

Some Facets of Human Resource Management in the Industrial Organizations in Bulgaria after the Privatization

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Summary: The current article presents a part of the results of empirical survey, conducted to explore the condition of human resource management in the privatized industrial organizations in our country. The generated results may assist the surveyed companies' managers in their pursuit of high level organization's competitiveness after Bulgaria's unification with the European Union members.

Key words: human resource management, industrial enterprises, "employer – employee" relationship.

JEL: O34, A12, K0, M0.

Introduction

The privatization process ended, but the challenges in front of the Bulgarian economy are getting more serious than usual. The price increases of the energy resources all over the world, the wild development of technologies, and the cultural clashes force the managers from the private industrial organizations to carry out continuous

organizational change with the aim of achieving profitability simultaneously in two ways – through cost reductions and through growth, due to the intellectual capital utilization. All this made me show some interest in the current state of human resource management after the change in the ownership of these organizations.

Description of the private industrial organizations

The following definition of private industrial organization is given in this survey: *each state-owned or municipal enterprise (company) with activity in the industrial sector, for which the previous owner has sold with a contract of sale above 50 % from its equity capital to a private economic entity (the new owner), who manages the enterprise after the sale.* The focus in the survey of such organization encompasses two periods of development:

- The term of the sale contract, during which *The Post-privatization control agency* monitors the realization of the signed agreements and has the right to impose certain sanctions.
- The period in the organization's existence, starting immediately after the term of the sale contract up to the survey implementation moment.

The second period attracts attention because of varied models of ownership, observed in the privatized organizations (dominant foreign investors, “workers-managers” partnerships, dispersed ownership, cross-ownership, dominant local investors, a consortium between a “workers-managers” partnership and a mighty investor), existence of residual state-owned shares, enacted employee stock ownership schemes, unsatisfied restitution claims, a joint participation of investors with different cultures and the on-going new owners’ regrouping process, which bring forth many problems.

Consequently, now Bulgarian economy’s basic problem is not the ownership transition in private entities (How? When? Whom to? What conditions?). The quality of the post-privatization management in the industrial organizations comes to the surface, because it has to ensure the adherence to the treaty obligations by the new owners and the enhancement of the companies’ competitiveness. History shows that sometimes these aims may be contradictory to each other because of environmental complexity and dynamism.

During the post-privatization period the managers of many industrial organizations face *different challenges*: *the first* (already mentioned) is due to the accepted obligations to the *Privatization agency* (contract clauses, arranging social aspects, investment program, environmental obligations, etc.).

The second springs from bad management (including postponed restructuring) in these organizations, because of insufficient finances, unsatisfactory level of competency and/or motivation in previous management teams and political influence. The organizational restructuring is unavoidable and exigent for the survival of these enterprises.

The third results from enacted labor and social laws, enacted collective labor contracts and other agreements with the trade-unions.

The fourth stems from the inertia of company decay, which inevitably affects the new shareholders, even if they do not realize it. But the spiral of decay in great number of organizations in Bulgaria winds up by the dominant environment of secrecy and denial, permanent critical attitude and haughtiness, responsibility avoidance and turf wars, passivity and helplessness, typical for the continuous political and economical crisis in Bulgaria.

The fifth comes from the European Union accession of our country, which enforced the industrial organizations to implement within certain end terms many requirements, posed by the European Committee representatives during the negotiation process and accepted as obligations in the accession contract chapters, signed by the Bulgarian government (for instance implementation of quality management systems, ecological requirements, new rights for the customers, etc.).

The sixth is due to the intensified global competition, even forcing the new owners to return to the markets, lost by the companies in the 1990s.

The seventh springs from the managers’ values, ways of thinking and deep beliefs in relation to the human resource management (**HRM**). It seems, that the Bulgarian society has not defined yet (or can not economically afford to select) the profile of the desired investors, demonstrating appropriate firm culture. Few of the companies, included in Fortune’s “Top 500” list of the most successful firms, engage in production activities on the territory of our country. The companies’ owners, registered under the cover of the off-shore zones, represent high percent. In addition, a part of the foreign investors, registered in the developed countries, turn out to be possessions of mighty organizational groups from other regions of the world, including other economies in transition.

