

CHAPTER 7

Does Strategic Choice Explain Senior Executives' Preferences on Employee Voice and Representation?

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The notion that employee voice and representation (EVR) can or does play a role in the formulation or implementation of the business strategy of U.S. enterprises has largely gone unexplored. Most U.S. industrial relations literature equates EVR with unions and sees them as a collective agent to which the firm reacts (Strauss 1984). The business strategy literature at times similarly relegates the role of EVR to unions and sees them as a force for firms to contend with (Porter 1980), or it recognizes but does not fully address the role of EVR in the formulation or implementation of the business strategy (e.g., Ansoff 1988).

The continuing decline of unionization in OECD countries, the rise and diffusion of new forms of EVR in firms, the emerging integration of human resource management into business strategy, and the growing interest in strategic choice in the industrial relations and human resource literatures all suggest the time is ripe to explore the conceptual and empirical roles of EVR in firms' business strategies. With this in mind, we examine key strategic decision makers—senior executives in American and Japanese firms both operating in the U.S.—preferences on the form and scope of EVR. We find that executives from Japanese firms view employees as more important stakeholders than do executives from U.S. firms.

The executives from the Japanese firms also see more of a role for EVR than do the executives from the U.S. firms, but not on all matters or forms of EVR. Most striking, the executives from the Japanese firms attach greater importance to EVR in the formulation of business strategy, while those from the U.S. firms attach more importance to EVR in the implementation of the business strategy.

A strategic choice framework and series of equations was developed to explain these findings. Environmental and resource differences among firms and differences in personal characteristics among senior executives served as controls. Strategic choice was addressed through senior executives' rankings of the importance of employees as firm stakeholders relative to other groups. The results suggest that strategic choice, so defined, plays a role in explaining senior executives' preferences on the form and scope of EVR. The finding also persisted that executives from the Japanese and U.S. firms differ in their preferences on the form and scope of EVR, thus suggesting that strategic choice operates through country and cultural differences.

The Classical/Traditional Firm and the Emerging Alternative

From very different theoretical perspectives, there is something of a consensus about how to characterize the classical/traditional firm. A fundamental building block of this characterization rests on the employment relationship. From a behavioral and administrative science perspective, Simon (1958) proposes that employment is essentially an authority relationship: an employee allows an employer to exercise authority over him within some feasible set of commands in exchange for the guarantee of a wage. From an information economics perspective, Alchian and Demsetz (1972) argue that the key to the employment relationship in the classical firm is the role designated for a specialist monitor. This specialist gives work assignments, tells employees what to do and how to do it, measures effort in input and work output, allocates rewards, and enforces discipline. Finally, from a radical or neoMarxist perspective, Edwards (1979) suggests that the role of an employer is to be a controller who directs and tells employees what is to be done, evaluates them on how well they have done their assignments, and rewards and disciplines them. In short, a variety of perspectives tell us that the employer engages in hierarchical or vertical coordination and control, be it as an authority, monitor, or controller.

In the classical firm, vertical coordination and control were taken to be functionally appropriate because they ensured that information flowed from the top to the bottom of the organization; the boss gave orders and subordinates executed them. Horizontal coordination and control mechanisms, such as those found in certain labor-management partnerships or in firms like Volvo, which have autonomous work teams, were seen as exceptions to competitive rules that favored hierarchy. Informal or individual bargaining took place as a market means for adjusting wages, but the role of formal EVR was secondary, irrelevant, or at odds with the efficiency properties of vertical coordination and control.

Moving from superior-subordinate relationships to the business as a whole revealed that the organizational structure of the classical firm had centralized decision making and control. Each vertical reporting relationship was part of another vertical relationship, with the end product being a pyramid where ultimate control and coordination rested with a very few. In this traditionally structured or functional organization, decisions were made by a small number of senior executives, orders were carried out by those in the lower ranks of the organization, and information flowed from the top to the bottom of the organization.

It would be difficult to overstate the importance of this classical form of organization to the operation not only of business enterprises, but of government, nonprofit, and voluntary enterprises. Indeed, this organizational form had its roots in religious and military enterprises, including those which long predated the development of industrialized economies and modern business corporations (Blau and Scott 1962). Prototypes of modern business enterprises with traditional "command and control" organizational structures included such leading manufacturing firms as General Motors Corporation (GM), International Business Machines Corporation (IBM), and American Telephone and Telegraph Company (AT&T).

During the 1980s and continuing into the 1990s, many large U.S. business enterprises, including GM, IBM, and AT&T, began to depart from the hierarchical form of organizational coordination and control. These firms came to advocate and adopt flatter organizations, more participative decision-making processes in which information also flows from the bottom to the top, and the "empowerment" of lower ranking organizational members to make

decisions rather than merely to execute the decisions made by other, higher ranking, organizational members. Horizontal coordination and control thus seemed to have come of age during the 1980s and reflected a new organizational structure characterized by relative flatness, decentralized (and fewer layers of) management, and diffuse decision-making responsibilities (Lawler 1986; Simmons and Mares 1985).

A major implication of these developments was that employees in teams often took on some of the coordination and control role by making decisions previously reserved to management and supervisors. Thus, it was not that control and coordination had ended, but that vertical coordination and control was supplanted by its horizontal counterpart (Sherer and Lee 1993). Critical to the success of horizontal coordination and control is getting all employees—not just managers and supervisors—to share values, habits of the mind, and other ways by which employees come to think alike. Such “jointness” is seen as key to achieving goal congruity, that is, the integration of the individual and the firm’s goals and objectives. It is, therefore, not surprising that nonunion (U.S.) business enterprises that moved toward this new organizational form clothed it in a “cultural jacket.” In such enterprises, especially those with strong-minded, entrepreneurial-type leaders, major programs were often undertaken to socialize employees into the central “values” of the enterprise—employees become “cultural carriers” of these values. Apple Computer Corporation, for example, publishes a list of nine key Apple values and conducts mandatory training and orientation programs to apprise employees of and inculcate employees in these values.¹ More generally, the term “partnership,” which has a narrow legal significance as a form of joint ownership, took on a broader symbolic meaning and growing importance to indicate that jointness and sharing were critical.

