

# THE SOCIAL STRUCTURE OF SELF - MANAGED FIRMS IN GREECE

GUIDELINES TO POLICY STUDIES \*

By LITSA NICOLAOU - SMOKOVITIS, Ph.D.      and      SEVERYN T. BRUYN, Ph.D.  
The Piraeus Graduate School of Industrial                      Boston College  
Studies

## INTRODUCTION

New experiments in Self-Management are in process in Greek industry and they may mean the beginning of a new period not only in the area of production and manufacturing, not only in Greek syndicalism, but also in the socio-economic structure of Greece.<sup>1</sup>

Our purpose is to clarify current policies of the Greek Government to socialize industrial firms and cultivate the idea of worker self-management. We will review the historical background behind the new government policies and then refer to six cases of companies currently undertaking Self-Management with the support of the Government. Our purpose is to examine conceptual problems in policy research which these cases suggest. We will indicate new research directions, provide insight into social policies and offer a theoretical interpretation for the direction of development towards Self-Management in the Greek economy.

## HISTORICAL BACKGROUND

There is no sufficient information about incipient democratic relations of

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1. See, C. Tsouparopoulos, «Self-Management now in two Problematic Units», *Epsilon*, No 22, (January 1982).

labor and management at the factory level in 19th century Greece, but there are certain data about the first application of «Factory Councils» between the years 1928-1936 in the tobacco industry.<sup>2</sup> In this branch, the syndicalist (trade-union) activity presented a great dynamism, but it was looked upon with suspicion. These «Factory Councils» were humourously named «drawing-room committees», and they were not considered a powerful force in Self-Management. Before the World War II in some large factories, especially in the shoe-industry, some short-lived «Factory Councils» operated. The responsibilities of such councils, however, were generally very limited.

Worker participation in management and especially the so-called «Workers Councils» are institutions broadly known today in Europe and broadly unknown in Greece. The reasons for the absence of worker councils in Greece are multifold. First, an intense political polarization has characterized Greek labor relations. This polarization has had an especially negative impact on the possibilities for direct communication and reconciliation between the separate representatives of employers and employees within the work place. Syndicalism was looked upon, until very recently, as an activity opposed to the regime. Like «Worker Councils», this historical movement was looked upon with great fear and suspicion by the government. The business class looked with suspicion upon the labor movement. Also, parties of the Left and the Unions had an intense suspicion of worker participation in management.

Another important factor that was negative for worker participation in Greece, was the retarded development of industry, and especially the very limited size of most economic units. It seems obvious that workers' councils and generally the establishment of «Participation Committees» did not have a reason for existence in very small businesses.<sup>3</sup>

At various periods of time, legislation made it possible for representatives of employees and employers to participate in various state organs which decided social and revenue policy. The first regulations for the establishment of a state organ (agency) of three-part representation (representatives of the state, of the employers and the employees) were set by a Law of 1911. This law created a Department of Labor and social policy in the Ministry of Industry, Agriculture and Commerce in which 11 representatives of salaried employees participated.

2. Th. Catsanevas, «The Participation of Workers and Employees in the Management of Business in Greece», *Economic Herald*, No 24, (June 12, 1980).

3. *Ibid.*

Some state organs had a three-part composition, like the Advisory Committee of Labor (1920), and the Higher Economic Committee (1930). Also, the Law of 1929 for the formation of the Senate, provided for the participation of representatives of salaried employees.<sup>4</sup>

## PRESENT REALITY: PROBLEMATIC COMPANIES

The Ministry of Coordination in the Greek Government has been occupied in the past three years with companies defined by the Banks as «problematic». The term «problematic» has been introduced by the Banks as consisting of those companies which present problems of survival and which have an important role in the economy of the country, either from the point of view of their strategic significance, or from the point of view of the number of people employed by them.

After the elections of October 1981 and the coming to power of a Socialist Government, the Ministry of Coordination was entrusted with the task to restore the «problematic» companies. One of the governmental measures was to release the 1/100 of the deposits of the Banks with the Central Bank (reserves) for the purpose of supporting the «problematic» companies so that time could be gained to better study the whole matter. This was also an incentive for the Banks themselves — money was given to them, without interest, which they could apply to the «problematic» companies.

In April 1982, a Secretariat was created within the Ministry of Coordination, called «Secretariat of Problematic Companies» which concentrated all the jurisdictions which were scattered among the other Services of the Ministry. The Secretariat will collect data of the «problematic» and will proceed to its organization as a Unit. The Secretariat is informal as yet, not legislatively secured. Its role is a coordinating one among the lending Banks and the «problematic» companies. Solutions are sought through the banking system. The Banks will be called upon to restore the «problematic» and to finance them.

At present the idea of «socialization» is promoted by the Government with the final objective of establishing self-management. The term refers to the transformation of «problematic» companies which show signs of viability and also which will have a huge cost for the national economy. Socialization in these cases

4. Ibid.

is considered not as a free choice, but as a «solution». Companies which are not viable must be closed down, but viable companies must become assisted under conditions of «socialization». Among the conditions of «socialization» are social control and self-management.

## Social Control

The concept of «Social Control» has appeared lately and very extensively in governmental announcements and recent publications. So far, it remains a somewhat vague concept, meaning various things to different people. But the concept has arisen to explain the Government's solution to major economic problems and some measure of its meaning can be found in official statements.

According to Government statements, the cost of business closings is very serious in the Greek economy. Government action on these closings represents the first step towards «Social Control». The Government is prepared to act on those closings after receiving an analysis of their economic situation. For those problematic companies which are seriously facing bankruptcy, the Ministry can define whether such companies should be aided in their attempt to survive. Among the criteria utilized by the Ministry are the following :

- a) Usefulness for the Personnel : The Viability of the Company and the secureness of jobs for workers.
- b) Usefulness for the Bank : To Safeguard her Interests.
- c) Usefulness for Business.
- d) Usefulness for the Community.

Social control refers first to a strategy of the Government to provide support for development in the economy across many different private sectors. The Government does not want to simply reward one sector; it does not want to take an elitist approach to development. Second, it refers to the empowerment of these different sectors; the initiative is taken by the sectors themselves over the development process rather than retaining control by the Government. The Government seeks to promote social (nonstatist) control over economic development.

At present, there is no substructure to support the new program, that is, no Centers of Education and Training which would guarantee greater certainty over the success of «Self-Management». But the Ministry hopes to encourage the development of a substructure by supporting businesses to move in this direction.

According to current policies, Self-Management can be developed only if it is considered as a solution to be arrived at by the company and the Bank, jointly. Therefore, «Social Control» is interpreted in a third sense to mean joint planning of different sectors of the private economy.

In the current state of planning, the development of «Social Control» may become feasible through various alternatives. These alternatives include the transferring of shares to a wider segment of the public, the transformation of banking debts into shares, the enlargement of the share capital of the workers, the transmission of shares to a local «Self-Administration» (regional administration) and finally worker participation in higher levels of management. Social control, therefore, becomes established through the organization of private companies, a broadening of the base of economic authority through shared capital, and an increase in the level of worker involvement in company management.

At the present time, the re-structuring of a private company cannot occur until it is understood that the previous administration has failed. There are no legal grounds which permit the such transformation to occur in any other manner.

### Self-Management

Under current law, a problematic company can be brought towards a new organization of shareholders and top management in an effort to save it from bankruptcy. The present plans of the Government are to offer an opportunity to workers to participate on the Board of Directors. Workers will have an opportunity to elect their own representatives to the board. In this way, they will have a chance to experience first-hand the responsibilities of management and communicate the problems they face to the whole personnel. By this process it is believed that workers can begin to acquire, through time, the necessary skills and knowledge to create self-management at the corporate level.

Self-management in this case refers to the participation of workers in the governance of business. The degree of their participation is a function of their interest and their skill in the field of management. It is recognized today that «Self-Management» cannot be achieved quickly but involves a slow process of training. Self-management also cannot be achieved by government decrees; it is at best a voluntary process.

The banking system and especially the National Bank of Greece are now called upon to provide the necessary financial and technical support for the sur-

vival of the problematic companies, and the initiation of new forms of industrial organization through worker involvement in management. Also, the Government is considering the possibility of establishing a broader agency with the participation of various sectors, including the banks, for the study of corporate development which includes forms of worker participation.

