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Social Factors and Performance of Elite which Hinder Organizational Development

Summary

Despite possible differences in official ideology the drawbacks of social organization and the absence of sound approach to social and personal conflicts cause constant demolition of existing formal institutions for the sake of the survival of the system. The neglect of these drawbacks brings about old problems to be transferred to the “new” state. The level of social and human capital and its proper utilization guarantees progressive development. The shifts in organizational policy is also reflected by the consequent shift in the theoretical paradigm, from treatment of a participant of the structure as an object, then as the user and finally as the client. The lack of social capital generates a vicious cycle, which brings about the necessity of object-based relations and the spread of all-pervasive protecting informality to compensate for object-based relations.

Introduction

The quality of organization can be measured by only the efficiency of production. Such an approach obscures the wide range of social phenomena which are behind the curtain of pure economic matters of cost-benefit analysis. Herbert Blumer, one of the classics of symbolic interactionism expressed this vision of the processes of industrialization in his book “Industrialization as an Agent of Social Change” (Blumer, 1965). The development of industrial relations is a two-sided process and in order to understand it in its complexity one has to consider both the influence of local culture on

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industrial governance and the influence of industrial relations on the culture of community. Social organization, in turn, closely interacts with industrial organization. Though one can lead to the other, the main share of the responsibility lies on the managers from both the private and public sector. Emil Durkheim, one of the founders of holistic sociology that recognizes "social" as the matter independent from the will of people, nevertheless in the footnote to his "Method of Sociology" exemplified a kind of exclusion by using the notion "social force" that relates to the feature possessed by bureaucrats (Durkheim, 1938 [1895]: 145). The distinctive social role of a person with power is recognized by many other authors. The oriental scripture Bhagavad-Gita contains the following verse about it: "Whatever action is performed by a great man, common men follow in his footsteps. And whatever standards he sets by exemplary acts, all the world pursues" (B.G. 3:21). The tradition of elite research in the modern period dates back to the writings of Vilfredo Pareto (1968 [1901]). This "social force" or organizational behavior of the "man of power" is a decisive issue for the proper functioning of the system of administration both in the private and public sphere. To avoid being dependent on the personality of "men of power", a special organizational device called "bureaucracy" was established. Max Weber studied it and presented results in his renowned works (Weber, 1958). He described the features of the progressive organization, which in his time achieved supremacy in efficiency over family businesses, clan activities and adhocracies. Weber's summary of the main features of the progressive administration, which was separated from local particularities, became a guideline for implementing it all over the world. All the following schools of administration concentrated on the drawbacks in the ideal model of Weber. The Max Weber's brother, Alfred Weber, also observed organizations and pointed out the negative phenomena of "split of personality" of the bureaucrats of his time (Shpakova et al., 2003). The latter day achievements of organizational science are inspired by the management of culture (Crozier, 1967). At any rate, successful organizational governance depends to a great extent on the personal engagement of bureaucrats or managers. No matter how effectively in the short-run the organization of labor can isolate performance from personality, the time of collusion of both will come sooner or later. And the first reaction will be within the manager's staff, though the most tangible results will become visible by the performance of the ruled, especially during the survival test of the adversary environment.

It is in the core of survival of any economic policy both on the local and global level, irrespective of its ideological color, that is clear in the example of Russia. This paper reviews existing theories of administration from the viewpoint of the inter-temporal shift of the object-user-client paradigm, showing how participation influences this transition.

Firstly, I demonstrate that the roots of social conflict are in the presence of two rivaling forces within a human. This conflict manifests itself in the framework of power related interactions which are also connected with the economic activities of people. And the main role in this conflict is played by the management of public and private organizations, which define the pattern of relations in the society. The attempts to isolate the performance of society from the influence of managers' behavior and attitudes will either fail or will bring about high risk of totalitarian rule consolidation if they succeed. The first close alternative to the relations where an individual becomes an object for

manipulation is the user-based relations where one has multiple choices but is not always aware of it. To move beyond the user-based to client based relations where the choices are openly offered to an individual requires not only awareness but also readiness to participate in order to employ the revealed possibilities. The lack of awareness and participation, which are the main elements of social capital, leads the system to the return to the periodic oscillations between the object based system of bureaucratic administration and the spread of informality accompanied by nepotism, corruption characteristic to pre-industrial forms of administration.