In nonunion (U.S.) business enterprises, initiatives at self-management, empowerment, and centrally shared corporate values are aimed directly at employees who are without representation under the National Labor Relations Act (NLRA) or other labor law. In unionized (U.S.) enterprises, initiatives at self-management, empowerment, and centrally shared corporate culture/values typically are aimed at or negotiated with representatives of employees.

Such changing conceptions of the role of both nonunion and union employees in the decision making of the firm are also more clearly formalized in recognition of employees as stakeholders: “An identifiable group or individual who can affect the achievement of an organization’s objectives or who is affected by the achievement of an organization’s objectives” (Freeman and Reed 1983, 91). While unions through their bargaining power have always been able to affect business organizations in their achievement of goals, that role was circumscribed by the NLRA through its specification of what issues were bargainable. Moreover, since the responsibility for achieving outcomes is so much more diffuse and decentralized in this alternative to the classical firm, recognition has been growing that firms need to “configure” their objectives to consider employees more fully (Ansoff 1988). This has led some scholars to conclude that industrial relations/human resources now constitute a key strategic element or choice variable in the firm’s planning and decision-making processes (Kochan, Katz, and McKersie 1986; Lewin 1987).

In light of these developments, we may ask “Does strategic choice enter into and explain senior executives’ preferences on the scope and form of EVR?” We will attempt to answer this question later in this paper by analyzing primary data on senior executives’ preferences on the form and scope of EVR. Initially, we identify and define various forms of EVR.

Forms of Employee Voice/Representation in the Enterprise

Employee voice refers to any means by which employees express their views and provide firms or other interested parties (e.g., regulatory agencies such as the National Labor Relations Board) with information that pertains to their employment condition. The institutional arrangement of a union as a collective agent or representative of employees has been the primary mechanism recognized in the U.S. for expressing voice (Freeman and Medoff 1984). However, the extent of unionism and explicit collective employment contracting among the U.S. work force has declined markedly in recent decades. The proportion of the U.S. private-sector work force that belongs to labor organizations stood at about 11.5 percent in 1992, which compares with a high of over 35 percent in the mid-1950s. Moreover, the decline in the “demand” for unionism and union services has occurred throughout OECD

countries (Blanchflower and Freeman 1992). For the U.S., which has always had a comparatively low rate of employee unionization, the recent proportionate decline in work force unionization underscores what has always been true—that the majority (now the vast majority) of U.S. workers are not formally represented in enterprises in which they are employed (Bognanno and Kleiner 1992).

Yet, unionization is only one form of EVR in the business enterprise. Other forms of EVR in the enterprise are employer initiated and include organizational teams and conflict resolution procedures. To illustrate, many U.S. businesses have recently initiated team-based employee involvement programs featuring task forces or committees to study and advise senior management about such workplace issues as productivity, product quality, work organization, work methods and labor costs (Nadler et al. 1992). The membership on such committees is solicited on a voluntary basis, though occasionally committee members are regarded as "representing" the views of the larger units, departments, or workplace groupings with which they are associated.

Another employer-initiated form of EVR in the enterprise is the formal appeal, complaint, grievance or grievance-like procedure. Such procedures, long common to unionized firms, have grown markedly in nonunion U.S. businesses in recent years and are intended to provide employees with a mechanism for surfacing and resolving disagreements with their employers over a variety of employment, workplace, and organizational issues. As with employer-initiated employee involvement programs, plans, and committees, employer-initiated grievance(-like) procedures constitute a form of individual rather than collective voice in the enterprise. Further, employees voluntarily decide whether or not to file "grievances" under these types of conflict resolution procedures (Lewin 1990; Lewin and Mitchell 1992).

Employee involvement programs and grievance-like procedures thus constitute the two main types of initiatives recently undertaken by U.S. firms, especially nonunion firms, and both of these arrangements can be said to provide particular forms of employee participation in business enterprises (Delaney, Lewin, and Ichniowski 1989). Especially notable about such initiatives is that they apparently cover far larger proportions of the U.S. work force than those that belong to or are represented by labor organizations.

Outside of the U.S., especially in western Europe, mandatory or legally required systems of employee voice/representation in the business enterprise are common. One such mandated system is the works council, which typically is composed of elected representatives of employees, supervisors, and middle managers and with which senior management consults over a wide range of business decisions, including acquisitions, divestitures, plant closings, plant relocations, and work force reductions. Works councils prevail in Austria, Belgium, Denmark, France, Germany, Greece, Italy, Luxembourg, the Netherlands, and Norway; they can exist at the corporate, divisional, and plant/facility levels of an enterprise. Such councils almost always have rights to information, usually have rights to consultation, and occasionally have rights to joint decision making with senior management.²

Another type of mandatory or legally required system of EVR is codetermination, which refers to the representation of employees on company managing boards and/or boards of directors. Codetermination laws prevail in Austria, Denmark, Germany, Ireland, Luxembourg, the Netherlands, Norway, Sweden, and Spain. Unlike elections for works council representatives in which all employees are eligible to vote, employee directors are often selected by unions as, for example, in Sweden, Luxembourg, and Germany—and, in the rare case where voluntary codetermination exists, in the U.S.³