It is hoped that through new forms of industrial organization, supported by a new legal framework which provides for more worker participation in the management of Greek companies, that workers can obtain a better knowledge of management problems, leading to a reduction in the present gap between management and labor. As workers become more actively involved in management, it is believed that they will also become actively involved in helping to shape a modern Greek economy.

It is within the intentions of the present Government to locate problems needing legislative resolutions. New legislative action is now being studied in order to facilitate a scheme of participation leading toward a social economy for Greece.<sup>5</sup>

#### THE IMPLICATIONS FOR SOCIAL RESEARCH AND A THEORY OF SELF-MANAGEMENT

The six cases presented in this article (see Appendix) give us some insight into what the Greek Government is doing to initiate corporate self-management in the economy. They permit us to review issues that surround government policies and to make recommendations for research in the context of the Greek economy. These social policies are important to examine because they have implications for the direction other nations may take in developing a self-managed economy.

These initial steps taken by the Greek Government to help «problematic companies» point to a need for social research and a clarification of the self-management theory in the coming years. First, there is clearly a need for empirical research about how self-managed companies have operated successfully in other countries as a basis for informing studies of these companies in the context of Greece.

5. We are listing our six cases in the Appendix of this article to illustrate the first steps being undertaken to encourage the development of self-management in Greek industry. They offer a basis for our comment and analysis in the remainder of the paper. The details of these cases are maintained in the research files of the authors. Access to them may be obtained for professional purposes through formal request and consultation with the authors.

Second, there is a need for an adequate theory of self-management as a basis for guiding government policy as well as providing a direction to social research. These two needs for more adequate data and theory become the subject for the remainder of our report on the structure of self-management in Greek industry.

#### A. Comparative Research : **Compiling Data for Social Policy**

Research on self-management is directed at best towards both the internal and external relations of problematic companies. The development of self-management in Greece cannot be addressed adequately without examining both the intra-organizational and inter-organizational problems of labor-managed companies. In this framework of management studies, we now want to look at the (1) legal environment, (2) consulting arrangements, (3) corporate models, and (4) company relations with outside organizations.

##### 1. Legal Environment

The most critical need for investigation concerns the proper legal structure within which these companies can be effectively managed. The data for this decision involves a comparative review of the laws in different countries which have provided the legal environment for self-managed companies. The study of this question by interested students may begin in the new Geneva Library of the International Cooperative Alliance but key statutes of relevance to Greece can be quickly found in Europe and the United States where legal adjustments have been made for labor managed firms.<sup>6</sup>

While an appropriate adaptation must be found by corporate lawyers within

6. For a review of European laws, see *Prospects for Workers' Co-operatives in Europe*, Programme of Research and Actions on the Development of the Labour Market, V/229-1/82 EN (London: Mutual Aid Center, Dec. 1981), compiled for the Commission of the European Communities in three volumes. A list of references on socio-legal problems in the European scene can be found in L. Nicolaou-Smokovitis and S. Bruyn, «Self-Managed Enterprises : Towards a Social Economy» (Athens, Greece : Papazissis Publishers, 1979). In the summer 1982, the Commonwealth of Massachusetts enacted a new law exclusively for worker cooperatives. The «Employee Cooperative Corporations Law», M.G.L. Chapter 157A, is the first statute of its kind in the United States. It is drawn in part from the model of Mondragon cooperatives in Spain.

the context of Greek law, some key legal principles and directions for legislation can be mentioned here. One legal principle concerns the freedom which charter law provides for companies to develop a variety of management structures and a type of ownership appropriate to their needs. The law can inhibit experimentation with new forms of management or it can promote experimentation. Freedom to experiment in this field is imperative because new models of self-management law are continually being developed.

For example, in formulating policies of corporate self-management, a legal structure must exist which permits workers to elect their own board of directors. In this connection, the law must also permit employee elections on the basis of one-person equaling one-vote rather than only on the basis of one-share equaling one-vote. In traditional companies voting rights are located in shares which are distributed individually to anyone including employees. But if employees are given conventional shares in an effort to create a self-managed company, the employees may also sell their shares to outsiders and thus destroy the basis for worker ownership. This has happened in numerous cases in the United States.

Self-management consultants are therefore coming to argue the importance of separating «membership rights» from «ownership rights» in the company. Membership rights offer employees the opportunity to vote for their board of directors and to receive their portion of the net income of their company. The concept of ownership rights is then «re-packaged». The crucial membership portion is re-categorized as personal or human rights attached to the role of working in the firm, while the capital portion is structured into internal capital accounts. Thus, in a self-managed firm, the workers do not have property rights in the sense of buying and selling their shares. They have personal (human) rights in the firm which include voting privileges and the right to general assembly. By making this legal separation, the firm is then kept from being «sold out» by individual workers who would make a profit from their stock and destroy worker ownership. The workers in a labor-managed firm see themselves at best as simply «members» of the organizations in a sense similar to being members of a trade union or a church. Corporate law, however, must be written to take such changes into account.

According to David Ellerman, it is important to classify «equity» according to «individual accounts» as opposed to «collective accounts» in a producer cooperative or self-managed firm. Part of the balance in an individual account is «Paid-in Capital» which comes from a membership fee and part is «Retained Earnings», namely, the earnings retained from past operations of the business. The capital represented in the individual and collective accounts should be capable of being



available legally «for any and all corporate purposes». The capital in both accounts may be used for company expansion, investments, and research. The individual account is maintained for workers in the same manner that a savings account is maintained in a bank. A cash reserve is kept to pay workers according to agreements made by employees within the firm. The individual account may be withdrawn, for example, when a worker retires. It can be designed in part as the basis for a pension plan.

The concept of «Internal Capital Accounts» arose in this case from the efforts of the Industrial Cooperative Association (ICA) in Boston to put into practice the best financial arrangements for self-managed firms. The concept developed in an attempt to refine Jaroslav Vanek's ideas for financing self-managed firms. Vanek was looking for a way to capitalize worker cooperatives by external financing through banks in which workers would maintain savings accounts. This idea did not seem altogether practical and so a new idea of moving the savings account right into the firm itself was born. No external bank could furnish 100% of the capital as could savings accounts from within the firm itself. As ICA experimented with this concept in firms with which it consulted, the staff found it important to separate membership rights from property (capital) rights. The capital would in this case be treated like an internal debt; it is capital in the sense that it does not have voting or profit rights attached to it.<sup>7</sup>

The study of such social innovations is urgently needed in the context of Greek law. The new labor-managed firms cannot develop effectively without a legal environment which permits constructive experimentation.

7. David Ellerman argues that «profit» should be interpreted as a source of capital to the firm rather than a «use». While profit can be used to buy machinery, pay dividends, etc., it does not necessarily exist as liquid each. Therefore, it is helpful to think of the two sides of the balance sheet as the «Right side» representing the sources of capital (i.e. outside debt financing, outside equity financing, and retained earnings from past operations) and the «Left-side» of the ledger representing the uses (i.e. applications of capital in cash, inventory, accounts receivable, machinery, buildings, and land). The two sides of the ledger should then balance.

For a more complete statement on these points see David Ellerman, «Workers' Cooperatives : The Question of Legal Structure», (The Industrial Cooperative Association, 249 Elm Street, Somerville, MA 02144) For legal details, see David Ellerman and Peter Pitegoff, «The Democratic Corporation», *Review of Law and Social Change* (New York University, forthcoming). For Vanek's overall approach, see: *The Participatory Economy* (Ithaca, N.Y., Cornell University Press, 1971) ; also Jaroslav Vanek, *The General Theory of Labor-Managed Market Economies* (Ithaca/London : Cornell Univ. Press).

## 1. Professional Consultation

A second urgent need for study concerns the type of agency which can best provide consulting services to the newly formed companies in Greece. The type of consulting service available to these companies is important to their effective development. This service may be provided by a government agency or private companies or by central banks but the nature of this service can spell the difference between success and failure.

