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Capitalism in Contrasting Cultures

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Capitalism in Contrasting Cultures

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Preface

This volume contains selected papers from a conference held in Hong Kong in April 1988, titled 'Firms, Management, the State and Economic Cultures'. It was organized within the Department of Management Studies of the University of Hong Kong under the auspices of APROS (Australian and Pacific Researchers in Organization Studies) and co-convened by the senior editors, with administrative co-ordination from the assistant editor.

The conference was a follow-up to the 1985 APROS conference, also held at the same venue, the proceedings of which are available as *The Enterprise and Management in East Asia*. Hong Kong: Centre of Asian Studies, Occasional Papers and Monographs No. 69, University of Hong Kong, 1986.

It followed the unusual but, in our view, successful format pioneered in the earlier conference. It was designed to facilitate maximum substantive discussion by a small group of informed scholars. To this end, each discussion session was preceded by a reading session, long enough for three papers to be read quietly and without interruption. Discussion would then start *without* the formal 'giving' of papers by the authors. As well as dealing realistically with the facts that (a) people rarely read papers in advance and (b) presenters often waste time, this produced very rich, extended and penetrating debate.

A further unusual feature of the conference was that all thirty-seven participants were sole or joint authors of papers presented and thus had an equal stake in ensuring its success. This format is demanding not only of participants, who undoubtedly worked hard in absorbing other papers quickly and in substantiating their own, but also of the organizers, who need to determine final programming at short notice. We should like to thank all participants for making the conference a success and to recommend this format to other conference organizers.

Peter Standish was unable to attend the conference because of illness, but we should like to thank him for permission to include his paper, which was fully discussed in his absence and for his cooperation in revisions.

We were not disappointed in our hopes of attracting a wide range of papers with respect to discipline, subject matter and level of analysis. As always, selection of papers for publication proved a difficult task, but we trust this volume represents a real contribution to the field and reflects some of the diversity as well as the coherence of a very worthwhile conference.

We should like to thank Prof. Peter Berger of the Institute of Economic Culture, University of Boston, for his support. His seminal work in this field largely inspired the conference theme, and the conference was poorer for his unavoidable absence.

We should like to thank also the Department of Sociology's staff of the University of New England for their help in the early stages of planning and of the Mong Kwok Ping Data Bank and Department of Management Studies, University of Hong Kong, for their help and cooperation in the later stages and during the conference. Finally, but not least, we should like to thank Dr. Bianka Ralle of de Gruyter for her cooperation and support in this publication.

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Introduction: Capitalism in Contrasting Cultures

Stewart R. Clegg and S. Gordon Redding

Each chapter in this volume is a testament to what Granovetter (1985: 481–482) has termed the 'embeddedness' of economic action: 'the argument that the behaviour and institutions to be analyzed are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding'. Having contrasted 'over-socialized' and 'under-socialized' conceptions of economic action, Granovetter focuses on the central role of networks of social relations in producing trust in economic life. Granovetter's general approach is one that the editors would endorse. What is useful about this approach and implicitly present in many of the contributions to this volume, is the stimulus it provides for specifying the diverse descriptive particulars through which networks of social relations and stable features, such as trust, can be produced. The mechanisms may be diverse; for instance they may exist in the charismatic capitalist's commitment to a moral economy in which they trust because they are believed, valued and in turn trusted through its reproduction (see the chapter by Biggart); trust may be reproduced through the importance of the Chinese family business and its inheritance conventions for the complex networks of economic action which characterize overseas Chinese business people (see the chapters by Redding and Whitley, Tam); other mechanisms are manifest in the contrasting content but functionally similar role that is provided by comparing economic embeddedness in 'communitarian' Japan, 'patrimonial' South Korea, 'patrilineal' Taiwan and 'representational' Sweden (the chapters by Hamilton, Kim and Zeile; Clegg, Higgins and Spybey). Other examples abound in the volume.

This widespread re-discovery of what Berger (1987) has termed 'economic culture', embedded in the heartlands of contemporary capitalism, is quite at odds with the conventional conception not only of most of economics but also of the central traditions of the sociology of economic life and organizations which derive from the work of Max Weber. For Weber, the existence of culture and meaning in the economic code of modern capitalism would have been an agreeable paradox. Agreeable, because his basic conception of economics was not one which stressed it as a natural science, but instead regarded it as a cultural science. The paradox would arise because it was Weber's view that although modern industrial capitalism had been forged in the heat of religious values and culture it was set in a mould from which these sources of meaning were draining away. The pan-cultural value of 'rational action' would transform the contours of modern capitalism to a uniformity in which cultural value was absent.

Ideas such as these are at the crux of the Weber (1930) hypothesis concerning the 'Protestant Ethic'. In this work he implicates the specific cultural embeddedness of Protestantism as a major causal agency in the genesis of modern capitalism, an analysis which is elaborated and extended rather than undercut in his later work (Weber 1923, see Collins 1980). *The Protestant Ethic and the Spirit of Capitalism* posits a gloomy and unprepossessing view of his future and our present. Weber anticipated an horizon of meaninglessness, an 'iron cage' of bureaucracy entrapping us as 'little cogs' in a vast machinery of effort expended to no higher purpose, to no other cultural ideals than those of dull compulsion, necessity and relentless striving. Weber's was a characteristically modernist yet retrospective vision; the same sense of gloomy foreboding, the creative individual's despair at the advent of mass society and the domination of the machine, was one echoed across the human sciences, aesthetics, cinema and other visual arts in the texts of his near contemporaries such as Walter Benjamin, Charles Chaplin, Georg Simmel and T. S. Eliot. Modern times, dominated by art produced in and by the age of machinery, were articulated in what were taken to be some of their most representative experience, as a meaningless wasteland. By the 1950s and 1960s this aesthetic experience had become the normal science of modern sociology, encapsulated in works such as W. H. Whyte's (1956) *The Organization Man* or Herbert Marcuse's (1964) critique of *One-Dimensional Man*. Later, it was to join ranks with romantic currents in the modernist project, culminating in Braverman's (1974) wholesale critique of *The Degradation of Work in the Twentieth Century*, giving rise to a 'labour process debate' through which William Morris' ghost might just, sometimes, be visible.

Meanwhile, outside of the aesthetic mainstream and the representations of the world which expressed its concerns, there was an undercurrent of solid industrial anthropology in both Europe and America which was less inclined to accept the modernist prognosis of cultural denudation than were the 'normal science' heirs of Weberian rationalism. In Europe writers like Jaques (1951) in *The Changing Culture of a Factory* and Crozier (1964) in *The Bureaucratic Phenomenon* had plumbed the organizational depths of cultural despair and found them to be, in contrast to the received wisdom, rich and fertile grounds of human imagination, purpose and achievement, even if this occurred within the more general bureaucratic bondage. In the United States researchers like Roy (1960) were coming to similar conclusions: within the iron cage, whether its frame was cast from a capitalist or a bureaucratic shell, culture was alive and well, meaning existed. The radical twist to modernism saw this occurring in spite of the iron cage of capitalist relations even as it irrevocably reproduced them (Burawoy 1979, Willis 1977), while more conservative prognoses saw in this discovery of culture the 'salvation' of capitalism, its revitalization, its holy grail of 'excellence' (Peters and Waterman 1982).

Weber no longer needed repairing or correcting or rounding out, as an earlier generation of scholars had done (e. g. Blau and Scott 1963, Gouldner 1954). The empirical limits of Weber's (1978) ideal type of bureaucracy could now be delineated through types that were not so much accidental or designed deviations from the ideal (e. g. Burns and Stalker's [1961] 'organic' type or Emery and Trist's [1965] 'socio-technically' designed system) as exemplifications of a reality barely visible in the representations of modernism.

Two distinct 'alternative realities' were initially addressed: those of counter-cultural 'alternative organizations' (Rothschild and Whitt 1986) and those of the 'clannish', but, to a modernist, rationalist aesthetic, equally strange world of Japanese organizations (Ouchi 1980). Much of this volume is concerned to explore some of the major implications of the latter alternative and to address its distinctiveness in analytical and empirical terms. The former, it had been thought, was of little value to an understanding of other than ideologically motivated, 'radical', alternative and small organizations (Clegg and Higgins 1987). However, there does in fact appear to be a major organizational type which is different from bureaucracy, but whose difference is expressed, not in politically radical ideological terms, as in Rothschild and Whitt's (1986) collectivist organizations, but in terms of a radically conservative ethic of 'charismatic capitalism'. There are, indeed, more niches whereby the alleged meaninglessness of the modern world might be avoided than were dreamt of in any of the modernists' imaginations.

In her contribution 'Charismatic Capitalism: Direct Selling Organizations in the USA and Asia' Nicole Woolsey Biggart delves into a world many of us must know of from Tupperware parties or from 'Avon calling', but have, perhaps, never seriously considered as an organizational form. Direct selling organizations employ 5% of the U. S. labour force and are spreading rapidly in Asia where the cultural affinities and material circumstances of a vigorous capitalism, extended familism, subordinated labour force participation by women and a strongly moral ordering of status hierarchies resonate harmoniously with a mode of organization and marketing sprung from the suburban community of the United States.

