

## **An Operational Socio-Economic Paradigm**

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### **Abstract**

In this paper I present an operational socio-economic paradigm, which is to some extent consistent with and supplementary to the paradigm recently proposed by Amitai Etzioni in the *Socio-Economic Review*. It consists of: a systematic method for the interpretation of theories and empirical findings, with a personal, action, and institutional level of analysis; the concept of power as a central analytical and causal concept; and a method for the interpretation of values. An example of applying the paradigm is provided from the field of human resource management.

## **1. Introduction**

In the first issue of the *Socio-Economic Review*, Amitai Etzioni (2003) makes the case for a socio-economic paradigm which is to serve as a basis for the accumulation of socio-economic knowledge. While most principles he proposes are sound, he does not indicate how a socio-economist is to go about using them in a substantiated and systematic fashion. How can we substantiate our claims regarding the functioning of the economy, and how can we systematize such claims? How can we analyze individuals, collectivities, markets, and power in a multi-disciplinary fashion? Finally, how can we judge the implications of our findings in terms of values? In this paper, I present the principles I feel are needed to arrive at such an operational socio-economic paradigm: a systematic method for the interpretation of theories and empirical findings, with a personal, action, and institutional level of analysis; the concept of power as a central analytical and causal concept; and a method for the interpretation of values. To show how the paradigm works, I provide an example which deals with HRM practices of Japanese multinationals in the US.

## **2. A Systematic Method for the Interpretation of Theories and Empirical Findings With a Personal, Action, and Institutional Level of Analysis**

Studies in the philosophy of science have concluded that it is impossible to find a clear algorithm of choice between theories on the basis of empirical findings.<sup>1</sup> Instead, interpretation is inevitable - if the term 'interpretation' is used to refer to 'conception as well

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<sup>1</sup> Among other reasons, a clear algorithm of choice could not be found because: no rational grounds can be provided for using inductive inferences that go beyond the evidence available (the 'problem of induction'); perspectivism is inevitable; absolute verification criteria have been found to be practically untenable, and if no absolute criterion is proposed there is no logically compelling algorithm of choice; facts are dependent on theories; a test always concerns a whole complex of theories and (possibly unknown) circumstances at the same time (the Duhem-Quine thesis); and the verification criteria proposed often impede scientific progress rather than stimulating it (Kuhn, 1970; Caldwell, 1984; Feyerabend, 1988).

as explanation in the light of individual belief, judgment, or circumstance, while including the need for imagination in dealing with something' (Merriam-Webster, 1993). This does not imply that every belief on a topic is as good as any other; rather, it requires supporting one's claims with the best possible arguments (Bernstein, 1983).

The interpretations concerning a particular subject of study constitute an 'intellectual image' of the subject in the mind of the social scientist. The essence of a systematic method of interpretation is to improve as much as possible on this image, by arranging its elements, systematizing it, and testing it. The idea of such a well-arranged, systematized, and tested intellectual image of an issue under study is captured by Weber's original German definition of the ideal type. Because this definition has tended to be mistranslated into English - e.g. by Shils and Finch (Weber, [1904] 1949), as used by Giddens (1997) and Ritzer (2000) - I hereby provide a novel translation which I claim to be at least relatively accurate:

This intellectual image unites certain relationships and events of historical life into an internally consistent complex of conceived connections. This idealtyp is obtained by the one-sided accentuation of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent concrete individual phenomena, which are arranged according to those one-sidedly emphasized viewpoints into a unified intellectual image. In its conceptual purity, this intellectual image cannot be found empirically anywhere in reality (Weber, [1922] 1988: 190-1).

With 'one-sided accentuation' (*einseitige Steigerung*) Weber implied an *over*-accentuation. While this may be useful to determine polar cases - as in the case of Weber's types of domination - the heuristic value of an *over*-emphasis is unclear. This is because it does not provide us with a picture of the actual situation, and leaves us with the problem of

having to figure out how to use the types resulting from an overemphasis to analyze the actual situation. Instead, I propose to read ‘one-sided accentuation’ as the result of the impossibility to escape one’s subjective perspective. This does not necessarily imply an *over*-emphasis. Thus, while I want to use Weber’s original *definition* of the ideal type, I do not want to use Weber’s *concept* of ideal type. In order to avoid confusion, I will label the concept that I want to use ‘systematized intellectual image’. As another modification, in order for the intellectual image to encompass other elements than relationships and events I suggest to change its definition to: ‘This intellectual image unites certain *elements* of historical life [etc.]’.