A final type of legally mandated EVR in the business enterprise, found primarily in western Europe, is legislated protection against dismissal from the job. Such legislation prevails in Belgium, France, Ireland, Italy, Luxembourg, Portugal, and the United Kingdom. It typically requires that the terms and conditions of an individual's employment be written and supplied to the employee by the employer. In some countries, such as Great Britain, dismissal for economic reasons (or redundancy) is treated differently from dismissal for disciplinary reasons (or cause). Western European-type unjust dismissal legislation more or less requires an employer to justify or "prove" that a dismissal is warranted, whereas so-called wrongful termination suits filed by employees against U.S. businesses require the employee to "prove" that the dismissal was illegal based on very narrow definitions of unlawful conduct. For example, dismissal for whistle-blowing typically results in reinstatement only if the whistle was blown on a clearly unlawful

act by the firm. Nonetheless, the challenge to the doctrine of employment-at-will in the U.S. represented by such wrongful termination litigation can be seen as constituting another form of EVR in the business enterprise.

In western Europe, works councils, codetermination, and legislative protection against unjust dismissal typically coexist with employee unionism, which means that an individual employee has multiple forms of EVR in the decisions of business enterprises. In the U.S., by contrast, mandated works councils, codetermination, and legislative protection against job dismissals do not exist, and employer-initiated employee involvement programs and grievance(-like) procedures are, generally speaking, substitutes for employee unionism—though employee involvement programs can be found in both unionized and nonunion firms (Boroff and Lewin 1991; Ichniowski and Lewin 1988; Feuille and Delaney 1993). Each of the above forms may be regarded as providing a certain degree of employee “voice” and “representation” in the decisions of business enterprises.

The Linkage of Employee Voice/Representation to Business Strategy

Central to the practice of modern business strategy is a series of steps that begin with an environmental analysis and a resource analysis, followed by a comparison of these two analyses (see, for example, Kotler and Bloom 1984). In an environmental analysis, a firm scans its internal environment (i.e., key internal stakeholders), factor market (e.g., suppliers), public interest and regulatory environments (e.g., Nader's Raiders, the NLRB), competition, and the macroeconomic environment or large scale forces that influence all organizations. The process of identifying these environmental forces includes an assessment of the threats and opportunities that they present and are likely to present to the business—sometimes referred to as a threat (or risk) and opportunity analysis. In a resource analysis, an organization analyzes and identifies its resources, capabilities (capacity to act), distinctive competencies (those which the organization is strong in), and differential advantages (those which the organization is strong in relative to the competition). The comparison of the environmental and resource analyses leads to goal formulation—the specification of the goals consistent with the overall mission and objectives of the firm.

In the steps leading up to and including goal formulation, EVR can play an important role. Unions often will be a key consideration in a threat analysis and may at other times show up in an opportunity analysis. Furthermore, employee input into the capability set of the firm and the need to mobilize employees towards achievement of the goals suggest that EVR may be an important consideration in the resource analysis and in the actual specification of goals, mission, and objectives.

Once goals have been formulated, the choice of a strategy is made. A firm might, for example, choose to take a strategy of overall cost leadership by keeping costs low and volume high (Porter 1980). Or, a firm might take a strategy of differentiation by creating a product or service that is novel in some way.

The implementation of the business strategy follows. This process is most often discussed in terms of aligning the organizational structure to the strategy, although culture and people in the organization are sometimes discussed as alignment points. Most discussions of strategy implementation suggest that structure follows from strategy in some fit or contingency sense, with the assumption being that there is one best structure for a given strategy. Missing or at least not fully addressed in discussions of strategy implementation is the role of EVR.

The form and scope of EVR is one of several potential choices a firm makes in strategy formulation and implementation. The form and scope of EVR in the goal formulation phase may be important in gaining input from employees on goals and it also may be critical for getting employees to “sign on” at the front end to the business strategy. Similarly, the form and scope of EVR in strategy implementation may be important in getting employees to provide input on how the strategy will be accomplished at the workplace level and in getting employee support at the workplace level in accomplishing the formulated strategy.

Stakeholder analysis, the process of identifying the key interest groups that influence or are likely to influence a business enterprise, allows for a more formal way of assessing the strategic role of EVR (Freeman and Reed 1983). Typically the key stakeholders include shareholders (in public-held businesses), customers, suppliers (including suppliers of capital and credit), regulatory agencies, community groups and, of particular relevance for purposes of this chapter, employees. Much of stakeholder analysis is devoted to

assessing the power or bargaining power and potential impact of stakeholders on the achievement of business objectives. For key stakeholders, the business enterprise seeks to define and manage ongoing relationships.

Dore (1987) has cogently argued that Japanese firms located in Japan have gone much further than U.S. firms to embrace a multiple stakeholder model of the firm. Central to the Japanese stakeholder model is: (1) a consensus that there are many stakeholders in the firm and thus that the firm is a community, (2) a conviction that employees are key members of the community, and (3) a commitment to employees as key community members who should be provided with a long-term relationship and are in a relational exchange with the firm, and who therefore are entitled to have a say or voice in firm matters that will affect them.

The view that dominates in the U.S. is that management has a fiduciary responsibility to the corporation. This responsibility has often been equated with maximizing shareholders' value. From this view, it follows that an employer should provide employees with voice and representation when it reduces costs or fosters revenue generation and potentially increases shareholder wealth.

