

UC Irvine

UC Irvine Previously Published Works

Title

The political and economic context of organizational behavior

Permalink

<https://escholarship.org/uc/item/9bd6r82b>

Author

Pearce, JL

Publication Date

1997

Copyright Information

This work is made available under the terms of a Creative Commons Attribution License, available at <https://creativecommons.org/licenses/by/4.0/>

Peer reviewed

CREATING TOMORROW'S ORGANIZATIONS

A Handbook
for
Future Research
in
Organizational
Behavior



Edited by
Cary L. Cooper
Susan E. Jackson

Creating Tomorrow's Organizations

Creating Tomorrow's Organizations

A Handbook for Future Research in Organizational Behavior

Edited by

Cary L. Cooper

*Manchester School of Management, University of
Manchester Institute of Science and Technology, UK*

and

Susan E. Jackson

*Stern School of Business Administration,
New York University, USA*

JOHN WILEY & SONS

Chichester · New York · Weinheim · Brisbane · Singapore · Toronto

Copyright © 1997 by John Wiley & Sons Ltd,
Baffins Lane, Chichester,
West Sussex PO19 1UD, England

National 01243 779777

International (+44) 1243 779777

e-mail (for orders and customer service enquiries): cs-books@wiley.co.uk

Visit our Home Page on <http://www.wiley.co.uk>

or <http://www.wiley.com>

All Rights Reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except under the terms of the Copyright, Designs and Patents Act 1988 or under the terms of a licence issued by the Copyright Licensing Agency, 90 Tottenham Court Road, London, UK W1P 9HE, without the permission in writing of the Publisher.

Other Wiley Editorial Offices

John Wiley & Sons, Inc., 605 Third Avenue,
New York, NY 10158-0012, USA

WILEY-VCH Verlags GmbH,
Pappelallee 3, D-69469 Weinheim, Germany

Jacaranda Wiley Ltd, 33 Park Road, Milton,
Queensland 4064, Australia

John Wiley & Sons (Asia) Pte Ltd, 2 Clementi Loop #02-01,
Jin Xing Distripark, Singapore 129809

John Wiley & Sons (Canada) Ltd, 22 Worcester Road,
Rexdale, Ontario M9W 1L1, Canada

Library of Congress Cataloging-in-Publication Data

Creating tomorrow's organizations: a handbook for future research in organizational behavior/edited by Cary L. Cooper and Susan E. Jackson.

p. cm.

Includes bibliographical references and index.

ISBN 0-471-97239-8 (cloth)

I. Organizational behavior—Research—Planning. I. Cooper, Cary L.

II. Jackson, Susan E.

HD58.7.C73 1997

658—dc21

96-53015
CIP

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN 0-471-97239-8

Typeset in 10/12pt Times by Best-set Typesetter Ltd., Hong Kong

Printed and bound in Great Britain by Bookcraft (Bath) Ltd

This book is printed on acid-free paper responsibly manufactured from sustainable forestation, for which at least two trees are planted for each one used for paper production.

Contents

About the Editors		ix
List of Contributors		xi
Introduction	<i>Cary L. Cooper and Susan E. Jackson</i>	1
PART I	ORGANIZATIONAL BEHAVIOR IN A MULTINATIONAL/GLOBAL ENVIRONMENT	5
Chapter 1	The Multicultural Organization Revisited <i>Taylor Cox Jr and Rosalie L. Tung</i>	7
Chapter 2	The Political and Economic Context of Organizational Behavior <i>Jone L. Pearce</i>	29
Chapter 3	Organization Socialization in Multinational Corporations: The Role of Implicit Learning <i>Georgia T. Chao</i>	43
Chapter 4	Culture without Borders: An Individual-Level Approach to Cross-Cultural Research in Organizational Behavior <i>P. Christopher Earley and Amy E. Randel</i>	59
Chapter 5	Prime Movers: The Traits of Great Business Leaders <i>Edwin A. Locke</i>	75
PART II	ORGANIZATIONAL BEHAVIOR REACHING BEYOND TRADITIONAL BOUNDARIES	97
Chapter 6	A Strategic Perspective for Organizational Behavior <i>Randall S. Schuler</i>	99