Weber did not provide a method for the construction of systematized intellectual images. I propose to use a modified version of Gerhardt’s (1986) method of ideal type construction. According to this method, in improving on the intellectual image of a subject of study in his or her mind, a scientist should perform three steps:

1. The selection of empirical and theoretical elements based on the subject under consideration and on the basis of subjective judgments of plausibility, and the categorization of such elements by means of contrast. This step allows for the inclusion of elements from any scientific discipline. It is qualitative in that it aims to improve overview and understanding of the subject matter, while determining the meaning of the different elements and of the way in which they relate to each other.

2. The construction of the systematized intellectual image by elaborating connections between elements and categories - excluding accidental factors. The resulting image has to be understandable, coherent, logically consistent, empirically possible, and adequate with regard to scientific knowledge.

3. Testing the systematized intellectual image by studying how it relates to other systematized intellectual images, both as an influencing and an influenced factor, and by comparing it with other available 'data' - i.e. with other more or less systematized intellectual images. If the constructed systematized intellectual image can no longer be improved upon, the construction process ends. At any time necessary, e.g. as a result of reflexivity, intellectual images should be reconstructed.

In constructing the systematized intellectual image, I distinguish three levels of analysis: an institutional, action, and a personal level. I define 'institution' as 'a set of roles and relationships which has some perceived persistence over time'.<sup>2</sup> A role may be defined as 'socially defined expectations with regard to a behavior pattern which a person in a given status or social position follows' (Giddens, 1997; Merriam-Webster, 1993). A social relationship is defined by Weber as 'the behavior of a plurality of actors insofar as, in its meaningful content, the action of each takes account of that of the others and is oriented in these terms. The social relationship thus consists entirely and exclusively in the existence of a probability that there will be a meaningful course of social action' (Weber, [1922] 1978, pp. 26-27). The presence of a relationship will mostly be indicated by a term referring to a specific relationship. I define actions or behaviors as 'doings', to be studied as 'social facts'. The personal level includes values, cognitive and emotional structures, and physical characteristics. At any level of analysis, morphological facts are important (Durkheim [1895] 1986).

Connecting the three levels of analysis requires a solution to the problem of 'the micro-macro link' (Alexander, Giesen, Münch, and Smelser, 1987). Regarding this issue, methodological individualism has been found incapable of explaining large-scale social

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<sup>2</sup> My definition is a modified version of a definition provided by Colin Crouch by means of personal communication.

phenomena and social change (Lukes, 1973). Structuralism has been criticized for its neglect of psychology, and functionalism for being too deterministic in its claim that there will be a nearly perfect internalization of a pattern of values that will integrate the social system. Neither tradition offers a general approach concerned with the analysis of social change. The latter criticism also holds for Luhmann's systems theory, which neglects psychology as well. Habermas' critical theory has been criticized for its lack of an adequate system-agency synthesis, as well as for its functionalism and determinism. And Giddens' structuration theory has been found to suffer from 'central conflation' (Lukes, 1982; Archer, 1996). Sewell's (1996) introduction of 'event' does not salvage Giddens' approach, because Sewell does not clarify how such events come into being.

I propose that a general approach to the study of the connections between institutions, actions, and personal elements can be based on the interpretive method proposed above and the acknowledgment that change is continuous. Rather than determining each other at the same time, the different levels of analysis *exist* at the same time, and *influence what happens next* - at all levels of analysis. Thus, the social scientist may construct systematized intellectual images portraying respectively the institutional, action, and personal levels of analysis. One set of images may be focused on what the social scientist perceives to be stable characteristics, while another set can be constructed at the same time, portraying elements perceived to lead to social change. The intellectual images of the institutional, action, and personal levels that are considered to portray a stable situation can next be made compatible. This does not exclude an analysis of social change, because the framework exists only as a set of intellectual images - not as 'actual' social life. The latter can never be captured fully, and changes continuously. Social change can be analyzed by constructing several frameworks of systematized intellectual images depicting social phenomena at different points in time, with

the elements perceived to lead to social change indicating how one framework changes into the next.