A Central Bank is organized by the Basque workers in the Spanish Mondragon cooperatives. It provides the main consultation to all new firms. The evidence suggests that this method of consultation has been effective in this cultural environment; no new companies have failed since the beginning of their effort in the late 1940s. However, the bank is unique in the sense that first, it is owned by the firms that it organizes, and second, it remains a part of the private sector. New firms are organized as a federated part of this nonstatist bank. Since the bank is independent of the government, it keeps the consultation separate from political affairs and offers some degree of continuing control over policy by its own autonomous firms. The firms may act back on bank policies through their federation. At the same time, there are signs that newly formed firms remain strongly dependent upon Central Bank controls for considerable periods of time. This practice seems to exist because the bank wants to make absolutely certain that management in the new firms remains effective. It is reportedly reluctant to release its strong hand over its companies too quickly. The nature of this long-term relationship is important to examine for its application to the Greek context and the role of the National Bank of Greece in the consulting process.<sup>8</sup>

In Sweden, a consulting agency is formed through the cooperation of labor and business federations with funding assistance from the government. This method of consultation faces a continuous battle between competing labor and management interests in the consulting policies of the national agency. The organization is nevertheless well structured to solve ideological issues between business and labor within the agency itself apart from changing political climates. It has the advantage of continuity over time, but it suffers from the fact that it must

8. For a more extensive discussion on the Mondragon Bank, see: David Ellerman, «The Socialization of Entrepreneurship: The Empresarial Division of the Caja Laboral Popular» (industrial Cooperative Association, 249 Elm Street, Somerville, MA 02144).

operate on a traditional battle ground between labor and management as opposed to having direct bank control over company development. 9

A government agency can be designed to consult directly with newly formed companies to alter their structure as in the case of Peru. It has the advantage of introducing key changes authoritatively in company structure in the interest of government policy. The formal changes can be implemented more quickly in this manner. But this method of government consultation has the potential disadvantage of being on the one hand too authoritarian and on the other hand subject to the whims of the electorate. In Peru, a new government was formed in a coup d'etat which soon eliminated the basis for further implementation of the social program.<sup>10</sup>

The government can provide incentives for private professional companies to consult with the newly formed companies with guidelines for their social development. Professional companies in West Germany and the United States are organized in the private sector to provide consulting assistance to firms. Consultation is provided in Germany within the framework of co-determination and to a limited extent in the United States within the objectives of producer cooperatives. This method provides [for a diverse development of relatively self-managed firms but provides little effective direction for them as an overall policy of national development.

A comparative study of the various forms of consultation becomes essential to promote self-management effectively in Greece. A government program to convert firms in a financial crisis to labor-management without effective consultation cannot be expected to have a high success rate. These cases suggest that workers and managers are not well informed of the transformation process. In fact, some Greek employees do not want to participate in management and some Greek executives resist workers who seek to participate in management. Adding to the challenge of human relations which these Greek firms are facing, is their financial difficulty. As important as policies of self-management are to a government seeking a new path of development, it is fair to say that these new

9. Olle Hammarstrom, «Joint Worker-Management Consultation», in Louis Davis and Albert Chermis, *The Quality of Working Life*, Vol. II (N.Y. : The Free Press, 1975).
10. Peter Knight, «Social Property in Peru» in *Economic Analysis and Worker Management* (Belgrade : Fall, 1976); A.Covarrubias and J. Vanek, «Self-Management in Peruvian Law of Social Property» (Sept. 1974, No. 78, Program on Participation and Labor-Managed Systems Center for International Studies, Cornell University).

firms have a high probability of failure without a careful program of professional consultation over a long period of time.

### 3. Corporate Models of Self-Management

The information on these six cases suggest that these firms will face major problems in the future unless leaders can learn the lessons of similar self-managed firms in other nations. Various types of self-management systems have proven successful and others have failed in different nations; they require assessment for their applicability to Greek industry. Different types of management models need to be made available through a consulting agency for their adaptation to Greek firms at different stages of self-management. The socialization of a company is complex and consultants need a resource of different models to apply to each case. A small change in the structure of the Board of Directors or the simple introduction of «Worker Ownership» for problematic companies has reverberations throughout the firm which can affect its stability.

For example, studies have shown that the idea of «Worker Ownership» itself has an impact on employees which can motivate them in different directions. On the one hand, it can motivate employees to work harder and to raise productivity.<sup>11</sup> (There are indications that this has begun to happen in these six Greek cases). But on the other hand, the concept of «ownership» also implies to employees that they have a stake in management. When workers come to this conclusion, a consulting agency must be ready with new models of worker participation which can be effective in their situation. The urgency of this need for «models» can be demonstrated by the evidence of problems facing companies in other nations.<sup>12</sup>

11. Karl Frieden, *Workplace Democracy and Productivity* (Washington, D.C.: National Center for Economic Alternatives, 1980); M. Conte et al., *Employee Ownership* (Ann Arbor : University of Michigan, Institute for Social Research, 1981).
12. Popular books reporting on problems and models are : David Jenkins, *Job Power* (Baltimore : Penguin Books, 1974); Daniel Zwerdling, *Democracy at Work* (Washington, D.C. : Association for Workplace Democracy, 1978). On consulting and educational approaches to problems, see: H.M. Levin, *Workplace Democracy and Educational Planning* (Paris: International Institute of Educational Planning (UNESCO), 1978); Christopher Meek and Warner Woodworth, «Employee Ownership and Industrial Relations: The Rath Case», *National Productivity Review*, (Spring, 1982); Max Elden, «Varieties of Workplace Participatory Research: Some Notes From Norway» (Institute for Social Research in Industry, N-7034 Trondheim, Norway, July, 1981); William Torbert, «The role of self-study in improving managerial and institutional effective-

In the United States, for example, Congress introduced legislation based on an Employment Stock Option Plan (ESOP). Under this law, companies could borrow money at less cost than through traditional means but it required the company to provide stock to the employees. In numerous cases where this new plan was introduced, the idea of «worker ownership»<sup>13</sup> was communicated to employees with various effects. The law did not imply «Management Control» but one important effect was to lead workers to believe that they should have management control. The concept of «ownership» implied to them a «right» to «control». So, in the case of a company called South Bend Lathe, the workers were pleased at first to learn that they were the new owners of their company and they were motivated to work harder. But when a major issue in management arose between the employees and the company's board of directors, the workers demanded their right to control policy. The result was at first confusion over the meaning of ownership among employees and then, finally, a major strike against the company. The relationship between «Ownership» and «Control» is in such cases a complex issue.

Similarly, worker representation on the board of directors of a company is important to self-management but not sufficient by itself in the long run to maintain an effective program. New problems of worker control appear at lower levels of the management hierarchy and may require professional consultation. In the light of experience in other nations, there is every reason to believe that new worker-oriented models for Greek companies will be required at every level of management in the near future.<sup>14</sup>

A large Greek company like FIX, for example, is likely to run into the same problems of self-management as a large company called Ulgor in Mondragon,

ness», *Human Systems Management*, 2 (North Holland Publishing Company, 1981, pp. 72-82),

13. David Toscano, *Employee Ownership and Democracy* (N.Y. : Irvington Press, 1983).

14. Some of these problems are reported in the following: Josip Obradovic and William Dunn (eds), *Workers' Self-Management and Organizational Power in Yugoslavia* (Univ. of Pittsburgh : University Center for International Studies, 1978); Howard Wachtel, *Workers' Management and Workers' Wages in Yugoslavia* (Ithaca, N.Y. : Cornell Univ., 1973); Ernie Roberts, *Workers Control* (London : George Allen and Unwin Ltd., 1973); Tony Benn et al., *The New Worker Cooperatives* (Nottingham : Spokesman Books, 1976); Ian Clegg, *Worker Self-Management in Algeria* (N.Y. : Monthly Review Press, 1971).

Spain. Worker control at the «Board Level» was established early in Ulgor during the development of Mondragon's self-managed companies in the Basque region. Yet Ulgor faced difficulties with its 6,000 employees and looked for ways to become more immediately responsive to their needs. It was decided to give social councils more authority and to decentralize the corporation. A strike in 1968 gave more legitimacy to the idea of «Decentralization». Ulgor was then divided into separate companies and re-united into a confederation called Ularco. This federation of relatively independent companies is now operating effectively today with independent «Boards» for its separate companies and an overall board with less power over all the companies.