- Tolbert, P.S., Andrews, A.O. & Simons, T. (1996). The effects of group proportions on group dynamics. In S.E. Jackson & M. Ruderman (eds), *Diversity in Work Teams: Research Paradigms for a Changing Workplace* (pp. 131-60). Washington, DC: American Psychological Association.
- Trice, H.M. & Beyer, J.M. (1993). *The Cultures of Work Organizations*. Englewood Cliffs, NJ: Prentice-Hall.
- Tsui, A.S., Egan, T.D. & Xin, K.R. (1995). Diversity in organizations: lessons from demography research. In M. Chemers, M. Costanzo & S. Oskamp (eds), *Diversity in Organizations: New Perspectives for a Changing Workplace* (pp. 191-219). Thousand Oaks, CA: Sage.
- Tsui, A.S., Egan, T.D. & O'Reilly, C.A. III (1992). Being different: relational demography and organizational attachment. *Administrative Science Quarterly*, **37**, 549-79.
- Tsui, A.S. & O'Reilly, C.A. (1989). Beyond simple demographic effects: the importance of relational demography in superior-subordinate dyads. *Academy of Management Journal*, **32**(2), 402-23.
- Tung, R.L. (1995). Wanted: A person for all seasons': an examination of managerial skills and core competencies for the 21st century. Paper presented at the Academy of Management meetings, Vancouver, August 6-9.
- Tung, R.L. (1994). Strategic management thought in East Asia. *Organizational Dynamics*, **22**(1).
- Tung, R.L. (1993). Managing cross-national and intra-national diversity. *Human Resource Management*, **23**(4), 461-77.
- Tung, R.L. (1988a). Toward a conceptual paradigm of international business negotiations. *Advances in International Comparative Management*, **3**, 203-19.
- Tung, R.L. (1988b). *The New Expatriates: Managing Human Resources Abroad*. Cambridge, MA: Ballenger.
- Tung, R.L. (1987). Expatriate assignments: enhancing success and minimizing failure. *Academy of Management Executive*, **1**(2), 117-25.
- Tung, R.L. (1984). *Business Negotiations with the Japanese*. Lexington, MA: Lexington Books.
- Turban D.B. & Dougherty, T.W. (1994). Role of protégé personality in receipt of mentoring and career success. *Academy of Management Journal*, **37**, 688-702.
- Useem, M. & Karabel, J. (1986). Pathways to top corporate management. *American Sociological Review*, **51**, 184-200.
- Useem, M. (1984). *The Inner Circle: Large Corporations and the Rise of Business Political Activity in the US and UK*. New York: Oxford University Press.
- Wall Street Journal, February 27, 1989.
- Whitely, W., Dougherty, T.W. & Dreher, G.F. (1991). Relationship of career mentoring and socioeconomic origin to managers' and professionals' early career progress. *Academy of Management Journal*, **34**(2), 331-51.
- Yu, J. & Murphy, K.R. (1993). Modesty bias in self-ratings of performance: a test of the cultural relativity hypothesis. *Personnel Psychology, Inc.*, **46**, 357-63.

Chapter 2

The Political and Economic Context of Organizational Behavior

Jone L. Pearce

University of California, Irvine, CA, USA

Organizational behavior has developed into a particularly non-contextual applied social science. It is clear to any observer that organizational behaviors tend to differ across societies, yet discussions of these differences typically document variations in organizational practices and cultures, which are descriptive without being explanatory. These accounts do not address why organizational practices and behavior differ in different societal contexts and so cannot be used to, among other things, predict change. Here ideas drawn from comparative institutions theories are applied in an effort to better understand organizational behavior in the organizations of relatively more traditional societies, and the circumstances under which organizations are likely to adopt comparatively more modern practices.

This approach relies on unpacking that classic of organization theory, bureaucracy, in order to gain insight into organizational changes in response to changing demands. This unpacking relies on the work of scholars from anthropology, sociology, political science, history and economics who long have debated the evolution and effects of different social institutions. Several prominent theories of comparative institutions that have sought to explain why different organizational practices have evolved (cf. Jacoby, 1985; North, 1990; Zucker, 1986) and how it is that new organizational forms and practices are or are not adopted (cf. Fallers, 1965; Walder, 1986; Putnam, 1993). These theories can offer us real insights into organizational behavior once we are willing to abandon the limiting conception of bureaucracy which has become dominant in the field of organizational behavior.

CULTURAL VALUES AND THE ADOPTION OF FOREIGN PRACTICES

Much of the application of cross-cultural psychology to organizational behavior describes how different cultural values affect employees (c.f. Adler, 1991; Hofstede, 1980a). Yet, the psychological approach to cultural differences has nothing to say about which practices developed under other values systems will be adopted, and which stoutly resisted. Since we observe that organizations do adopt foreign practices, we wanted to identify those circumstances in which "cultural comfort" may be overridden.

The first step was to develop a systematic measure of organizational practices reflecting different values. While there are numerous essays suggesting that certain practices reflect a cultural feature in their natal societies, these are rather more *post hoc* accounts of why certain practices were resisted (or distorted in their application) than explanations of which foreign practices would be adopted which opposed, and why. However, such explanations are available from the comparative institutions theorists, who have long analyzed the adoption and modification of "modern" organizational practices in "traditional" societies.