While economic actors who are strongly motivated by politically ideological beliefs are an apparent embodiment of cultural embeddedness, it would be a mistake to think that religious beliefs can no longer fulfil the role that Weber originally drafted for them. As the delightful ethnography of the 'Duck Islanders' by Acton demonstrates, strongly held and communally reinforced religious beliefs can function as a means of ensuring that highly successful economic networks of social relations may be reproduced across both space and time.

Both Biggart and Acton's contributions point to the consequences of quite specific cultural configurations for economic action. They may be said to be concerned with a more micro, localized conception of culture as it is lodged in particular capitalist enterprises constituted within specific cultural configurations. Both chapters identify a particular cluster of values at the level of individual actors and point to the consequences of these for those organizations that 'contain' these individuals and which assemble distinctive economic action premised precisely on these particulars. Each contribution is generated from an intensive ethnography of a particular moral community.

Of far more general scope is the contribution which opens our consideration of 'Culture's Consequences' in the last part of the book, where the three more explicitly micro-level conceptions of culture as an individual phenomenon are located. Indeed, following on from the path-breaking work of Hofstede (1980) (to whom with due respect we owe the title of this section), Bond and Hofstede, the authors of 'The Cash Value of Confucian Values', propose that culture should best be understood at the individual level as 'the collective programming of the mind which distinguishes the members of one category of people from another'. While most of the other contributions to this volume focus on mechanisms of what Bond and Hofstede term 'collective programming', in this contribution they focus instead on measuring culture's effect in the minds of individuals, through a concept of 'dimensions of culture'. Standardized on a vast research effort, spanning 53 nations, the project identified four main dimensions of culture: power distance, individualism, masculinity versus femininity and uncertainty avoidance. In the research reported in this chapter the data on these dimensions for the 53 countries were correlated with measures of per capita GNP and economic growth to track the relationship between culture and economic performance. However, no consistent causal pathway from culture to economy could be established on these measures.

The absence of a finding in the original data is not the end of the story. Bond subsequently conducted a Chinese Value Survey, based not on the original Western project of *Culture's Consequences* (Hofstede 1980) but on values grounded in Chinese culture. Three of the same dimensions recurred in this data as were found in the Hofstede study: these were the dimensions of power distance, individualism and masculinity – femininity. However, no dimension that corresponded to that of uncertainty avoidance in the original study could be found. It appeared to be so foreign to the Chinese value-set that a concern with transcendental issues of truth and the search for it was absent. Instead, a fourth dimension of 'Confucian dynamism' was evident. The variable nature of this dimension ran from a dynamic future-oriented mentality to one which was more static and tradition oriented.

While none of the earlier dimensions of culture had any consistent relationship with economic growth, this was not the case with Confucian dynamism. It correlated consistently with economic growth in terms of higher scores on its positive pole, and lower scores on the negative pole. The conclusions that Bond and Hofstede draw from this finding are that there is a Confucian cultural ethic and that it is causally linked to economic success. In addition, they argue, there is also a Western transcendentalist ethic concerned with the search for Truth (uncertainty avoidance) whose focus on analysis, rather than the synthesis of the Confucian value, is in the present world an economic handicap. It is to the conjunction of these factors that they are inclined to attribute East Asian success.

The contributions in the final part of the book all reflect an individual-level concern with culture, from the grounded ethnographies of Biggart and Acton to the psychometrics of the Bond and Hofstede project. The latter touches on a far more global and macro issue, a concern for which will recur in other contributions to the volume: can specific conceptions of an economic culture be adduced, and if so, what is the nature of the institutional frameworks which serve to scaffold, support and sustain this culture?

Such issues may be raised at either a more meso-level or a more macro-level conception of an economic culture. For instance, the contribution to this volume by Wilks on 'The Embodiment of Industrial Culture in Bureaucracy and Management' addresses the concept of an 'industrial culture', a level of somewhat more focused applicability than the general concept of economic culture as Berger (1987) introduced it. While the general concept designates a macro arena of nationally or culturally bounded characteristics, industrial culture refers to more specifically meso-cultural phenomena: the attitudes to state intervention held by key institutional elites. Such attitudes are taken to be tacit but specific guides to action embodied in patterns of recruitment, financing, structure and process in organizational norms: what Clegg (1981) has referred to as 'sedimented selection rules' or Offe (1975) has referred to in state organizations as 'structural selectivity'. There are evident similarities of focus and conceptualization between Wilks' view of industrial culture and the institutional stress in the economic culture perspectives of Clegg, Higgins and Spybey. Both papers identify the importance of the way in which the normative and institutional frameworks influence rational action and calculation. Together with the other papers in Part One they also focus explicitly on the challenge posed for the Western economies by the forms of enterprise and organization which have sustained the competitive edge that East Asia is now widely regarded as having developed.

Wilks, following the critique of 'English peculiarities' launched by *New Left Review* in the 1960s, iterates how there developed a civil service culture in Britain which crucially handicapped the deepening and development of the first 'capitalist revolution'. By contrast, distinctive patterns of culture which were more facilitative of the state fostering industrial development came to characterize Germany, France and Japan.

The German case is marked both by more specifically interventionist ministries in the economic arena, as well as a much less 'liberal' tradition of politics and a far more 'organized' capitalism than occurred in Britain. France has been even more characterized by a close coordination at the elite level between governmental bureaucracy and industry, leading some observers (Karpik 1987) to speak of a 'French industrial system' spanning both the public service and industrial enterprises.

Not since Comodore Perry's ships opened up the cultural delights of Japan to Victorian appreciation and taste through the conduits of Gilbert and Sullivan, the Victoria and Albert Museum and other cultural centres of Europe, has Japan enjoyed a vogue so fashionable and appreciated as it does today. Once more, despite the prosaic stuff of economics and technology, it is overwhelmingly in cultural terms that Japan is appreciated. But how appropriate is such appreciation and the subsequent sequestration premised on it? Wilks and Clegg, Higgins and Spybey cast a sceptical eye over the culturalist interpretation of the Japanese 'economic miracle', with its celebration of 'groupism', 'consensus' and 'Confucianism'. While Clegg and his colleagues seek to demonstrate the realities of the industrial structure which they perceive beneath the surface of the consensualist gloss, Wilks presents a realist's guide to the nature of Japanese bureaucracy. One aspect immediately strikes those familiar with, for instance, the British or Australian situation. First, there is neither Treasury dominance over the arena in which promotion is determined as in Britain, nor is there the rapid circulation of public service personnel through different departments which characterizes Australia. In the latter, the preponderance of economics graduates (which, given the nature of the discipline in Australian universities, tend to an orthodox market and liberal stance) and the sheer centrality and weight of Treasury leads to a discursive dominance of categories of 'economic rationalism'. In Japan, in contrast to both countries, Treasury appears not to be wholly pre-dominant nor are individual careers made on the terms of a perceived loyalty, commitment and expertise to a generalized service ethic, however expressed: as, for instance, either the traditional conception of British gentlemanly amateurism or more recent notions of economic rationalism. By contrast, in Japan one joins a Ministry and remains in it, and loyal to it, for one's working life. Embeddedness as practical policy, one might argue.

As Clegg, Higgins and Spybey observe, this continuity of career in one organization also characterizes the Swedish social democratic economic culture. To have identified one variable constant across two such diverse types of economic culture but such consistently successful ones, suggests that its importance should not be overlooked. A free market in careers and loyalties may not be the most effective and efficient means of generating national economic success, precisely because of the extent to which it disembeds economic action. Also, in both countries, someone schooled in the more adversarial style of decision making favoured in the Anglo-Saxon nations would be totally confounded by the absence of what they took to be normal correlates of management. Given the greater cultural distance, this is, perhaps, even more striking with respect to Japan. In both Sweden and Japan the hand of the state is extremely visible. The rhetoric of the New Right in its advocacy of free markets, monetarism and deregulation would appear as exotically strange in both of these countries as their institutional fabrics – each strikingly dissimilar in most respects, especially the crucial one of representation – appear to Anglo-Saxon observers.

The question which Wilks addresses is how was it that this Anglo-Saxon exotica, which to Japanese or Swedish eyes would appear to be a bizarre liberalism, with its commitment to markets, individualism and voluntarism, how was it reproduced from its petty-bourgeois roots in early British industrial capitalism? (It is important to distinguish industrial capitalism from primary production, resource exploitation, agrarian capitalism and more speculative ventures in this respect: these were frequently aristocratically sponsored.) How did this first economic miracle happen? Wilks nominates as explanatory factors the following: the underdevelopment of a British managerial cadre; a correlating aversion to technological involvement in production, leaving such work to intermediaries (a factor also highlighted by Clegg, Higgins and Spybey) and the relatively weak peak organization and representation of the British industrial elite. This is in marked contrast to West Germany, France, Japan and (*pace* Clegg, Higgins and Spybey) Sweden. The difference can not be attributed to any underlying national cultural explanatory variable, but the outcome is a distinct culture, one embedded in and constructed out of a complex institutional frame, differently crafted in each situation. On this Wilks and Clegg as well as Higgins and Spybey are in agreement. What it boils down to is a question of institutionally constructing culture as more or less functional or dysfunctional.