Many instances of this kind in different countries suggest that it is important to develop a set of management models which can be utilized by consulting agencies. A variety of models can be chosen when legitimate forms of worker dissatisfaction arise. The evaluation and application of different administrative systems to the Greek culture then becomes an immediate task during this effort to cultivate Self-Management effectively in problematic companies.<sup>15</sup>

Other nations with large companies have placed labor representatives on the board of directors only to find that they still have many of the same labor problems of conventional companies; management innovations at lower administrative levels are then also needed. In West Germany, for example, a major chemical company called H o c h s t, is organized with labor on its top board. It had also organized plant councils and worker councils at lower levels and yet labor problems still arose which were not being treated by this representative structure. Top management then found it important to develop a system of ombudsmen serving between individual workers and plant managers so that personal problems on the job could be settled in a manner which was not resolved through the formal councils. Ombudsmen are now elected every three years by each department and meet regularly in an assembly with the chair of the plant council. They deal with problems of some «immediacy» which can be sanitary conditions, working schedule adjustments, firings, and personal complaints about the quality of worklife.<sup>16</sup>

15. For «model» comparisons, see: Paul Bernstein, *Workplace Democratization: Its Internal Dynamics* (New Brunswick, N.J.: Transaction Books, 1980); Janet Saglio and Richard Hackman, «The Design of Governance Systems for Small Worker Cooperatives» (ICA, 249 Elm St., Somerville, MA. 02144, 1983) ; Charles D. King and Mark Van de Vail, *Models of Industrial Democracy* (N.Y. : Mouton Pubis., 1978).

16. The biggest plant in the H δ c h s t corporation has 45,000 workers. It has a Plant Council with 43 members elected by employees. This plant also has a Works Council which meets every

Executives in an English firm called The John Lewis Partnership, a large worker-owned company of 25,000 employees, discovered that organizing department councils was not enough to maintain a firm responsive to workers. Council members were elected by workers and served in an advisory capacity to management but executives soon found that it was necessary to organize several company newspapers to be more responsive to employee's concerns. Employee newspapers were needed as a vital medium of communication to management for those employees who felt that issues were not being met fairly through their representatives. Since their representatives had only advisory power, the newspapers became an added force on management to respond to employee needs. Through these newspapers, employees were then given the right to raise questions about administrative policies. Every employee had the right of writing letters to the editors and giving their personal opinions on management policies. An appropriate manager is then required to respond to the employee's letter in the succeeding newsletter. This simple device for communication between workers and their managers then proved to be effective in giving workers the added power they needed under conditions in which representatives were functioning only in an advisory role. Though the workers owned the company, they had not yet organized a management system which gave them direct control over a very big hierarchical administration.<sup>17</sup>

Many different modes of accounting as well as electoral and judicial systems have developed around the world in self-managed companies which are important to determine their «fit» in the development of Greek companies. For example, labor managed companies have developed a variety of «Worker Courts» to handle grievances and internal conflict within the firm. At International Group Plans, a 300 employee insurance firm in Washington, D.C., employees organized a «Personal Justice Committee». The members of this Committee are elected by the employees and are committed to act on problems of «internal justice» in the

two weeks and a Youth Council. Organized across the whole company is a Central Works Council which has no final decision-making power but does serve as an important coordinating body for separate plant councils. It makes recommendations with regard to pension plan problems, the closing of plants, issues in hiring and firing, etc. The employees elect 10 of the 20 members on the Supervisory Board (Board of Directors). The union appoints up to 3 out of the 10 members and can appoint them from its own functionary body or from the plants themselves. With all this «worker power» however, it was found that its size demanded ombudsmen at bottom levels to stay in touch with employees who had problems with the immediate job.

17. The newspapers developed sometime after John Lewis originally formed the «partnership». John Spedan Lewis, *Fairer Shares* (London : Staples Press, 1954).

firm. A unique judicial structure exists at the English firm Scott-Bader, where the workers select a jury by random lot every year at their annual shareholders meeting. Its purpose is to evaluate the performance of the Board of Management during the previous year. If a negative report issues on anything, the Board must take appropriate remedial action within 3 months and report back to the general assembly of workers. Then, a new panel is selected again by lot to evaluate whether the Board's remedial measures were adequate.<sup>18</sup>

#### 4. Company Relations with Outside Organizations

The structure of Self-Management in Greece cannot be properly described as constituted only by the internal administration of companies. The viability and effectiveness of self-managed companies is determined in part by the way that they are structured into the larger society. This structure includes the local community, the business community, and the larger society. Let us look at examples of problems surrounding the external relations of self-managed firms as they have been treated in other countries.

##### The Local Community

In the case of the Greek company Pantelemidis, we see signs of an interest among employees to move toward community control. An issue of worker-control versus community-control is of course debated among Self-Management theorists.

Part of the question of how much the «Community» (rather than the «Workers») should control self-managed companies is answered in terms of the type of business. Some retail cooperatives have found it useful to have a measure of community representation on their board of directors. They can benefit from customer advice on the purchase of goods for the store and even gain an advantage in political marketing by their promotion of consumer participation. Some industrial cooperatives have also included community representatives on their boards because of the negative impact of their factory on the local environment. A paper mill, for example, may have no connection with local people as «customers» but it may have a major effect on the pollution of a river used by «citizens». It becomes appropriate in such cases to have a government-appointed citizen monitor and participate in company decisions. In both types

18. Fred Blum, *Work and Community: The Scott Bader Commonwealth and the Quest for a New Social Order* (London: Routledge and Kegan Paul, 1968).



of cases, however, self-management theorists argue that employees should still retain majority control of the board.<sup>19</sup>

The major question in these cases is the extent of community control over the internal life of the firm. The issue has yet to be studied more carefully but a policy principle seems evident. Namely, the local community may have some influence over company policies which affect it seriously as a community (e.g. zoning laws or product safety) but the workers should retain full authority over the internal management of the company.

This separation of power between workers and the community in a labor-managed firm is important because self-management can be destroyed if it is not understood. At one extreme, for example, the community can control the firm entirely and the workers can be oppressed as a result of it. This is because outsiders do not experience actual working conditions and may not even care about such questions as the quality of working life, low wages, or safety in the workplace. At the other extreme, the workers can have control over the company's impact on the community and become oppressive to their customers or the locality. This is because some workers may not care so much about product safety or environmental damage as much as they care about making profits.

The proper balance between worker control and community control over a business is best studied by recognizing the many variables in the firm's social context. For example, in the United States, citizens become apathetic in their governing role. They have final authority in the management of community development corporations (CDCs).<sup>20</sup>

Israeli Kibbutzim factories have shown a significant measure of success by

19. The issues involved in community - employee owned firms (CEFs) are discussed in the context of a shut-down plant in Herkimer, New York. Robert Stern et al., *Employee Ownership in Plant Shutdowns* (Kalamazoo, Missouri: W.E. Upjohn Institute for Employment Research, 1979).
20. CDCs are private businesses democratically organized by citizens in the interest of a locality but studies show that CDCs have very little citizen participation in company elections and in the management of the business. Corporate managers tend to run business operations and make policy on what they believe to be the interests of the community. Sociologists have argued for the CDCs' value to a locality because managers who become really derelict in their duties are still subject to «recall» by local citizens. For this reason, CDCs do function as a rule on behalf of the community. Cf. Geoffrey Faux, *CDCs: New Hope for the Inner City* (New York: The Twentieth Century Fund, 1971); S.T. Bruyn, *Communities in Action* (New Haven, Conn.: College and University Press, 1962).

dividing authority between workers and the community in a unique set of arrangements. Worker participation exists through a workers' assembly and indirectly through the election of workers' committees and the Management Board. The management board typically included a) the central officeholders in the plant, b) the central officeholders in the kibbutz, and c) workers' representatives not holding managerial office. The workers' representatives, like the plant officeholders, are elected by workers, while the kibbutz officeholders are elected by all members of the kibbutz. Some decisions, such as the election of a plant manager and the approval of an investment plan, are usually made by the general assembly of the kibbutz as a whole, where the plant-workers participate along with other kibbutz members.<sup>21</sup>

The transformation of Greek companies into community-oriented businesses may find a development track which stands somewhere in-between the community development corporation and the kibbutz.