The distinction between "traditional" and "modern" forms of social organization began with modern social science itself (Comte [1832–1840] 1855; Toennies [1887] 1957). Because these have been central concepts in the comparative institutions work of so many disciplines, these societal-level forms of social organization have been called by many different names. Weber (1947) distinguished the rational-legal authority of bureaucracy from traditional authority; Riggs (1964), substantive bureaucracy from formalistic bureaucracy; Fallers (1965), modern bureaucracy from Bantu bureaucracy; Putnam (1993), civic communities from patron-clientelism; and Coleman (1993), purposive organization from primordial social organization. Modern societies are characterized by organizations purposely constructed around offices (not persons) which use rules, supervision and incentives by designated agents for social control; this collection of organizational features dominant in modern societies will be summarized as "intentionally universalistic" organizational practices. By contrast, in traditional societies social organization develops through birth ties and social control depends more completely on status, reputation and moral force; this set of organizational practices are referred to as "particularism" here. Of course, today all societies (and most large organizations) contain mixtures of both universalistic and particularistic practices. Yet the difference in degree is an important one.

Universalistic organizational practices were first described in detail by Weber and labeled "bureaucracies". Weber described both the objectives of bureaucracies (i.e. that they are intentionally goal-oriented, rule-constrained, using impersonal merit-based staffing) and a particular mechanism for achieving those objectives (e.g. offices arranged in a hierarchical order, selection based on objectively determined credentials, strict separation of office and person, and job security and pensions for incumbents, etc.). As both Clegg (1990) and Perrow

(1979) note, in the field of organizational behavior the term bureaucracy, unfortunately, has become focused only on Weber's nineteenth century means and dissociated from the objectives these means were designed to achieve (which are rarely criticized). While this serves the purpose of scholars such as Mintzberg (1979), who needed to give a familiar label to a kind of rigid, formalistic organizational type in order to distinguish it from alternatives, this practice has tended to draw attention away from Weber's original focus on the intended purposes of bureaucratic organizations.

A shift in attention back to the objectives of bureaucracy provides a fruitful basis for understanding cross-national differences in organizational practices. This is so because the degree to which organizations are intentionally universalistic affects a whole host of organizational practices and participant reactions. For example, intentionally universalistic organizations would establish procedures intended to constrain office holders to hire, reward and promote based on the contribution an employee can and does make to organizational goal achievement. Such employees would be expected to dispute such decisions or obtain organizational rewards by making claims that they have a better idea for reaching such goals. By contrast, in particularistic settings those with the power to hire, reward and fire would be expected to do so based on the employee's personal characteristics (e.g. that she is the daughter of a friend, or is personally loyal to the power wielder, or is deserving of more money because of family circumstances). Disputes and attempts to get ahead in these settings would be based on claims of greater personal need or loyalty. This separation of objectives and means of Weber's rational-legal bureaucracy is especially important in analyzing organizations in traditional societies, many of which have organizations adopting the bureaucratic means of formalism and hierarchy harnessed to particularistic ends.

One of the best descriptions of how a traditional societal context alters the use of imported modern bureaucratic practices is an analysis by Fallers (1965) of what he called "Bantu bureaucracy". In his study of the African Soga people (in today's Uganda) during the colonial period in the mid-twentieth century, Fallers discovered what he described as a conflict arising from an incompatibility between the Soga's traditional particularistic practices and the European-imposed bureaucracy. Whereas the former, based on lineage and chiefdoms, is particularistic, the latter is universalistic. The incompatible objectives of these two types of organization resulted in interpersonal conflicts and instability in administration. For example, universalistic colonial rules dictated that employees should be selected based on merit, yet tribal chiefs also had strong moral obligations to distribute resources to kin and loyal dependents. Fallers (1965) indicated that universalistic meritocratic organizational practices were adopted only nominally.

This pattern is also reported by Putnam (1993), who contrasted the evolution of new regional governments in the relatively more universalistic northern Italian regions with the ways in which the more particularistic southern Italian regions constructed these mandated organizations. Despite the same formal national

requirements for these new regional governments, the different societies in the north and the south resulted in the development of quite different organizations. The north had a long experience with civic participation, whereas in the south there was more vertical dependence on powerful patrons and more amoral familialism, which Putnam characterized as "clientelism". Putnam found that in the north the new regional governments had active citizen involvement and were more effective, while the new regional governments of the south were ineffective because captured by local autocrats. As Walder's (1986) and Putnam's (1993) research indicates, the more universalistic organizational forms of modern societies often have been altered to fit the prevailing system of particularistic relations in more traditional societies. Just as modern societies contain many organizations dominated by particularistic practice (e.g. nepotism), some organizations in more traditional societies have adopted some universalistic practices. These organizational variations within traditional societies provide an opportunity to test ideas about why foreign practices may or may not be adopted. My colleague, Khalid Al-Aiban, and I thought we could identify one area in which we could make predictions about such adoptions (Al-Aiban & Pearce, 1993).