1. Honest or Smart. The Origin and Nature of Basic Social Conflict

Nowadays within the humanities, which deal with the wide range of economy related phenomena, the orthodox approach of economic theory is gradually giving way to more complicated and interdisciplinary systems of description and explanation. One of most promising of them is economic sociology of conventions.¹ On the other hand, in order to understand the role of the orthodox approach in the modern development of many economic disciplines it is necessary to reveal its ideological side, thanks to which economics survived despite poor explanation and predicting power. The strength of it lies in the normative foundations which are in the basis of prosperous economic systems, namely the rationality of law-abiding actors. In other words, what every society badly needs is “honest and smart people”. Just like many other abstractions used in economic theory, this basic principle contains a contradictory self-destructing requirement. “To be honest” in an absolute sense means to be ready to eliminate competitive advantages which make one better off at the start. “To be smart” entails being able to acquire as many advantages as possible and use them to obtain even more advantages, thus, following the logic of an individual, maximizing the bulk of utilities in disposal in unlimited way. This conflict become especially substantial when the issues of the shadow economy and corruption come into consideration, which are in turn relevant problems for many countries including Russia, Poland and other post-communist countries of Eastern Europe.

One well-known Polish businessmen and statesmen, who was prosecuted for a corruption-related activity, several years before the case had been a member of scientific group studying corruption in the framework of the Lech Walesa Institute program. In the book based on research results, he wrote the following:

The social consciousness has already consolidated the opinion that theft, deceit and corruption had become the agents of social changes. Indeed, we are building an economy whose prosperity has to be brought by the “invisible hand of market”, although the concentration of capital necessary for such a market is being achieved by means of the “invisible stealing hand” (Cwiklinski & Urban, 2006: 1).

Professors often forget to tell students of economics that the “invisible hand of market” conception emerged in the framework of the wider context of Adam Smith’s

¹ For an exhaustive description of the process and implication see: Beamish, Biggart, 2003.

world, who was professor of ethics and author of the book that become recently popular among modern economists “The Theory of Moral Sentiments” (Smith, 1790).

Another example of the failure of economics to explain phenomena having a direct reference to the industrial relations is the issue of labor-capital interaction in the economic theory of factors of production. Here the labor and the capital are described as two equal factors of production – the statement opposition to which has changed the world. However, among the equations and formulas of standard textbooks on economics introducing for instance the notions of ratio of capital to labor, and drawing the linear model of demand and supply, Samuelson notes that the redistribution of income between capital and labor as factors of production depends on “local circumstances” or “tradition”. It is absolutely neglected here that in industrialized countries a lot of people had to sacrifice personal freedom and sometimes life to change “the tradition”. Hence, in an economic science there is still a lack of a general consensus on these matters. The lack of a scientific answer on how the “surplus value” should be shared prevents the labor-capital consensus and provides the grounds for permanent social conflict.

By providing two of these examples, I have shown how the social conflict origins from the inner personality conflict of the choice of “honest or smart”. There are many readers which would question the universality of the notions, but it would be hard to refuse their conflict nature. And when comparing both of them the honesty would attract much more attention than smartness perhaps because many of us have strong excuses of the harm that we have being directly or indirectly doing to other people. This is because economic competition first requires the smartness from us. Material prosperity is often treated as the proxy of it. The Russian ‘nouveau riche’ had simple logic – to take advantages by violating the laws and to use this advantage to obtain even more power so that to control the labor by using capital. Was that honest? If yes, then the simplicity of this technique impeaches the smartness of these anecdotic personalities. Knowing it for the American question: “If you are so smart why are you not that rich?” I have the Russian answer: “If I were that rich – why would I need to be that smart?”

2. The Role of the Management in Basic Social Conflict

In the modern world, partly because of the collapse (or breakdown – as some claim) of the Soviet Union, the conflict between labor and capital has taken the shape of a kind of Cold War. The growth of prosperity enables individuals to change their side. Joint stock companies with their shares dispersed among the vast population and state programs of small business support, socially oriented labor legislation make it more real. To some extent it is similar to establishing the Geneva Convention, which defines the rules of war due to the impossibility to outlaw war as it is. Employee share ownership is an effective tool to reduce basic conflict (Kalmi, 2000), but this and other forms of cooperation are often offered only for the management. And the management takes the decision about the necessity to involve lower level employees into the participation on the basis of higher rank interaction than traditional and bureaucratic execution of the duties. The latter requires much more interpersonal and communicative skills.