### **3. Power as a Central Analytical and Causal Concept**

The proposed method for the interpretation of theories and empirical findings allows for the construction of systematized intellectual images, and for a further elaboration of such images in terms of institutions, actions, and personal and dynamic elements. What is needed still is a tool to analyze institutions, actions, and personal and dynamic elements further - in particular in terms of causality. For this purpose I develop the concept of power - defined in general terms as 'the ability to achieve' (Morriss, 1987) - as a central analytical and causal concept. My development of the concept is based on the interpretive method proposed in the previous section, i.e., different aspects of the concept are contrasted with each other and categorized, while paying attention to the different levels of analysis and connections between aspects of the concept.

The concept of power as here developed aims to provide a tool to analyze the following issues:

- Who has the ability to achieve a specific result?
- How do individuals act on the basis of their goals, cognitions, emotions, and abilities?
- How can power be exercised over others?
- How do effects of power come about?
- How does interaction occur?
- How does collective agency function?

Although the linear exposition of the concept of power ends with the discussion of collective agency, the different elements of the concept are interconnected. Thus, exercises of power and interaction occur inside collective agents, while effects of power underlie personal agency and power structures - and so on. Because the concept of power as here developed has an enormous scope, its discussion is by necessity somewhat limited. A more extensive discussion of the concept can be found in Bosch (2003).

An actor's power is based on sources of power, which may be material, personal, or social. Powermeans represent the forms in which powersources are used. The system of powersources of a person or institution forms a powerbasis. In a situation in which one actor has power over another actor, the powercapacity of an actor consists of the difference between the actor's powerbasis and the powerbasis of the other actor with regard to an issue in a particular time period. Powercapacity may also refer to 'power to', or the ability to achieve something - whether or not in cooperation with others (Morriss, 1987; Scott, 1994). A powercapacity has a certain magnitude - the extent to which an actor can achieve something (Lukes, 1974). A system of powercapacities constitutes a powerstructure. This consists of a rank-ordering of actors in terms of some criterion of power (Weber, [1922] 1972; Morgan, 1986; Scott, 2001). Poggi (2001) distinguishes three forms of power: political, economic, and ideological/normative power.

I will use the term 'personal agency' to refer to the relationship between psychological characteristics and behavior. People have a multitude of goals that they may or may not be aware of and that may or may not be compatible (Ford, 1992; Schwartz, 1999). In deciding how to reach goals, information is selectively gathered. Information that fits existing cognitions is readily assimilated, but discrepant information is often rejected or reinterpreted. A problem is felt to be solved if certain conditions of satisfaction are reached. The limits to thinking abilities and the real costs of thinking imply that only a few consequences of an

action are considered before it is undertaken. While decisions may at times be made more or less rationally, individuals may also develop habitual approaches for addressing problems, called problem-solving heuristics. Decisions may be made intuitively, randomly, or erroneously. People may avoid decisions because of risk-aversion, negative emotional experiences, or for moral reasons. Decision-making is also influenced by social factors, including norms and regulations. Personal goals - together with perceptions, cognitions, attitudes, norms, emotions, possible courses of action, power sources, and environmental conditions - may lead to intentions, which yield actions. Actions may also be performed unintentionally - e.g. on the basis of habits or emotions. An actor may succeed, but people often fail to do the things they intend to do. Computational limits of the brain may cause a gap between intended goals and results, and actions may be short-circuited by a person's affective state (Fishbein and Ajzen, 1975; Skinner, 1988; Etzioni, 1991; March and Simon, 1993; Simon, 1995; Butler, 1998; Kahneman, 2003). The complexity of personal agency implies the need to look carefully at the factors that play a role for a particular person in a particular situation and time period. Systematized intellectual images of different types of personal agency in situations and time periods may be constructed, as is done for 'focus groups'. Systematized images can also be constructed to portray action types - as on financial markets, where a distinction can be made between different types of action: trading, investing, dealing, broking, arbitrage, speculation, and regulation (Evans, 1992).

