by speculative elements transferring resources from production to circulation (Burawoy, 2001). This has left the soviet enterprise and its mode of operation more or less intact. Research findings based on the appreciation of Marxist labour process theory highlight how this is the product of a specific system of social relations, inducing co-operation of line managers and cadre workers to control labour but also to resist the scrutiny and the demands of owners (Clarke, 1995, 1996). The direct involvement of financial industrial groups into production, following the 1998 crisis, has provided grounds for interpreting post-soviet transformation in Russia in terms of 'capitalist development' as well as the possibility of identifying its current limitations and challenges (Clarke, 2004, 2007; Schwartz,

2007). Managerial behaviour in these approaches is a rational response to their contradictory position as controllers but also increasingly as controlled. Their resistance has much more to do with the limited penetration of capital in production. Findings from our fieldwork research bear also witness to the dissatisfaction of both owners and top managers with the current situation, and their growing awareness of the need for change, yet also of the limit posed by the existing system of administration characterised by control and mistrust (Morrison, 2007a, 2007b).

In this article we will maintain that the current struggle over restructuring between owners and managers highlights the profound gulf existing between them while any change in production presupposes an alignment of interests between owners and managers over the pursuit of controlling labour, ultimately achieving 'the real subsumption of labour under capital' (Clarke, 2007, p. 241).

In the first part of the article we will look at the form in which the ownership–management relationship exists in the capitalist system with a critical exploration of the Armstrong-Willmott debate around the managerial labour process. Armstrong's critical agency approach singles out managers as control agents and centres the managerial social relationship on control strategies and trust with owners. Managerial agency is not buried under a functionalist control thesis but enhanced by an historical analysis of professions as a collective agent of capitalist control. In stark opposition, Willmott attempts at constructing a labour process approach to management focused on individual identities and based on the appreciation of ambiguity and resistance found in Critical theory, coming to reject entirely any distinction between managers and workers. The second part of the article is devoted to an analysis of trust, control and deskilling in Russian manager-owner relations which will test the explanatory potentials of Armstrong's agency approach to managers as control agents vis-à-vis Willmott's view of managerial ambiguous identities. The evidence base relies extensively but not exclusively on findings from case-study ethnographic research in post-soviet management, enterprise restructuring and labour (including my own) carried out within the framework of the Russian research programme at Warwick.

Exploring how trust and control function within the management–ownership relationship and understanding its contradictions will clarify the undertaking of restructuring in post-socialism at the practical level as well as its theoretical

implications for the position of capitalist management and the plausibility of resistance.

### **Agency, Trust and Control: the management problem in LPT**

Mainstream approaches provide little basis to understand conflict and contradictions in management, yet Marxist labour process seems equally ill equipped to explore management and explain manager agency in our context, i.e. it has a lot to say about manager-worker relations but fails to look into the ownership-manager relationship. In fact, has been observed that many contributions to the Labour Process Theory (LPT) debate took a functionalist approach to management or, worse, reduced management to a mere capitalist function, basically conflating the two (Armstrong, 1984; Willmott, 1997).

The need arises therefore for an approach that consistently with a Marxist analysis of the labour process (Thompson, K., 1984; Knights, 1990) might explain management as a contradictory relationship within capitalism, open the managerial black box and advance beyond both bourgeois reductionism and orthodox functionalism.

#### ***Critical agency approach to manager-owner relationship***

The possibility of problematising managerial issues of control and decision-making without losing sight of the fact that real managerial work occurs in the circuit of capital, it will be argued here, is best dealt with in the context of a 'critical agency theory' (CAT) (Armstrong, 1991).

Armstrong first highlights that mainstream managerial approaches provide little help in this respect as they fail to recognise: (a) the specificity of the British and American conception of management, which conveys the notion of a function in its own right, 'exclusively identified with planning the profitable deployment of capital . . . and with the . . . control of subordinates to that end' (Armstrong, 1989, p. 310); (b) the 'identification of management with capital functions', which is to say that 'management cannot be regarded as a predefined set of tasks and functions. . . Instead, it is a matter of acting so as to further the aims of more senior managers (and ultimately, ownership) (ibid., p. 311). Secondly, his theorising is explicitly aimed at overcoming the risk of reducing management to a mere control function, by designing a historically founded autonomous dynamic of managerial development (Armstrong, 1984). Thirdly, it is concerned with avoiding the fallacies of post-structuralist

revisionism. What he foresees as the ‘depressing prospect’ of falling into theoretical speculations generating ‘venerable pseudo-problems concerned with the mismanagement of management’ (Armstrong, 1989, pp. 310–12). A prospect he sees within the labour process debate, specifically in relation to the emergence of critical management, should management be analysed as a labour process. This will not only obscure the real contradictions in capitalist management but, proceeding in this way, endanger the very possibility of class analysis; as in fact, if everything is merely labour process, capital disappears, i.e. it becomes impossible to identify the activities that are distinctively capitalist and the distortions they induce in the labour process. So, for example, Taylorism becomes simply a form of division of labour and unproductive labour ceases to exist as a category. Yet the problematic nature of management remains and requires a theoretical approach. This is better understood as a ‘particular manifestation of the struggle for control *within* capital and . . . the conceptual key to understanding this is agency’ (ibid., p. 310).