Trade unions and worker councils have become an integral part of the capital-labor relations in developed countries, which despite the tremendous share of government spending in the GDP are still called 'capitalist countries'. Another situation is in the 'new capitalist countries', where the degree of negation of labor protecting institutions is seemingly proportional to their (at least formal) universality in the past. Comparing Russia and Poland we can see higher labor protection standards in Poland at a lower level of the shadow economy and corruption. The non-transparency of Russian joint-stock companies and voluntarism of blocking share holder, as well as built-in tax law violation does not permit effective influence of employee in the role of shareholder or trade union member on the enterprise performance, unless one is in the key management position.

The formula of wild capitalism that is in Russia now, i.e. "Winner takes all" recently caused the emergence of the new business practice of property redistribution called "raiding". The "raiders" are aggressive financial groups often connected with organized crime circles and engaged in the seizure of enterprises by means of fake documents, "bought" court decisions and abrupt attacks on the premises (particularly headquarters) in order to capture control of financial flows. There are cases when "raiders" use brigades with more than thousand men armed with baseball and iron sticks and chains to eliminate in non-lethal way the security and to penetrate the target buildings. The employees of such enterprises are manipulated by the top-management in order to be involved into the conflict and to let the firm save on security agency. Their interests, nevertheless, will not be cared about either by the old or by the new raiders' administration. Medium level managers are in a vulnerable situation during the attack of the raiders. If they stop working then they can lose their job if the raiders succeed. If they continue to work they automatically become betrayers if the raiders fail.

Co-operation as the basis of successful enterprise is in many ways refused in post-communist societies as the reaction to the enforcement of it by the former power. As the authors of a book that is the report of many years of research on entrepreneurship in Poland state: "Under communism, various types of institutions aimed at eliminating (at the worst) or limiting (at the best) private business activities" (Słomczynski, 2005: 35). It is a common and simplified view of the winners in the ideological struggle on the processes that took place under "the communist rule". The initial sense of the policy was not to eliminate or limit the initiative as it is but to reorient to the common or public benefit. However utopian the idea is – it is in the basis of the "economy of participation", the difference is in the degree that the private sphere has to be sacrificed for the sake of the public sphere. What the communist ideology overestimated was the ability of a human to be zealous enough while working for a public enterprise with the capacity of private business activity. And the temptation to follow private interest to the detriment of public interest increased with the rank of an official. Finally the managers in the Soviet Union formed a quasi-market of the ranks, decisions and other attributes of power which opened the way to the possession of tangible assets and privileges (Kordonskiy, 2000). Another important drawback was the overestimation of the equality of the members of society and the neglect of the scarcity of entrepreneurial resource.

The capital-labor conflict is the particular case of more general conflict between the ruler and the ruled. Different forms of social participation, 'social capital' related activities

are instruments that alleviate conflict by social compromise. The role of the state here is the prophylaxis of the considerable escalation of the conflict and the emergency help for the victims through the social security system. The socialist or communist paradigm was supposed to completely eliminate this permanent conflict. However, the result was that myriads of small, micro and medium conflicts of 'capitalist' society were replaced by one macro conflict – between the state and the citizen. It was expected that after the concentration of many conflicts into one the latter would be first controlled then annihilated by means of the merger of the state and the citizen into one. The execution of the procedure was entrusted to the Soviet bureaucracy. The next section deals with the real performance of the Soviet bureaucracy that prevented the plan of social transformation from being realized.

3. Ideal vs. Real Bureaucracy

The rationality of bureaucracy in socialist countries had a peculiar character. It was rational in the sense that a bureaucrat turned into a "homo economicus" deprived of moral values since the traditional and religious institutions were suppressed by communist ideology and the new philosophy was so utopian and irrational that it could not substitute them in practical matters especially when the 'honest or smart' conflict was concerned. Trotsky wrote about it:

The power in Russia is captured by the bureaucracy. Although everything in the country belongs to the state, the very state belongs to the bureaucracy. Sociological problems seem much easier in reality if social phenomena are being described single-sided. There is nothing more dangerous than not to notice reality for the sake of logical harmony. The elements of reality violating harmony of your scheme today, tomorrow will destroy its relevancy completely" (Trotsky, 1967: 249).

