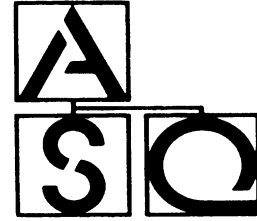


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ses show repeated cross sections of whether a given tie was present, which is different from dynamic analysis of tie formation and dissolution. Lincoln and Gerlach make the methodological adjustments necessary to make the findings from a cross-sectional analysis plausible, but a dynamic analysis is still the preferred method because of its greater precision.

Chapter 5 is an extension of the argument made in earlier work (Lincoln, Gerlach, and Ahmadjian, 1996) that keiretsu redistribute earnings from the highest-performing firms to rescue operations of troubled firms. Among the functional accounts of keiretsu, this is the one best supported by the evidence. The main argument is presented unchanged, but in this chapter, the authors investigate a series of variations. The cohesiveness of the keiretsu, the size of the firm, the debt and equity of the firm, the industry, and the year are all considered as the moderators of the redistribution effect. These variations are less powerful than the original argument but yield some interesting findings. For example, more cohesive keiretsu have stronger interventions, as one might expect if networks are the basis of social mobilization in times of crisis.

The book offers insights into the unique networks of Japanese business and demonstrates how structural analysis can reveal their effects on organizational behaviors. The structural analysis and knowledge of the context works very well in combination to inform the reader of Japanese business networks, and the evidence Lincoln and Gerlach present supports a stronger role for the individual firm and its network position and a weaker role for the keiretsu as a unitary actor in understanding Japanese business networks. It undermines the monolithic view of Japanese business expressed by authors seeking to explain Japanese economic performance by keiretsu effects. The theory of organizational networks thus seems to travel well across contexts.

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The Embedded Corporation: Corporate Governance and Employment Relations in Japan and the United States.
Sanford M. Jacoby. Princeton, NJ: Princeton University Press, 2005. 216 pp. \$35.00.

Researchers in industrial relations have long been interested in understanding how varieties of capitalism and business

policy shape social outcomes for workers and employers in different parts of the world. In *The Embedded Corporation*, Jacoby delights us with an excellent comparative study of the U.S. and Japanese human resource (HR) management function and its impact on the employment relationship. Taking us inside the headquarters of large corporations in Japan and the U.S., the book explores the relationship between corporate governance and employment relations as they are mediated by the executive HR role. Jacoby shows that in the United States, shareholders dominate corporate decision making, while employment remains transitory and market-driven. In Japan, by contrast, shareholders are gaining influence even as HR departments remain central and greatly influence business strategy. The main premise of the book is that "history and society matter—that a rational, economic entity like the corporation is embedded in the particularities of time and place" (p. x). Consequently, Jacoby finds that although globalization has made both Japanese and U.S. companies more market-oriented, these two countries' corporations still differ in their styles of capitalism and in their approaches to HR. Although this claim is not new in the literature, the rich historical narrative, the institutional detail, and the insightful analyses of both survey and field data in contemporary Japan and the U.S. all give credence to Jacoby's work. The book's unique research sets a high standard for future analyses of the evolution of HR management and business strategy in corporations.

Jacoby dates the origins of his book to the 1970s, when he was a graduate student in economics at Berkeley. With this book, his appetite for learning "beyond the neoclassical canon" and his clandestine after-hours access to the library of the Institute of Industrial Relations, where he read widely in sociology and political science, have resulted in an impressive comparative historical and empirical study with an appeal to scholars in a number of academic fields, from management studies to industrial and comparative sociology. *The Embedded Corporation* helps us recognize the complex relationship between history and corporations in Japan and the United States. It is a book about the role of HR departments and the executives who design company employment policies "that determine the working lives of millions of people—everything from wages to layoffs to labor relations" (p. ix). Those interested only in Japan or only in the United States can disregard the comparative analyses and focus their attention on the country-specific chapters.

Chapter 2 presents a review of the past and present of the Japanese industrial system, emphasizing recent changes in Japan's economy and society that challenge both the central position of HR departments and the nature of employment. Jacoby reports on how enterprise unions and employment security, two of the Japanese system's most defining characteristics, have remained in place. The third defining characteristic, the relevance of seniority, has been declining since 1965, while pay-for-performance has become more popular. In turn, chapter 4 presents an analysis of the historical evolution of the HR function in the United States, paying close attention to how the traditional U.S. system has changed

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since the 1980s. Despite the fact that headquarters HR influences strategic decision making in many U.S. companies, its status in the corporate hierarchy remains low, and operating decisions have shifted from central HR to line management.