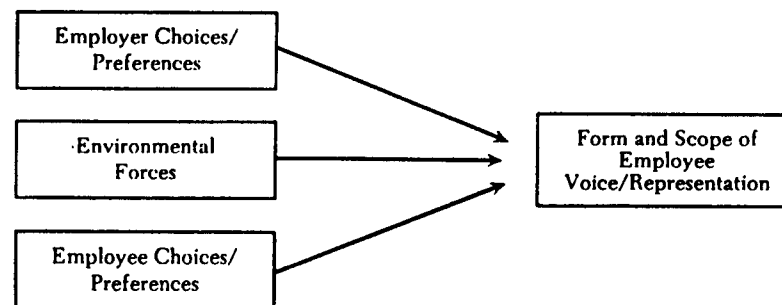
The differing emphasis paid to employees as stakeholders in U.S. and Japanese firms can be explained at least in part by the national environments in which these firms operate. The legal system in Japan as compared with that of the U.S. seems to be more favorable toward employees (Dore 1987). Japanese corporate law specifies several groups in its definition and conception of the firm. Japanese bankruptcy law requires that employees receive debt payments ahead of other creditors. The capital market in Japan as expressed through stock and stockholders also plays less of a role in firms gaining access to capital as compared with in the U.S. Friendly banks provide a significant portion of the equity capital that Japanese firms require. As a result, stockholders in Japan have not received higher dividends presumably at the expense of employees (Dore 1987).

Dore, however, cautions that these legal and market differences can be overstated and it is wrong to see them as determinative in their own right. They are manifestations of underlying cultural differences or choices made about what is the firm and who are its members.

We examine senior executives' views on EVR in both U.S. firms and Japanese firms located in the U.S., controlling for environmental and resource differences among these firms as well as various personal characteristics of the senior executives. The conceptual and statistical experiment is as follows: After controlling for differences among firms and executives, if there is a relationship between the executive rankings of employees as stakeholders and their preferences on the form and scope of employee, we can conclude that strategic choice on EVR operates among these senior executives.

Modeling the Sources for Employee Voice/Representation in the Firm

We offer the following model of EVR in the enterprise:



This model suggests that the form and scope of EVR in the enterprise are shaped by environmental forces and by choices/preferences of employers and employees. The environment includes the legal (e.g., bankruptcy law and labor law), political (e.g., relationship of the political party to labor), and social conditions (e.g., period of social crisis or conformity) in a society. At any given point in time and within a particular society, such as that of the U.S., legislation pertaining to employee representation in the enterprise is fixed, whereas choices and preferences for employee representation will vary among employers and employees. Thus, for example, we would expect that employees with long-term career/occupational attachments and/or long-term employer attachments are more likely to prefer representation in business

decisions than employees with short-term career/occupational or employer attachments. We would also expect that employers who regard employees as a major stakeholder in the business have stronger preferences for employees to have voice/representation in phases of the business strategy than employers who regard employees as a minor or negligible stakeholder in the business.

The form and scope of EVR include a wide range of activities about which employer and employee choices/preferences may vary greatly. Some employers and employees may prefer representation in a wide range of business decisions, while other employers and employees may prefer representation in a narrow, closely circumscribed set of business decisions. Similarly, some employers and employees may prefer representation at high organizational levels, including the board of directors, while other employers and employees may prefer representation at lower organizational levels, such as the department or workplace level. Finally, some employers and employees may prefer representation as a continuing institutional feature of the employment relationship, while other employers and employees may prefer representation to exist only for the short term (and only for the resolution of narrow issues).

In this paper we focus on employers' views of EVR. In part our choice is based on recent industrial relations literature that emphasizes the newly active role of management in bringing about changes in employer-employee relationships (Cappelli and Singh 1992). Our sample of senior executives are the key strategic decision makers in firms and thus their choices/preferences are likely to be of particular influence in their firms. We have also chosen a sample of senior executives because much less is generally known about top management's as opposed to supervisory personnel's views of EVR. Most prior research has addressed the views of first-line supervisors and middle managers who are in direct contact with employees and union officials on the "shop floor" (Purcell 1983).

To test the full range of propositions that could be generated from our model would require a larger data base drawn from samples of employers and employees across a wider range of countries than was available to us. However, it is our hope that this more limited study will nevertheless generate additional research on EVR, including in other countries.

Research Design and Empirical Testing

A research design was developed to obtain primary data from senior executives in a sample of publicly held U.S. firms and in a sample of Japanese firms that own and operate at least one business (plant, office, or facility) in the U.S. As noted earlier, there is a widespread belief that executives of Japanese firms place greater emphasis than executives of U.S. firms on employees as stakeholders in the business and are thus more likely than U.S. executives to favor employee representation in business decisions (Lewin and Zhuang 1992). This proposition along with others concerning employer preferences for employee representation in business decisions can be empirically tested using within-country (in this case, U.S.) data which, in effect, hold constant relevant legislation as well as other external environmental factors.

To implement this research design, a mail survey questionnaire was constructed and administered in mid-1990 to senior executives of 2,115 U.S. businesses and 384 Japanese businesses that operate in the U.S. The questionnaire was designed specifically to elicit senior management views of and preferences for EVR. A total of 438 fully usable questionnaire responses were received from executives of U.S. businesses, or 20.7 percent of the original sample, while 107 fully usable questionnaire responses were received from executives of Japanese businesses operating in the U.S., or 27.9 percent of the original sample. These response rates are somewhat higher than those generally obtained from surveys of senior business executives, which perhaps reflects the use of a double follow-up procedure that featured a second mailing and telephone calls to firms that did not respond to the initial survey.

The starting point for our empirical analysis is the weight or value that executives of U.S. and Japanese businesses place on employees as stakeholders in the business. The executive respondents to our survey questionnaire were asked specifically to rank the importance of employees as a stakeholder in relation to other stakeholders, in particular, shareholders, customers, suppliers, government regulatory agencies, and community groups; these rankings are shown in Table 1. Senior executives of U.S. firms ranked employees as the fourth most important stakeholder group behind shareholders, customers, and suppliers; senior executives of Japanese firms operating in the U.S. ranked employees as the second most important stakeholder group behind customers.