The issue of functionality necessarily raises the issue of functional for whom? In an implicit way this issue is also raised by Wilkinson and Oliver's consideration of the impact of Japanese industrial culture in Britain, particularly as it re-shapes the frame of British industrial relations practice and its central actor: the British worker. In so many accounts such workers have been cast as the villains in a heroic struggle to achieve an economic breakthrough which crashes through the blockages to organizational adaptation, so often seen as endemic to Britain. Of course, there is a refraction of this which, through the same glass, but darkly, sees the militant worker as being in the vanguard of revolutionary struggle. Heroes and villains, although they make for good traditional stories, may not serve the task of social analysis so well as a focus on the structures which contain both types of excessive individualism.

Other papers in Part Three of the volume also take up this theme of blockages and breakthroughs in organizational adaptation. For instance, Boisot and Child focus on the limits to the 'capitalist revolution' which some authors have predicted for China (Cheung 1986), while Mannari and Marsh focus at the organization level on correlates of successful adaptation within the overall category of Japanese enterprise. This is particularly useful because it enables one to focus on the more specific organization-level correlates of what is often treated as an aggregate case. Marceau's paper performs a similar disaggregational function for another much vaunted aggregate category of economic success: that of the small firm. We shall return to the other papers in this part of the volume subsequently. For the present we will discuss Marceau.

'The Dwarves of Capitalism', as Marceau calls them, have been subject to almost eulogistic political prognoses for their contribution to OECD economic growth during the 1980s. Instead, Marceau argues, as do other contributors to this volume, small firms have to be seen within the broader context of the economic relations that locate them in the economics of larger firms. On this basis the economic cultures of these small firms will vary, depending on the nature of their embeddedness within the economy dominated by larger firms. One type of economic culture is exemplified by the craftsman-entrepreneur, drawn from the ranks of the working class, producing traditional products for stable markets. Such small firms tend to be risk averse, conservative, uninnovative and low in market orientation. By contrast, opportunistic entrepreneurs will be far more middle class, better educated, managerially skilled, innovative, risk taking and market oriented.

These distinctions characterize a scene which is rapidly changing throughout the OECD. The changes are being structured through the opportunities posed by the radical nature of new technologies. Two of these are of particular consequence for the argument of the chapter. First, their adoption may lead to major readjustments in the market between large and small enterprises. Second, these may in turn stimulate the generation of small enterprises through a reorganization of the division of earlier forms of manufacturing production. Consequent upon such reorganization and redivision, new forms of organizational control and coordination are developing which challenge the notion of the individual firm as the appropriate unit of analysis. The challenge is raised precisely because of the nature of these firms as an embedded network, particularly through forms of contracting relations rather than through the classic hierarchical modes which have preoccupied organization theory from its precursors in Max Weber to the present day. This is not to imagine some liberal utopia devoid of hierarchy and composed only of markets: on the contrary, it is to acknowledge a world in which there exists a complex hierarchy of market relations under the dominance of large enterprises, enterprises whose organizational boundedness is not enveloped within their legal form but which holds sway over those networks of relations that they create and join.

One of the major ways in which cultural isomorphism of organizational forms may develop is through the conscious importation and borrowing of ingredients from recipes which appear to have worked well elsewhere. At the vanguard of such importation one will frequently find foreign national firms who are directing investment into offshore production facilities. A significant part of the revival of Mrs. Thatcher's 'enterprise culture' in Britain has been the encouragement of such investment from Japan, which, as Wilkinson and Oliver's contribution to this volume demonstrates, has also been a source for conscious adoption and diffusion of practices isomorphic with what are taken to be the essence of Japanese management. However, their adoption, diffusion and encouragement has not been without resistance, as they elaborate.

'We're Brits not Nips' must be one of the most emphatically nationalist, not to say racist, slogans under which working class action and resistance has been organized since the demise of the Australian labour movement's commitment to 'White Australia' as a bastion of antipodean social democracy. At root the slogan has gained currency in the United Kingdom as a means for tapping a tacit conception of what being a British worker means in terms of a moral community. Against single enterprise or no unionism it means a traditionally craft fragmented labour unionism; against a communitarian ethic in the firm it pits an individualistic or adversarial ethic, with community reserved for the locales of club, home and class; against flexible working arrangements it opposes a dogged determination to abide by hard-won demarcations achieved through past struggles: in short, against current conceptions of a reasonable and responsible worker it upholds what is so often caricatured as the 'bloody-minded' anti-business ethic of British unionism.

For the last decade, both inspired by and taking issue with the work of Braverman (1974), a leading theme of much British industrial and organizational sociology has been to point up the 'rationality of resistance' implicit in this 'bloody-mindedness'. Given a conception of economic organization involving 'us' and 'them', 'two sides of industry', and the 'class struggle', then a zero-sum conception of power will pervade both the literature and organizational life. From this perspective workers' bloody-minded resistance and reluctance to change is simply a rational defence of gains laboriously achieved in past struggles, against those strategies of management and capital which are designed to intensify the terms of the effort bargain by which labour is employed.

The most effective way of short-circuiting the necessary struggle attendant on the givens of a zero-sum conception of the game is to change the rules in such a way that winning, losing and the nature of play are redefined. Management consultants refer to this as achieving a 'win-win' situation. It is a realization of and a resistance to this ploy which is so starkly expressed in the claim 'We're Brits not Nips'. The ploy – let us call it the Nipponization move – seeks to redraw the game by re-drafting the rules. In Britain the Nipponization of the industrial culture is well under way, as Wilkinson and Oliver address in their contribution 'Japanese Influences on British Industrial Culture', not only through direct investment but also through the conduits of cultural example and economic comparison (also see Wilkinson and Oliver's 1988 issue of the *Industrial Relations Journal*). In short, there is every reason to assume that 'Brits' may well become more like 'Nips' in their work practices in the foreseeable future.

What is involved in the Nipponization move is simple in principle, if more difficult to achieve in practice, as Wilkinson and Oliver outline. Essentially, it involves the construction of a flexible, efficient manufacturing system, involving tight discipline, the elimination of down time from the working day, tight quality control and scheduling, often on a just-in-time basis, the creation of a solidaristic ethic based on the corporation rather than on cross-cutting affiliations and an attempt to construct a harmony of interests between management and workers rather than a relationship based on antagonisms and contradictions. As they identify it, a central feature in facilitating this achievement is the 'Company Advisory Board', in which joint negotiations between workers and management take place, often outside the union structure, in order to produce binding arbitration. Contracts in which trust can be vested are the desired outcome of such negotiations.

If trust is to be secured intra-organizationally, it must also be the basis of inter-organizational relationships, particularly with subcontracting firms, if Nipponization is to be fully implemented. In part (as is also stressed in the contribution by Clegg, Higgins and Spybey), an important element in this is time: one must have a basis for reasonably stable expectations about the future if one is to trust one's plans. If a key component of the economic culture which Nipponization moves to achieve is a context of trust, then, as Clegg, Higgins and Spybey point out in their chapter on '"Post-Confucianism", Social Democracy and Economic Culture', it is as well to realize that the evidential basis for ceding that Japanese economic culture is particularly harmonious and based on trust is somewhat more ideological than is often appreciated. As a number of revisionist writers on Japan have suggested, the trust, harmony and groupism striven for in Nipponization is a socially constructed myth about Japanese reality, carefully nurtured by the Japanese elite. Beneath the mythical surface is a contested terrain in both recent history and current practice. While current practice may be less violent than recent history, it belies the superficial picture of happy, loyal, company song-singing drones depicted by both the proponents and antagonists of the consensus view of Japan. Instead, as is stressed both by Wilkinson and Oliver with respect to Japanese practice in Britain, and by Clegg, Higgins and Spybey with respect to Japan, the crucial characteristics of Japanese economic culture are far more institutional than some of the proponents of a unique 'post-Confucian' cultural configuration might allow. Key features, in addition to those previously noted in Wilkinson and Oliver, include internal labour markets (which we also find in banking: see Lewis and MacGregor's paper in this volume); a divided labour movement in both the party and union sphere, company towns, extensive levels of subcontracting and out-working as the easily expended basis for flexible production; all of this institutional framework sustains a small core of workers rigorously selected from elite schools based on competitive examination from kindergarten level onwards who are consciously incorporated into a 'corporate culture'.

Institutional features, considered at the macro-level, are clearly important in considering Japanese economic performance. In addition, it is important to understand the internal organizational relationships which are conducive to successful performance, particularly as there is reason to believe that these arrangements are relatively stable across countries and thus across different cultural and institutional frameworks (Donaldson 1986). Japan is of the utmost interest to such analysis because it is in and with respect to this country that the culturalist explanations have had their fullest expression. Consequently, the chapter by Mannari and Marsh, based on solid empirical data collected at the organization level, is of particular importance.

Mannari and Marsh report on a longitudinal study which compares 48 manufacturing organizations in one prefecture. Unlike most other large-scale comparative analyses the research is not simply cross-sectional; they are able to study structural change in the organizations over time. The contribution, 'Organizational Change and Stability in Japanese Factories: 1976 – 1983', marks a substantial revision of not only received wisdom on the importance of cultural specificity but also on the nature of structural causality in organization analyses. Hitherto there have been two main axes to this debate constructed around two contrasting dichotomies: those of power vs. efficiency (one thinks of the debates between Perrow [1986] and Williamson [1985]) and of size vs. technology, the classical leitmotif of so much work in the Aston School (e. g. Pugh and Hickson 1976).