We tested Bozeman's (1987) argument that governmental organizations would be more likely to adopt organizational practices reflective of their national cultures than would businesses. This is because governmental organizations are both (a) viewed by members of society as entities which should reflect their core societal values; and (b) monopoly providers of services experiencing less pressure for efficiency than many businesses seeking profits in competitive environments. Following existing cross-cultural research, we expected cross-national differences in business' organizational practices, but we proposed that there would be significant differences between businesses and governments within each culture, consistent with the value preferences of their members. This test in a sample of Saudi Arabian and American businesses and governmental agencies also provided an opportunity to develop measures of organizational practices we expected to be found in traditional societies, which could be contrasted with the available measures of bureaucracy.

Since most of the Saudi managers who would provide the data were well aware of prevailing Western views on the inferiority and "primitiveness" of traditional Saudi organizational practices, we tried to develop measures which were descriptive and non-evaluative in order to avoid, as much as possible, priming the Saudis to report what they thought would be socially desirable to researchers. We did successfully develop scales with good reliability and discriminant validity. The initial scales piloted in this Saudi-American sample were subsequently refined and developed in the larger Lithuanian and Hungarian studies described below (Pearce, Branyiczki & Bigley, 1997; Pearce, Bigley & Branyiczki, 1997). The two scales were called "meritocratic practices" (reflecting a key feature of universalistic practices found in modern societies) and "clientelist practices" (representing particularistic organizational practices more characteristic of traditional societies). Examples of clientelist items are "'Connection' or 'who you

know' is more important than job performance in getting ahead here", and "It really is standard practice in this organization to use one's position to help friends or family".

While Saudi managers in both business and government organizations reported significantly higher use of clientelist practices in their organizations than did the Americans, the Saudi business managers also reported significantly less clientelist practices than did their government-organization counterparts. These results held even when controlling for amount of time respondents had spent working with Westerners (i.e. "learning" could not account for the differences).

Saudi cultural values emphasizing the primacy of obligations to family affected organizational practices in predictable ways, and the effects were more pronounced in those organizations expected to reflect those values. In these governmental organizations managers were resistant to adopting universalistic practices, despite the fact that most respondents were instructed in the "best practices" of Western schools of business and public administration. In contrast, top managers in the profit-seeking business in Saudi Arabia faced different incentives—less responsibility to reflect their society's values and more interest in reaping the benefits of purposeful profit-seeking. This study demonstrated that those who control organizations would adopt different foreign practices in response to their own incentives, and suggested we could learn more about employees' attitudes and behavior in particularistic organizations.

BUREAUCRACY AND PROCEDURAL JUSTICE

While there has been a long-standing critique of the ethnocentrism of theories of organization (c.f. Hofstede, 1980b), we wondered whether, ethnocentric or not, would practices designed to foster universalism characteristic of bureaucratic organizations be as well received by employees from traditional societies who have little experience with and no expectation of such practices? Procedural justice, as a well-established concept reflecting universalism, was chosen to explore this question.

Much of the research in the area of procedural justice has focused on organizational rules and policies as antecedents of fairness perceptions, which in turn are posited to affect employee attitudes and behavior (e.g. Folger, 1977; Tyler, 1987). Many of the organizational factors that have been linked to employee perceptions of procedural justice (e.g. voice, bias suppression) reflect the meritocratic principles of universalism and impersonal decision-making that Weber (1947) associated with bureaucracy. Particular procedural characteristics which have been shown to foster perceptions of justice, such as formal mechanisms for voice and public criteria for evaluation (e.g. Thibaut & Kelley, 1975; Leventhal, 1980), long have been considered surrogates for bureaucratization by scholars of institutional development (cf. Jacoby, 1985). Further, it is undeniably

ethnocentric. Certainly, echoes of American cultural influences are apparent in the study of procedural justice in organizations. The litigiousness and overabundance of lawyers in the USA has long been noted and decried. Nevertheless, ethnocentric to American preoccupations with legalisms, procedural justice concerns also reflect intentionally universalistic organizational practice.