Power can be exercised over others in several ways. In what I call 'social control', power is exercised without changes in the psychological characteristics of the subject. In 'legitimation', an attempt is made to convince a subject that commands and obedience are rightful - thus constituting systems of authority. Attempts to change a subject's perceptions, goals, attitudes, or cognitions, and thereby his or her behavior constitute acts of 'social influence'. Social control includes force, coercion, manipulation (including inducement), and

the use of authority. When it is effective, it results in obedience. Social control may be delegated or it may be established through forms of participation. Countervailing power may exist, which may lead to conflict. Legitimations may take the form of discourse, ideology, theoretical traditions, myths, beliefs, rituals, and symbols. Authority may be undermined by contempt and laughter (Arendt, [1969] 1986; Lukes, 1973, 1995; Archer, 1996). Social influence may focus on perceptions, emotions, motivations, behavior, or cognitions. It may be oriented at a single subject or it may be more large-scale through propaganda, rituals, and charismatic periods. It may be effective or lead to resistance (Weber, [1922] 1972; Turner, [1967] 1987; Merton, 1968; Zimbardo and Leippe, 1991; Cialdini, 1993). The exercise of power leads to powereffects. In order for an actor to achieve powereffects, it may be necessary to exercise power actively. But an actor may also enjoy powereffects caused by others. These powereffects may be intentional or unintentional (Morriss, 1987).

Powerstructures, agency, the exercise of power over others, and powereffects come together in situations and fields, where strategies and interactions determine outcomes. Interaction may take the form of coordination, cooperation, bargaining, exchange, competition, or conflict. In studying these processes, experimental economics has recently made some improvements over the empirically inadequate tradition of game theory by including actual psychological processes into the analysis. But so far it has been difficult to arrive at a solid body of empirical and theoretical findings (Kagel and Roth, 1995; Kahneman, 2003). Meanwhile, several studies have proposed principles of strategy and conflict (Tzu, [6th Cent. BC] 1988; Olsen, 1970; Krohn, Paradis, and Dexheimer, 2003).

Fligstein (2001) has made the case for analyzing ‘the market’ as a field, where the issue is the selling or buying of goods or services on the basis of property rights, governance structures, rules of exchange, and conceptions of control. This is in line with Weber’s ([1922] 1972)] view of the market as a place where actors compete for exchange opportunities

through a struggle over prices, ending in compromises resulting from power-constellations. Porter (1985) has sketched a number of competitive forces on markets: rivalry among existing competitors; the bargaining power of suppliers; the bargaining power of buyers; and firm strategy and structure. Further studies can be found in the traditions of industrial organization and marketing research. Altogether, in the analysis of situations, fields, strategies, and interactions, individual, historical, and social specificity are important - systematized intellectual images of situations, fields, strategies, and interactions could be constructed.

Collective agency entails the ability to perform collective activities and achieve common goals by means of collective power exertion. Power can be exercised by organizations or groups - including networks and coalitions. In order to perform collective activities and achieve common goals, some type of management is required - whether or not top-down. In my view, human resource management (HRM) - in the broad sense of the management of people by people in an organization, group, or network (Strauss, 2001) - is the central factor in any type of collective agency. Elements of HRM in organizations fall into six categories: work flow, human resource flow, compensation, governance, industrial relations, and the labor force. An encompassing category of HRM systems captures combinations of HRM practices. In terms of other collective agents, such as states, voluntary associations, social movements, and other groups or networks, these categories could have been labelled activity flow, the flow of members or citizens, (intrinsic) rewards, governance, class relations, membership, and management systems - or something similar. In order to analyze collective agency, an extensive literature concerned with HRM practices is available (e.g. Beer et al., 1984; Poole and Warner, 1998; Marsden, 1999; Gómez-Mejía, Balkin, and Cardy, 2001). Theories and empirical findings of this literature can be organized according to the mentioned categories, the different levels of analysis, and the elements of the concept of power (see Bosch, 2003).

#### 4. The Interpretation of Values

Together, the method of interpretation and the concept of power allow for a substantiated and multi-disciplinary systematization of the intellectual image held by a scientist regarding a subject under study. One important question remains: how can we judge the implications of our findings in terms of values?

The empirical study of values has mainly been pursued by cross-cultural psychologists such as Rokeach (1973), Inglehart (1977), and Hofstede (1980). More recently, Shalom Schwartz (1992, 1994) empirically showed the existence of a universal structure of psychological values in nearly every culture in the world. This structure, which contains 56 values that are recognized everywhere,<sup>3</sup> indicates the way in which different values may conflict or be compatible.

[INSERT FIGURE 1 ABOUT HERE]

In Figure 1, competing value types emanate in opposing directions from the center; compatible types are in close proximity going around the circle. Schwartz (1999) has extended his approach to the social level using a functionalist approach. Social values are defined as socially approved goals to motivate action to cope with societal problems; they are measured as the average of individual measures. Such a functionalist approach has been criticized for neglecting power, conflict, and ideology, for being uninformative in its operationalization, and for being deterministic (Lukes, 1982; Levine, 1995; Archer, 1996).