Employers continue to prefer the low-cost approach to organizing the employment relationship, and in many companies, the HR function is perceived as a “non-revenue-generating fill” (p. 166). Especially novel are case-study-based chapters 3 and 5, in which Jacoby reveals the inside workings of eleven Japanese and U.S. companies today. From his close inspection of Japanese firms in chapter 3, he concludes that in adapting to a changing environment, most Japanese companies have moved to a hybrid system that combines traditional Japanese features—such as egalitarian employment policies and highly trained employees with firm-specific skills—with market- and shareholder-oriented practices such as performance-based pay and stock options. Even though HR has lost some power since the 1960s, Japanese corporate structure still ranks its function highly, and HR continues to have a say in strategic decisions related to careers and budget allocations. Considering U.S. firms, Jacoby finds “remarkable” diversity in their organization of the HR function, with the persistence of a two-humped distribution: some firms follow a resource-based business and HR strategy, relying on talented employees to achieve competitive advantage, while other firms solely adopt market-driven HR policies. As for whether the HR executive has any clear influence on the company’s choice of strategy, Jacoby notes that in the U.S. this influence “depends heavily on his or her personal relationship to the CEO” (p. 130). This is one way in which the book comments on how personal relations drive corporate decisions.

Chapter 6 is of particular interest because of its extensive analysis of comparative data. Analyzing surveys of senior executives in the headquarters HR units of 229 Japanese and 145 U.S. companies listed on the stock exchange in the first half of 2001, Jacoby explains recent trends in both countries, comparing them along key dimensions ranging from resource allocation, centralization, and HR’s strategic influence to employment practices, corporate governance, executive power, size, and diversification. This chapter’s analyses lead to two main points. First, in the U.S. there is a divide between “HR executives who hold stakeholder values and those with shareholder values, the latter tending to be more influential, more likely to report to the CEO, and more likely to be found in diversified companies” (p. 156). Second, Japanese HR executives seem to gain less influence than their U.S. counterparts from adopting shareholder values. They also are increasingly concerned about minimizing costs; as a result, they have cut back HR staff and have outsourced HR activities and jobs. In the concluding chapter, Jacoby makes broad predictions for the United States and Japan. He discusses not only what the future holds for the HR function but also makes us reflect on the evolving relationship between corporate governance and employment policies in both countries.

The Embedded Corporation is a valuable contribution to comparative research in employment relations. There is high merit in a study that teases out how national differences in corporate governance are related, via the executive HR role, to employment practices, yet this provocative, innovative book still suffers from three main limitations. First, Jacoby's finding that corporations in Japan and the U.S. are responding differently to globalization is not original in the current debates over the convergence of industrial relations systems. Katz and Darbishire (1999) reached that conclusion in an extensive analysis—including interviews, work-practice surveys, and case studies—of seven countries' employment practices. The findings of their study, which included Japan and the U.S., showed an increasing variation in employment practices in all countries and many commonalities in the nature of such variation. Guillén (2001) reached a similar conclusion using different kinds of data to study organizational change in Argentina, Spain, and South Korea. Jacoby's book, however, effectively argues that these varieties of capitalism are maintained even as U.S. and Japanese firms both move toward market-driven practices and despite the fact that the gap between the U.S. and Japan is widening. Japan has seen a shift to the market and to shareholder corporate governance; simultaneously, the U.S. has moved toward the market, but the shift has been more far-reaching, with the strengthening of the shareholder model in the past twenty years. I find Jacoby's description of the trend in HR and employment systems to be pessimistic. He implies that because countries are prisoners of their own histories and geographies, policy recommendations can do little to alter their inevitable paths of development. Disappointingly, too, Jacoby does not discuss conflicts of interest between employers and employees, even though past research has proven that negotiations between conflicting parties can be the engine for successful change in industrial systems.