The main assumptions of CAT are that managerial tasks cannot be separated from ‘managerial social relationships’ and, therefore, ‘the managerial problem’, from the point of view of ownership, ‘is not one of expertise but of agency’ (ibid., pp. 311–12). However, classical agency theory is based on a paradigm of individual utility maximisation and it is mainly concerned with the design of appropriate incentive and monitoring systems aimed at aligning managerial interests with that of the owners in order to fight opportunism, identified with an undetermined concept of moral hazard. A critical approach, instead, starts from the idea that principals have to trust someone and in the context of complex capitalist organisations owners have to trust managers since they cannot trust workers! Monitoring and incentives do not eliminate the need for trust, which becomes the term on which this contradictory relationship hinges. Yet the social construction of trust, its commodification, is expensive, and employers are tempted to dispense with it on economic grounds. The history of capitalist organisations is characterised by the dynamics of control and trust. The development of management can be understood in terms of a) attempts by owners to solve the agency problem, but b) driven by competition between agents interested in securing ‘the loyalty dividends’ attached to high trust positions. The main function of new managerial professions is to provide principals with economies, derived from replacing trust with control of existing agents and delegating routine elements of managerial work to subordinates, ultimately achieving greater control over labour.

The major contribution of this conception to a comparative perspective consists in highlighting the agency, i.e. socially active, role played by managers themselves in designing control strategies; secondly, in maintaining that such strategies succeeded in winning employers' support because they responded to the need for capital to increase control and profit extraction from enterprises. At this level of generalisation, such an approach appears an interesting toolbox to explore the managerial problem in Russia.

Yet, except for one of its corollaries – the idea of intra-professional competition as a key historical aspect of management development - CAT is far from being widely accepted. In fact, it suffered major criticism by Willmott (1997, pp. 1335-1338), who instead made the use of LPT in the study of management the centrepiece of his poststructuralist reconstruction of labour process theory and the disproof of Armstrong's 'manager-agent-of-capital thesis' (and Burowoy's revisionism) a key step towards this aim. Though the clash between Armstrong's CAT and Willmott's LPT might well be considered far from being the sole or even the most illuminating moment in the debate about trust and control in management, it serves two key tasks in the further elaboration of our post-soviet management case: 1) to focus on key options about how the issue should be approached' 2) to highlight what is theoretically at stake.

### ***Willmott's critique: what and why***

A line of reasoning that is admittedly poststructuralist and aimed at nothing less than putting identity and subjectivity 'in an existential sense' at the heart of LPT (ibid., p. 1346), such as the one of Willmott, should, *de rigueur*, prompt an immediate refutation on the grounds that: its critique of Marxism and the wholehearted embracement of Critical Theory has long signalled a definite break with LPT formalised in the definition of an alternative agenda, Critical Management (Alvesson & Willmott, 2003); in turn, punctual ripostes by key LPT theorists to the claims of CM and CT have built into a now substantially comprehensive critique (Thompson & Smith, 2000). However, other than the timely coincidence with Armstrong's own return to the topic (Armstrong, 2008), there is more than one reason for considering Willmott's challenges to CAT. These are: a) the theoretical 'stratagems' he employs, reflecting the more general, and still largely influential, mode of operation of poststructuralist thinking (and Marxism challenging) in the social sciences (Brennan,

2006; Knights & Willmott, 2007), b) the possibility it offers to unearth limits and potentials of Armstrong's own propositions; c) and ultimately the advances that a recovery of subjectivity and even identity can play in reinvigorating an historical account of capitalist management, but also the risks this poses once assumed within a poststructuralist agenda. We will touch on each of these points separately and succinctly.

***Willmott's critique: the stratagems of poststructuralism***

For an argument whose main thrust is admittedly revision on a grand scale and whose target is orthodoxy one would not expect appeals to the founding fathers as the key weaponry of its critique. Yet this is precisely what W. does, first recalling Marx's and Braverman's inclusion of management in 'collective labour', then arguing against Burawoy's obliteration of the 'orthodox stratagem' of neatly separating the objective from the subjective dimensions of capitalist reproduction. This is essential in 'sanctifying', as he himself put it, the idea that management should be considered a labour process. But more importantly, to seal the structural dimension of capitalist domination, and the managerial role in it, within the paralysing circularity of functionalist abstraction from which the very contributions of Armstrong and Burawoy have tried to disentangle it. In fact, with a number of theoretical twists, W. restates the 'heuristically and politically useful distinction between "productive" and "unproductive" labour' (ibid., p. 1336) or the 'vitally important . . . methodological stratagem of orthodox labour process theory' (ibid., p. 1340) only to denounce their actual irrelevance in appreciating human agency. This is, though, not a simple and agreeable reinstatement of the limits of a quite dated Marxist orthodoxy, as we shall see.