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<sup>3</sup> In a more recent publication, Schwartz (1999) established full meaning equivalency for only 45 of the 56 values. I have chosen to maintain the 56 values in order not to lose interpretive possibilities.

Instead, I propose an approach to the study of social values based on ideas derived from the work of Max Weber. In his *Gesammelte Aufsätze zur Wissenschaftslehre* ([1922] 1988), Weber proposes to study social actions by hypothesizing that they are performed in a strictly rational manner based on a subjective meaning. In effect, this subjective meaning indicates the value of which the particular action is *expressive*. In a similar fashion, relationships indicate the probability of actions taking place which are expressive of certain values. The values of which other social phenomena, such as roles or rules, are expressive can be determined in a similar manner. In order to determine of which values social phenomena are expressive, those phenomena have to be interpreted in terms of the values, value-types, and value-dimensions distinguished by Schwartz. This is a contentious process, as any social phenomenon can potentially be seen as expressive of any value, value-type, or value-dimension. Thus, for example, the practice of ‘job rotation’ can be seen as a governance technique implying the values ‘power’, ‘loyal’, and ‘obedient’; alternatively, it can be seen as a training technique implying the value ‘capable’. But if looked at from a more narrow and technical perspective, ‘job rotation’ always implies simply what it says: the rotation of jobs - implying variation and therefore the value ‘varied life’. Whichever other values the practice of job rotation may be expressive of - and it can potentially be expressive of each and every value - it will *always* be expressive of the value ‘varied life’. Alternatively, when there is no job rotation, and every employee therefore keeps performing the same job, this will *always* be expressive of the value ‘social order’ - as compared to the presence of job rotation. Thus, in interpreting the values of which social phenomena are expressive, a starting point could be a narrow, technical interpretation of the social phenomenon, subsequently extended with broader interpretations.

## **5. An Example: HRM Practices of Japanese MNCs in the US**

As an example of applying the operational socio-economic paradigm, I will briefly discuss two studies regarding the HRM practices of Japanese MNCs in the US. The studies show only a very limited application; a more extensive application is forthcoming (Bosch, forthcoming).

The first study (Bosch, Kanegae, and Matsuo, 2002) discusses the values implicit in HRM practices in Japanese MNCs in comparison to those implicit in US and Japanese HRM practices, and assesses the extent to which there exists a country-of-origin effect or local responsiveness. Survey data were gathered in 1998 from 108 Japanese subsidiaries in the US and 95 firms in Japan. To the extent possible, compatible data for the US were obtained from the 1996-97 National Organizations Survey (NOS) (Kalleberg, Knoke, and Marsden, 2001). The survey results were categorized in terms of work flow, human resource flow, compensation, governance, and industrial relations. This is in line with the first step of the method of interpretation described in section 2 (contrast and categorization). Next they were interpreted in terms of values on the basis of a narrow, technical perspective. The results are shown in table 1. In the table, the presence of a practice is indicated by ‘Yes’, its absence by ‘No’, and a neutral stance by ‘Neutral’. When a practice was present, it tended to be expressive of certain values (indicated by the column ‘Values when Yes’), but the absence of a practice at times also indicated certain implicit values (indicated by the column ‘Values when No’). The direction of cultural transmission is indicated in the final column of the table.

[INSERT TABLE 1 ABOUT HERE]

The study concludes that there has been a partial adjustment in values in HRM practices of Japanese MNCs from Japanese values to those implicit in US HRM. Characteristic values found in HRM in Japanese firms, such as sense of belonging, family

security, varied life, and a number of universalism values, are found to be of lesser importance in HRM practices of Japanese MNCs in the US, while the value of social order is more important. This partial adjustment implies the presence of a certain local responsiveness to the values implicit in US HRM, but it also indicates a partial country-of-origin effect.

The second study (Matsuo, Bosch, and McIntyre, 2003) looks at the way in which HRM practices in Japanese MNCs in the US cluster (in line with step 2 of the method of interpretation described in section 2), and studies the impact of the mode of investment, the presence of a Japanese CEO, and the percentage of Japanese managers on the presence of such clusters (i.e., it studies the influence of indicators of powerstructures on the presence of certain clusters - in line with the first part of the concept of power as discussed in section 3). The impact of firm size and age of the subsidiary were also studied. The study uses the same 1998 survey of Japanese MNCs in the US, with a usable sample of 138 firms.