One implication of Mannari and Marsh's contribution is that the way in which these dichotomies force us into either/or consideration is something which can be short-circuited by causal, longitudinal analysis. Thus, in the explanation they present of the substantial changes that occurred over the period studied, both power, size, technology and efficiency enter into the explanation. More automated technology is important in explaining the increasing use of both mechanized quality control and greater R & D expenditure and sales per employee: the latter through the causal path of mechanized quality control. Each of these factors has been stressed in the literature in Japanese organizations as an aspect of Japanese uniqueness: the low rejection rate resulting from tight quality control: the greater productivity resulting from enhanced R & D expenditure and the achievement of more competitive products. In Mannari and Marsh's explanation each of these phenomena is seen to be an effect of increased automaticity of technology. However, the more advanced the technology used it appears that there is a weakening reliance on university-educated personnel. This would seem to support the views of those writers who stress the close relationship between power and technology, observing how routinization of professional determination is effectively eroding some spheres of professional discretion (Clegg and Dunkerley 1980, Clegg, Boreham and Dow

1986, Fox 1974, Perrow 1986). In addition, greater use of automated technology leads to weaker interdependency between sub-units.

If some aspects of the argument from technology (and power/technology) are supported, so too are aspects of the arguments from size. Greater size, measured best in terms of personnel, leads to the use of more electronic data processing technology, proliferating job titles and a greater span of control for first line foremen, as well as more interdependence among work flow segments and a greater probability that a labour union will be recognized.

Rate of change in size also proved important; as it was greater so the value of production rose and, against conventional wisdom, voluntary turnover declined. Moreover, larger firms were more likely to have differentiated management from ownership. Both size and an entrepreneurial foundation have a positive relationship with increased differentiation; the latter diminishes both vertically and horizontally with the centralization of authority. Size increases may generate increasing structural differentiation; alternatively it may be that developing new product lines leads to additional units not only of production but also of control. Of necessity, increasing control leads to greater administrative functional specialization as it becomes more and more difficult with increasing size for direct control to be sustained. Delegation to functional specialists is the means of extension of direct control and hence a cause of greater complexity.

While increasing size leads to a transition from more direct control to administrative control, it does so only where it is 'new-product' driven. It is product diversification, leading to increased scale of operations and decreased central direct control, which is of causal importance. Whether it leads to greater administrative formalization or not is contingent in large part on the degree of autonomy in itself and the accountability to external control that an organization has. Large autonomous organizations have less formalization than large dependent organizations. The size argument can not be dissociated from the power argument.

While it would seem to be the case that size and power can not be deemed entirely separate explanatory factors, it would also seem that power can not be cordoned off from efficiency explanations either. In declining organizations managers and supervisors are less likely to lose their jobs than workers. Why? Mannari and Marsh speculate that it will be because supervisors remain necessary while there is functional superordination and subordination in their section: in other words, as long as power prevails. Managers are shed more slowly because, they suggest, their task is to scan and manage the external environment and to counter the organizational decline, although one could readily adduce a power explanation here as well.

Some organization sociologists have followed Braverman (1974) in being attracted to a 'de-skilling' hypothesis: one which is now under considerable suspicion as a general explanation (Attewell 1987). The suspicion is not lessened by Mannari and Marsh's contribution. It was those organizations which did not develop more advanced technologies rather than those which did, which contributed disproportionately to unemployment.

At the core of the Japanese organization model, looked at through the standard concepts of the sociology of organizations rather than through the lens of cultural specificity, the explanatory focus shifts back to quite prosaic phenomena by contrast with the macro-cultural argument. The focus is on adopting new technologies, developing new products, generating R & D, in the context of a contingency framework. If these phenomena are the essence of Japanese economic success, they are readily diffusable, if, that is, other countries' organizations can learn from Japan's competitive edge before their own competitive capacity is crippled. As the research by Wilkinson and Oliver suggests, on a detailed unit cost comparison, Japanese firms in Britain are far more efficient and competitive than are comparable British firms. They too stress the role of successful quality control and enterprising innovation. Perhaps, with macro-institutional adjustments which continue to weaken labour and strengthen markets, and with organizational changes oriented to more and better products, means and methods of production, 'Brits' may be able to become more like 'Nips' after all. But, one might wonder, may not the localized cultures of resistance serve to undercut the achievement of a similar competitive edge?

The success of Japan has often led commentators to generalize cultural explanation from it to the economic achievements of the 'little dragons' of Hong Kong, Taiwan, South Korea and Singapore. Sometimes, the same underlying logic of explanation for all these countries, as in the argument from 'post-Confucian' economic culture, is employed. However, as the contributions of Redding and Whitley; Tam; and Hamilton, Kim and Zeile make clear, it would be mistaken to regard these countries as essentially similar in their patterns of economic success. They have quite distinct foundations which are sufficiently different as to counter any too easy reliance on a view of a single 'post-Confucian' way. Nor would it be appropriate, as Hamilton, Kim and Zeile make clear, to substitute one mono-causal explanation with another.

Mono-causal explanations abound. From the economics discipline and from the political right there has been no shortage of explanations couched in terms of 'market forces' as to why the East Asian NICs have achieved economic growth. Such explanations are not supported by this text.

Concentrating on Japan, South Korea and Taiwan, Hamilton, Kim and Zeile present an empirically based comparison of 'business group structures', the form of the characteristic organizational patterns in which this economic growth has been embedded. Business groups

> are composed of a set of legally independent firms which may or may not have economic or fiscal relationship among themselves and which normally have no overarching accounting or management systems that coordinate the activity of member firms. In some cases, all the firms in the group are at least partially owned by a core firm, sometimes a holding company, a bank, or a key manufacturing firm. At other times, an individual or a small group of individuals, sometimes a family, owns or controls all the firms in the group. In a few cases, however, particularly in the Japanese case, which is the key example of an economy organized through business groups, no one firm or set of individuals owns or controls the business groups. Therefore, even consolidated ownership is not their defining characteristic. Instead, the defining characteristic of business groups is that they are organized networks of independent firms, with the nature, manner and consequence of their organization left open to investigation (Hamilton, Kim and Zeile, this volume).

The economists' explanation for the East Asian preponderance of these business groups attempts to bring them into the framework of the theory of the firm as a particular form of transaction which deals with market imperfections through the quasi-authoritative organization of the business group. A contrasting view is derived from political economy and from scholars usually of a more 'dirigiste' orientation. Rather than stressing micro-economic phenomena concerned with market-clearing, these accounts stress the role of the state in facilitating collusive elite linkages.

Both political economic and market economic explanation founder on the reef of sustained empirical investigation. For one thing, although each might seem to offer the best explanation of some aspects of some of the countries, neither scores across the board. Political economy is of some explanatory importance in South Korea, where the state created modern capitalist enterprise. This was not the case in Taiwan in the major sectors of economic growth. The particular small firm configuration in Taiwan has to do with inheritance laws which pass on assets on an 'equal shares' basis to the sons of a family. It is not market competitiveness which maintains small firm size in Taiwan. Japan, like South Korea, had business groups before it had economic growth.

Explanation of these differences must look elsewhere, to the central role of institutional variation in national legal, financial and accounting conventions, and the distinct types of authoritative structures which they produce.

The focus which is called for by many of the contributions to this volume has its roots in the organization analysis exemplified by Mannari and Marsh in their concern with classic organization level variables. However, in many cases the focus has been extended from categories of 'the organization' per se to the wider set of relations in which organizations are embedded. This is most explicitly so in Redding and Whitley's contribution.

'Beyond Bureaucracy: Towards a Comparative Analysis of Forms of Economic Resource Co-ordination and Control' contains a strong argument for analyzing organizations in their embedded networks of social relations, focusing in particular on what the authors see as three dominant East Asian forms; the Japanese *kaisha*, the Korean *chaebol* and the Chinese family business. Their argument is that the individual organization is hardly the appropriate unit of analysis as the economic actor in the business world of the region, and that the same stricture would apply in other regions such as Europe. Using an approach which owes some debt to Ragin's (1987) advice on the comparative method, they propose the bases for two taxonomies useful in unravelling the complexities of economic culture.

The first concentrates on the economic actors, and notes the way in which different 'recipes' emerge as dominant in different societies. The agenda is to differentiate the recipes by specifying their ingredients, and the ones proposed are: delegated discretion, centralization, inter-enterprise co-ordination, managerial integration, personalized authority, emotional loyalty of the workforce. In this regard, critical features of economic action, such as Japanese ties with subcontractors, Korean government-business relations and Chinese family business networks, are brought into account and help to enrich understanding.

Why such combinations of ingredients become dominant is a matter of tracing determinacy in the societal contexts where they achieve stability. For this, a parallel taxonomy is proposed using the following components; patrimonial authority patterns, trust relations, nature of the state elite, basis of societal elite formation, inheritance system.

The work of Redding and Whitley contributes to the task of dislodging organization theory from its traditional foundations in Western empirical reality, and its traditional difficulty of coming to terms with alternative frameworks for cooperation. By positing that there are economic structures out there in conceptual space 'beyond bureaucracy', a challenge is implied and the need for a new paradigm declared.