Without any community controls, labor-managed firms nevertheless have shown a tendency to contribute a portion of their profits to community development. For example, the vision of the Greek leaders in the Pantelemidis firm was to provide 20% of its profits toward the community. This decision is important because self-management practitioners have found that the direction to which the corporate funds are given in the community is connected to the viability of the firm itself. To illustrate, the English firm, Scott-Bader, gives 20% of its profits to the community while 60% is returned into the firm and 20% is retained for the employees as a reward added to their salaries. Scott-Bader gives a percent of its community gift specifically toward the capitalization of self-managed firms. Thus it seeks to create an environment conducive to the development of like minded firms. Scott-Bader employees believe there is strength in numbers of self-managed firms and that together they can better protect their way of life. This is because small innovative firms can become vulnerable to attacks in the competitive jungle of business. They have therefore organized a federation of small companies called the Industrial Common Ownership Management (ICOM).

On the other hand, Mondragon enterprises in Spain allocate 10- 15% to the community, 10- 15% to a reserve fund for retirement and 70% to employees in proportion to the hours they have worked and their rate of pay. Their community

21. Arnold Tannenbaum et al., *Hierarchy in Organizations* (London : Jossey-bass Publishers, 1977, pp. 34 - 36) ; Uri Leviatan - Menachem Rosner, *Work and Organization in Kibbutz Industry* (Norwood, Pa. : Norwood Editions, 1980).

contributions are also toward the development of self-managed enterprises but their own emphasis is upon the support of schools which can teach students about Self-Management. Again, the firms seek to create an environment in which they can survive profitably and also help develop a new social order of economic life. This is a challenge to socially-innovative firms in a capitalistic environment.<sup>22</sup>

## The Industry

Equally important to «External Relations» is the type of connection self-managed firms develop with conventional companies. New labor-managed firms can be easily defeated by big companies with command systems existing in the same market. The relationship each firm develops with its trade association is, therefore, critical to its survival. Trade associations were originally formed in part to reduce unfair competition and to maximize the opportunities for member firms to thrive in the marketplace. It is critical in this case that trade association policies are sympathetic to labor managed firms in order for them to thrive in the competitive world of business. In the United States, worker cooperatives in the Plywood Industry have organized their own trade association to protect themselves against the giant lumber companies. Through their association they have managed to gain strength by pooling money for research and development and by providing a common front in trade fairs.

Here the concept of «Social Control» in government policy becomes important. The Greek Government has implied that this concept means the development of diverse, non-statist, democratically managed companies which function in the interest of their constituencies. This means that government policies should help protect these firms against any improper or unjust controls imposed by outsiders such as trade associations, trade unions, governments, communities, loan agencies or foreign corporations. This policy logically applies to foreign corporations but it has not yet been demonstrated by policies of the Greek Government.

22. Self-management theorists argue that labor-managed companies are developing a new way of life based on values different from classical liberalism or state socialism. It is difficult to maintain this set of values in a larger culture opposing it. A study of the Pacific-Northwest Plywood cooperatives was based upon this question of maintaining social values in a capitalistic environment. Edward S. Greenberg, «Industrial Self-Management and Political Attitudes», *The American Political Science Review*, Vol. 75, pp. 29-42).

## Foreign Corporations

In recent decades, various nations have found that it is possible to develop autonomous subsidiaries of multinational corporations and organize them under «labor management» without losing the economic advantage of the foreign corporation in the economy. In Frankfurt, West Germany, for example, Opel is a subsidiary of General Motors and employs 36,000 workers. In the United States, G.M. manages with a conventional command hierarchy. But in its Opel subsidiary it has 45 elected work councils, 13 central councils, and a top board with 50% labor representation. Under the Co-determination Act, the top board is composed of one senior manager, one white collar worker, three union representatives and five blue collar workers along with 10 G. M. owner-representatives.

In Dusseldorf, West Germany, Rank Xerox has subsidiary headquarters which oversees 36 branch offices. It employs 4,000 employees and maintains work councils, branch councils, and a general works council. This democratic system is accepted by Xerox executives for overseas operations while its conventional command systems are maintained in the United States. American companies generally organize democratically and effectively abroad even though in the United States such practices are deplored.

Multinational companies have subsidiaries in Yugoslavia, the Soviet Union, and China with various forms of control maintained by the host nation. American management does not as a rule look favorably on any «Foreign Controls» over their operations but they nevertheless have fully cooperated with all foreign governments as long as the companies continue to be productive and provide a profit to the main company. These examples simply represent one more step toward the development of Self-Management in the structure of firms in developing countries.

Yet one more step has been taken to advance self-management in the arena of global corporations. This involves transforming multinational corporations into democratic federations of producer and service cooperatives. This step toward international Self-Management has been initiated by a number of world companies. For example, a Yugoslavian - based firm, *E n e r g o i n v e s t*, sells electrical supplies around the world with proven profitability. It is organized as a confederation of autonomous companies incorporated in host societies. These autonomous companies then can be worker-owned and managed firms.<sup>23</sup>

23. *E n e r g o i n v e s t* employs some 22,000 people making a variety of electrical, processing, and other machinery. It maintains sales offices in thirty-two countries, grosses about \$ 160 million, and spends some 6 million a year on research, development, and scholarships. It

Other types of corporations include credit unions and insurance companies which have organized in a similar way on a world-wide democratic basis. This type of business at global levels, however, might require more management skills and local (subsidiary) responsibility than is true of conventional multinational companies which base their authority on a command system.<sup>24</sup>

## **B. Theories of Self - Management : Conceptual Foundations for Research**

The preliminary findings in these cases reveal a need for the clarification of key terms used to guide the development of Self-Management in Greek industry. At the present time, there is confusion in popular discussions and in public policies regarding the meaning of «Self-Management», in the context of «the social whole». In the interest of theoretical clarity, it is important to discuss the analytical meaning of these concepts as opposed to various normative or ideological meanings. Our focus on «Self-Management» is now analytical with its implications for research in Greek industry.<sup>25</sup>

### The Concept of Self- Management

The concept of «Self-Management» generally refers to the ability of people to control their own direction in life. It is usually understood as the degree of self-determination of people over their economic affairs. In this sense, self-

sells its products in highly competitive markets. Each of Energoinvest's forty-one affiliates is free to depart from the conglomerate whenever its council decides to do so. The company, therefore, has to make each affiliate much better off within the federation than it would be alone. George C. Lodge, *The New Ideology* (N.Y. : A.A. Knopf, 1975).

24. J.G. Craig, *Multinational Cooperatives: An Alternative for World Development* (Saskatchewan : Western Producer Prairie Books, 1976).

25. The term «self-managed firm» is used in this article interchangeably with «labor-managed firm». These terms refer broadly to companies which are seriously engaged in developing higher forms of worker control. They are not used in this case to refer to a specific model of a worker cooperative. We are using these terms as the Greek government tends to do, that is, to refer more to a «process» of company development in which people are seeking to increase the level of worker control to a higher and more effective level than had existed in the past. The full scale «self-managed firm» is still being defined and developed. For a study of different types of highly scaled labor-managed firms as models, see : Robert Oakeshott, *The Case for Workers' Coops* (London : Routledge et Kegan Paul, 1978).

management can be measured on a continuum in which people have greater-or-less capacity for self-determination. For purposes of industrial research, we measure the degree to which people are self-managing at different economic levels. It is not simply an idealized policy but rather an analytical concept worthy of investigation. Self-Management is studied as an «ideal type» in the Weberian tradition; researchers simply verify empirically the degree to which people have the power of self-direction at different levels of economic management.

The complexity of the different levels of management, however, is generally overlooked in traditional research. The meaning of self-management is often limited simply to the level of the corporation; the research question may be then the degree to which a particular corporation is more or less self-managing with worker participation on the board of directors. This seems to be the way the Greek Government tends to look at self-management in these six cases.

But the concept of self-management taken analytically, refers to every level of economic governance. It begins in the workplace among individuals who are each self-directing in some measure; it moves next to the workplace as a collective entity and continues toward more complex levels of the economy. A degree of self-management exists for individuals within the workplace and then separately for all workplaces in the department and then, finally, departments coordinated within the whole corporation. The relationship between these internal levels of self-management, in terms of the capacity of people at each level to be self-directing at the level of the whole corporation, is a major concern of policy research.