TABLE 1
Senior Executive Rankings of Stakeholder Group Importance, 1990
(Ranked on a scale with 1 = most important
to 6 = least important)

Rank by Importance	Executives of U.S. Firms	Executives of Japanese Firms Operating in the U.S.
First	Shareholders M = 1.38 SD = 0.21	Customers M = 1.43 SD = 0.31
Second	Customers M = 1.97 SD = 0.37	Employees M = 1.83 SD = 0.29
Third	Suppliers M = 2.73 SD = 0.33	Suppliers M = 2.66 SD = 0.28
Fourth	Employees M = 3.78 SD = 0.37	Government Regulatory Agencies M = 3.59 SD = 0.34
Fifth	Government Regulatory Agencies M = 4.62 SD = 0.58	Shareholders M = 4.54 SD = 0.38
Sixth	Community Groups M = 5.59 SD = 0.40	Community Groups M = 5.87 SD = 0.36
N =	384	107

M = Mean ranking
SD = Standard deviation

The two sets of executives then rated the importance of EVR in the enterprise on a scale in which one equaled "not at all important" and five equaled "extremely important." For this purpose, EVR was first defined as "any formal or informal mechanism by which employees participate or are consulted in business decisions." As shown in Table 2, the senior executives of U.S. firms rated this definition of EVR in the enterprise at a mean of 3.65, whereas the senior executives of Japanese firms operating in the U.S. rated this definition of EVR in the enterprise at a mean of 4.16. The difference between these mean ratings is statistically significant at $p < .05$.

The two sets of executives next rated the importance of EVR in the enterprise where EVR was defined as "a formal role for employees in business decisions, such as through unionization,

TABLE 2
Senior Executive Ratings of the Importance of Employee Representation in the Enterprise, 1990
(Mean rating on a scale with 1 = not at all important,
5 = extremely important)

Item	Executives of U.S. Firms		Executives of Japanese Firms Operating in the U.S.	
	Mean	Standard Deviation	Mean	Standard Deviation
Any formal or informal mechanism by which employees participate or are consulted in the business	3.65*,+	1.13	4.16*,++	0.52
A formal role for employees in business decisions, such as through unionization, works councils, or codetermination	1.56**,+	0.44	2.04**,++	0.81
N =	384		107	

* = Significantly different at $p < .05$.
** = Significantly different at $p < .05$.
+ = Significantly different at $p < .01$.
++ = Significantly different at $p < .01$.

works councils, or codetermination." As also shown in Table 2, the senior executives of U.S. firms rated this definition of EVR in the enterprise at a mean of 1.56, while senior executives of Japanese firms operating in the U.S. rated this definition of EVR in the enterprise at 2.04. The difference between these mean ratings is again statistically significant at $p < .05$.

Respondents were then asked to rate the desirability of specific types of EVR, including unionization, works councils, codetermination, written grievance procedures, legal challenges to employment-at-will, and various team-based initiatives such as quality circles, quality-of-work-life improvement programs, autonomous work teams, and problem-oriented committees. Respondents were asked to rate each of these arrangements on a scale in which one equaled "not at all desirable" and five equaled "completely desirable."

The very striking differences for these items are shown in Table 3. Executives of U.S. firms rated legal challenges to employment-at-will, codetermination, and unionization as the least desirable forms

TABLE 3
Senior Executive Ratings of the Desirability of Forms of Employee Representation in Business Decisions, 1990
(Mean rating on a scale with 1 = not at all desirable, 5 = completely desirable)

Item	Executives of U.S. Firms		Executives of Japanese Firms Operating in the U.S.	
	Mean	Standard Deviation	Mean	Standard Deviation
Unionization	1.42*	0.34	1.82*	0.46
Works Councils	1.84	0.52	2.02	0.51
Codetermination	1.34*	0.19	1.78*	0.38
Written Grievance Procedure	2.86**	0.82	1.68**	0.23
Legal Challenges to Employment-at-Will	1.27*	0.16	1.79*	0.18
Quality Circles	2.95**	0.56	3.73**	0.31
Quality-of-Work-Life Improvement Programs	3.02*	0.68	3.58*	0.41
Autonomous Work Teams	4.11*	0.81	3.45*	0.54
Problem-Oriented Committees	3.83*	0.62	3.21*	0.59
N =	384		107	

* = Significantly different at $p < .05$.

** = Significantly different at $p < .01$.

of employee representation in business decisions. The executives of Japanese firms operating in the U.S. rated grievance procedures and legal challenges to employment-at-will as the least desirable forms of employee representation in business decisions. Executives of U.S. firms rated written grievance procedures as substantially more desirable than did executives of Japanese firms operating in the U.S. Both groups of executives regarded team-based initiatives as relatively desirable, although the executives of U.S. firms gave higher desirability ratings than executives of Japanese firms to autonomous work teams and problem-oriented committees, whereas the executives of Japanese firms gave higher desirability ratings than executives of U.S. firms to quality circles and quality-of-work-life improvement programs.

The executives then rated the desirability of employee representation in specific areas of business decision making, including

business acquisition, business divestiture, plant/facility closing, plant/facility relocation, work force downsizing, customer satisfaction, product quality, technological change, work flow, job design, compensation, job security, and performance appraisal. The rating scale used here again ranged from one equalling "not at all desirable" to five equalling "completely desirable."