The paper by Tam follows this theme by concentrating on the process of growth in Hong Kong Chinese and Japanese organizations, attempting to come to terms with the question, put simply, of why Japanese organizations grow large and Chinese do not. He proposes two configurations of characteristics; the Japanese centripetal business system and the Chinese centrifugal system, explaining in the process much about the differences between the structuring of the Japanese and Hong Kong economies. Nor is it difficult to extrapolate from the Hong Kong case to the Overseas Chinese throughout East and Southeast Asia.

More significantly perhaps, Tam then goes on to tackle the deeper question underlying such conceptual work: how is it that they are both successful in world market terms? This discussion focuses on five anomalies which emerge from the comparison of Hong Kong against Japan: (1) How can industrial power be released from atomistic firms? (2) How can excellent performance be achieved without management development? (3) How can an economy made of conservative firms display constant renewal? (4) How can an effective workforce result from using disloyal, uncommitted employees? (5) Are there hidden economies of small scale? The resolving of these anomalies produces revealing insights into the workings of non-Western capitalist systems and, by facing the issue of performance, albeit in abstract terms, brings forward a number of highly intriguing agenda for future research.

The paper by Tricker, also set in the context of East-West comparison, with Overseas Chinese as the Asian focus, looks at corporate governance, a new but increasingly significant field for research. In this he argues that the main vehicle of capitalism, the company itself, is designed largely as an extension of Western ideals about cooperation. Although it can be, and is, adopted within other societies, it is not adopted without adjustment. Such adjustment, exemplified by Hong Kong experience, includes elaborate means for retaining family control after a company goes public, retention of power and prestige by the paterfamilias, and the use of extensive informal networks rather than managed hierarchies, to deal with coordination between firms.

With the field of corporate governance being so commonly one in which legislation is rife, it becomes important to understand the different premises on which governance has evolved in practice. Again, the question of an economic system's success is salient, and there is some inevitability in the question of whether the governance of entrepreneurial, venture-capital firms in the West might not be more effectively designed if it took account of oriental solutions to the issues.

A number of contributions to this volume indicate the central importance in explaining economic performance, of the stability or otherwise of the framework within which economic calculation takes place. It is a theme taken up not only by Hamilton, Kim and Zeile, but also by Clegg, Higgins and Spybey; Standish; Redding and Whitley; and Wilkinson and Oliver. It underlines the points made about economic embeddedness by Granovetter (1985).

An important outcome of the broad comparative focus reflected in the papers in this volume, drawing as it does on work from North America, Europe and the Asia-Pacific region, is to underscore the ways in which institutional variations can be subject to design and control. 'Culture', seen as an emergent effect of practices within institutional frames, becomes less an underlying catch-all explanation, but something which is itself to be explained. One fruitful way of doing this is via an understanding of the forms of calculation available for economic actors in particular settings. At this level, because these are usually nationally bounded, it is eminently reasonable to talk of a nation and a culture in the same terms. For instance, Wilkinson and Oliver note towards the end of their argument that a recent House of Lords Select Committee in the U. K. (whose report has been spurned by the government) proposes a set of institutional changes which would facilitate the Nipponization of British economic culture. Amongst the measures recommended is a shift from the 'tyranny' of quarterly financial reporting. It is precisely the national variations in financial reporting which are highlighted as central aspects of the institutional framework by Clegg, Higgins and Spybey in their comparative anaylsis. Manufacturing decline in the West, and the 'economic miracles' of East Asia, rather than being solely attributable to an idealist conception of culture, are instead, they propose, a result of institutional frameworks supporting distinct cultures. Economic calculations thus proceed on diverse assumptions, and not all assumptions are equally efficacious in sustaining manufacturing activity. Some are downright prejudicial, particularly those that pertain in Britain, the USA and Australia. In Japan, by contrast, the emphasis is on longer-term, stable financial sourcing and reporting than in the English-speaking countries. Consequently, manufacturing logic predominates over a more speculative financial logic (see also Abegglen and Stalk 1985).

It is not only in Japan that institutional mechanisms for more stable manufacturing can be found. Hamilton, Kim and Zeile also identify similar mechanisms operative in Taiwan and South Korea as well. What makes them similar in their underlying logic, despite apparent differences, is a stable set of inter-organizational relationships between key firms and sectors of economic activity. Consequently, the market principle is subordinated to mechanisms ensuring long-term manufacturing strategies and viability, rather than the more rapacious and speculative business behaviour displayed in the US, British and Australian penchant for takeovers, mergers, greenmail, and so on. Concurring with Weber's (1930) original emphasis on accounting in his classic analysis of economic culture in *The Protestant Ethic and the Spirit of Capitalism*, Clegg, Higgins and Spybey argue that the institutional mechanisms producing financial hyperactivity, in contrast to the more orderly Japanese scene, are diverse accounting schema and systems.

As is already evident from Tricker's paper, which surveys briefly the history of corporate regulation, there are clearly differences of approach, even within Europe, and they have understandably different origins. Taking a part of this larger question, Standish focuses on financial accounting and reporting, in the chapter: 'Accounting: The Private Language of Business or an Instrument of Social Communication?'. In this he identifies one of the tensions which produce different emphases in national accounting as both an instrument of state surveillance and an informational resource for ordering the market. Not only is it the case that these tensions can produce distinct national expression, they can also produce distinct theories of accounting as an activity, as Standish suggests. These interact with the special national emphases and political currents that prevail in particular times and places. For instance, as Clegg, Higgins and Spybey argue, the contrast between the affinities for and effects of the recent British, American and Australian Governments' (with Lewis and MacGregor's contribution, one can add New Zealand) monetarist leanings have legitimated an 'agency' view of accounting; by contrast the social democratic party which has enjoyed hegemony in Sweden for half a century, has produced a far more radical form of accounting theory and practice. Standish notes the contrasts between the English-speaking countries and French practice while Clegg, Higgins and Spybey contrast them with both Japan and Sweden.

The Swedish, French and Japanese institutional fabrics vary markedly. Accounting practice is central to long-term national planning in a way which is also quite differentiated between English-speaking countries. In large part, Standish explains, this difference is attributable to national variations between the 'community' and 'market'-oriented practices of accounting, in the English-speaking cases, compared to a more *dirigiste* or concerted governance in the other countries. The provision of standardized financial information becomes a major factor in such governance. Both *etatism* and corporatism require quite different forms of accounting practice to those characteristic of the communitarian-market tension of the English-speaking countries.

The English-speaking countries in the OECD which have been dealt with thus far include the United Kingdom, United States, Australia and New

Zealand. The United Kingdom and the United States have had politically conservative parties in office during the 1980s while, in the latter cases, for most of the 1980s labour parties have held office. Despite these political party differences, each of the four countries has had some similar policy experiences in the past decade.

During the 1980s there has been a trend towards more market-oriented and de-regulatory policies, often legitimated in part by the 'need' for a more flexible response to the Japanese and Asian challenge. It was in terms of this rhetoric of response that the financial markets of Australia and New Zealand were rapidly de-regulated in the mid-1980s, in order to facilitate the greater availability of capital for re-structuring of manufacturing industry. Despite taking place under labour Governments, the rhetoric has been aggressively 'New Right'.

The New Right monetarist-inspired phenomenon of de-regulation clearly has cultural just as much as economic auspices. Indeed, in the concepts of 'enterprise culture' (U. K.) or 'productive culture' (Australia), the debate has directly tapped this dimension. However, one aspect of the debate has gone largely unremarked: exhortation in the political arena by national government and even de-regulation of aspects of economic activity do not necessarily nor unproblematically translate into a culture of 'efficiency and effectiveness' at the organization level. One can change the rules of the game, one can change the motivational rhetoric of the national captains – but does this necessarily produce the desired changes in actual behaviour at the level of organizational action?

As Lewis and MacGregor argue in their discussion of 'De-regulation and Degradation in Managerial Work', issues of de-regulation understood at the organization level need to touch base with the issues that have been central to labour process theory: control and resistance. De-regulation in the finance industry has been driven by technological changes which have made possible significant changes to the nature of work and organization in banking. Indeed, in organization terms, de-regulation might more accurately be specified as re-regulation: a move from one form of regulation to another.

The first wave of technological change in banking had produced a stable administrative bureaucracy as the normal form of direct control at the level of branch operations. It was a control system that was explicitly gendered: men controlled women; men had access to career ladders while women did not. During the 1950s and 1960s a second wave of technological change occurred, carrying with it a re-regulation of organizational relations. The major components of this second wave were micro-electronic technology, one effect of the adoption of which was to vest increased centralization and control in automatic data processing operations rather than in direct control of subordinated clerical labour processes at the branch level. Control moved up and out of the branch managers discretion: to centralized bank offices; into programmes which were routinely accomplished by lower level branch staff working with automatic computer equipment. Branch managers who had been previously middle level managers in the national framework, while simultaneously top managers who exercised considerable local discretion at the branch level, found that important areas of their roles disappeared with this re-regulation. Decision making had been transformed into centralized head office functions organized on a divisional form which became implemented at the branch level through the provision and supply of standardized information via electronic data processing.

According to the arguments of contingency theory (Donaldson 1985), one would anticipate that the move towards the divisional form would enhance efficiency by effecting an improved fit between form, function and environment. One should note two important considerations, however. First, the environment has not had its effect through either the implicit competitive or evolutionary tendencies that figure in contingency accounts. Determination was political: the rhetoric of the New Right was strongly ensconced in the economics discipline in both Australia and New Zealand: key staff in Treasury in both countries were committed de-regulators, and the incoming labour Treasurers in both countries supported much of their general position, in part because New Right critiques of the lack of de-regulatory nerve of their conservative predecessors had gained considerable media exposure.