This idea was tested in one of the more interesting examples of societies dominated by particularistic organizational practices—communist and immediately post-communist organizations. Walder (1986) described what he called the “neo-traditionalism” of the workplace in the People’s Republic of China. He suggests that all communist states rely on neo-traditionalism, a system characterized by:

... dependence, deference, and particularism . . . in contrast with the more familiar modern forms of industrial authority that are notable for their relative impersonality and anonymity, the relative political and economic independence of workers from management, and the resulting prominence of group conflict, bargaining, contract, and the relatively tight bureaucratic restriction of personal discretion of immediate supervisors (p. 10).

In communist neo-traditionalism, the workplace was the focal point for the delivery of goods and services not available from other sources, the party tried to eliminate all competing informal political organizations of employees, and the discretion of supervisors was relatively unrestrained by enforceable regulations. Despite these organizations’ use of bureaucratic “means”—such as formalism—particularism was necessary for political control. In order to maintain this control, wide discretion was delegated to managers and party officials who then had the latitude to exercise it as they saw fit (Pearce, 1991; Pearce & Branyiczki, 1996; Voslensky, 1984).

My colleagues, Imre Branyiczki and Gregory Bigley, and I proposed that employees would concur with our assessments that the neo-traditional workplaces of newly post-communist Lithuania would be more clientelistic and less meritocratic than the modernist American ones. Yet, despite this difference, employees’ reactions would be mediated by the organization’s use of meritocratic practices—that is, meritocratic practices would have similar positive effects on employee perceptions of procedural justice in the neo-traditional societies, despite employees’ lack of experience with them (Pearce, Bigley & Branyiczki, 1997).

Using self-report questionnaire data from managerial and professional employees in American and Lithuanian electronics companies we found that, indeed, Lithuanian employees reported significantly less use of meritocratic practices by their employers and that meritocratic practices mediated the relationship between society and perceptions of procedural justice. Further, we found that procedural justice was positively associated with employee commitment, even when controlling for society. As predicted, just procedures were as positively associated with employee attitudes, such as commitment, in societies having little expectation of them as they were employees in those in which had come to

expect them as a right. This reflects an important distinction between employees' accommodation to a bad situation and their embrace of it.

These results shed a new light on the reports of the distortions of universalistic practices reported by Riggs (1964), Walder (1986), Putnam (1993) and others. In each of these cases resistance consisted of elites' rejection of the constraints universalistic organizational practices would place on them (in their positions of authority). Historians note that managers have rarely chosen to constrain themselves with procedural niceties. Jacoby (1985) described the evolution of professional personnel policies and the specialists who developed and enforced them as an attempt to pre-empt worker-protective legislation and trade union organizing in the USA. Trade unions and professional personnel specialists worked to bureaucratize the personnel systems in organizations as the best defense against the arbitrary supervisory actions which were threatening great political costs. Workers in democratic polities have some means to protect themselves from arbitrary actions, and they often seek to do so by imposing bureaucratic procedures of objective assessments of merit and due process guarantees on their employers (Jacoby, 1985). Thus, just as elites may have incentives to adopt those foreign practices which they find useful (as the Saudi business managers did), so local elites may resist those which constrain them.

BUREAUCRACY AND TRUST

Just as the field of organizational behavior has developed an extensive understanding of employee attitudes and behavior in intendedly universalistic bureaucracies, these early results suggested that a better understanding of cross-national collaborations may be served by more developed theories of organizational behavior in traditional societies. A reading of comparative institutions scholars indicated that organizations in traditional and neo-traditional societies are characterized by a pervasive distrust; because trust is so central to organizational behavior and reactions to organizational change, this seemed a useful place to begin.

Trust has been addressed by theorists from a wide range of economic, social and psychological sciences and so an unfortunate consequence has been that the numerous definitions of trust, developed for different purposes, have little in common. For example, some economists defined trust as a form of implicit contracting (Arrow, 1974); sociologists such as Schutz (1967) considered it to be "the taken for granted world in common" that makes social life possible; alternatively, the psychologist Rotter (1967) defined trust as the generalized expectation of an individual that the promise or statement of another individual is reliable. Although specific definitions of trust vary considerably, especially when viewed across social science disciplines, one general idea emerges in most discussions of the topic: trust is a belief that another or others do not intend to harm you.

Comparative institutions theorists have argued that one reason bureaucratization developed was that it could produce trust when the scale and scope of economic interdependence overwhelmed particularistic relationships (cf. Zucker, 1986). Bureaucracy fosters trust by providing explicit rules to govern responsibilities and relationships. Employees who understand the rules under which they are all governed have less to fear from others, vital when those others are distant or foreign. In support of this idea, several studies have demonstrated a positive relationship between procedural justice (i.e., modernist practices) and supervisory trust (summarized in Tyler, 1987).