What we observe here, following Brennan's argument about the cultural politics of CT (2006), is the poststructuralist stratagem of appropriating Marxism only to deprive it of much of its sense because of a shift from a 'system of belief' to one of 'being', or in simpler terms a replacement of class with identity politics. Willmott's (2007, p. 1369) 'appreciation' of 'struggles' encompassing 'gender, sexuality, ethnicity, religion, ageism, ecology and anti-globalization' comes as a confirmation of such a hypothesis. At a more immediate level, it can be observed how each and every of them as well as their ensemble represent a universally recognised manifestation in

politics of that ‘cultural shift’<sup>1</sup>. And something that was poised to supplant, rather than to run along class politics. Epistemologically, placing such ‘forms of inequality’ together, and in pair with class becomes possible only once the understanding of the, very different, scope and depth of social structures in which they are generated is obliterated (Armstrong, 2008, p. 5). This is in turn the result of a shift in focus from labour to identity and, ontologically, from social relations to the ‘embodied’ subject. The nude body and its solitary consciousness become the ‘site’ where these ‘contradictions’ are inscribed by ‘power’, ‘incorporated and re-enacted by the subject which comes to resemble the ‘subaltern’ of postcolonial studies. Like the latter, the manager of Willmott is flawed by an irreconcilable duality purported as a site of resistance and yet the victim of a foucaultian power. Not surprisingly W. attaches a tragic dimension to it. Further evidence of this a theoretical shift is represented by a parallel semantic shift in the form of a proliferation of metaphors, which pays homage to poststructuralist logocentrism and fundamental ambiguity (Brennan, 2006, p. 4). So, the managerial condition is revealed at any one time as ‘contradictory, problematic, contested, and equivocal’; in their relation to capital, managers are defined as ‘sellers of labour, agents and targets of control, fuelled and exploited by employers’, and their reaction appears as ‘recalcitrance’ yet ‘partial, ambivalent and not infrequently dramaturgical’ (Willmott, 1997, p. 1349). Despite the explicit endorsement of Thompson and McHugh to a ‘managerial labour process . . . “as long as the connection to the dominant capital labour contradiction are maintained . . .” (ibid., p. 1337)’, the strong poststructuralist imprint of this intellectual endeavour seems rather to suggest that ‘LPT concepts are utilized only as a “grammar or vocabulary” (Thompson & Ackroyd, 2005, p. 708)’, as they later commented on poststructuralist attempts to use LPT.

### ***Managerial labour process: managers as workers?***

But what is the substance of the argument, the charge raised against Armstrong? W. reasons that Armstrong’s rejection of a managerial labour process is ‘dangerous’, the

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<sup>1</sup> This is not to be interpreted as an out-of-time attempt at reasserting class primacy but as a reminder, surfaced significantly during the latest ILP2008 conference, that LPT cannot be used to explain everything; secondly, to highlight that the significance of the issue does not necessarily stand for the appropriateness of the approach. Institutional CT and postcolonial studies stand to their radical predecessors very much like initial analyses and struggles around imperialism and patriarchy compare to the mockery of governmental equality agendas which the former have inspired, very much to the delight of employers and HRM practitioners.



danger consisting in assuming an ‘identity between managerial work and oppressive practices of capitalist relations’<sup>2</sup>, therefore reducing management to a capital function and obscuring its contradictions. The point is based around the distinction between productive and unproductive labour. Here, as we saw earlier, W. first praises the heuristic value of the distinction, but charges A. with mistakenly using it<sup>3</sup> to draw fault lines between workers and managers, then he not only states that it is impossible to assign a uniquely unproductive quality to manager’s work but also to a single managerial task. He goes further, though, stating that the worker’s job too is a combination of the two forms of labour. Therefore, their condition is not fundamentally different. There are a number of problems with this line of argument. In terms of critique it fails to see that A. himself rejected from the beginning the idea of conflating the distinction between manual and intellectual work with the productive/unproductive divide, and declared no interest in looking into the productive aspects of managerial work (Armstrong, 1984). Therefore, even if the position of W. on the distinction is plausible, the fact remains unchallenged that: a) the nature of management is determined by its control (and decision-making) function and b) the position of managers is determined by their location in capitalist hierarchies. Asserting a class divide between ‘worker’ and ‘manager’ carries into class analysis the risk of reducing it to a Weberian classification exercise. Warning against the latter Willmott and Smith (1996) recommend we should rather concern ourselves with relations than with positions. But it is precisely on this ground, the understanding of the owner-management relationship, the attempt to uncover its constraints and dynamics, that A. justifies the need for a separate agency relationship. Secondly, despite similarities with the worker-manager relationship, it is the hierarchical dimension in which this set of relations is dynamically interconnected that makes the equivalence between manager’s and worker’s position vis-à-vis capital untenable. Willmott’s case study material seems to point in this direction: the stated centrality of professionalism to manager’s identity, their ‘recalcitrance to pressures from above’ and the greater ‘freedom to misbehave’ indicate that they might not be mere functionaries of capital and yet very much unlike workers. Willmott’s argument