A second important consideration in respect of this move to a divisional form is that, by contrast to what one would expect from the contingency argument, the effects at the organizational level of the branch have been neither effective nor efficient in the terms anticipated by both New Right and contingency views. To understand this, one needs to harness an 'institutional' view of organizational culture to a grasp of the dialectics of control and resistance at the banch level, as Lewis and MacGregor propose.

In order to achieve efficiency in marketing services in a de-regulated environment, the discretion and control previously exercised by branch managers has been eroded. Despite this, they are now the front line marketers of the range of financial services that the banks are trying to market through the branch structure. The data clearly indicate that branch managers deeply regret the loss of control and career opportunities once open to them. However, they are ill-equipped to resist an increasing regime of control by re-regulation/de-regulation because of an extreme dependence by them on their employing organization. There are no countervailing loci of power in a solidaristic trade union; they are tied to the bank by the 'golden chains' of an internal labour market, low mortgage rates and firm-specific superannuation schemes. Yet they are able to find and exploit a point of resistance to an increasingly stressful and resented work organization. Resistance takes the form, precisely, of not being efficient and effective in the very area that strategically guided the re-structuring and re-regulation which has so transformed their work-selling: they resist through not selling; through this refusal to market they are, in terms of the micro-politics of the local organization, effectively and unwittingly resisting, however temporarily, the 'logic of capital' as it is expressed through a specific re-regulated/de-regulated regime of accumulation.

The implications of this analysis are far broader than they might initially appear to be. The de-regulatory thrust is not confined to the finance industry nor to Australia and New Zealand. It is a plank in political strategies in many of the OECD countries as they seek to retain the competitive edge lost to Japan and the NICs of East Asia. What Lewis and MacGregor's analysis suggests is that even in the most propitious circumstances of no union, an existing internal labour market and an ideologically conservative non-working class labour force, grand strategies derived from ideological world views, such as those of the New Right, may not achieve the efficiency and effectiveness claimed for them. Strategies at the macro level necessarily entail individual and organizational action whose intent can rarely be assured in the arena of micro-politics.

One thrust of the concluding section of Clegg, Higgins and Spybey's consideration of economic culture is to suggest that where a broad-based, popular and interstitially embedded social movement succeeds politically in the way that social democracy has done in Sweden, then the expanded representational basis for active citizenship at all levels, from local micro-politics to the macro considerations of state planning, does a great deal to facilitate the effective achievement of overall strategies. Consequently, they maintain, the arguments for a social democratic economic culture (in contrast to the authoritarian democratic culture of East Asia or the liberal democratic culture of the English-speaking OECD nations) are not simply ideological – a matter of elective affinity and political preference – but also functional: expanded representation is a more secure basis on which to build a modern, industrially efficient economic culture than is exclusion. As Standish implicitly argues, exclusion may not only occur in terms of formal political and organizational arrangements. The absence of a standardized framework for interpreting the information contained in accountancy practice can itself give rise to distorted communication and function as a barrier to entry into full representational citizenship, as it were.

It is not just in the explicitly capitalist world that grand strategies have been undercut by local politics and practice which are deeply embedded in organizational routines. The same has been true of the People's Republic of China (PRC). Indeed, at one level the China case offers a striking counter-factual to the importance of institutional frameworks and cultural embeddedness for economic success. If in the Japanese and NIC cases one looks for examples of facilitative institutions and cultures with respect to economic efficiency, in the PRC one would more usually tend to look to institutional and cultural blockages. Not surprisingly, some similar cultural features fulfil the diverse analytical roles of facilitator and foe of economic efficiency in the understanding of Chinese economic action in the PRC compared to that of the Overseas Chinese in South East Asia.

Max Weber (1978) stressed the necessity of rationalization obliterating the status desiderata of pre-modern feudal societies if a market-based economy and society were to be achieved. In the PRC this has yet to occur. It is an irony of recent scholarship that the very Confucian values of familism, tradition, face-to-face trust, which some observers see as quintessential contributions to the 'post-Confucian' economic successes of Japan and the NICs – the 'groupism' and familial centred provisioning of welfare – are regarded by observers like Boisot and Child as obstacles to the same goal, in their chapter on 'Efficiency, Ideology and Tradition in the Choice of Transactions Governance Structures: The Case of China as a Modernizing Society'. Their argument is that the feudal nature of traditional Chinese social relationships has in some important local respects survived intact into the present day: the 'war-lords' have changed, but practices of the fief have remained remarkably constant. Local patrimonialism and a negotiated absolutism characterize the relations between enterprises and their municipalities, trapped in a web of conflicting regulations and, on the enterprise's part, transactional dependencies. Just as for capitalism to flourish in Britain, the Tudor absolutist state had to be dismantled by the post-restoration state, particularly from the mid-eighteenth century on, so the state in the PRC is the only economic actor that has sufficient capacity to effect the rationalization through which greater elements of a market society might be constructed. In other words, concerted political action is required to found market institutions. The PRC's problem, contrary to the views of many outside observers, is not the omnipotence of state regulation but the weakness of its implementation in key areas. However, they suggest, it may not need to proceed as far down the path of bureaucratic regulation as nineteenth-century precursors such as Bentham designed for the Indian Civil Service, or as Weber found in the Prussian bureaucracy. Modern forms of electronic communication may enable rationalization and codification at a lower level of regulation: where the medium is the message, or at least part of it, the constraints of an excessively formalized regulation via the written word might be minimized. In the land of Confucius, the home of the mandarin, this hope may prove too optimistic to entertain, if the more cultural-oriented explanations are to be believed.

The chapters in this volume are diverse, but as this introduction has sought to establish, they do share common themes in their perspectives on *Capitalism in Contrasting Cultures*. First, the importance of analyzing what Granovetter (1985) refers to as the embeddedness of economic action. The majority of the contributions to the volume achieve this focus; most do it with a comparative focus although some are more particular case-studies (e. g. Acton, Biggart and Lewis and MacGregor). Consequently, the 'space' dimension of embeddedness is well covered here: the focus ranges across Europe, the United States, Asia and the Pacific. However, economic relations are not only differentially embedded in spatial terms; they also achieve differential embeddedness across temporal continua as well, although only the contribution by Mannari and Marsh achieves this rare level of analysis. In doing so, interestingly, it is the contribution which sticks closest to a disembedded view of the organization as the unit of analysis. For the future, it would be of evident value if the kind of longitudinal analysis offered by Mannari and Marsh could be integrated with the more institutional perspective of many of the other contributors to this volume.

Mention of an institutional perspective brings us to a second major common point among many of the papers. Within the ranks of organization analysis there is a new social movement gathering pace which is collecting disparate themes and authors under the banner of 'institutionalism', a movement over which Scott (1987) has recently cast a paternalist eye. He identifies five main variants of the institutionalist perspective. It will be useful to connect these to the chapters collected here.

The origins of the institutional school have been attributed by Scott to the work of Selznick (1957), in particular a focus on institutionalization as a means of instilling value, of supplying intrinsic worth to a structure or process which previously had only instrumental utility (Scott 1987). The contribution which comes closest to this perspective is that by Wilkinson and Oliver in their focus on attempts to 'Nipponize' British workers and industry. A clear attempt is being made to overturn instrumentalism and instil an expressive dimension to economic life.

A second perspective within the institutionalist movement is identified by Scott as a concern with institutionalization as a process of creating reality, a stream he regards as heavily indebted to the work of Berger (Berger and

Luckmann 1967) in the sociology of knowledge. The concern is with the paradox 'that man is capable of producing a world that he then experiences as something other than a human product' (Berger and Luckmann 1967: 61). In organization analysis this stream is seen particularly in the work of Meyer and Rowan (1977). In this volume the focus on the processes whereby phenomena come to take on a rule-like nature in thought and action is probably best seen in the focus on forms of calculation in Clegg, Higgins and Spybey's chapter. However, 'Nipponization', the focus of Wilkinson and Oliver's piece, or the concern with 'Corporate Governance' in Tricker, as well as the focus on the language of accounting in Standish, may all be seen to explicate the 'rational myths' that are the focus of Meyer and Rowan's influential work.

A further strand of institutional theory is apparent in Meyer and Rowan's (1977) work, according to Scott's (1987) analysis. Its identifying feature is a concern with those relational networks whose 'rules define new organizing situations, redefine existing ones, and specify the means for coping rationally with each'. As they add, not only do they 'enable', but 'often require, participants to organize along prescribed lines' (Meyer and Rowan 1977: 344). Relational networks as the focus of analysis, looking not to the organization per se but to its embeddedness within systemic and enduring features of the constitutive environment, are at the heart of the conceptualization advanced by Redding and Whitley; Hamilton, Kim and Zeile; Wilks; Tam; and Marceau. Each one of these contributions focuses on the institutional environment conceived in network and cultural terms.