The eighth results from the complexity in management of a great number of enterprises by the former privatization funds, most of which were transformed into holdings in order to be able to possess more than 34 % of their daughter-companies.

Experience reveals that whatever balance is sought in the process of meeting the above mentioned challenges, the new owners of private industrial enterprises at least have to minimize the unfavorable consequences of failure to fulfill the accepted obligations. That is why the relations with the Post-privatization control agency attain great importance. In some cases these relations aggravate, because of failure to fulfill or skillfully undertaken actions for circumvention of contract terms by the new owner. The accomplishment of such actions results from the economy dynamics, which determines that keeping of the contracted terms under changing environmental conditions, may deteriorate the performance of (and/or even turn out to be disastrous for) the privatized organization. As a whole, certain demeanour does not generate insurmountable problems for the new owners of private industrial enterprises, because of sluggish legal proceedings, insufficient organizational capacity of the state administration, dealing with the privatization process, shortcomings in the enacted laws and lack of laws in certain areas. This contributes to low percent collection of state receipts of penalties for braking contracted obligations by the new owners of industrial enterprises. In addition, these state receipts are not traded as cessions. There is no uniform appraisal system of reasons, benefits and alternatives for signing annexes in addition to enacted contracts between certain ministries and private entities, which may provoke acts of subjective attitude in "state – investors" relations. Some expenses, made by the managers of private industrial organizations, can not be unambiguously classified as "investments", because the enacted Law on accountancy makes no provision of such

cases, although it should classify the expenses as current and investments. Still, a regulation of such expense classification is not created. The Law on privatization does not define the people, working on civil-law contracts for personal services (workmanship contracts), as personnel of the private industrial organization, although the enacted labour laws treat them the same way as the people with labour (employment) contract. The Agency of post-privatization control has the right only to ascertain, that a privatization contract is liable to braking, but the respective ministry or the Privatization agency have to undertake actions for endorsement of the shares. According to the law this endorsement has to be voluntarily accomplished by the current enterprise owner, but experience reveals that such case has not occurred, so legal proceedings are initiated. A precedent for reverse acquisition of privatized industrial organization by the state, because of failure to fulfill the privatization contract terms, has not happened yet. And a controversial question emerges: "To what extent was a new economic environment established, providing opportunities of Bulgaria's full industrial restructuring after the privatization?"

Additionally, the low levels of personal incomes, the weak investment culture of the local population and the lack of mighty institutional investors – pension and mutual funds, insurance companies, further stock exchange market's underdevelopment and inefficiency, so that the traded shares of the private industrial enterprises (not only their shares) can not reach their fair market value. This forces the managers to abstain from offering for sale their shares on the stock exchange, so they have to do without the cheapest credit resource. On the other hand the inefficient appraisal of the traded securities by the capital market stimulates the shareholders to wait for higher prices, hampers the performance appraisals of the traded companies, may exert unfavorable influence on management quality and "managers – shareholders" relations.

The workforce reporting schemes of the Employment agency and the National statistical institute do not allow: defining the exact number of the population, living in Bulgaria at frequent periods (months, seasons, etc.), defining the exact percent of the unemployed, and the natural unemployment rate is left indefinite at this stage of Bulgaria's economic development. That is why the managers hardly develop an adequate general company strategy and an adequate human resource strategy, but the political promises quickly prove to be unrealistic and finally the business circles form their pessimistic expectations.