Trotsky was right in the sense that the power was kept by the bureaucracy or by managers, he just did not want to recognize the universality of and necessity for complicated social systems. His mistake is similar to the mistake of all revolutionaries which destroy Bastille prisons and then create labor camps on the field, which even theoretically makes new prisoners' situation worse than their previous one. The unprecedented rate of imprisonment and labor encampment with inhuman conditions in the Soviet Union under the Stalin (Dzugashvili) regime was incomparable to the punishments imposed on Russian revolutionaries by the Tsar (Russian Emperor). Communists built their ideology on depicting the cruelty of autocracy in the textbooks on history when describing the imprisonment of the participants of the XIX century revolt of "Dekabrists". Few historians knew that the first Russian Cooperative was established in 1831 in Siberia by the Dekabrists – a fact impossible to imagine in, say, Stalin's "Gulag" one hundred years later.

Hence, efficient bureaucracy is a crucial mechanism for implementing ideas. The bad performance of the mechanism causes temptation for revolutionaries of all kinds to use unlimited violence to destroy it. However, as Russian history has proven, the unhealed

diseases of administration such as corruption, nepotism and nonparticipation of the officers are transmitted through generations and regimes, and after the regular "progressive move" bring about the necessity to demolish the whole system as it happened during the Chinese cultural revolution after decades of communists power.

Thus, the quality of the management that often takes after the patterns of state administration is the main factor of sustainable development. And for the new Russia the threats to its integrity and prosperity are the same as those which brought about the demolition of the communist regime.

Weber wrote that "Modern bureaucracy in the interest of integrity has developed a high sense of status honor; without this sense the danger of an awful corruption and a vulgar philistinism threatens fatally" (Weber, 1958: 88).

In my opinion, it is not the external signs of the bureaucracy (written documents, hierarchy, paid service, etc.) that are the key elements of sustainable public or private administration but the 'status honor' of the managers. Without it the pattern of performance will be similar to those described by Weber for the patrimonial and other forms of pre-bureaucratic administration. What actually in Russian public and private administration main is - the absence of 'status honor'. The cruelty of the natural and social multicultural environment for the Russian state required rulers to be no less cruel towards their own people to establish and to defend the state. Civil society institutions could not be developed in the military state. However, no war consists of battles exclusively, and during more peaceful times the ruling class tried to compensate for the losses at the expense of the ruled. The total deprivation of the dignity, culture of prison (10% of the population had experience of imprisonment during the communist rule) are not the conditions for emergency 'status honor' of 'honest and smart' public or private administration so the people rather rely informal networks. How these informal networks change the content of bureaucracy and the dynamics of the development of the institutions will be shown in the next section.

4. From Object to User and the Problem of Awareness

The importance of efficient bureaucracy for the functioning of any complicated social system is difficult to overestimate. Scientific research on bureaucracy first emerged with Max Weber's sociological essays. On the one hand, bureaucracy was treated as an impersonal mechanism that was designed for transmitting orders from higher to lower hierarchies, while on the other hand it was to become a kind of bolster to institutionalize and preserve the legacy of the great ideas which were implemented in the past by a charismatic personality (Weber, 1947).

At the beginning of organizational science bureaucracy was established to execute the action upon the object. The object can be the consumer of the end product as well as an employee. Successful performance of this system was based on the subordination of the object to the purposes of the Manager. Alfred Weber, who contemplated the white collar community of his time, described the shift of the way of life and customs of an individual involved into industrialization. He, unlike his brother, Max Weber, treated bureaucratiza-

tion as a negative social phenomenon that stimulates the emergency of masses of people with an unnatural form of the realization of personal needs, particularly by means of the carrier in the structure of bureaucratic organs, which required the dissolution of personality in the office. The full capacity of this process appears in totalitarian societies having anti-human objectives in principle. (German Sociology, 2003: 262-275)

The early success of bureaucracy as a form of administration was based not only on the technical supremacy of the procedures but also on the possibility to employ lower social strata in the administrative service. For many of them the appointment was a chance to go beyond the limits of "debility of rural life". The new ascriptions in the bureaucratic machine were the rise in the social structure. Here one could grow further only thanks to the execution of the orders. However, the perfection of the German bureaucratic machine was achieved by the time of the Holocaust. The Jewish people murdered in the concentration camps were not considered as people but only as the objects for the processing. With perfect rationality the golden crowns of their teeth were collected separately from their skin, hair, shaving-brushes, foot-wear – as you can see this all in the Auschwitz-Birkenau Museum in Oswencim, Poland.