A major thrust of post-functionalist social theory has been to specify the nature of social life as institutionally loosely coupled, rather than being tightly coupled under any single, overarching normative order. Alford and Friedland (1987) have developed this point by noting how different institutional spheres sustain distinct belief systems, and how these may aid in reproducing the spheres. Most contributions to this volume take this approach to institutions as distinct societal spheres. Acton, for instance, focuses on the inter-relationship of the religious sphere of belief systems with the sphere of economic organization. The former is causally efficacious for the latter, he argues, in respect to the Duck Islanders. Biggart similarly focuses on the relationships between belief systems, concentrating on more general aspects of ideology rather than on religious belief. In her contribution, as well as in Acton's, the significance of the value sphere for economic action is underlined. The contribution by Bond and Hofstede focuses on the values acquired through primary socialization in the family and the ways in which these provide sustaining motivational resources for economic action. Each of these chapters regards the sphere of culture, broadly and differently defined in substantive terms, as having consequences in the institutional sphere of economic action.

Finally, in this synoptic review of institutional affinities, we may note that the contribution by Boisot and Child comes closest to a concern with what Scott (1987) terms the 'new institutionalism'. In this perspective, developed in Boisot and Child's case from elements of Dore (1973), Kroeber and Kluckhohn (1952) and Williamson (1975), the emphasis on symbolic aspects of economic action is captured in the notion of transactional structures and modes, applied at a macro level, focusing on the semi-autonomy of commune and firm and their inter-relation, within the context of the PRC's policy environment.

It would be spurious to pretend that all the papers collected in this volume share an essential unity or perspective. However, by focusing their attention on issues surrounding conceptions of economic culture related to the sphere of economic action and organization, a number of general issues which are locatable in current concerns with 'embeddedness' and 'institutionalism', have emerged. This introduction has sought to not only display these themes but also to serve as a synoptic review of the individual chapters. It does not substitute for them. They should be read in their own right and not necessarily through the editorial interpretation. Consequently, we conclude.

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Part I
Capitalism's Cultures – Lessons from Asia?

'Post-Confucianism', Social Democracy and Economic Culture

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Introduction

The concept of culture, according to one of its foremost students, 'is one of the two or three most complicated words in the English language' (Williams 1976: 77). In all its early uses it was employed as a noun of process: the tending of something, a meaning which, from the early sixteenth century onwards, was extended in application from nature to human development as an object of intervention (see Bauman 1973, 1976). An extension of this noun of process to economic husbandry has a long if frequently implicit history in the social sciences. Its still implicit character is revealingly apparent from its absence in Swedberg's (1987) definitive review of 'economic sociology'.

Despite this absence, notable contributions to the career of the implicit concept are many. One thinks, for instance, of Weber's (1930) reflections on the 'Protestant Ethic'; Schumpeter's (1944) concern for the decline of 'heroic capitalism'; Wiener's (1981) charting of the decline of the English 'entrepreneurial spirit' or Anderson's (1964, 1986) critiques of the 'peculiarities of the English'. Moving further afield from the European heartland, one can point to the contemporary American literature on 'corporate culture' (Peters and Waterman 1982) together with the closely allied fascination for Japan, understood in terms of its 'economic culture' (Ouchi 1981) or the more general fixation on 'post-Confucian culture' (Clegg, Dunphy and Redding 1986 a): all of these serve as indices of the salience of this particular concept for contemporary social science, a concern currently capped by Berger's (1987) important work on *The Capitalist Revolution.*

The reasons for this continuing fascination are not difficult to fathom. In each of the major conceptualizations referred to the impetus has been to understand the salience of specifically 'cultural' factors for the dynamics of economic 'success' or 'decline' in either specific capitalist economies (Dunphy and Redding 1986 a; Schumpeter 1944; Weber 1930; Wiener 1981) or specific capitalist firms (Ouchi 1981; Peters and Waterman 1982). We may, for the sake of simplicity, refer to these as a concern with macro-economic culture and meso-economic culture respectively.

Any conception of 'economic culture' will, in Berger's (1987: 7) terms, 'explore the social, political, and cultural matrix or context within which particular economic processes operate'. For any culture of economic processes to be recognizably reproduced, certain practices would have to be routinized in such a way as to develop both structural properties, in the form of rules and resources, and systematic properties, in the form of regular social practices or reproduced relations (Giddens 1984). At the heart of the matter is the manner in which culture, as a process, tends, cultivates and regulates particular types of economic outcomes. It is through analysis of these structural and systemic regulatory properties that the features of an 'economic culture' can be addressed.

Conceptions of an 'economic culture' are often, in the popular press at least, identified with an 'enterprise culture'. However, it is not clear that the concept of 'economic culture' does carry an ideological load; certainly its primary contemporary proponent, Berger (1987: 9–10) suggests it does not. Nonetheless, in the Western capitalist nations, particularly in the last decade of emphasis on de-regulation, it has often seemed as if the notion of a 'successful economic culture' has carried with it a strongly liberal, laissez-faire bias espousing free enterprise, an anti-bureaucratic, anti-state orientation and a strong endorsement of markets over politics as sources of effective resource allocation and decision making. In part, surely, this is because the concept has been applied particularly to notions such as Mrs Thatchers' endorsement of an 'enterprise culture', an endorsement often refracted through a broader cultural commitment to the renewal of some older, almost mythical, 'Victorian values'.

Elsewhere, however, it is less to history than to contemporary East Asia that many advocates of the importance of economic culture would refer, including Berger (1987). Like many other observers he has been impressed by the economic success of Japan, Hong Kong, Singapore, South Korea and Taiwan, countries whose post-war economic growth has consistently outstripped OECD annual average growth rates during the same period, in terms of GDP (Gross Domestic Product) per capita. Despite the undeniably impressive gains made by these countries, some caution may be required in interpreting their economic record. One should not be too sanguine about the meaning of these economic growth rates. For one thing, GDP growth is somewhat limited as an indicant of performance. It makes no reference to the quality of work, leisure or life more generally. Moreover, the fact that these Newly Industrializing Countries (NICs) have a high growth rate is hardly surprising (although this does not alter the fact that their growth, comparatively, is significant). For those nations which are initially worse off, then economic growth, where it is achieved, will tend to be generally higher than the average for more mature economies. This was the case in the initial post-war era of Japan's economic miracle, for instance. However, by the 1970s the growth rate had fallen to the 3% – 4% range, which, while still at the leading edge of OECD nations, was clearly within their standard range (Quiggin 1987). Despite this caution one must still acknowledge that the Newly Industrialized Countries of East Asia did achieve, in their economic growth, something which most other post-war 'underdeveloped' countries did not achieve. The interesting question is thus why it was that it was these countries, rather than other Asian, African or Latin American nations, which became the NIC powerhouses. Economic explanations alone seem inadequate to this explanatory task (Clegg, Dunphy and Redding 1986a). Having explored and run up against the limits of economic factors, many explanations of this success have sought instead to understand it in terms of the cultural factors we have alluded to. The focus has been on the cultural context in which such successful economic husbandry has occurred; the specificity of this context has been defined in terms of a 'post-Confucian' economic culture.

While the Pacific Region may be the context of this latest application of an 'economically cultural' explanation, it is noticeable that not all states in the region are able to forge a post-Confucian way. Amongst these is Australia, a state not characterized by a largely ethnic Chinese business sector, but one which, as a matter of government policy, is seeking to emulate the export-led growth of these other Pacific region states. Interestingly, in this country the prescription for an 'economic culture' has been sought not in nearby East Asia but in faraway Scandinavia. It is not just chauvinism on the part of two of the authors of this paper which leads us to pose the question of economic growth and economic culture from within the antipodean context. There are two other important reasons. First a matter of local detail; if Britons have been hectored to acquire the advantages of an 'enterprise culture' by their government, then in Australia key ministers have been no less avid in promoting a similar idea. Locally it goes by the name of developing a 'productive culture', and the political resonances are evident. The issue of 'economic culture' is clearly on the Australian political and economic agenda.

The second reason for posing issues of economic culture from an Australian perspective is a matter of analytic strategy. Berger's (1987) book poses a choice between 'capitalism' and 'socialism', and comes down firmly on the side of capitalism in terms of arguments of both equity and efficiency. We doubt if these terms of debate are contentious. However, what would be of greater salience and of incomparably more policy relevance would be a comparison of capitalisms. In the modern world capitalism must be considered in the highly plural and diverse forms in which one encounters it in various nation states and regions. To regard its form of articulation in South Africa, for example, as the same as its present development in Denmark would not get one very far. Certainly, property may be basically privately owned and controlled and labour formally free – but the nature of that formal freedom varies considerably with the nature of the state and civil society which constitutes it. In turn, the possibilities for capital formation are contingent not only on resources and infrastructure but also the modes of labour organization and discipline which have been constructed. A singular category of capitalism is not very useful.