Methodology of the survey

The privatized industrial organizations operate in complex and dynamic environment, which heightens the importance of the human resources for the organizational survival and achievement of sustainable competitive advantage. HRM is conducted through interaction between the organization, represented by its managers, and the employees. The recommended in the popular literature approaches, principles, purposes, methods, techniques and practices, typical for the leading organizations from the developed economies, are chosen as standard of HRM in the privatized industrial enterprises. Thus, the lack of authentic information about HRM in leading organizations from the developed economies is compensated to some degree. The collecting of greater volume and more reliable information about HRM in the privatized industrial organizations requires a questionnaire survey to be conducted in a group of five privatized industrial enterprises, operating in different branches, each of them with personnel of at least 250 people. The following *basic research question* is posed: "What are the HRM system components, processes and relations in the private industrial organizations?" A part of the results, received in this questionnaire survey,

is shown in this article. These results represent the following *investigative questions*:

- How are the hired workers (employees) paid in the organization? It includes questions 16 – 18 from the questionnaire.
- What are the characteristics of the company's labor policy? It includes questions 19 – 22 from the questionnaire.
- To what extent do the managers use contemporary practices in the managing of their subordinates and the interaction among themselves? It includes questions 23 – 32 from the questionnaire.

Each investigative question is represented by a number of *questions, shown on the distributed form* (q.o.f.), and directed to the personnel members of the surveyed industrial organizations.

Survey results

According to the inquired people "the premium, which amount depends on the total financial results of the company" (81.5 %) and the bonus pay (37 %) are the most popular additional rewards. In this way the managers take pains to unite the personnel through planned equal percent for everyone, and without delegating to the supervisors the right contentiously to determine "the individual contribution" of their subordinates within certain means of payment, allocated to the unit.

The managers in the investigated organizations do not use: "employees' stock ownership for free or with abatement from the price", "employees' options for stock ownership for free or with abatement from the price", "well pay" and "safety pay" (q.o.f.16) (see Table1).

The rejection of personnel's stimulation by means of stock ownership plans reveals that the

managers: do not assume the organizations may greatly increase their profitability in the near future; underestimate the personnel's role for improvement of the company's performance; and fear of strengthening the workers' influence on the management boards.

The abstaining from application of "well pay" prompts that the managers in the surveyed companies take the current unemployment level

and the non-payment of compensation during an employee's absence as efficient disciplining factors in the career of their subordinates.

The administrative penalty provisions for employers in cases of labor injuries do not upset the managers, because of their low rates. This is the reason why the managers do not offer "safety pay" to their subordinates.

Table 1. Provided additional rewards.

Group \$X16 Provided additional rewards. 16. What additional rewards does the company provide for you? (You may mark more than one answer.)

Multiple Response: (Value tabulated = 1)				
Dichotomy label	Name	Count	Pct of responses	Pct of cases
premium, which amount depends on the total financial results of the company	X16.1	22	59.5	81.5
bonus pay	X16.4	10	27.0	37.0
profit-sharing pay	X16.5	3	8.1	11.1
loss prevention pay	X16.6	1	2.7	3.7
gain-sharing pay	X16.9	1	2.7	3.7
Total responses		37	100.0	137.0
23 missing cases; 27 valid cases;				

Table 2. Basis of individual remuneration value.

17. On what basis is the value of your remuneration in the company defined?

Values of the variable		Frequency	Percent	Valid percent	Cumulative percent
Valid	individual quantitative results	2	4	5.1	5.1
	exerted efforts (worked off time, shown assiduity, etc.,)	13	26	33.3	38.5
	proven capabilities (potential)	15	30	38.5	76.9
	other (but no comment)	5	10	12.8	89.7
	by the contract	2	4	5.1	94.9
	by the law	1	2	2.6	97.4
	the lowest compensation for the position	1	2	2.6	100.0
	Total	39	78	100.0	
Missing	System	11	22		
Total		50	100		

The inquired people state that “proven capabilities (potential)” (38.5 %) and “exerted efforts (worked off time, shown assiduity, etc.)” (33.3 %) are the most popular bases for value determination of the individual remuneration. 22 % of the inquired people have not answered this question (q.o.f.17) (see Table2). This shows that worker’s compensation in the surveyed companies predominantly depends on diplomas and certificates, personal traits, references by previous employers or tests and competitions, which is appropriate only in case of signing on an enterprise for a starting salary. The incumbent’s presence on the workplace, the demonstration of assiduity in doing one’s job and the completion of a certain task within a planned period of time are the key factors, determining employee’s remuneration.