The anti-humanism of this system was also implemented in Stalinist society but the Russian situation was different than the German one. The revolution caught the Russia off guard with unfinished industrialization and bureaucratization. The Tsarists' administration always depended on non-bureaucratic procedures of autocracy and could not succeed in creating proper bureaucracy because of the inbuilt controversy between old style nobility supremacy and the bureaucratic apparatus with employees from the lower social strata. This situation was beneficial for the revolutionalization of these strata. Most of the early Russian terrorists of the 19th century were from the strata of professional bureaucracy. After the demolition of the former power, the Bolsheviks in Russia as well as later the communists in China had to rely on the existing offices and hired the same employees (Wang, 2001), but always under the political supervision of party commissioners. The severe repressions of Stalin prevented corruption by the systematic extermination of the high ranking bureaucrats, which helped to support the fear but weakened the expertise. After the death of Stalin nothing preserved the system from the spread of informal networks. A French researcher of organizations wrote that Russians in the bureaucratic system have to resort to violating the law in order to execute their obligation towards the state in response to impossible objectives. As the result, they always have a complex of being a criminal. Citizens become materially and morally dependent on the central administration. The only protecting mechanism is to enter into an elementary informal group, because the relations are distinctively warm and full of care (Crozier, 1967: 232).

The words of Crozier, which referred to the communist times of Russia, are to a great extent relevant to the present reality of Russian public administration and private business relations. The upper strata of the administration express aspiration (at least in words) to stop these relations although thanks to these relations in many cases they obtained their own positions.

With the theoretical development of the administrative science, a new Managerial School emerged, and it was different from classical bureaucratic theory because it paid more attention to the economic stimulation of an employee. One was still treated as the

object but oriented toward private interest; thus, a person was not deprived of the “natural aspirations” by the fact of joining the organization. The school of administration consolidated bureaucracy and economic theory and is known as classical management or public choice theory. According to modernization theory, which received some empirical support from the recently introduced World Value Survey, Russia according to many indicators of social-economical development is 60 to 80 years behind the developed countries (Inglehart, Welzel, 2005). In terms of administrative relations, the classical managerial approach is only under implementation here. The transition to the managerial approach is marked by changing the role of an employee or end consumer from the object of the system to the user of the system. User-based relations are characterized by granting a human more options to choose from, but only if he is interested in them or cares about them. This includes the whole range of organizational or administrative relations from the protection of the rights to the freedom of choice. Participation here is no longer limited by the place in the hierarchy but clustered in the sphere of material interest.

The next generation of organizational theories is represented by Human Relation School, which can be considered as an attempt to cope with that range of informal relations that emerged as the reaction to the implementation of the “object” approach. Here the behavior is considered in terms of sentiments, personal orientations and values which are manifested in the participation in informal groups. The formal structure of the organization is considered as the external variable of the system, which a person functions in (Barnard, 1938).

Informal relations are the core of Russian industrial and public administration structure. They penetrate all and the system expels those who are considered as alien to it. In a recent interview one of the businessmen who functions in the highly profitable business connected with alcohol production responded to my question about the share of profits spent by him for informal protection in the following way:

This is the wrong approach, and the Western definition does not fit here. It is an absolutely different construction when one has personal property that belongs to him, and then he makes a business out of it and he can share the profit with, say, racketeers. We have seigniorial relations. Nothing has changed from John the Terrible's times, we are still classified as earls and serfs²

After additional questions I understood that most of the luxurious businesses are controlled by the regional and city public administration officials, who incorporate new people into the enterprise only on the basis of personal relations. They define part of the profit that will go to the personal disposal of a participant and *de facto* are owners of contributions of the latter.

The attempts of the government to influence these preindustrial relations do not go beyond promoting the classical bureaucracy scheme that, in turn, as it was shown above, is comprehended by the population as detrimental and personally more dangerous than the informal one. Russians generally know about the possibilities of formal methods of solving their problems but have no experience with using them (see: Tables 1 and 2).

² Interview in Rostov-on-Don (Russia) 19.06.2006.

Table 1. Attitude of Russians to the efficiency of different methods to impact the power

| The ways of influencing the state administration | Consider as effective methods, % of the respondents | Used in the last year, % of the respondents |
|--|---|---|
| Strike, manifestation and other forms of social protests participation | 12.8 | 3.2 |
| Political party activities participation | 5.3 | 1.3 |
| Trade union and labor circles participation | 11.4 | 4.3 |
| Official applications to state departments and media | 18.5 | 4.2 |
| Use of personal connections | 19.2 | 8.2 |
| Court applications | 20.1 | 5.2 |
| Bribing | 10.1 | 5.5 |
| There are no effective ways/did not attempt | 45.7 | 77.5 |

Source: IKSI RAN, July 2003.