Some states are faced with more strategic choices than others in the construction of contemporary capitalisms. Recent research by Calmfors and Diffil (1988), reported in *The Economist* (13–19 February, 1988: 86), suggests that a key contingency in comparing capitalisms is the type of wage-bargaining system which is institutionalized in different national settings. Studies have consistently shown a relationship beween this variable and selected macro-economic outcomes such as the levels of unemployment and inflation (Clegg, Boreham and Dow 1986). Three types of arrangement are identified by Calmfors and Diffil (1988). Focusing on inter-employer and inter-union cooperation in wage-bargaining, they split seventeen OECD countries into those characterized by centralized, decentralized and intermediate bargaining patterns. These types were then related to a range of macro-economic outcomes such as levels of inflation and unemployment. Those countries which were either highly centralized or highly decentralized in their wage-bargaining system consistently outperformed those in the intermediate category. Included in this intermediate category were both Australia and New Zealand, as well as West Germany, Holland and Belgium; Britain, they suggest, probably belongs here as well. These countries clearly have considerable incentive to re-think their strategies in terms of either a more or a less centralized wage-bargaining system if they are concerned with achieving more effective macro-economic outcomes. Those countries at either end of the spectrum are necessarily more 'locked in' to their design by virtue not only of institutional isomorphism but also the performance advantages that this goodness of fit produces. It is those countries which are least isomorphic in their institutional arrangements which have the greatest freedom of movement and choice either way.

It is a consequence of the choices facing countries such as Australia that the 'economic culture' debate takes on an important policy dimension. To the extent that there is an elision in the terms of the debate, and the concept of an 'economic culture' *per se* is aligned with that of an enterprise culture, then the terms of debate and choice are unnecessarily restricted. Moreover, the Scandinavian prescriptions would seem ill-advised. Consequently, the discussion of the 'economic cultures' of Pacific examples, such as Japan and the East Asian NICs, needs to be balanced with discussion of less 'economically liberal' and more 'social democratic' cultures, such as that which prevails in Sweden, for example. When posed in these terms, as we shall see, the issue of choice becomes more acute.

If we concentrate only on Japan and the East Asian NICs, the choices, although somewhat inchoate between national strategies, do appear to have some common elements oriented towards recasting the industrial relations into terms consonant with those which have marked the 1980s revival of neo-conservative liberal analysis applied to 'political culture'. Recipes for success will be sought in de-regulation, in de-unionization or enterprise unionism, in state intervention oriented to curbing the excesses of democracy, administrative overload, ungovernability and so on. (For an account of the general arguments, consult Clegg, Dow and Boreham 1983: 34–38.) When the political and economic imagination is confronted by the economic success of an economic culture which is in many respects an alternative to those Pacific examples, such as that of social democracy typified here by reference to Sweden, the implicit choices really do become quite evident. They will be seen to hinge on the central notions of citizenship and representation: on the one hand, the deepening and extension of these on a universalistic basis in not only the political but also the economic sphere; on the other hand, their restriction not only within the economic but also the political sphere. Consequently, it is through consideration of these issues that one might be attracted to what, in any economically liberal conception of an economic culture, would hardly be a promising example. The rationale for our chapter is now clear.

The framework for the remainder of the chapter is as follows. First we will establish that with respect to the cases of the East Asian economic success stories there are evident limits to an understanding couched solely in conventional economic terms. It is for this reason that in the past decade increasing recourse has been made to conceptions of 'economic culture' in explaining this success, attributing it to some underlying set of 'post-Confucian' value-clusters. Our second task is to cast a sceptical eye over these explanations and to suggest that they have recourse to what we consider to be an underlying 'essentialism' as a strategy of argument: the cultural essence becomes capable of explaining whatever economic phenomena are to be explained. Our third task is to attempt to sketch the institutional framework within which the 'social, political and cultural matrix' of economic process has been lodged in the pre-eminent case of Asian economic culture; that of Japan. One consequence of this will be to cast a further sceptical eye over culturalist explanations as they have been developed for the Japanese case. By contrast, we would want to concentrate explanation rather more on the institutional frame and rather less on the allegedly causal role of a unique culture. Our fourth task is to try and develop some conceptual order within which such discussion may in future be framed. In order to do this we focus on the limits to univariate explanation which we assemble by reference to cultural, market, state and organizational contingencies. This discussion focuses more widely than on Japan alone: it also includes the 'four dragons' of Taiwan, Hong Kong, Singapore and South Korea.

The framework of cultural, market, state and organizational contingencies impinges on the forms of economic calculation which are available to dominant economic actors. Two aspects of this are focused on: the technical considerations surrounding production (which we will identify as having been of particular importance in the Japanese case) and the forms of financial calculation which are systematically available to economic actors within diverse national frames. Again, the focus is comparative, broadened to include not only East Asian economic successes but also some less successful cases in recent times: Britain, the United States and Australia. Stability in economic calculation appears as a key factor, thus underscoring the argument from Calmfors and Diffil (1988). However, at this stage in the argument our elective affinities become evident. We consider it important to understand that not only are stability and consistency in institutional frameworks important, but that it is also necessary to consider the basis upon which this order is constructed. Is it one which extends or restricts the distribution of those desiderata we value, all things being equal? The direction of our argument thus becomes apparent. It is our concern not only with macro-economic efficiency but also the basis on which this is achieved, in terms of the public sphere of citizenship, which guides the argument. Consequently, our penultimate two sections open up consideration of a social democratic example of an economic culture, which in our final section we contrast with the two types which have been implicit in our earlier discussion: a liberal democratic and an authoritarian democratic type. On this comparative basis of alternative frameworks better informed policy choices may be constructed.

Having outlined the logic of our subsequent argument it is appropriate to commence it. We begin with a consideration of the East Asian conjuncture in which the economic culture concept first explicitly developed.

The Limits of Economic Explanation for East Asia

The limits to economic explanation are readily appreciated. Intuitively economic explanations which stress cheap labour or government subsidies or the inexpensiveness of transport costs to major markets do have a certain plausibility in explaining economic performance: but it is one which is limited; on these criteria the debt-ridden nations of Latin America would have seemed a better proposition for economic growth than did those of East Asia in the post-war period. Casting the net a little wider, other explanations have stressed the importance for the East Asian NICs of factors such as their being extremely market-oriented economies tightly organized around the price mechanism, having liberal doses of entrepreneurialism, high domestic savings and 'free' labour markets. Although these factors are not applicable across the board, such elements would seem to conform precisely to the liberal conception of an economic culture to which we have already alluded in the introduction.

Market conditions have invariably been paid most attention, stressing phenomena such as labour intensive export-oriented policies and free trade conditions existing for exporters, policies underlined by specific frameworks of interest rate, agricultural, educational and anti-labour support. While consideration of these issues would offer some explanatory purchase on how these East Asian economies were able to rapidly industrialize, they do not specifically focus on their successful export-orientation.

Some considerable ingenuity has been exercised in explaining this successful export-orientation: it was due to factors in scarce supply, such as a lack of natural resources, of land and of a large domestic market, at least where the city-states are concerned. The 'advantage' of a total lack of natural resources has often been regarded as a factor in Japan's success. The ingenuity is only exceeded by the implausibility of these explanations. Although the idea of countries not having the luxury of options and being forced to export or perish is intuitively attractive, there are still many countries where the same might apply and apparently does not.

Spurred by the lack of explanatory content of these factors, some recent contributors to the debate have, as we have indicated, sought to introduce an 'economic cultural' explanation. What characterizes these arguments is the use of long-standing and pervasive cultural attitudes and institutions which are identified as the source of East Asian success. It is here that the social conditions of 'entrepreneurialism' are sought. In the East Asian case this explanation has come increasingly to be made in terms of what has been called the 'post-Confucian hypothesis'.

Post-Confucian Economic Culture

The post-Confucian hypothesis was first explicated by Herman Kahn (1979), who proposed that the success of organizations in Japan, Korea, Taiwan, Hong Kong and Singapore was due in large part to certain key traits shared by the majority of organization members which were attributable to an upbringing in the Confucian tradition. Classically, the key notion of Confucianism was that of *Chün-tzu*, a concern for the courteous and correct conduct of one's duties, particularly towards the family, based on a profound respect for social conventions. In this respect Confucianism, in its concern with ritual, order, imperial patrimonialism, service and the meritocratic achievement of these virtues, was profoundly anti-individualist: it legitimated a corporate, bureaucratic elite unified around the highly developed monopoly of complex literacy enjoyed by the mandarinate. One might, in view of this characterization, be tempted to think that the only commonality between Confucianism and post-Confucianism is a shared stress on familism, collectivism defined in terms of the family, and a meritocratic stress on education as the means to collectively consolidate family wealth. The elite, ascetic, other-worldy characteristics are lacking.

Some aspects of the post-Confucian argument are appealing in precisely the same terms as are similar ideas about the role of Protestantism in forming a 'capitalist ethic' in nineteenth-century Europe and America. This is, that in the initial stages of capitalist development, either ethic could provide at least some of those conditions of capital formation which are necessary for initiating sustained production and accumulation. To reinvest capital to the glory of God or to that of the family will, if diligence, application and market conditions allow, achieve the same end of deferred consumption and increased investment leading to greater productivity. There is a sting in the tail, however. Precisely to the extent that such ethics are capitalistically successful, their success will begin to undermine the conditions that first produced them, as Weber was well aware in his prognosis for the future of the Protestant ethic:

> Where the fulfillment of the calling cannot directly be related to the highest spiritual and cultural values, or when, on the other hand, it need not be felt simply as economic compulsion, the individual generally abandons the attempt to justify it at all. In the field of its highest development, in the United States, the pursuit of wealth, stripped of its religious and ethical meaning, tends to become associated with purely mundane passions, which often actually give it the character of sport (Weber 1930: 182).

It is not simply the character of the meaning structure which regulates economic activity in its drive, its production, which can serve to undercut