The compensation of individual quantitative results is seldom used in the surveyed organizations, which does not further high-productive labor, high quality standards and implementation of techniques for qualitative and quantitative measurement of employee performance. High percent of the respondents have not replied to this question, which reveals that remuneration settlement is ambiguous for the workers (employees).

The cumulative percent shows that 97.7 % of the respondents do not know the amount of the current managers’ remuneration packages (q.o.f.18) (see Table 3). Hiding of information about the structure and the amount of remuneration packages in an organization causes gossiping, rumors, distrust, dissemination of erroneous information and undermines the intrinsic fairness feeling in the workers. A graded response scale with seven alternatives is used here. The alternatives in the range of “1 – never ÷ 4 – neutral” are counted as a negative answer. The alternatives in the range of “5 ÷ 7 – always” are counted as a positive answer.

52.8 % of the respondents consider that there are instances of insiders’ being promoted to management positions. Thus, the managers make efforts to stimulate the employees’ career endeavors. 26 % of the respondents can not assess, which shows a great variety of methods, ensuring incumbents in the companies’ management positions (q.o.f.19) (see Table 4).

90 % of the respondents are appointed to the respective employer by means of unlimited labor contract, the others – by means of periodic labor contract (q.o.f.20). This reveals that the managers in the surveyed industrial organizations abide with the labor laws.

Table 3.

18. Does the company management inform you about the amount of the current managers’ remuneration packages?

Values of the variable		Frequency	Percent	Valid percent	Cumulative percent
Valid	1 – never	40	80	90.9	90.9
	2	2	4	4.5	95.5
	3	1	2	2.3	97.7
	5	1	2	2.3	100.0
	Total	44	88	100.0	
Missing	Don’t know	5	10		
	System	1	2		
	Total	6	12		
Total		50	100		

Table 4.

19. How often are insiders from the company promoted to management positions?

Values of the variable		Frequency	Percent	Valid percent	Cumulative percent
Valid	1 – never	2	4	5,6	5,6
	2	5	10	13,9	19,4
	3	3	6	8,3	27,8
	4 – neutral	7	14	19,4	47,2
	5	6	12	16,7	63,9
	6	3	6	8,3	72,2
	7 – always	10	20	27,8	100
	Total	36	72	100	
Missing	Don't know	13	26		
	System	1	2		
	Total	14	28		
Total		50	100		

88 % percent of the respondents work under the condition of full work day (day time shift). Overtime is often required by the employers of 22 % of the respondents. 14 % of the respondents work in rest days. "Disunited working time", "different work time, depending on the season", "incomplete work day" and "half work day (job sharing)" are not used in the surveyed enterprises (q.o.f.21) (see Figure 1). The industrial branch, the specific character of the activities, the used machines, equipment, technologies etc. determine the applicable

forms of work time flexibility in the surveyed companies.

The cumulative percent shows that 92.9 % of the respondents attribute negligible influence to the labor union in the respective company (q.o.f.22). These results are validated by the widely-reported common tendency in Bulgaria towards abatement of the power of the local labor unions as a whole, which may be explained with the undertaken laying-offs immediately after the privatization of the respective enterprises