Table 2. Formal and informal measures of influence on the power structure: actual and potential participation frequency and difference

| | Potential (%) | Actual (%) | Actual as share of potential |
|--|---------------|-------------|------------------------------|
| Formal | | | |
| Trade union and labor circles participation | 11.4 | 4.3 | 38% |
| Political party activities participation | 5.3 | 1.3 | 25% |
| Official applications to state departments and Media | 18.5 | 4.2 | 23% |
| Court applications | 20.1 | 5.2 | 26% |
| Strike, manifestation and other forms of social protests participation | 12.8 | 3.2 | 25% |
| Mean for formal activities | 13.62 | 3.64 | 27% |
| Informal | | | |
| Use of personal connections | 19.2 | 8.2 | 43% |
| Bribing | 10.1 | 5.5 | 54% |
| Mean for informal activities | 14.65 | 6.85 | 49% |

Source: Author's grouping of IKSI RAN data. IKSI RAN July 2003.

According to the data of the survey presented in the table it is clear that almost half of Russians do not see any efficient ways to influence their superiors. Moreover, among those who know about some methods only less than half actually referred to them, although among those who referred to them half will use informal ways including illegal forms.

The formalization of relations by the classic bureaucratic scheme of industrial relations (if it is successfully implemented) makes an organization vulnerable to the voluntarism of the one who receives "the captain's chair". In the conditions of low awareness about the rights and possibilities to influence "the captain" the only way of

protection becomes informal relations built according to the patterns of the pre-bureaucratic hierarchy of authorities. This proves that a user-based administrative structure is not stable and has a transitive character. The question is where it will eventually go if “users” do not actually use the possibilities which are at their disposal. There are two options – it will go back to the object-based system or ascend to the client-based system that will be further discussed.

5. From User to Client. The Problem of Participation

The relations based on classical bureaucracy make an employee and a consumer an object deprived of free will, and the structure becomes better as it more efficiently removes personal features inconsistent with the objectives of the system. The management conception of administration pays more attention to personal needs but only in a limited way within the range of the economic man’s preferences. Attention to informal relations in conjunction with a managerial approach brings about user-based relations that are being implemented in Russia now. However, the user-based system of relations is vulnerable to the unawareness of users. The implementation of the next stage of client-based relations in turn is vulnerable to non-participation.

Client-based administrative relations assume that all possible solutions for the client (employee or end-consumer) are provided beforehand, so he would not have additional, say, transactional costs on finding information on available options. Hence, the system not only turn an individual into an object deprived of free will, or even not knowing about the possibilities, but treats the individual as the client, who is not just given a phantom perspective of his actions but is provided with a full range of instruments to achieve the required personal and professional expectations.

Among the new schools of administrative thoughts representing the client-based approach the first was the Human Resources (HR) School. It considers individuals as the sources of hidden reserves. It refers to high-ranking needs in Maslow’s hierarchy. Unlike the classical management approach, where the decision is transferred top-down, in HR management the flow of information is redirected, and it has to move then from lower to higher levels. Here the problem of participation is reflected in the proportion of individuals willing to be engaged in providing information since there is always the possibility of misinterpretation, falsification and neglect. The client can finally receive full information but he/she will not be able to interpret it or will not use the possibility. In the following table the results of the survey provide evidence that although Russians know about the possibilities of participating in social life very few of them really wish to do it (See Table 3).

Low participation in social life means low level of social capital – the notion that came into the scientific lexicon of economics and economic sociology with the evidence of its explanatory power of the difference in the rates of economic development (Social Capital, 2000). This and other peculiarities of Russian society are similar to many other societies of the developing countries, which is the reason why some researchers that believe in the dichotomy of collectivists and individualistic economies assign Russia to collectivists and reject the applicability of the conventional approach (Kirdina, 2004).