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<sup>2</sup> Here W. (ibid., p. 1336) quotes A. ‘conceptualising management *only* as “a means of degrading . . . manual labour” (Armstrong, 1989, p. 309). The quote is actually referred in the original text to ‘capitalist administration’ while a more appropriate definition of managerial work by A. as ‘decision-making and control’ is to be found elsewhere (Armstrong, 1989, p. 311).

<sup>3</sup> See A. (1984) on his view of functionalism, productive and manual labour.

relies also on the idea that manager's and worker's labours are not fundamentally different as they are both controllers and controlled. On the workers' side, this allows him to 'make sense' of TQM schemes, yet it is precisely the evidence on worker's participation in these schemes, well researched and highly debated within LPT, that deprives this aspect of a solid empirical base (Harrison, 1994; Edwards & Wright, 2001; Thompson, 2003, 2005).

***Managerial agency: collective projects v. individual identity***

What about the danger of functionalism? A. focuses on the development of the control function, looking at managers collectively as professions, which, in an autonomous exercise of self-promotion, are able to design control strategies consistent with their specific ideology. Yet their success in winning the support of owners hinges on such strategies satisfying the need of capital at a particular historical time. In this way, he generates true, i.e. historical, causation. So, W. seems to say, is not this a case where once again management is seen as emerging as an unconditional ally of capital, is this not a more sophisticated way to obliterate any contradiction between owners and managers and restore the uncompromising orthodox belief that capital always wins? Actually Armstrong has a lot to say about managers as controllers but little about their condition as controlled. In a context like the Russian one where managers, particularly production managers, are locked in a bitter conflict with owners, have their old prerogatives challenged and resist hard budget constraints, promoting self-consciously their own agenda, Willmott's alternative focus on 'recalcitrant' identities might be more promising in uncovering the causes and directions of this struggle. W. argues that relations in production are reproduced through the existential media of human conduct and this can only be understood by recovering subjectivity. He does so by focusing on 'the materiality of the human subject', the struggle to gain a sense of purpose and identity. From this we can proceed to understand managerial 'resistance' as 'motivated by a defensive concern to secure an identity built upon their contradictory and precarious positioning with capitalist relations of production' (Willmott, 1997, p. 1353). In constructing such an approach, W. shows how managers can thwart performance-oriented initiatives in order to reinforce their professional identity and their status, i.e. their strategies can foil capitalist 'objectives and motives'. Surprisingly, this ought not to be in contradiction with the A. idea of the dynamic of trust and control in professions if only capitalist relations of production were not but in name put aside. Managers then become representatives of a universal

human condition subjected as individuals to an equally abstracted mechanism of control. We have talked already about the ‘fragility’ of the ‘post-modern subject’, here it is important to highlight its, individualistic and narrow, understanding of social action which fails to account for collective strategies. For agency to be conducive to social change and identity to play any role in it as a subjective medium<sup>4</sup>, what matters is collective projects not individual identity, ideology rather than emotions. This is not dissolving the individual into an undistinguished mass or reducing it to an economic category but to appreciate it as a well-rounded historical agent. Once an historical context is introduced, it becomes possible to ask in what sense managers are agents or targets of control and why; when their identity and strategies are consistent with the development of capitalist relations and what are the consequences if they are not.

***Summary: Management, history and capitalist contradictions***

Managers are agents of capital but not its obedient functionaries, their control strategies are mediated through their identities and reflect very much their interests as they might do (partially) the objectives of capitalist owners. Managers entrusted with this function enjoy a privileged position in return. Yet, managers are also the targets of controls ‘intended to make their agency more predictable and profitable’ (ibid., p. 1347). The manager-owner relationship is therefore contradictory, but to understand its terms and dynamics and, ultimately, its place in capitalist relations requires providing historical depth and context to the analysis of managerial work and ideologies. The dynamics of trust and control delineated by A. at least partially fills this gap. Historically, owners have relied on managerial professions but have dispensed with trust (of one profession in favour of another) to take advantage of the economies in the agency relationship. The struggle between professions and the delegation (fissures) within them provide an explanation for managerial ‘deskilling’ but also highlight its fundamental difference relative to labour.