The findings about EVR in these areas of business decision making are shown in Table 4. Executives of U.S. firms generally regarded employee representation as more desirable for such workplace level issues as job design, compensation, job security, and

TABLE 4
Senior Executive Ratings of the Desirability of Employee Representation in Specific Business Issues, 1990
(Mean rating on a scale with 1 = not at all desirable, 5 = completely desirable)

Item	Executives of U.S. Firms		Executives of Japanese Firms Operating in the U.S.	
	Mean	Standard Deviation	Mean	Standard Deviation
Business Acquisition	1.27**	0.21	2.36**	0.31
Business Divestiture	1.19**	0.11	2.81**	0.34
Plant/Facility Closing	1.68*	0.35	2.48*	0.22
Plant/Facility Relocation	1.74**	0.39	2.55**	0.19
Work Force Downsizing	1.96*	0.44	2.41*	0.23
Customer Satisfaction	1.83*	0.37	2.36*	0.29
Product Quality	2.32**	0.29	3.46**	0.23
Technological Change	1.94**	0.45	2.76**	0.30
Work Flow	2.04	0.33	1.95	0.45
Job Design	3.04	0.62	2.87	0.52
Compensation	3.35*	0.41	2.62*	0.42
Job Security	3.24*	0.38	2.55*	0.31
Performance Appraisal	2.92	0.32	2.74	0.49
N =	384		107	

* = Significantly different at $p < .05$.

** = Significantly different at $p < .01$.

performance appraisal than for such strategic-level issues as business acquisition and divestiture and plant closings and relocations. The executives of Japanese firms operating in the U.S. give higher desirability ratings to employee representation in strategic-level issues than in workplace-level issues—ratings which are both striking and significantly different from those given by senior executives of U.S. firms.

These results suggest that Japanese executives believe it is important to have EVR in strategy formulation, but have a weaker preference for EVR at the workplace level where the strategy is implemented on a day-to-day basis. By contrast, U.S. executives attach more weight to EVR as a component of strategy implementation than of strategy formulation.

Multivariate Analysis

To examine more fully employer preferences for EVR in business decisions, ordinary least squares equations were specified and tested. The first of these equations examines the determinants of U.S. and Japanese executives' rankings of the importance of stakeholder groups to the firm. While executives' ranking of employees as stakeholders were used to form the dependent variable, the following served as independent variables:

Demographic Variables

- Executive age, in years
- Executive experience with current business, in years
- Executive schooling, in highest year of school completed
- Executive foreign assignments, in number of assignments outside of company's home country
- Executive country of origin, with U.S. = 0, Japan = 1

Firm Characteristics

- Size of firm, in assets (1990) dollars
- Age of firm, in years since founding
- Unionization, in percent of employees covered by collective bargaining agreements
- Globalization, in number of countries in which the firm owns/operates plants, offices, or facilities

- Capital/labor ratio, in capital investment to payroll expenditures (in 1990 dollars)
- Economic sector, with nonmanufacturing = 0, manufacturing = 1
- Home country of firm, with U.S. = 0, Japan = 1

The results for this analysis are shown in Table 5. Among the demographic variables, the (number of years of) experience and

TABLE 5
Regression Coefficients on Senior Executive Ranking of
Employee Stakeholder Group Importance
(standard errors in parentheses)

Independent Variable	Coefficient
Constant	3.13* (1.42)
Executive Age	0.40 (0.29)
Executive Experience	0.51* (0.24)
Executive Schooling	-0.15 (0.09)
Executive Foreign Assignments	0.69* (0.32)
Executive Country of Origin	0.43* (0.20)
Firm Size	0.31* (0.14)
Firm Age	0.33 (0.20)
Unionization	-0.79** (0.30)
Globalization	0.63* (0.29)
Capital/Labor Ratio	-0.41 (0.26)
Economic Sector	0.56* (0.25)
Home Country of Firm	0.84** (0.32)
N =	491
R ²	0.46

* = Significantly different at $p < .05$.

** = Significantly different at $p < .01$.

(number of) foreign assignments of senior executives are significantly and positively related to their ranking of employees as stakeholders in the firm. Senior executives born outside of the U.S. are significantly more likely than senior executives born in the U.S. to rank employees highly as stakeholders in the firm. Among firm characteristics, size of firm, location in the manufacturing sector, and globalization are significantly and positively associated with senior executive rankings of employees as stakeholders, while the proportion of employees covered by collective bargaining agreements (a proxy for unionization) is significantly and negatively related to senior executive rankings of employees as stakeholders in the firm. Most notable in Table 5, however, is the finding that senior executives of Japanese-headquartered firms are significantly more likely than senior executives of U.S.-headquartered firms to assign employees a high ranking as a stakeholder group.

In the second set of equations in this analysis, senior executives' ratings of the importance of broad and narrow EVR in business decisions served as the dependent variables. Recall that broad representation refers to "any formal or informal mechanism by which employees participate or are consulted in the business," and narrow representation refers to "a formal role for employees in business decisions, such as through unionization, works councils, or codetermination." In these equations, firm characteristics and personal characteristics of senior executives served as controls although we believe they too contain information about both individual and firm strategies (firms select certain types of individuals, socialize them to certain views, and provide them with certain experiences and exposures).⁴ However, we test for strategic choice more narrowly and conservatively by entering into these equations as an independent variable the senior executives' ranking of the importance of employees as a stakeholder group in the firm.