Consistent with this argument, I and my colleagues found, in a large sample of US and Hungarian employees in manufacturing and service industries (sampled just as communism was falling), that the Hungarians reported significantly more distrust of their organizations than did comparable American employees (Pearce, Branyiczki & Bakacsi, 1994). We found that employees working in these neo-traditionalist organizations also reported that they were significantly more anxious, that their employers were more unfair, and that their co-workers were less trustworthy than did the American employees. This finding was supported in a replication of the earlier Hungarian results, in which we found significantly lower trust in peers among employees from diverse industries in two neo-traditionalist societies—Lithuania and Hungary—compared to employees from a sample of companies in the modernist USA (Pearce, Branyiczki & Bigley, 1997; Pearce, Bigley & Branyiczki, 1997).

That employees would distrust the employers who distribute rewards based on particularistic criteria may be expected. However, the suggestion that employees in these neo-traditional workplaces would also distrust their peers is less intuitively obvious. Yet, Gambetta (1988) has eloquently described how the unpredictability of clientelism fosters such distrust. This distrust leads, in turn, to a retreat to the only available protection—dependence on a powerful patron. Particularistic practices can be capricious, and so it is hard for peers to know where they stand with one another. Because the criteria for rewards are unclear, no one knows whether or not they have done enough or whether someone else has done more. Since power in traditionalist societies is based more on connections than on office, even peers can pose a threat. Peers may be well-connected themselves; and even if they are not particularly well-connected, one can never be sure that they will not seek to ingratiate themselves to the powerful by denouncing or informing on you (Haraszti, 1977; Pearce, 1991; Walder, 1986). Without universalistic organizational practices trust must be constructed with particular others, one contact at a time.

Just as the excessive impersonalism to which universalism is subject can foster employee alienation (Crozier, 1964) and infantilism (Argyris, 1957), so excessive particularism can foster distrust. Such distrust can have a powerful effect on organizational behavior. Rotter (1967) has demonstrated that distrusting individuals are more likely to lie, cheat and steal, and our own observations have supported this claim (Pearce, Branyiczki & Bigley, 1997).

COPING WITH SYSTEMIC DISTRUST

How do managers and employees who must live with the distrust fostered by the particularistic practices characteristic of traditional societies get work done? Organized activity does take place in such societies, and so we wondered whether some of the business practices labeled as the result of cultural differences (but left unanalyzed) may reflect individuals' strategies to cope with the distrust engendered when particularistic organizational practices are dominant in societies with extensive economic interdependence. While managers in traditional societies may adopt some modernist practices in the domains they control, they would still find themselves in larger networks of organizational and governmental relations on which they can not impose their preferences. My colleague Katherine Xin and I proposed that one reason executives seek out "good connections" and cultivate close personal relationships with the powerful is to obtain resources or protection not otherwise available in their societies (Xin & Pearce, 1996).

Such personal connections seem especially important to executives in traditional societies without the stable legal and regulatory environment that allows for impersonal business dealings (Redding, 1990; Zucker, 1986). For example, without an impartial judiciary, executives are reluctant to develop business relationships with those they do not personally trust. We drew on the work of Redding (1990), Putnam (1993), and Nee (1992; 1989) to develop hypotheses about which executives in the People's Republic of China would find personal relationships with business connections critical to their success and invest more in their cultivation.

Redding (1990, p. 56) observed that *guanxi* networks of personal relationships among the Overseas Chinese are useful in the regulation of transactions in the absence of state institutions for that purpose. We proposed that managers in China would cultivate personal connections to substitute for institutional stability of established rule-of-law characteristic of modern societies (see Boisot, 1986; Riggs, 1964; Walder, 1986). We tested this idea by proposing that while the weak rule of law in China is problematic for all who do business there, such unreliability would prove particularly burdensome for private businesses.

Nee (1992) has classified present-day Chinese organizations into three types: state-owned, privately-owned, and collective-hybrids (which typically are owned by local governments and produce products for competitive markets). Private companies are especially vulnerable in a country with uncertain property rights because the potential for interference from party and governmental officials is great. Because Chinese private companies do not have the institutional protection of local-government or state ownership, they are more vulnerable to extortion and arbitrary attacks by the powerful (Nee, 1992). We took Nee's insights as a point of departure and hypothesized that Chinese private-company executives would not await their fates passively. Rather, they would draw on the practices traditionally available to Chinese business people and would create their own

protection via particularistic trust—*guanxi*—as a substitute for their counterparts' formal structural protection of state and local government ownership. That is, they would cultivate relationships of personal obligation among the powerful in order to obtain protection from possible expropriation or extortion.