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<sup>4</sup> This is precluded in Willmott’s approach as he rejects the objective character of the ‘superstructural’, i.e. cultural, dimension of social relations; and not surprisingly so, given the misappropriation that CT makes of Gramsci’s concept of hegemony.

## Managerial agency in Russia: What can Armstrong explain that Willmott cannot?

The last decade in Russia has seen bitter confrontation between, predominantly enterprise production managers and (new capitalist) owners. The story goes that managerial resistance should be accredited to an exercise of narrow self-interest, 'coloured' by a 'conservative' soviet, if not Russian, mentality. Both top and middle management would be found defending a system that granted them sweeping powers while making them unaccountable for, widely observed, poor performance<sup>5</sup>.

Critics of mainstream approaches have found this argument wanting. It has been observed that managerial behaviour could not be reduced to entrenchment and that the defence of the labour collective and relations therein could be better interpreted as an attempt to establish a form of social dialogue. This argument, by the way, suggests that looking at collective strategies rather than individual identities offers greater explanatory potentials apart from avoiding the risk of engaging in fruitless blame-games against resistance to change. Findings from research in management restructuring and labour relations highlight how enterprise management's unwelcome reception of market reforms have much to do with structural constraints posed by the soviet system of social relations in production as well as the particular business environment created by market reforms at macro-level. Furthermore, they find out that capitalist owners, including foreign ones, are no less keen than red executives in employing soviet-type control mechanism and personnel management tactics.

Issues of control, resistance and change are central to understanding owner-manager relations and the dynamics of enterprise restructuring in Russia, which therefore provides a significant test case for approaches to managerial behaviour as discussed in the previous section. In particular research findings, including our own, point to a) control and trust as presented by A. as key aspects of the managerial social relationship, and reveal, very much unlike Willmott's, b) the centrality, and relative autonomy, of social relations in production in constraining such relationship and c) the importance of soviet (historical) legacies and external (market and political)

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<sup>5</sup> A system that a foreign consultant described as a combination of authoritarian rule, decision-making on every affair concentrated right at the top, and co-operative administration, operational decisions over underspecified objectives being open to bargaining with operatives in charge of implementation. The latter providing both practical sustainability, in the form of actual decentralisation, and political legitimation, a moral economy of fairness, to inside management domination.

contingencies, in shaping respectively managers' (and owners') objectives and decision-making. The next sections will present case material on managerial control, trust, deskilling and agency which will clarify, and hopefully substantiate, these claims.

### ***The centrality of Control***

*Control as a capitalist function is the defining aspect of managerial work: Willmott cannot explain a) why capitalists tolerate managerial recalcitrance and make room for a larger than expected allowance towards managerial misbehaviour, b) when and to what extent are managerial strategies compatible with capitalist interests;*

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

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

The problem arises when, with privatisation and then with the appearance of outside ownership, demands from above gradually shift towards the achievement of financial

and quality objectives, i.e. from product to commodity, introducing a new set of contradictions, namely between the production of things and the generation of profit, familiar to the management of the capitalist enterprise but alien to Soviet management and the system of social relations upon which it relies. The incorporation of formerly independent privatised enterprises into holdings, the financial –industrial groups, has provided a governance framework within which conflicts arising from these contradictions are articulated. Under this arrangement enterprise management, as the secretary of one of this groups put it, is reverted to its original functions, production and personnel, while finance and commerce are dealt with at group level. As Clarke (2007) observes, the relationship between groups and subsidiaries are characterised by the tension between top executives, informed by market individualism, and enterprise management still purportedly acting in defence of the ‘collective’ interests of their production unit. Within enterprises, this translates in the rhetoric of the labour collective and use of traditional soviet methods of work organisation and social control. Findings from case study research (Morrison et al. 2003, 2007) indicate that such managerial practices, centred on the use of discretionary pay systems and direct disciplinary methods, aim at retaining a co-operative arrangement with key cadre workers and ultimately a form of (limited) control over the production process<sup>6</sup>. This soviet type management, based on continuous bargaining, appears increasingly at odds with demands for economies and increases in productivity whenever the monopolistic strength of the group is unable to shelter the enterprise from competitive pressures<sup>7</sup>.

If managerial resistance in the Russian enterprise is rather against capitalist management than *within* it, in what sense it is significant to our case? Because it tells us that a) the control function is central to managerial work and b) that, when capitalist priorities of accumulation appear, managerial control strategies have to accommodate them<sup>8</sup>. Comparatively, the obsession of Russian managers for controlling labour is generally contrasted to their western counterparts’ concern for

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<sup>6</sup> So, for example, cadre workers praised the piece-rate for ‘forcing workers to work’ but, as a manager respondent observes, this system always implies some discretion on the part of workers as to how results are achieved and how much effort they put into it.

<sup>7</sup> A key respondent working as head of production, referred to it as ‘democratic’ management as opposed to the ‘authoritarian’ methods employed by new (capitalist) owners. He later accepted that the former is not compatible with market-oriented production.