The results of these regression equations are reported in Table 6. They show that senior executive ratings of the importance of broad EVR in business decisions are significantly and positively related to an executive's ranking of the importance of employees as a stakeholder group in the firm. These executives' ratings of the importance of broad EVR in business decisions are also significantly and positively related to an executive's tenure with the business, an executive being born in Japan, the number of foreign assignments an executive had, globalization of the firm (measured by the number of countries in which the firm owns or operates

TABLE 6
Regression Coefficients on Determinants of Executive Ratings
of Broad and Narrow Employee Representation
in Business Decisions
(standard errors in parentheses)

Independent Variable	Broad EVR	Narrow EVR
Constant	2.12** (0.78)	2.01** (0.74)
Executive Age	0.99 (0.62)	0.45 (0.31)
Executive Experience	1.97* (0.84)	1.10 (0.60)
Executive Schooling	-0.29 (0.16)	-0.21 (0.12)
Executive Foreign Assignments	2.08* (0.92)	1.77* (0.76)
Executive Country of Origin	1.51* (0.68)	1.39 (0.85)
Executive Ranking of Employees as Stakeholders	2.36** (0.84)	1.99* (0.81)
Firm Size	0.71 (0.51)	0.51 (0.35)
Firm Age	1.03 (0.64)	1.68* (0.77)
Unionization	-1.16* (0.47)	-1.39* (0.62)
Globalization	1.80* (0.82)	1.73* (0.78)
Capital/Labor Ratio	-1.33* (0.60)	-1.44* (0.62)
Economic Sector	1.72* (0.77)	1.05 (0.61)
Home Country of Firm	2.34** (0.88)	2.29** (0.85)
N =	491	491
R ²	0.43	0.38

* = Significant at $p < .05$.

** = Significant at $p < .01$.

plants, facilities, or offices), and location of the firm in the manufacturing sector. Senior executive ratings of the importance of EVR are significantly and negatively correlated with the extent of unionism (collective bargaining coverage) in the firm and the firm's capital/labor ratio. Senior executives of firms headquartered in

Japan are significantly more likely than senior executives of firms headquartered in the U.S. to assign high importance ratings to broad EVR in the firm.

Senior executive ratings of the importance of narrow EVR in business decisions via the formal mechanisms of unionization, works councils, or codetermination are significantly and positively correlated with a senior executive's ranking of the importance of employees as a stakeholder group in the firm. Senior executive ratings of the importance of narrow EVR in business decisions are also significantly and positively correlated with the number of foreign assignments experienced by an executive and the globalization of the firm. These findings suggest that personal experience with foreign assignments and expansion of the firm to foreign locations lead to higher senior executive ratings of the importance of narrow EVR in business decisions. Senior executive ratings on the importance of narrow (or formal) EVR in the firm are significantly negatively correlated with the extent of unionism in the firm. Senior executives may believe that employees have effective (perhaps too effective) voice through the union, or they may have soured on EVR because of their experiences with unions, or union environments may be associated with certain kinds of work and technologies that require relatively less EVR. This last interpretation is consistent with the negative sign on the capital/labor ratio in the regression analysis on narrow EVR, although we cannot rule out the possibility that lower cost labor (in terms of blue-collar relative to white-collar and professional labor) is seen by senior executives as requiring more EVR.

As was the case with broad EVR, senior executives of firms headquartered in Japan assign significantly higher ratings to narrow EVR in the firm than do senior executives of firms headquartered in the U.S. Taken together, these two findings seem to provide strong evidence that senior executives of Japanese firms regard EVR as more important than do senior executives of U.S. firms.

Regression analyses were also conducted in which executive ratings of the desirability of several specific forms of EVR—e.g., unionization, codetermination, grievance procedures, and autonomous work teams—in business decisions served as the dependent variables. To summarize without reporting in detail the results of these analyses, senior executive experience with the firm and number of foreign assignments held by a senior executive are

significantly and positively associated with the desirability of codetermination and significantly and negatively associated with the desirability of unionization; senior executive age is significantly and negatively correlated with the desirability of autonomous work teams; and globalization of the firm is significantly negatively correlated with the desirability of unionization. It thus appears that an executive's and a firm's exposure to industrial relations systems outside of the home country lead to higher desirability ratings of most forms of EVR, but to lower desirability ratings of unionization as a specific form of EVR. Also, relatively younger senior executives appear to have a stronger preference for autonomous work teams as a form of EVR than do older senior executives.

Senior executives of Japanese firms rate the desirability of most forms of EVR significantly higher than do senior executives of U.S. firms, except in the case of grievance procedures where the relationship is reversed. Among all senior executives of the firms included in this study, however, senior executives' ranking of the importance of employees as stakeholders is significantly and positively associated with senior executive ratings of the desirability of all specific forms of EVR, except unionization and legal challenges to employment-at-will. These findings suggest that senior executives who believe that employees are an important stakeholder group in the firm will have a high rating for the desirability of EVR in the firm. However, senior executives of Japanese firms are less likely than senior executives of U.S. firms to prefer forms of EVR that are most explicitly adversarial or conflict-oriented—in particular, grievance procedures and legal challenges to employment-at-will.

Finally, a set of regression analyses was performed in which senior executive ratings of the desirability of EVR in strategic-level issues and workplace-level issues served as the dependent variables. Strategic-level issues included business acquisition, business divestiture, plant/facility closing, and plant/facility relocation. Workplace-level issues included job design, compensation, job security, and performance appraisal. Separate indices of strategic-level and workplace-level issues were constructed by combining the senior executives' ratings of the desirability of EVR on the scales used to measure each of the four issues in each of the two categories.

The results of these regression analyses are summarized in Table 7 (minus the control variables used in the equations). Senior executive

TABLE 7

Regression Coefficients on Senior Executive Ratings of the Desirability of Employee Voice and Representation in Strategic and Workplace-level Issues (standard errors in parentheses)

Independent Variable	Strategic Issues	Workplace Issues
Executive Rankings of Employees as Stakeholders	1.92* (0.88)	2.02* (0.91)
Home Country of Firm	2.12** (0.82)	-1.72* (0.77)
N =	491	491
R ²	0.41	0.39

* = Significant at $p < .05$.