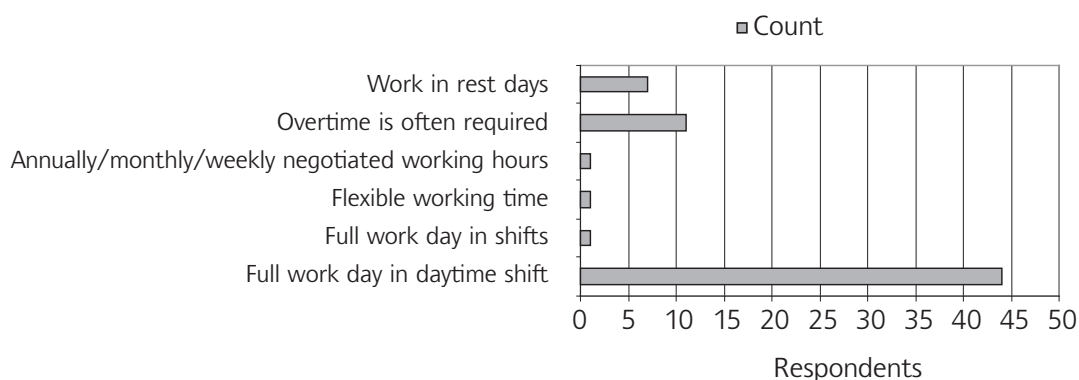


Figure 1. Workday characteristics. Group \$X21 Workday characteristics. 21. What is your work day in the company characterized with? (You may mark more than one answer.) Multiple Response: (Value tabulated = 1). 0 missing cases; 50 – valid cases.

and the trade-union's inability of protecting the interests of the great number of their members at that time.

77.3 % of the respondents state that their immediate superiors (supervisors) set them a personal example in managing (q.o.f.23). The personnel laying-offs and the resulted continuous abstention from employees' (workers') appointments during the first years after the privatization determine that the managers are familiar with their subordinates and the processes in the surveyed companies. The experienced hardships have educated them that managers and employees (workers) are passengers in one boat. That is why new labour ethics, supporting the successful development of the surveyed enterprises, emerges.

89.1 % of the respondents consider that their supervisors do not show disrespect/disregard of talented employees (q.o.f.24). The mutually experienced organizational re-engineering has contributed substantially to personnel's unification or at least to the establishment of

conflict avoidance aspiration. On the other hand the supervisors of the surveyed companies have no rights to select and dismiss their subordinates or distribute collective extrinsic rewards among them in comparison to their colleagues, working for leading organizations from the developed countries. The survey registered even a case of a fired supervisor in one of the surveyed companies, because of his workers' complaints.

83.3 % of the respondents consider that their supervisors do not shirk to assume responsibility (q.o.f.25). The supervisors, working in private industrial organizations, must be ready for making decisions and initiating actions in more complex environment – breaking the ice (working well) with any new owner (or his representatives), supporting the seamless functioning of the respective enterprise, although the experienced (and sometimes repeated) ownership structure changes – results of mergers and acquisitions. The regrouping of the new owners was the outcome of these mergers and acquisitions. This process started immediately after the sale of the greatest part of state's assets, liable to privatization.

Table 5.

26. Does the supervisor keep the rule: "the boss is always right", regarding the managers from the higher hierarchical levels?

Values of the variable		Frequency	Percent	Valid percent	Cumulative percent
Valid	1 – never	3	6	8,3	8,3
	2	5	10	13,9	22,2
	3	2	4	5,6	27,8
	4 – neutral	5	10	13,9	41,7
	5	2	4	5,6	47,2
	6	9	18	25	72,2
	7 – always	10	20	27,8	100
	Total	36	72	100	
Missing	Don't know	13	26		
	System	1	2		
	Total	14	28		
Total		50	100		

58.3 % of the respondents state that their supervisors keep the rule: "the boss is always right", regarding the managers from the higher hierarchical levels (q.o.f.26) (see Table 5). Supervisors' survival drive appears as a logical result, given the high percent of unemployment at survey's realization moment, the necessity of working well with every new owner of the enterprise. The high percent of the surveyed people, who have not responded to this question, may be analyzed as demonstration of cautiousness in order not to create unwanted conflicts with their superiors.

63.4 % of the respondents assess that their managers collaborate in the name of the company's mission (q.o.f.27), which reveals a tendency to management quality improvements in the surveyed enterprises after the privatization.