Using data collected from structured interviews with executives from a wide variety of industries, we found that *guanxi* relationships for private-sector executives were more important to them and consisted of relationships of deeper trust than those of the collective-hybrid or state-owned company executives. Further, if *guanxi* was more important to those with the greatest need for a substitute for the trust produced by more reliable universalistic practices, we expected this to be reflected in the ways these executives characterized their relationships. In particular, their use of good personal connections as protection was found to be reflected in greater reliance on these connections as a defense against threats and a greater reliance on connections in government. Rather than reporting the usefulness of connections in obtaining customers or market information, or securing credit, as executives in more modern societies might, Chinese private-company executives reported needing connections to help them face fundamental threats, such as expropriation and extortion due to weak rule-of-law (Redding, 1990; Yang, 1994).

Thus, business practices, such as building particularistic relationships with one another before doing business, which have been described as characteristic of the business cultures in traditional and neo-traditional societies, can be seen as practical responses to the uncertainty of organizing there. Rather than treating this difference in organizational behavior as if it were an unexamined property of different cultures, it is more productively viewed as an adaptation to the difficulty in establishing trust in the absence of modernist bureaucracy.

PLACING ORGANIZATIONAL BEHAVIOR IN CONTEXT

This work has provided several examples of the value of placing organizational behavior in its political and economic context. The work of comparative institutions theorists has provided the basis for explanations for the adoption of foreign organizational practices and has suggested insight into organizational behavior in organizations dominated by particularism.

First, we have learned something about why some foreign organizational practices may be adopted while others are resisted. Those organizations more centrally concerned with representing and promulgating their society's cultural values were more resistant to the importation of organizational practices based on alien values. This work has identified just one setting—governmental agencies—in which societal values take precedence over efficiency considerations: future research might profitably explore other organizations (e.g. schools) or circumstances (e.g. government protection from competitive pressures) in which this might also be the case.

Second, hypotheses based on unpacking bureaucratic objectives from Weber's bureaucratic means have been useful in predicting the reactions to specific practices. Employees have responded positively to the foreign organizational practices of bureaucracy when those practices are personally beneficial. While members of the same national culture may hold similar values and share experiences with similar ways of organizing, they do not all benefit equally from their culturally-based organizational practices. This is illustrated by the finding that practices characteristic of modern societies which serve to constrain elites received the same positive responses from employees, regardless of past experiences. Heretofore, cross-cultural descriptions treated all members of a society as undifferentiated (except as possible members of subcultures), whereas this work suggests that others are as pluralistic in their interests as are Westerners. Those who speak for their (or others') natal cultures have their own positional interests and theories of organizational behavior which can articulate and explain those points-of-view that offer great promise.

Finally, to provide a contrast to the extensive documentation of organizational behavior in intendedly universalistic organizations, participants' attitudinal and behavioral reactions to particularistic organizational practices have been analyzed. Despite the obvious importance of particularism, its impact on organizational behavior has not received much attention. As an initial step, it has been found that particularism was associated with distrust—not only of authorities but of co-workers as well. Further, reliance on building a network of personal connections can be placed into its theoretical context—as a strategy for coping with systematically fostered distrust. That is, intentionally universalistic practices, despite their own costs, produce something quite valuable—participant trust. This has rather important implications for organizational behavior, ones that had been hidden as long as bureaucracy was seen only as a particular kind of means, rather than as an attempt to achieve goals by reliance on merit and an organizational version of rule-of-law. While these ideas have been applied to cross-national comparisons here, they are not confined there. If this analysis is accurate, particularistic organizational practices should foster general participant distrust, no matter what the societal context.

In conclusion, although this line of research has suggested several insights, it remains a risky area for empirical research. Theories of comparative institutions and individuals' organizational behavior operate at very different levels of analysis, which leads to serious concerns about the validity of any observed relationships. Although correlates have been discovered between societal-level phenomena, organizational practices, and employee attitudes, eliminating all of the alternative explanations is never possible. Consequently, one cannot be sure that the causal arguments presented here are complete. In addition, as a practical matter, it is more difficult to obtain samples of societies than to obtain samples of employees. Yet, ours is an empirical field and, love it or hate it, credibility rests on the ability to hold our arguments up to empirical refutation. It seems that only by providing measures and statistical tests do our colleagues take our work seriously enough to criticize it, and to collect their own data proving it wrong.

Further, as Staw (1995) suggested, studies wherein there is the greatest distance between independent and dependent variables, while controversial, are the potential “jackpots of social science”.

Acknowledgments

The author wishes to thank Greg Bigley, Chris Earley and Sue Jackson for their comments on earlier drafts.