** = Significant at $p < .01$.

ranking of employees as an important stakeholder group was significantly and positively related to senior executive ratings of the desirability of EVR in both strategic-level and workplace-level issues. However, senior executives of Japanese firms had a significantly higher preference than the senior executives of U.S. firms for EVR in strategic-level issues; senior executives of U.S. firms had a significantly higher preference than senior executives of Japanese firms for EVR in workplace-level issues. These findings are especially notable because other factors contributing to senior executive ratings of the desirability of EVR in the firm were controlled—firm characteristics and personal characteristics of the executives. These results thus suggest that strategic choice, as proxied through the executives' rankings of employees as stakeholders, partly explains executives' preferences for EVR. However, the separate effect for home country of the firm suggests that strategic choice also operates through culture.

Discussion and Conclusions

From a U.S. perspective, unionization has historically been the most significant form of EVR in business decisions, though even at its peak modern unionism (during the 1950s) represented only a minority of employees who actually participated in the decisions of firms. Moreover, the scope of issues in which unionized U.S.

employees have been and are represented is relatively narrow, largely confined to immediate workplace issues of pay, work load, job assignments, and other terms and conditions of employment. Unionization as a form of employee representation in the business enterprise emerged, grew, and remained mainly in those businesses where unionized labor represented a major (strike) threat. Today, this threat is seen by business executives and managers to be modest, and the opportunities to avoid or escape unionism are seen by business executives and managers to be large.

Yet, the traditional model of command and control that is found in hierarchical organizations is under attack and appears to be in decline. Senior executives of large enterprises in particular have sought to push responsibility for decision making down to lower organizational levels and members, with self-management and team management having become more popular. Such initiatives as quality circles, quality-of-work-life improvement programs, semi-autonomous and autonomous work teams, joint labor-management committees, project teams, task forces, and the like constitute evidence of this developing movement away from centralized decision making in business enterprises.

Can these new forms of employee involvement in business decisions be regarded as forms of meaningful EVR in the enterprise? For those who believe that voice/representation is synonymous with the election of individuals to represent employees in negotiations with management, the answer is no; for them, representation is elected representation (Aaron 1992; Weiler 1990). For those who believe that employee representation in business decisions is more multifaceted than the "election model" of representation implies, newer forms of employee involvement also provide elements of representation. As the U.S. experience shows, employee representation in business decisions can occur through involvement in team-based organizations (Heckscher 1988; Lawler 1985). Further, grievance procedures and various forms of alternative dispute resolution for nonunion employees as well as wrongful termination challenges to the doctrine of employment-at-will constitute other new forms of employee voice/representation in business decisions—though admittedly forms of after-the-fact representation without collective voice. Whether or not employee voice in the enterprise can be effective without formal representation, especially elected representation, is a question which continues to be debated among industrial relations scholars.

Another question which has been debated among industrial relations scholars is whether or not executives and managers of enterprises exercise strategic choices over human resource/industrial relations (HR/IR) policy and practice. Much of the research on strategic HR/IR choice is nonempirical (for exceptions, see Kochan and Chalykoff 1986; Fiorito, Lowman, and Nelson 1987; Arthur 1992), and case studies constitute the bulk of the work that has been done in this area to date (see, for example, Verma 1985; Kochan, Katz, and McKersie 1986; Kalwa 1987). This body of work has been criticized for failing to reject the null hypothesis that executives and managers of enterprises largely react to external environmental forces in determining HR/IR policy and practice (Lewin 1987; Block, Roomkin, Kleiner, and Salsburg 1987; Chelius and Dworkin 1990).

The present study has sought to isolate the determinants of strategic choice in EVR by, in effect, holding constant environmental and demographic variables expected to influence such choice. Among the sample of senior executives of U.S. and Japanese firms operating in the U.S. included in this study, the executives of Japanese firms view employees as a more important stakeholder in the firm than do the executives of U.S. firms. Furthermore, senior executives of Japanese firms operating in the U.S. favored EVR in the formulation of business strategy (so-called strategic-level issues), while senior executives of U.S. firms favored EVR in the implementation of business strategy (so-called workplace-level issues). These findings were partly explained by a strategic choice model that proxied choice through stakeholder rankings. There continued to be an effect for home country of the firm, suggesting that strategic choice also operates through culture. Hopefully, the approach and findings of this study will spur wider interest and provide something of an empirical bedrock for future research on strategic choice and EVR and, more generally, research on strategic choice and HR/IR practices and policies.

Endnotes

¹ The idea that business enterprises have an organizational or corporate culture not only emerged during the 1980s, but grew with a vengeance to the point where a majority of large publicly held business enterprises include a statement of organization/corporate culture in their strategic business plans (Nadler, et al. 1992). Such statements typically identified and described the central "values" of the business enterprise, the most prevalent of which were the provision of excellent products and service to the customer, and the high value of employees to the enterprise (most often phrased as "people are our most important asset").

² There is considerable variation in the scope of employees, scope of issues, and specific rights vested in works councils, just as there is variation in these respects under unionism, employer-initiated employee involvement programs, and grievance-like procedures in U.S. firms (Bain 1992).

³ While codetermination legally provides workers with the types of business information that permits them to participate in making long-term strategic decisions for the business enterprise, empirical evidence indicates that such variables as employee directors' technical training, acceptance by other board members, and dual (and possibly split) loyalties to employer and employee organizations significantly influence the long-term versus the short-term orientation of employee directors as well as the scope of issues over which they participate (Bain 1992).

⁴ A more complete model of strategic choice and EVR would decompose the coefficients for variables into portions due to (a) strategic choice and (b) simple contingencies.

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