At the same time, the analytical concept of Self-Management also applies to a whole industry. The research question at this level is the degree to which an industry is self-managing with its separate companies, trade associations, trade unions, and consumer groups competing or cooperating together. No serious studies have been done on industrial self-management but the application of the concept of industrial self-management is implied in the Greek Government's approach to certain companies. The case of Ladopoulos shows that the Government is concerned not only with Ladopoulos as a corporation but with the self-management of all the companies in the paper industry; it shows concern for the self-determination and survival of the whole industry. The question is the degree to which separate paper companies can cooperate (as well as compete) together to advance the development of industry. <sup>26</sup>

26. This industry - level concept began with the English economist G.D.H. Cole. It was also a basic part of the political strategy to draw the United States out of the Great Depression.

Finally, the concept of Self-Management is applicable to the operation of the whole economy. The question in research is to what degree can industries together be self-directing and independent of «outside controls». Outside controls can develop in many ways, including an overabundance of multinational corporations controlling key sectors of economic life and an overabundance of state regulation agencies. The issue of self-management at the level of the whole economy rests on the degree to which key industries may collaborate together to promote productivity, creative work systems, and new technology in the interest of the society.

This analytical principle of Self-Management is important to follow because of its implications for social policy. It means that the policy researcher is interested in the degree to which each higher economic unit-level operates to augment the capacity of each lower unit-level toward self-management. In other words, the capacity of the whole economy to manage its own affairs with a minimum of outside controls, becomes a research interest. In the same manner, the capacity of individuals to manage their own workplace with a minimum of outside controls from higher management in a company becomes important to study. With this theoretical orientation, policy studies can raise questions regarding the manner in which each higher unit of management may act effectively to increase the power and capacity of a lower unit to manage its own affairs. On the basis of this analytical principle, the researcher can construct types of self-management at each level of organization. The concept of self-management can be formulated with a set of criteria for judging its approximation to reality in the same sense that the sociologist Max Weber formulated criteria for the study of bureaucracy.

Once the Unit-Level of management is selected by the researcher, a set of external and internal criteria become appropriate to study. A set of internal criteria can be based on the degree to which people in an analytical «Unit» (i.e. employees in a workplace or employees in a whole enterprise) have effective control over their horizontal activities and resources. The research question is : to what degree is democracy working effectively in the Unit? External cri-

G.D.H. Cole, *Self- Government in Industry* (London : Mac-Millan et Co. Ltd., 1957) ; Ellis W. Hawley, *The New Deal and the Problem of Monopoly* (Princeton, N.J. : Princeton University Press, 1966). It is also conceived as an approach to treating the critical problems of capitalism and state socialism today. Severyn T. Bruyn, *The Social Economy: People Transforming Modern Business* (N.Y. : John Wiley, 1977, (Part IV, «The Federal Economy»).

teria include measures of the degree the «Unit» is free from outside controls (i.e. company supervision of the workplace or government regulations over the enterprise). A set of external criteria may also be established on the degree that democratic relations or «Mutual Controls» developed between the studied unit and its external units. By «Mutual Control» is meant that type of democratic relation which tends to optimize the resources of people in their organized relationships. For example, an autonomous work group designed to enhance management skills of its member-workers (or a trade federation which studies new technology on behalf of all its member-companies), serves to empower the lower-ranking members of its group. The degree to which mutual control exists in particular cases, can then be specified in greater detail. The purpose of the research is to determine the extent to which the attributes of mutual (democratic) control approximate the reality in the cases under study.

An emphasis upon the ideal (or constructed) type of self-management is important for purposes of policy research in the Greek companies but this methodology does not exhaust the way self-management remains to be studied. Other formulations of self-management are appropriate for other purposes. Other formulations include a political or philosophical concept, a historical concept and an operational concept of self-management.<sup>27</sup>

The use of other concepts like «Social Whole», «Social Control», and «Socialization» in public discussions and government policies require careful consideration in studies of self-management. Such terms remain vague and heavily charged with ideological meanings which can distort an understanding of self-

27. The study of self-management as a political and philosophical concept is best represented in the writings of Branco Horvat and Mihail Marcovic (Cf. B. Horvat et al., *Self-Governing Socialism*. White Plains, International Arts et Sciences Press, 1977, Vol. I). The study of self-management as a historical type is more in the tradition of Max Weber. His study of the Protestant Ethic is an example of how a unique configuration of social attributes may be located at a particular time and place in history. Similarly, Yugoslavian self-management may be interpreted as a historical type with a unique configuration which is different from other types of self-management appearing in other countries. Like the Protestant Ethic, it can have an influence in the development of a new economic system (Max Weber, *Economy and Society*, Eds. Guenther Roth and Claus Wittich, N.Y., Bedminster Press, 1968, p. 20-21). Finally, self-management can be operational so that its definition is restricted to behavioral attributes which can be experimentally observed and measured under any conditions. An operational definition might include a definition of autonomous worker-behavior during a specified period of time with supervision of less than 3 times a week. The operational concept will thus yield high predictability in its experimental applicability but it lacks the broad meaning and insight provided by the ideal type.



management. A scientific definition of all concepts, therefore, becomes, a central concern in the future of self-management research in Greek industry.

## CONCLUSION

Recent steps taken by the Greek Government to initiate a measure of self-management in «problematic companies» represent a significant new phase of socio-economic development in Greek industry. New social concepts and experiments are becoming introduced to re-orient the direction of economic development. These changes are noteworthy in the political life of Greece and they require systemic observation and study.

The recent cases of problematic companies selected by the Government for special attention and economic support provide a basis for some preliminary evaluation of this new direction in social policy.

It is clear that these initial experiments do not include financially healthy companies, and are therefore open to a serious risk of failure if plans are not well implemented. The problematic companies must overcome not only their financial difficulties but also face a «re-structuring» with worker participation. Nevertheless, the principle underlying the new social policy has great merit and potential for self-managed firms becoming a fact of Greek industry in the near future. This new social program will bring the organization of industrial life in greater harmony and coordination with corporate life in the European economy while offering solutions to current economic and labor problems in Greece.

Our own conclusions are that probabilities for the success of these experimental companies are increased with the creation of a new environment in which they can operate. A new «environment» includes the creation of new corporate laws which make it easier for self-managed firms to organize and maintain themselves, institutional support for professional consultation with the self-managed companies during their early period of development, and the opportunity for the knowledge and practice of self-management to become more widely understood among all sectors of the population, especially the labor sector.

In the opinion of the authors, the most appropriate model for the Greek Government to study in its pursuit of its new social policy, is the Mondragon system of cooperatives in the Basque region of Spain. The role of the National

Bank of Greece, which is helping to develop labor-managed companies, shows similarities to the role of the Central Bank in Mondragon. This does not imply that the Mondragon system should be followed in such cases but its success in treating problems unsolved by both capitalist and state socialist systems recommends that it be studied by emerging nations seeking a «third path» of development.<sup>28</sup>

In summary, new developments are now in progress for the institutionalization, promotion, and clarification of self-management in the social economy of Greek industry. It remains to be seen how these new processes will unfold in the coming years.

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28. Alastair Campbell and Blair Foster, *The Mondragon Movement* (Lond : ICOM, 1974); Ana Gutierrez-Johnson and William F. Whyte, «The Mondragon System of Worker Production Cooperatives», *Industrial and Labor Relations Review*, Vol. 31, No 1 (Oct. 1977); Henk Thomas and Chris Logan, *Mondragon: An Economic Analysis* (London : George Allen et Unwin, 1982).

## APPENDIX

### LADOPOULOS, SA (paper manufacturing)

This is a group of 3 companies operating 3 factories respectively in Patras (EGA), in Thessaloniki (MEL) and in Aigion.

In 1980, the business was operating with loans from a Greek Bank, one of the leading commercial banks in Greece («The Greek Bank» hereinafter) but was failing to make payments because of company losses. The total amount of losses of two Companies was about 1 billion Drachmas (Drs). Mr. G. Ladopoulos, the owner, did not pay off the debts of the Companies to the workers, the state and the Bank (40 % of the debt was owed to the Greek Bank). So the Bank stopped its loans to the Companies, but did not proceed to the closing of the existing accounts and the taking of any measures.