A principal component analysis indicated the following clusters of HRM practices:

Cluster 1: housing expenses, allowance for dependents, commuting expenses, stock options, and health insurance

Cluster 2: recruitment of young college graduates, use of temporary workers, promotion based on seniority, and bonuses

Cluster 3: shared knowledge about management, on-the-job training, rotation of jobs and tasks, quality control, proactive management, and suggestion system

The presence of practices belonging to Cluster 1 were found to be positively correlated with the percentage of direct investments, the presence of a Japanese CEO, and the percentage of Japanese managers. The smaller the company, the more likely this cluster of practices was found. The presence of Cluster 2 practices correlated with the percentage of Japanese

managers. The smaller the company and the older its operation, the more likely it was to find these practices. Cluster 3 practices were found to depend on whether the subsidiary was a start-up, whether it was not a joint-venture, the percentage of investment by the parent company, and the percentage of Japanese managers. The larger the subsidiary the more the practices were found.

Together, the two studies show how the operational socio-economic paradigm works when first-hand empirical data is used. First, data are selected and gathered on the basis of the subject under consideration. Next, they are contrasted and categorized, in this case on the basis of the subjective judgment of their importance. In the second study they are subsequently analyzed in terms of connections between data. Here, elements of the concept of power are used to analyze causality between power-structures and the presence of clusters of HRM practices. This also allows for the development of theory, e.g. arguing that Japanese MNCs diffuse home country practices when they have enough control through direct investment and the use of expatriates, whereas if they do not have such control, practices will be more similar to host country practices. Finally, in the first study, practices are interpreted in terms of values.

As said in the introduction to this section, the studies only show a part of the paradigm in action. The third step of the method of interpretation is skipped because the studies are based on first-hand empirical data, but future studies could be contrasted with the findings. The distinction between the three levels of analysis is not particularly important for the two studies, and only a small part of the concept of power is used. Nonetheless, the studies give an indication as to the way in which the operational socio-economic paradigm works in practice.

## **6. Discussion**

With this paper, I hope to contribute to Amitai Etzioni's worthy cause of developing a socio-economic paradigm. In my view, the paradigm proposed in this paper allows for the achievement of a much deeper understanding of economic issues than does the overly simplistic neo-classical paradigm. Indeed, I agree with Etzioni when he argues that parsimony should be sacrificed to explain more of the variance of the behavior under study - and I would even argue that this should be done to a *large* extent if this helps us to understand things better. After all, a thorough understanding of economic issues is too important to mankind for it to be sacrificed on the altar of simplicity.

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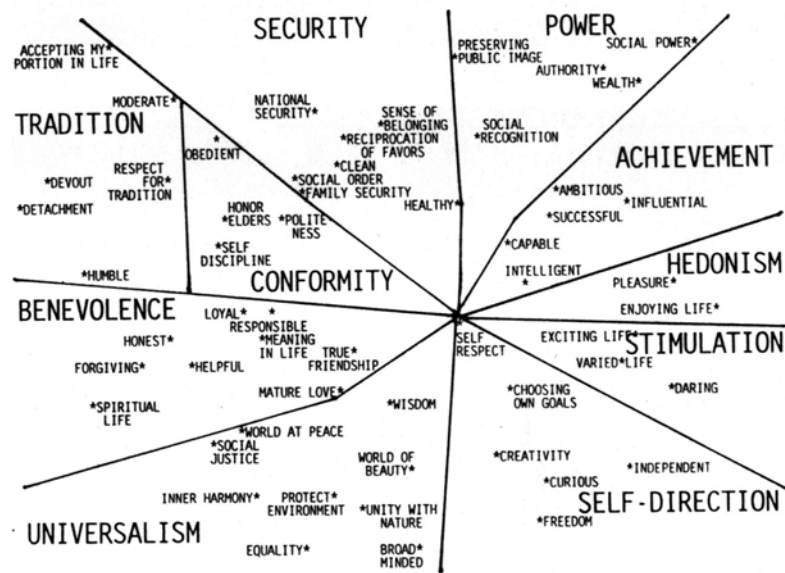
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**Figure 1** Psychological value-structure prototype



Source: Schwartz (1994, Figure 2, p. 31). Permission to reproduce kindly granted by Shalom Schwartz