Second, in discussing the relationship between corporate governance and employment relations as mediated by HR executives, the book remains ambiguous as to how far, and by which theoretical mechanisms, the former determines the latter. The book also tends to overemphasize the role of management. It discusses changing corporate governance and employment practices in more detail than does any previous book but overlooks important social, political, and economic conditions underpinning the rise and evolution of industrial systems. For example, the ecology of organizational forms under conditions of globalization—such as the role of multinational enterprises, small and medium enterprises, business groups, and universities—is acknowledged but not elaborated in depth in this book. I agree with Jacoby that the HR function is the key one to study because it inevitably mediates between the socio-economic environment and corporate practices. But past work has already shown that to understand recent developments in Japan and the United States, analysts need to look more closely not only at the inner workings of large corporations but also outside the firm. Because the book does not attempt such an extensive analysis, it leaves us with only a piece of a much larger puzzle about the future directions of corporations in these two countries. On a

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related note, the book does not deeply explore other theoretical mechanisms—in sociology and political science, for example—that could explain the evolution of industrial relation systems in different parts of the world. Such joint efforts are relevant to the growing multidisciplinary interest in understanding the way modern corporations are run and what the dynamic is among shareholders, executives, and employees in global capitalism. I was also disappointed that the book did not evaluate how variations in the HR function and employment relations matter to economic performance and, most importantly, to major outcomes for Japanese and U.S. employers and employees, including levels of income inequality and employment protection.

My third issue stems from the previous two. The empirical analyses do not bring out the full complexity of the interactions among institutions and corporations in the two countries. Despite the book's title, Jacoby considers only the general proposition that firms are embedded in time and place. In doing so, the book provides an oversocialized perspective on the evolution of industrial systems (as defined in Granovetter, 1985) in which the persisting diversity of firms is the result of national differences in economic history and social norms. Consequently, this book oversimplifies the implications of several theoretical and empirical studies in the social network literature (broadly defined), which assumes that companies are embedded in relevant social networks and that the structure and composition of such networks continuously change over time. In addition, the function of the central state and regional government is largely overlooked in the book. From Locke (1995) and McDermott (2002) we know that firms are embedded in local social and political networks of associations and interest groups and that these firms have specific micro-motives when adjusting to changing world markets. In a similar vein, macro-sociologists interested in development have long theorized about the mechanisms behind the embedded nature of regional development. Evans (1995) brought back the state while keeping it at bay from interest groups when interpreting socio-economic development in several countries. By focusing on senior corporate executives, Jacoby's book underestimates the impact of other institutions on corporate strategy and employment policy in Japan and the U.S.

Despite these caveats, *The Embedded Corporation* is thoughtful, persuasive, and contextually rich when addressing the evolution of corporate governance and employment relations in Japan and the U.S. Thus, it surpasses previous studies of Japanese-U.S. HR practices, contributes to recent debates over the evolution of industrial relations systems and globalization and, equally pertinently, presents a significant platform for promising future research on relevant issues, including additional processes and actors generating diversity in corporate employment systems, such as supranational, national, regional, and local organizations. Future researchers could also bring the voices of the workers and unions behind these employment practices to bear on their analyses. Consequently, I propose that we build on Jacoby's research by taking an even more ambitious multidisciplinary, multilevel

approach to the study of the HR function and its impact on the new employment relationship than the one used in *The Embedded Corporation*—precisely the perspective on industrial relations that Kochan (1980) proposed twenty-five years ago. Such a comprehensive theoretical and empirical approach still holds great promise for understanding the dynamics behind these varieties of capitalism and for explaining current corporate and government decisions determining the future of industrial societies. This is also crucial for predicting the consequences of such decisions on the prosperity of employers and employees.

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The Development of Social Network Analysis: A Study in the Sociology of Science.

Linton C. Freeman. Vancouver: Empirical Press, 2004. 208 pp. \$15.99 (available as an Ebook, \$7.99, from www.booksurge.com).

There is plenty of evidence to suggest that social network analysis is a flourishing enterprise. Social network analysts have their own international organization, the International Network for Social Network Analysis (INSNA), which sponsors journals and organizes annual meetings for its burgeoning membership; the field has seen a steady accumulation of standard texts and software programs; there is a growing number of academic centers for network training and research; and the publication of social network articles has become almost routine across a range of elite scientific journals. These signs of vitality and respectability have given rise, naturally enough, to questions about the field's origins, its development, and the reasons for its apparent success. There are some fragmentary notes in circulation that speak to these questions, but to date there has been no comprehensive account of the origins and development of social network analysis. Nor, apparently, was it Linton Freeman's intent in this book to provide us with one.