In 1981 the factory of Patras (EGA) stopped its operation, and the personnel (about 700 people) proceeded to their right of retention on goods. Now the debts of the Company were 3 billion Drs of which 2,5 billion were to the Greek Bank (21st May 1982). Therefore, it appeared that it would not be possible to restore the Company (Unit), unless efforts for its re operation would be based on the following preconditions :

(a) Search for the necessary legal scheme, recognizing that 40% of the voting shares of the Company belong to the Greek Bank, and another 20% of the shares as a pledge with the right to vote, (b) Secure a strong and effective administration with the finding of the suitable top executive, (c) Face the problems of the Paper Industry as a whole, since the existing productive capacity of the Paper Factories in «writing paper» is much higher than the

existing demands, (d) Cover the needs of the Company for new investments, (e) Turn into shared capital or freeze those debts of the Company which exceed the normal.

Though it appeared to be impossible to restore the business under the existing conditions, the present Government of Greece, in its effort to strengthen the economic activity of the area of Patras and to secure jobs for the 700 workers and employees of the Unit, asked the views of the Greek Bank as to the possibility for providing its assistance in re-operating the factory. The Bank, after studying the matter further, answered to the Government that the business would not be able to survive, for the reasons of poor technological equipment, need for high investments, excess number of personnel, adverse conditions of the Paper Industry in general, etc. The Greek Bank considering that the city of Patras should be cleared from the pollution created by the factory, stated that the factory should be encouraged to move into the industrial zone of Patras as a smaller Unit, and offer the grounds of the previous large factory to the Local Self-Administration (the community) for social purposes including creation of parks, etc.

Nevertheless, the Government insisted that the factory should re-operate in its old premises for a period of time (6- 12 months), with the participation of the workers in management, and should re-investigate the matter, on the basis of the practical results that such an effort would give. The Government insisted that the factory start its operation again, with the participation of the Bank and the workers in its Board and asked the Court to appoint the representatives of the Bank and the workers in a Temporary Board of Directors, in which no representative of Mr. G. Ladopoulos would participate.

In view of the wish of the Government to have the factory in Patras re-operate immediately, in order to secure employment to 700 workers and employees, the Higher Committee of Loans of the Greek Bank decided to finance the Unit with an amount of 200.000.000 Drs ; also, until measures could be taken for the fundamental facing of its problems, and the presuppositions set by the Bank could be arranged (guarantee from the state, suspension of old debts, etc.), it was accepted to grant the amount of 90.000.000 Drs with a time-limit of 6 months, on the basis of a new contract which would be subsequently secured with proportional mortgage on the factory. The loan would be given with the supervision of the Patras Branch of the Bank, for covering salaries and wages of the personnel to an

amount of 17.000.000 Drs, as well as other imperative needs for the re-operation of the factory.

JOHN PANTELEMIDIS, Individual Business (metallic constructions - part of agricultural machinery) ; Evosmon, Thessaloniki (Northern Greece).

The owner of the small factory of 30 workers died in September 1981, leaving no heirs. From September to November 1981, the workers remained without jobs. They came down to Athens to make protests to the Government and the Worker Unions. In June 1981, a nephew of the owner, a shipbuilder and engineer himself with good education in business administration had been invited by his uncle as his consultant in organization matters. This man had experience in Self-Management in European countries and transmitted this idea to the now unemployed workers who were facing the problem of survival. The business had already taken a loan of 1.500.000 Drs from the Greek Bank in December 1980. An Inventory done showed that the liabilities of the business amounted to 5.000.000 Drs.

The problem : the whole subject of Self-Management was not as yet well understood by the workers. There was lack of sufficient education and social experience among the workers to really understand what is going on and what Self-Management really means.

So, Self-Management took the following informal scheme : The General Assembly, which includes the total body of workers elects 8 workers to form the Coordinating Committee. The Coordinating Committee elects 4 workers to form the Executive Committee, which handles economic matters in the factory.

Yet, John Milios, the owner's nephew, who is the kernel and the directing mind of this whole effort, is of the opinion that the present structure does not facilitate the new scheme. The workers take increased salaries (150 Drachmas above the daily wage provided by the collective contract) and do not seem to be willing to make enough sacrifices on the financial side. Not all seem to understand what is going on and see with suspicion the whole thing.

In view of the many operational difficulties and bureaucratic obstacles that make the continuation of the Pantelemidis business problematic, the workers, during their General Assembly, supported the opinion to render the factory to the jurisdiction of the Municipality of Evosmon, and elected 5 Committees to handle all matters of operation, technical control and disposition of products.

The workers decided to distribute a 10% of the profits among themselves, 70% for expansion, and 20% to be given to the Municipality for works useful to the public. An immediate solution with fast results, is the development of the business into a mixed form of management, with the participation of the Local Self-Administration, which coincides with the Government's Announcements. Already, the Mayor of Evosmon promised the workers to provide communal grounds (land) for the establishment of the factory.

M. COULISTANIDIS — M. COUTSAKIS et CO., Joint Stock Company (a spinning-weaving-dyeing and finishing firm) ; Thessaloniki (Northern Greece).

This family company was established in 1946 and took its present form in 1979, when the founders left and the shares were transmitted to new members. The business then faced severe problems (harmful work operations, aggravation of capital structure, suffocating conditions of liquidity, unplanned production, etc.) which led to a complete economic deadlock. In 1979, the Coulistanidis Bros, the principal owners, searched for a solution which could save their business. They were forced to hire new partners, while they withdrew, transmitting their shares to some relatives. Michael Coutsakis was hired as main partner.

The situation became worse and more dangerous in 1980. The further aggravation of the problem was directly connected with severe administrative irregularities which seem to have been caused by Michael Coutsakis himself, who was appointed sole administrator. Suddenly, M. Coutsakis disappeared in May 1980. The workers remained without payment for 2 months and came to a desperate situation. Then, they exercised their right of retention on goods. This situation continued until October 1980. During these 7 months, the workers safeguarded the property of the Company from various seizures, and yet during all this period they continued being unpaid. The workers then made an effort to re-operate the factory and appealed to the Court.

By decision of the Court of Thessaloniki, upon the request of the workers, the Company was placed under compulsory administration, and Michael Coulistanidis was appointed the compulsory administrator. With the efforts of the compulsory administration, the assistance of the workers and the tolerance and facilitation provided by the Greek Bank the business started to be active again in November 1980.

When in November 1980, the workers undertook the administration of the factory, they found a tragic economic situation, as a result of M. Coutsakis' admin-

istration. (At the moment, 115 people were employed, but 96 workers were forced to leave since wages were not paid). M. Coutsakis had taken away an amount of 18.000.000 Dr s which was charged to the Company. The workers agreed to remain unpaid for 2 more months and use the existing raw materials and semi-finished products in order to promote sales.

During the first year that the business was operated by the workers, sales reached 70,000.000 Drs but no profits were made. Yet the Company and workers survived. During this one year (1981) not only were the workers able to pay salaries regularly, but also an amount of 5.000.000 Drs. was given as a return for wages and old debts to retired workers as well as to those active. Also, it was possible to pay part of the debts to the Greek Bank and other state agencies. Although the situation of over-indebtedness continued, a positive step was taken for the survival of the business, with the tolerance of the Greek Bank, which carries the main burden for the finances of the Company.

The Compulsory Administrator of the Company, in his effort to find an outlet to the problems of the business, appealed to various state agencies, for a long term settlement of the debts and a further loan within the framework of the measures taken by the present Government and the Greek Bank for the «problematic» companies, submitted a Planning Program for the next 12 months in order to pay off certain pressing obligations and cover needs for cash capital (mainly for purchasing raw materials).

Last December 1981, a 3-member Committee representing the 115 workers submitted a Report to the Ministry of Coordination, having the support of 2 Representatives in the Parliament. In this Report, the workers state that, if they are given the possibility to continue the operation of the factory (although the mechanical equipment is old and underutilized), they can cover with their production existing imports (flannel and poplin), promote exports, and increase the number of workers to 254, securing for them stable jobs. On the contrary, if the factory will close, the workers will be unemployed, the state will pay unemployment allowances, and imports will be increased.

According to an agreement made with the employers, with the improvement of the economic status of the enterprise, the workers will participate as shareholders themselves in the Company. If this can be realized, the workers are ready to take up all the responsibilities for paying off the debts of the Company. To this end, the workers request from the Govern-

ment : suspension of all actions which may result in the closing of the factory, immediate economic support under the form of a loan for covering very short term needs for salaries and pressing obligations to creditors, and a study in depth of the condition of the business in order for the Government to be able to take more fundamental measures for the survival of the Company.