**Table 1** Values in HRM practices and cultural transmission in Japanese MNCs in the US

| <b>HRM practices</b>   | <b>Japan</b> | <b>US</b> | <b>JMNCs</b> | <b>Values when Yes</b>                                      | <b>Values when No</b> |
|--|--------------|-----------|--------------|---|-----------------------|
| <b><u>Work flow</u></b>                                      |              |           |              |   |                       |
| Jobs and tasks are rotated among workers in office           | Yes          | No        | No           | varied life   | social order          |
| Jobs and tasks are rotated among factory workers             | Yes          | No        | Yes          | varied life   | social order          |
| Office employees are transferred among departments           | Neutral      | No        | No           | varied life   | social order          |
| Quality control is used by factory workers                   | Yes          | Yes       | Yes          | power, influential, capable                                 | -                     |
| Proactive management is used by factory workers              | Yes          | No        | Neutral      | social power, sense of belonging, broad-minded              | -                     |
| <b><u>Human resource flow</u></b>                            |              |           |              |   |                       |
| Company recruits young college graduates                     | Yes          | -         | No           | curious   | -                     |
| Company recruits once a year                                 | Yes          | -         | No           | social order  | varied life           |
| Uses temporary workers in office                             | Neutral      | No        | Neutral      | varied life   | social order          |
| Uses temporary workers in factory labor                      | Yes          | No        | Neutral      | varied life   | social order          |
| Large scale layoffs take place during recessions             | No           | No        | No           | -   | security              |
| Employee promotions are based on length of service           | No           | -         | No           | devout  | -                     |
| Management positions are filled through internal promotions  | Yes          | Yes       | Neutral      | sense of belonging  | -                     |
| New recruits to receive training                             | Yes          | Yes       | Yes          | capable   | -                     |
| <b><u>Compensation</u></b>                                   |              |           |              |   |                       |
| Bonuses offered to office employees                          | Yes          | No        | Yes          | wealth, varied life   | -                     |
| Bonuses offered to factory workers                           | Yes          | No        | Yes          | wealth, varied life   | -                     |
| Company offers stock options                                 | No           | -         | No           | wealth, sense of belonging, varied life                     | -                     |
| Managers housing expenses covered                            | Yes          | -         | No           | family security, wealth                                     | -                     |
| Employees' housing expenses covered                          | Yes          | -         | No           | family security, wealth                                     | -                     |
| Commuting expenses   | Yes          | -         | No           | reciprocation of favors, wealth                             | -                     |
| More dependents more pay                                     | Yes          | No        | No           | family security, wealth                                     | -                     |
| Health insurance   | Yes          | Yes       | Yes          | security, wealth  | -                     |
| Company has recreation facilities                            | Yes          | -         | No           | sense of belonging, hedonism                                | -                     |
| <b><u>Governance</u></b>                                     |              |           |              |   |                       |
| Employees informed of management conditions and future plans | Yes          | -         | Yes          | wisdom  | -                     |
| Company uses suggestion system                               | Yes          | -         | Yes          | creativity  | -                     |
| Suggestion boxes are put out                                 | No           | -         | Neutral      | creativity  | -                     |
| Decisions made by all departments                            | Yes          | -         | Neutral      | social power, sense of belonging, broad-minded, achievement | -                     |
| Morning meetings are held in each department                 | Neutral      | -         | Neutral      | sense of belonging, social order                            | -                     |
| Morning meetings are held for factory workers                | Yes          | -         | Neutral      | sense of belonging, social order                            | -                     |
| Managers and office staff eat lunch together                 | Yes          | -         | Yes          | equality, sense of belonging                                | -                     |
| Managers and office staff have dinner after work together    | Yes          | -         | No           | equality, sense of belonging                                | -                     |
| Fun events held for employees and families                   | No           | -         | Yes          | hedonism, sense of belonging                                | -                     |
| <b><u>Industrial relations</u></b>                           |              |           |              |   |                       |
| Office staff belongs to union                                | Yes          | No        | No           | sense of belonging  | -                     |
| Factory labor force belongs to union                         | Yes          | No        | No           | sense of belonging  | -                     |
| Roushi Kyougi (labor-management discussions)                 | Yes          | -         | No           | sense of belonging, wisdom                                  | -                     |
| Dantai Koushou (collective bargaining) annually              | Yes          | -         | No           | sense of belonging, social power, social order              | -                     |
| Employee strikes have taken place in last 3 years            | No           | -         | No           | social power  | world at peace        |