<sup>8</sup> As our manager and worker respondents came to realise the priority for new capitalist owners was not simply to put to test their organisational, technical or leadership skills but to direct them to specific financial and quality, i.e. market, targets.

other areas of managerial work. What the experience of transition suggests, though, is that this might be ascribed to the fact that control over labour in mature capitalist countries, since Ford and Taylor, is incomparably greater, and that workers' (and petty managers') autonomous decision-making is the first victim of the development of capitalist management.

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

### ***The social nature of trust***

*Trust rather than expertise is the essential component of the manager owner relationship, albeit contradictory: Willmott fails it when presupposes that trust or lack of it is equally shared among employees, i.e. workers and managers are both controlled.*

One of the consequences of limited control over the production process in the soviet system was a conflictual and distrustful relationship among the agents distributed along the hierarchy of its centralised command structure, and particularly between enterprise managers and overarching bodies. Consistently with Armstrong's thesis, lack of trust was compensated by cumbersome control over managerial decision making. Such a feature of soviet management according to Clarke (2007) has not been yet modified by private (capitalist) ownership and our ethnographic research suggests that lack of trust between managers and new owners has much to do with it. This line of argument raises two immediate objections, a) whether the conflict between managers and owners should not be regarded as a temporary feature resulting from the dramatic contingencies of economic slump and hostile takeovers and b) whether the use of administrative control and 'direct interference' should equally do as a peculiarity of a new (authoritarian) Russian capitalism. Relying on scholarship of the soviet system as well as the very accounts of our respondents we find petty tutelage a systemic feature of Russian management but, following Clarke, we will maintain this is not to stay with us if capitalist development reaches deeper in the management of individual economic units.

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

Managers in our case study enterprises have sought to get over this impasse by working for reforms aimed at standardising procedures and making managerial work more transparent for owners to see but also more reliable for managers to work with<sup>9</sup>. The experience has been so far disappointing: top executives have felt that normalising relations with subordinates might deprive them of an essential control stick while subordinates have shown unwillingness to volunteer information about their 'strategies' for fear of reprisals. One of the consequences is that whatever solution managers might find will not translate into innovation as western managerial common

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<sup>9</sup> In itself the case presents a routine attempt at introducing western managerial technologies. What is remarkable here is managers' conviction that its introduction is not simply meant to address 'human factor' failures but to replace the very culture of blame and the underpinning control system that feeds on them. It is equally significant that former red executives might come to identify the latter as a specifically soviet control system and distance themselves from such system once the external contingencies and systemic pressures under which they operate changed.



sense will dictate. While on the other side owners are made quite reluctant to invest and grant decision-making powers to untrustworthy subordinates<sup>10</sup>.

This can contribute to explain the frailty of Russian economic recovery at micro level and its poor development perspectives. It also leads us to conclude that trust between managers and owner is a crucial ingredient in establishing capitalist management of Russian companies. Controlling managers and workers alike, as one of our respondent put it, was the first mistake of the post-privatisation era leaders. Resistance and mistrust by managers cannot be the norm.

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

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

### ***Deskilling as fissure***

*Deskilling in management has to be understood as an extension of the division of labour in the capital function: A managerial labour process cannot explain cases when deskilling does not occur in the case of management;*

One problem that has tainted post-soviet restructuring consists in the practically conflicting requirements of subordinating operational managers to entrepreneurial executives but also to have the former adopting a market-oriented mentality and imposing discipline over workers. Capitalist development in Russia has led to finance

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<sup>10</sup> The answer emerging from the accounts of respondents points to the absence of trust as a primary determinant of this impasse. Owners quite reasonably expect managers to deliver in terms of cutting costs, raising quality and reducing the workforce's indiscipline to acceptable levels. Managers at almost all levels feel deprived of the autonomy, the material resources and the rewards which they deem essential for achieving these goals.

and commerce eroding the once dominant position of the production function. Production managers complain of loss in status, actual limitation of prerogatives and discrimination in pay. These problems are particularly acute among lower and petty managers as they feel an unsustainable pressure to deliver while confronting ever growing limitations to traditional informal methods. It is reported that in privatised enterprises this may lead to line managers identifying themselves with subordinate workers and taking their sides against superiors. Russian analysts report on these issues in terms of 'problems of integration of line managers' (Goncharova, 2005).

Responses vary depending on type of ownership and process but FIG controlled enterprises present the following path. On the one side, top managers have resorted to exclusionary practices towards old 'recalcitrant' cadres, aimed at ultimately replacing them with younger, market oriented managers; on the other side, policies of integration are seen in operation: the granting of better (as compared to workers) status and pay in order to clearly demarcate the workers manager divide<sup>11</sup>. These though have engendered problems in the manager-worker relationship. The expected solution, the research concludes, lies in greater 'authoritarianism' of the shop chief<sup>12</sup>. Ultimately, it is expected that future managers (including line managers) will stand on the side of the enterprise and share the vision of top managers. To the extent that one recognises such strategies as pursuing deskilling, the 'consummation of the real subordination of capital to labour' (Armstrong, 1984: 319), they seem to entail quite different though clearly interdependent processes: integrating managers, subordinating workers. Whether cultural change and generational turnover are sufficient means to such end, and in fact qualify as deskilling in a LP sense, it is another matter, though a theoretically as well as practically essential one.