The 2 members of the Parliament brought the matter for discussion in Parliament in January 1982, and the whole problem started moving into a possible solution. The Greek Bank granted a loan of 2.5000.000 Drs in order to enable the Company to meet immediate and urging needs.

FIX S. A. (Brewery, wine-making, soft drinks)

This is a group of 8 Companies operating 5 factories respectively in Athens (3), in Thessaloniki (1), and in Patras (1).

A study conducted by the Greek Bank in December 1977, reported the following weaknesses of the FIX Group :

- a) Administrative inefficiency
- b) Organizational level of low quality and outdated technology
- c) Lack of appropriate personnel
- d) Complicated accounting systems
- e) Very high charges from loans
- f) Complete lack of cash capital
- g) Very high obligations fallen due, especially to Banks and the National Social Security Plan
- h) Decrease in the proportion of participation of the Group in the total consumption of beer and negative operation.

In 1981, the Company was lacking sufficient cash capital on the one hand, and on the other hand it was facing severe competition with the invasion of new multinational breweries in Greece. It was not in a position to pay wages and salaries, or to buy raw materials. At the end of 1981, the Greek Bank expressed its interest in the Company and proceeded to a new study — the Bank was worried because of the problems of overloaning to the Company and the inability of the Company to pay back its debts. The Administration of the Company then



came to an administrative deadlock. The whole Board resigned by the end of November. The Greek Bank could not proceed to any further loaning, and the workers had not received their wages and salaries for 1 month.

Then the workers got an insight into the problems and understood the dangers. A Coordinating Committee was established of about 30 members workers from the various Departments of the factories of Athens and Thessaloniki), setting as main objectives : (a) to protect the interests of the workers as against closing of the factories ; (b) to initiate discussions with the new Government ; (c) to take certain measures for securing the general interests of the workers.

The Company was without a «head». The Coordinating Committee of workers and employees of the Company, with the suggestions of the Government, submitted their request to the Court to appoint a Temporary Administration for 3 months with representatives of the workers, as members of the Coordinating Committee and without the presence of the shareholders.

In April 1982, the Temporary Administration appeared in front of the Assembly of the Shareholders and asked their votes in order to become a Permanent Administration, with the main objectives to retain the existing personnel (800 workers at present), to improve the financial status of the Company, and mainly to make the two real estates in Athens more productive. No other solution existed. The main goal of the Permanent Administration would be : the permanent participation of the workers in the management of the Company as well as in the future profits.

Now the Company is assisted by the Greek Bank after the workers have taken up the administration. The Company is considered as «problematic» and meets the requirements for special financial privileges granted by the Bank. Although it is too early as yet to have a clear picture of the consequences of self-management in FIX, one of the officers of the Greek Bank admitted that the new scheme has created a stimulus among the personnel in the Company for better performances and a wish to participate in sharing responsibility and in facing the Company's problems.

NEORION SHIPYARDS SYROS LIMITED (ship-repairing, ship-building) ;  
Syros Island, Aegean Sea.

NEORION, founded in 1861, is today one of the most modern shipyards in the Mediterranean. Until 1969, Neorion was a small shipyard with limited business turnover. In 1969 it was bought by Goulandris brothers, a well known ship-owners family in Greece, who made important investments and created a big business with 1300 people working in it, mostly local people from the Island of Syros. It was mainly a repairing center-it did not make big constructions. It was not very successful in business, so in 1979 the Goulandris brothers abandoned it and the Company dissolved. The brothers had made investments of 25.000.000 Drs.

When the Company was dissolved, in March 1978, the personnel (1200 people) were fired, with the exception of 100 people who were kept to maintain the machinery. At that time the Company had losses of 160.000.000 Drs. A big social problem was then created on the island when the 1200 workers, led by the Syndicate (Labor Union) started a long period of protests, lasting until the end of 1978. The Government realized the social problem that was being created, and invited the Greek Bank and the Hellenic Industrial Development Bank to undertake action. The Banks agreed to take the shares of Neorion with Goulandris remaining as a shareholder retaining a minority of votes, transferring his shares to the two Banks. The Syndicate had succeeded, by exercising pressures, to make the Banks undertake the Administration. The workers succeeded also in gaining one Union representative on the Board of Directors.

The shares now in Neorion are distributed as follows: Greek Bank (48%), Hellenic Industrial Development Bank (38%), Ionian and Popular Bank (14%). The Administration of the Company is entrusted to the English Firm, A and P Appledore International Ltd., specializing in Management. On the one hand, ownership by the Banks gives to Neorion considerable financial strength and resources, while management by an expert consulting firm ensures an efficient and effective administration. As the A and P stated, «they obtained labor peace within the factory with the collaboration of the workers». The Trade Union Syndicate in Neorion remains very powerful and can exercise much pressure over decision-making.

Neorion employs at present 127 administrative employees, 35 technicians, and approximately 1150 workers. Its proven and skilled workforce has achieved an enviable reputation for every kind of ship repair.

In summary, Neorion is controlled by the Greek Bank. The Board of Directors is appointed by the shareholders (Banks) with the participation of 1 representative of the workers. This form of participation has been successful. The workers have made sacrifices, have proceeded to negotiations, and have contributed to «industrial peace» within the factory.

V E L K A, S.A. (one of the largest spinning and weaving firms in Greece) ;  
Piraeus.

This Company was established in 1927 by the Karelia family. The Board of Directors was then composed of family members until the summer of 1981. In the summer of 1981, because of overloaning, the Company ceased its operation due to lack of cash capital for purchasing raw materials, in contrast to the year 1980 when it had a business turnover of 1,5 billion Drs. The Company now owed 2,5 billion Drs to the Greek Bank, 1,4 billion Drs and 460.090.000 Drs to the Hellenic Industrial Development Bank.

In September 1981, the Board of Directors told the officers of the firm about the situation, stating : «We are stopping the operation of the factory. The only way to save the business is through the assistance that the workers can provide». The Board of Directors resigned. Then a Workers' Committee-with 15 members was formed, and exercised its right for retention on goods. The Chairman of the former Board of Directors, Mr. E. Velissaropoulos, appealed to the Court for the appointment of a temporary Board of Directors which would have as a purpose to call the General Assembly of the shareholders in order to elect an eligible Board.

The Court accepted the names of the workers that were proposed, and the appointment was made. Now the objective of the new Board of Directors was to start again the operation of the factory. The Company was declared as «problematic» and obtained a loan from the Greek Bank of 200.000.000 Drs which permitted it to purchase raw materials, to pay salaries and wages, to contribute to the various Plans, and to re-operate the factory.

Relative to this experiment, a meeting was held in the Greek Bank, in which the Governor of the Bank participated as well as the Deputy Governor, the representatives of the owners M.N. Karellas and D. Karellas, and the temporary Chairman

of the Board of Directors who was a worker himself. In this Meeting, the last objections of the owners were removed (the Greek Bank participates only with 12% of the capital in the Company), and on the 8th of December 1981, the Company which was then employing 1.200 people, started again its operation. Now all the members of the Board of Directors are workers and are appointed by the Court.

Regardless of the great optimism of workers and the Board in September 1981, a consulting firm conducted a study regarding the prospects of the Company. The researchers took into consideration the small productivity due to the technical equipment of the factory in Phaleron, the big operation costs of the factory and the administration, the low productivity of the workers and employees, the decreased negotiating ability of the Company, which make the various sizes (productivity, purchase prices, sales prices, amounts disposed, cost, etc.) more unfavorable than the existing standards of the present national and foreign market. Also, considering the fact that the year 1982 would be a difficult one for Greek spinning-mill factories (the price of cotton will increase as well as the other factors of production, labor costs, maintenance, transportation, etc.) and it is not known if sale prices for the products in this year will absorb these increases. According to the above study, the Company cannot be viable, under its present form of organizational structure and operation. The researchers concluded that the new efforts should be :

- a) Take procedural action for administrative changes.
- b) Start constructions in the installations where the factory of Phaleron will be re-established.
- c) Liquidate the circulating assets and part of the consolidated funds, so the money collected can be disposed immediately for paying back old debts and stop the hemorrhage of interest paid.