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An East German Manager Explains the Advantages of a *Kombinat* (June 24, 1972)

To convince the East German public of the benefits of "socialist rationalization," Wolfgang Biermann, the director of a machine tool factory, explains the benefits of a *Kombinat*, or combine. He argues that when different enterprises that produce the same product are combined into one corporation, the results are higher production runs, administrative efficiency, and shared social services.

A *Kombinat*¹ is More than the Sum of its Factories

The workers of the "October 7th"² Machine Tool Combine [*Kombinat*] in Berlin have responded concretely and unanimously to the new sociopolitical measures: To exceed the 1972 plan for industrial goods production by two percent. This decision has been thought through carefully, takes many individual initiatives into consideration, and carries all the more weight because the collective had already set high goals for itself with the plan for 1972. At the same time, these initiatives also illustrate the type of effect that arises from the work of *Kombinate*. The effect results from the wise and far-sighted policies that our party put in place to concentrate production capacities in vital areas of the economy to achieve higher productivity for the benefit of all. But success does not come automatically. The mere consolidation of nationally-owned enterprises does not create a productive combine. The combine-effect [*Kombinatseffekt*] is the result of a planned division of labor, specialization, and cooperation between individual factories in the combine. In the process of socialist rationalization, the productivity of combines is further increased. This productivity is also the result of the consistent and uniform management of an experienced collective of 19,500 workers in eleven nationally-owned enterprises brought together in one combine.

The combine-effect can be measured and calculated in many ways. In accordance with the requirements of our combine, exports play a special role. If we assign a value of 100 to exports to [members states of] the socialist economic system when the combine was founded in 1969,

¹ A *Kombinat* – or combine – is a large integrated corporation that combines numerous factories making one product. The plural form is *Kombinate* – eds.

² The GDR was founded on October 7, 1949 – eds.

then that number grew to 117 in 1970 and to 165 in 1971. Exports to the Soviet Union increased to 140 in 1970 and even to 208 in 1971. Exports to the non-socialist economic sphere increased to 133 in 1970 and to 175 in 1971.

The Reward was Gold at the Trade Fair

Since the creation of the combine, a basic principle could be realized step by step: The uniform management, planning, and execution of the production process. As a background step, this involved merging all of the factories in the combine into a unified whole by steadily increasing their individual responsibility for fulfilling their assigned tasks. It meant a farewell to some habits, some traditions. At the same time, the many positive experiences of the factories could be put to use on a larger scale.

Thanks to concentration, for example, we are in a position to manage and plan science and technology centrally. Thus, we were able, step by step, to reduce the fractious effects of the geographical and content-related fragmentation of research and development capacities in order to realize uniform technical principles. This was the precondition for the efficient organization and implementation of the division of labor process. In the combine, factories were chosen to set the standard for production processes and techniques for grinding, turning, and gearing. Among other things, this allowed the development and transfer time of goods entering production to drop from an average of 37 months in 1969 to about 30 months in 1972. The effort put into the development of the general conceptualization of all turning processes was reduced by 40 percent in the same period.

But the combine effect can also be appreciated from another perspective. The development of the Rota FZ 200 Mechanical System, which was awarded a gold medal at the Leipzig Spring Trade Fair in 1972, was only possible in the first place on account of the consolidation and concentration of potential and the cooperative efforts of many factories under one management.

Automatic Lathes for the USSR

The high productivity of the combine is based, among other things, on its full exploitation of the benefits of the socialist division of labor. Its most important form and at the same time a highly important source of increased efficiency is the socialist economic integration.

“Stanki 72,” the exhibition of Soviet machine tool engineering in Moscow, recently illustrated the possibilities and necessities of synchronization and evaluation for machine tool engineering in the GDR. Contracts concluded between “October 7th” and Soviet partners for the delivery of multi-spindle automatic lathes not only guarantee long-term security in sales, they also make it possible to optimize constructive and technological preparations as well as the procurement of materials. For us, that means: production in higher volume and at higher quality. Similar advantages arise from contracts concluded with other socialist countries on specialization, cooperation, and sales.

Within the “October 7th” Machine Tool Combine, the division of labor process is designed so as to achieve higher efficiency with the same materials or the same yield with fewer workers or raw materials. Here, one focus is the centralization of the production of specific parts in certain factories in the combine. For example, the nationally-owned enterprise [VEB] Hermann Matern in Magdeburg is responsible for the production of cog wheels and main spindles for the entire combine.

In 1972, in the interest of further progress in the division of labor in the combine, the production capacity of the main manufacturing unit was increased by 91% compared to 1971. This made it possible to save 25% of the standard work hours previously required for this work.

Socialist rationalization also includes the rationalization of the administration, which is subject to the same demands as, for example, the rationalization of production or transportation: Reduction in the required work hours; lowering of costs; tight and transparent organization; expedient information channels; favorable combination of rational use, planned maintenance, and modernization of the infrastructure, to name just a few.

More Efficient Administration

An important means of rationalizing the administration is the automation of information- and data-processing. Our experience has shown: Organization and technology of information- and data-processing needs to be correctly linked with the rationalization of the administration. There are still large efficiency reserves here.

In the past few years, the rationalization of administrative work – which is mostly carried out without complicated technology, like, for example, the organization of information exchange and document processing – was neglected in favor of automated information- and data-processing. Certainly, the concentration on automated information- and data-processing with modern technology was and is necessary and correct. But without tackling all the tasks of information processing and conventional business organization, administrative work cannot be rationalized, and no progress toward further perfecting the methods of management and planning via electronic data-processing is conceivable in the future. In order to make progress in this area, 20% of all savings listed in the rationalization plan for 1973 are to be achieved through the rationalization of administrative work. It is important to steer consistently toward this goal, since in this area, in particular, there are large reserves that have yet to be tapped.

Better use of Company Vacation Homes

Specific use of the advantages of the combine must of course include – and that is, in accordance with the resolutions of the 8th Party Congress, a basic question of our socialist social system – [beneficial] working and living conditions as part of the production process. Here, too, it is apparent that the combination effect works directly in the interest of the workers.

Individual factories in the combine each have about ten vacation homes for the workers at their disposal. This does not include the many bungalows, trailers, etc. Up to now, these homes were used only by the factories alone, so it was hardly possible to fully utilize them. In 1972, all vacation accommodations were centrally registered and ranked according to quality. This made it possible to offer all workers a much wider selection of vacation sites and to increase full-capacity utilization of these sites even during the pre- and post-season. It is known that workers in the foundries have done outstanding work under very strenuous conditions to supply the economy with the needed casting. For this reason, the combine leadership is paying extra attention to improving the working and living conditions in these plants. In 1971, a 270,000 Mark sum – to name just one figure – from centralized funds from the Cultural and Social Fund of the Factories was made available to the nationally-owned enterprise Rudolf Harlass Foundry in Karl-Marx City to achieve tangible improvements for the people working there.

Source: Wolfgang Biermann, Managing Director of the Nationally-Owned Enterprise “October 7th” Machine Tools Combine, Berlin, “Ein Kombinat ist mehr als die Summe seiner Betriebe” [“A *Kombinat* is More than the Sum of Its Factories”], *Neues Deutschland* (July 24, 1972), p. 3.

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