Deskilling of both workers and production managers should entail fragmentation and deskilling, i.e. subordination via division of labour, not just to qualify in principle, but to achieve practically effective control of the labour process. Lack of it in most of the

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<sup>11</sup> A third strategy, referred by G. (2005) and observed in our case studies (Morrison, 2007), is delayering. Removing the people does not necessarily remove the problem. In the absence of a new division of labour, this move has proved to make matter worst in that it also removes a buffer between workers and managers. On the other side, the very heightening of confrontation it engenders might stimulate more resolute changes.

<sup>12</sup> This is a recurrent theme in fieldwork findings and a quite remarkable one. It is a potent reminder that what would be regarded as the 'normal' exercise of managerial authority in capitalist conditions is perceived as an intolerable intrusion by those living in a different system. It is quite ironical too, given that such system was almost universally labelled as 'authoritarian' by western liberals. Finally, it reinforces the argument that there is very little ambiguity in capitalist management.

Russian cases, as anticipated by our discussion of control in the previous sections, might explain the unusual occurrence of managerial resistance. What line managers in our case studies resented most was the increasing chasm between their crucial role in production and the loss in status and pay; leading to confrontation with shop chiefs, described as 'sitting in their office while all the work is done by foremen without any reward or recognition'. As one put it boldly, 'what we need all these managers for?' The situation is altogether different where greater responsibilities and more work are compensated by clearer (and narrower) tasks and more control. At this Moldova based-FDI exporting quality clothing, the reorganisation of managerial work and labour organisation has been sufficiently thorough to put former soviet managers at ease with the requirement of world manufacturing as well as confidently in control of supervisors and ordinary workers. True tells the shop chief, 'now we have more responsibilities than before when one sat in the office in charge of yearly plans . . . now on a Monday we might hear that a customer requires thousand units of such and such item . . . many models and never the same . . . it is difficult but interesting . . . for me it is easy, because I know the technology, I can sit down and show you what I am capable to do. New electronic machinery is fast, you have to adjust to the pace or get worn off rapidly. If a worker does not understand so I tell her: "you do it this way!". Discipline? At the end of the season, we check out 'weak spots' - the sick, the truant - and get rid of them.' Line managers here have narrower, more definite tasks and work closely with the shop chief to organise and fine tune the production process. They all complain about the poor pay and the crazy work pace but 'work on the machines is monotonous'. They still retain some discretion 'but' as one put it: 'I can never say that something cannot be achieved: everything is possible if you try enough'. It is workers who ultimately take the brunt, their responses not surprisingly portraying a case of material deprivation and exploitation. Such enthusiastic embracement of just-in-time production by line managers might raise reservations about the typicality of such case but in this corner of the former USSR marketisation and FDI-led restructuring have taken a clear turn towards differentiation of roles and conditions between managers and workers. Here, 'foreign capitalists take some into management and these forget they belong to the same place as the other [workers, C. M.]', a top trade union official bitterly remarks.

The Russian enterprise has not seen full scale rationalisation but this is not to say that nothing happened. Hard-budged constraints have led to a crude intensification of

work. The loss of autonomy, intensification of work, and the decreasing success at bargaining are unevenly affecting workers and managers. Corporate policies pursuing the 'integration' of line managers into the chain of command amidst increasing tensions in the shops between cadre workers and shop managers bear witness to quite different deskilling processes.

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

## Conclusions

What does the experience of post-soviet restructuring tell us? First we are confronted with the apparent paradox of managerial resistance being used to back Armstrong's argument directed ultimately against the very plausibility of managerial resistance *under capitalism*. On the other hand, one should also wonder whether the insistence of mainstream sources in blaming Russian managers' 'resistance to change' might not be too loud a cry, i.e. a justification for the failures of transition? In fact, managerial 'recalcitrance' in Russia, now as in the past, has more to do with room left for discretion than with resistance, yet this does not mean that it is not a real obstacle to the introduction of capitalist management in the enterprise. Whereas, the structural features of capitalism in the post-soviet space could be, roughly speaking, imposed by decree<sup>13</sup>, capitalist management of economic unit instead requires the willing and purposeful participation of management, their trust. Managers' own experience has come to appreciate it as an alternative to economic stagnation or personal annihilation, which result from collective or individual resistance.