75 % of the respondents consider that their supervisors pose clear requirements to them (their work) (q.o.f.28). The supervisors' demeanor results from acquired education, accumulated experience, acquaintance with the subordinates and acquired additional

qualification, provided by foreign producers of machines, equipment and new technologies, implemented after the privatization in some of the surveyed companies.

74 % of the respondents consider that their supervisors give support to the subordinates' work (q.o.f.29). The power and the directions of this support are probably different in each of the surveyed companies, because the supervisors' intentions are confined by the assigned rights and obligations in their job-descriptions (for instance: to distribute the work, to train their subordinates, etc.) and the dominant firm culture.

55 % of the respondents consider that their supervisors do not win their loyalty with promises of job security (q.o.f.30) (see Table 6). The supervisors' organizational statute (for example: limited rights in appointment and dismissal of employees) and the history of these enterprises in the transition period clearly reveal that these entities are not capable of keeping such promises.

Table 6.

30. Does the supervisor win your loyalty with promises of job security?

Values of the variable		Frequency	Percent	Valid percent	Cumulative percent
Valid	1 – never	8	16	20	20
	2	6	12	15	35
	3	4	8	10	45
	4 – neutral	4	8	10	55
	5	4	8	10	65
	6	7	14	17,5	82,5
	7 – always	7	14	17,5	100
	Total	40	80	100	
Missing	Don't know	9	18		
	System	1	2		
	Total	10	20		
Total		50	100		

68.4 % of the respondents declare that their supervisors show long term orientation in job excellence (q.o.f.31). This answer is probably a result from the training sessions, accompanying the implementation of ISO quality management systems, characterized by required certificates and accidental checks in the enterprises by specialized organizations.

56 % of the respondents state that they do not have to sacrifice their personal life (insufficient attention to spouse, children, sports and entertainment), because of career successes (q.o.f.32). In this way most of the people, working in the surveyed companies, achieve acceptable "work – family" balance. It may be concluded that the employers do not put under pressure their workers in this respect, because they can not (or do not want to) ensure the necessary conditions of the workers' achieving higher labour productivity and propose remuneration packages at the levels of the leading companies from the developed economies.

The group of the survey respondents has the following *demographic characteristics* (q.o.f.33 – 37): a) **Gender**: 36 % – males and 64 % – females; b) **Educational level**: 2 % – elementary education, 2 % – secondary education, 32 % – specialized secondary education, 4 % – college education, 2 % – higher education: bachelor's degree, 58 % – higher education: master's degree; c) **Age**: 4 % – 18 – 25 years, 32 % – 26 – 35 years, 44 % – 36 – 50 years, and 20 % – 51 – 65 years; d) **Occupied position**: 12,8 % – functional managers, 68.1 % – specialists, 8.5 % – assistants, 10.6 % –

workers; e) **Length of service in the company**: 10 % – less than 1 year, 8 % – between 1 and 2 years, 4 % – between 2 and 3 years, 18 % – between 3 and 5 years, 12 % – between 5 and 10 years, 48 % – 10 years and more.

Conclusion

The following conclusions answer the already mentioned investigative questions:

- The surveyed companies lead more conservative compensation policies in comparison to the leading organizations from the developed economies. For example the workers' (employees') access to stock ownership in the surveyed enterprises is limited to the guaranteed shares by the Law on privatization. The amounts and the levels of compensation are secret in the surveyed companies. The diversity potential of the management methods is not completely utilized.
- The surveyed companies lead more conservative labour policies in comparison to the leading organizations from the developed economies, regarding the extent of trade-unions' influence on the management boards and the working-time flexibility.
- As a whole, the managers use contemporary practices in the managing of their subordinates and the interaction among themselves, depending on acquired organizational statute, held deep beliefs, dominating organizational climate, etc. The potential of the administrative and social-psychological methods of management is not completely utilized in the surveyed companies. **VIA**