Table 3. The potential of Russian respondent's participation in social life

| Participated (%) | The form of participation | Ready to participate (%) |
|------------------|---|--------------------------|
| 23.4 | Collective accomplishment of commonly used infrastructure (houses, playgrounds, etc.) | 43.8 |
| 10.0 | Targeted local actions participation | 16.4 |
| 3.8 | Self-government participation | 6.5 |
| 10.2 | Humanitarian relief collection | 27.9 |
| 9.0 | Election companies participation | 8.9 |
| 5.9 | Labor circles participation | 9.1 |
| 2.8 | Meeting and trade union strikes participation | 4.4 |
| 2.7 | Charity, NGO, remedial actions and other funds participation | 10.2 |
| 1.0 | Local political party participation | 1.9 |
| 1.8 | Religious organizations participation | 2 |
| 0.6 | Others kinds of participation | 0.5 |
| 58.3 | Didn't do any \\\ I'm not going to! | 37.5 |

Source: Ibidem.

On the other hand, the analysis of basic characteristics of societies ranked as Oriental reveals social-psychological constructions and basic elements similar to those of Western societies. Thus, the issue in question is how to distil and combine them to acquire the composition necessary for sustainable development (Boguslavskiy, 2005). And here we approach the concerns of the neo-rational, cultural or “complex” school of administration.

According to this school, members of an organization are involved in the complex and dynamic socio-political system, in which the satisfaction of an individual and his/her social needs are realized in the context of power relations. This school to some extent competes with but also complements HR approach. Here we are dealing with the culture-management. The success of it depends on suiting the purposes of the organization to the culture of society the way to achieve economic parameters and be aware of the impact of the organizational relations on the general culture.

Hence, the growth of social capital has crucial importance and is connected with the transition to client-based organizational relationships. The lack of social capital brings about the threat of returning back to the object-based administrative relationships characterized by depriving individuals even of the rights given to them by the user-based system. Classical bureaucracy can be an effective mechanism for creating social order, but from being familiar with the Holocaust one has to think about the long term price that the society has to pay if it refuses to spend much time and effort into changing the culture.

Conclusions

The neglect with which classical economics treats the distinctive character of labour as a factor of production caused the inability to explain important social phenomena. The labour-capital conflict is the private case of more general conflict of the rulers and the ruled. The social conflict itself is rooted in the inner conflict of the choice between self-oriented and socially-oriented behaviour. The most important consequences of the inner conflict dwell within the minds of the elite or managers or rulers. Both capitalist and socialist political economy are dependent on the rate and proper organization of human participation in creative activity. The responsibility for the involvement of the population in creative activities lies with the elite. The inability to do it brings about the decision to demolish the present system, but the new one will have to face the same problems. Regular collapses are guaranteed. The key element in any structured social relations is the treatment of the participants. The increase of social and human capital in the developed world caused a gradual shift of the paradigm of the organizational thought. There was consequent shift from the treatment of an individual: from being an object, deprived of choice, to a user who has the choices but is not given information about it, and finally to client, provided with all instruments of choice in advance. The user-based system is not stable and has a transitive character since it depends on the awareness of a user who has considerable transaction costs in obtaining information about the choices. The question is where it will eventually come if “users” do not actually use the possibilities, which are in their disposal, there are two options – it will come back to object-based system or ascend to the client-based one. The level of social capital has crucial importance for transition to client-based relationships, the lack of it as it is in Russia brings about threat of returning back to object based administrative relationships, characterized by the deprivation of individuals even of the rights given them in the user-based system. The bureaucratic system is the best solution then, though it is always vulnerable to and challenged by informal relations, corruption, nepotism, etc.

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Czynniki społeczne i działania elit w ograniczaniu rozwoju organizacyjnego

Streszczenie

Różnice w stosowanych koncepcjach organizacji społecznej i zróżnicowanie uwzględniania w nich podejścia do konfliktów społecznych powodują stałe zaburzenia istniejących instytucji formalnych. Zaniedbanie tych niedociągnięć utrzymuje stare problemy w nowych rozwiązaniach. Poziom rozwoju kapitału społecznego oraz ludzkiego oraz jego właściwe wykorzystanie gwarantuje postęp i rozwój. Przesunięcia w polityce organizacyjnej spowodują logiczne przesunięcie w teoretycznym paradygmacie: odejścia od traktowania uczestnika struktury jako przedmiotu, a traktowania go jako użytkownika i w końcu jako klienta organizacji. Brak kapitału społecznego i jego niewłaściwe wykorzystanie tworzy grupy nieformalne (elity) oraz generuje niewłaściwy cykl rozwoju organizacji i zakłóca nawiązywanie przez nią różnych relacji.