Where resistance stems from? Again paradoxically, it is the ambiguous position of the red executive, trained as an agent of the party-state but made into an autocratic leader of his or her labour collective that represents the problem. Such ambiguity has proved so far to be at odds with capitalism, i.e. hard-budget constraints and market-oriented restructuring. In fact it can only survive as a strategic, yet increasingly marginal tool of social control (and consent) in such way as E. P. Thompson's 'customs in

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<sup>13</sup> It still required two coup d'état (the failed coup in 1991 and the bombardment of the parliament in 1993), the destruction of the economy and the death of several millions, this despite a strong initial support at least in principle by the general populace for privatisation.

common' (Thompson, 2001) of the pre-industrial moral economy<sup>14</sup>. This echoes Armstrong's point (2008, pp. 6-7) against a reductionist approach to social structuration. Simply stressing the gulf between 'deep' and 'surface' structures would be quite reductive. What the study of change in managerial practices calls for is an appreciation of the relations these two levels entertain with each other. It becomes then possible to say that managerial practices do enact and reproduce social relations *at any given historical time*. Where historical means not only assuming legacies (cultural or institutional) from the past but a) dialectically reconnecting agents as social actors to the structures apparently constraining them as individuals; b) assuming a scale of analysis and narration appropriate to the social magnitude and anthropological depth of the transformation under scrutiny.<sup>15</sup>

Soviet managerial practises are not simply sustained as a way to resist scrutiny and reassert authority over subordinated. They have been pursued with varying degree of awareness as part of a strategy to restore a social pact on the basis of the existing system of social relations. Managerial resistance to hard-budget constraints and outside owners' interference has been also an attempt to preserve the conditions under which material production and social reproduction are sustained. The problems and tasks deriving from adjustment by managers to the conditions of capitalist ownership cannot be deterministically presupposed but can only be recognised if managerial agency is reconnected with the materiality of social relation rather than the material of a solipsistically identitarian subjectivity, as historical rather than hysterical agents.

What then about identities? The collapse of the Soviet Union has generated so deep a crisis that both individual and collective identities could hardly stay put. Why it would be impossible to even attempt to survey the post-soviet identity issue, it is both possible and necessary to look at changes in the relationship between identity and work. The most recent research on gender, employment and identities (Ashwin, 2006; Kay, 2006) indicates that professional identities do play a role in the chain of

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<sup>14</sup> To be sure, some would claim that autocratic and paternalistic forms of social control revived in many prosperous Russian companies might become permanent features of a distinctively Russian 'feudal' capitalism such as in US 'Modern Manors'. There is no reason to deny such possibility. This argument though fail to see the crucial structural change under way and the actual impossibility to retain a duality of power and organisational principles in economic co-operation that solely make sense of the catastrophic magnitude of such 'counterrevolution'.

<sup>15</sup> The failures of mainstream approaches at grasping managerial restructuring in a post-soviet context are a striking example of the consequences of overseeing such point. Reducing a regime change to a change in systems of administration such as those taking place in capitalist countries adopting neo-liberal reforms missed the nature and scale of the task for resurging capital in the FSU.

transformation unleashed by transition, yet, the outcomes seem confirming Armstrong argument.<sup>16</sup> Findings from research into gendered individual strategies come to two major conclusions: a) that is men who have suffered most from change, the reason being precisely the disproportionate role that work played in constructing their identity and sustaining their status; 2) that resistance to adaptation to a capitalist job market based on professional identity led in many cases to destitution (Ashwin, *ibid.*: 92-108) and ‘rigidity and resistance to change were simply not an option’ (Kay, *ibid.*: p. 81), leading the new generation to prioritise ‘income generation versus professionalism and the intrinsic value of high quality work’ (*ibid.*: p. 95). A third point though also emerges that while changes affected most men and all professional-oriented workers, still a different accent could be recognised in assessing job market changes: whereas a worker could sympathetically assert that in soviet times ‘a skilled man . . . used to be able to influence things’, for those ‘with higher education’ and ‘managerial responsibility’ or entrepreneurial orientation ‘the freedoms of the Soviet system’ existed only ‘in a negative sense’ (*ibid.*: pp. 90-92). This reinforces the findings of our cases where they show that opportunities for self-assertion by managers as an outcome of transition are rather at the expense of workers.<sup>17</sup> The latter instead, as a trade union leader put it, ‘have been left nostalgically ruminating such idea: “I am working class”; yet, here you are just hired hands’. They believe it to be ‘wild capitalism’ but it sounds as much capitalism as it can be to me

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<sup>16</sup> Here we refer specifically to the counterargument ‘that identities in late capitalism are mostly constructed not through work’ and when they do in the case of managers ‘not in the contrarian manner’ (Armstrong, 2008, p. 27)

<sup>17</sup> it is not that conflictual identities among workers could not be found at all, only that they could only make an impact within a collective or labour movement and cases of this kind have been found to these days to be rare and fragile.

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