REFERENCES

- Adler, N. (1991). *International Dimensions of Organizational Behavior*, 2nd edn. Belmont, CA: Wadsworth.
- Al-Aiban, K. & Pearce, J.L. (1993). The influence of values on management practices: a test in two countries. *International Studies of Management and Organization*, **23**, 35–52.
- Argyris, C. (1957). *Personality and Organization*. New York: Harper and Row.
- Arrow, K.J. (1974). *The Limits of Organization*. New York: W.W. Norton.
- Boisot, M.H. (1986). Markets and hierarchies in a cultural perspective. *Organization Studies*, **7**, 135–58.
- Bozeman, B. (1987). *All Organizations are Public*. San Francisco, CA: Jossey-Bass.
- Clegg, S.R. (1990). *Modern Organizations: Organization Studies in the Postmodern World*. London: Sage.
- Coleman, J.S. (1993). The rational reconstruction of society. *American Sociological Review*, **58**, 1–15.
- Comte, A. ([1832–1840] 1855). *Cours de Philosophie Positive* (The Positive Philosophy), translated by H. Martineau. New York: C. Blanchard.
- Crozier, M. (1964). *The Bureaucratic Phenomenon*. Chicago: University of Chicago Press.
- Fallers, L.A. (1965). *Bantu Bureaucracy*. Chicago: University of Chicago Press.
- Folger, R. (1977). Distributive and procedural justice: combined impact of “voice” and improvement on experienced inequity. *Journal of Personality and Social Psychology*, **35**, 108–19.
- Gambetta, D. (1988). Mafia: the price of distrust. In D. Gambetta (ed), *Trust* (pp. 158–210). New York: Basil Blackwell.
- Haraszti, M. (1977). *A Worker in a Worker's State*. New York: Penguin.
- Hofstede, G. (1980a). *Culture's Consequences: International Differences in Work-related Values*. Beverly Hills, CA: Sage.
- Hofstede, G. (1980b). Motivation, leadership, and organization: do American theories apply abroad? *Organizational Dynamics*, 42–63.
- Jacoby, S.M. (1985). *Employing Bureaucracy: Managers, Unions and the Transformation of Work in American Industry, 1900–1945*. New York: Columbia University Press.
- Leventhal, G.S. (1980). What should be done with equity theory? New approaches to the study of fairness in social relationships. In K.J. Gergen, M.S. Greenberg & R.H. Willis (eds), *Social Exchange Theory*. New York: Wiley.
- Mintzberg, H. (1979). *The Structuring of Organizations*. Englewood Cliffs, NJ: Prentice-Hall.
- Nee, V. (1989). A theory of market transition: from redistribution to markets in state socialism. *American Sociological Review*, **54**, 663–81.
- Nee, V. (1992). Organizational dynamics of market transition: hybrid firms, property rights, and mixed economy in China. *Administrative Science Quarterly*, **31**, 1–27.

- North, D.C. (1990). *Institutions, Institutional Change and Economic Performance*. New York: Cambridge University Press.
- Pearce, J.L. (1991). From socialism to capitalism: the effects of Hungarian human resources practices. *Academy of Management Executive*, *5*, 75–88.
- Pearce, J.L. & Branyiczki, I. (1996). Legitimacy: an analysis of three Hungarian–Western collaborations. In P.W. Beamish & P. Killing (eds), *Cooperative Strategies: European Perspectives* (pp. 298–319). San Francisco, CA: New Lexington Press.
- Pearce, J.L., Bigley, G.A. & Branyiczki, I. (1997). Procedural justice as modernism: placing industrial/organizational psychology in context. *Applied Psychology: An International Review*, *46*.
- Pearce, J.L., Branyiczki, I. & Bakacsi, G. (1994). Person-based reward systems: a theory of organizational reward practices in reform-communist organizations. *Journal of Organizational Behavior*, *15*, 261–82.
- Pearce, J.L., Branyiczki, I. & Bigley, G.A. (1997). Insufficient bureaucracy: Trust and commitment in particularistic organizations. GSM Working Paper. Graduate School of Management; University of California at Irvine.
- Perrow, C. (1979). *Complex Organizations*, 2nd edn. Glenview, IL: Scott, Foresman.
- Putnam, R.D. (1993). *Making Democracy Work*. Princeton, NJ: Princeton University Press.
- Redding, S.G. (1990). *The Spirit of Chinese Capitalism*. New York: Walter de Gruyter.
- Riggs, F.W. (1964). *Administration in Developing Countries*. Boston, MA: Houghton Mifflin.
- Rotter, J.B. (1967). A new scale for the measurement of interpersonal trust. *Journal of Personality*, *35*, 651–65.
- Schutz, A. (1967). *A Phenomenology of the Social World*. Evanston, IL: Northwestern University Press.
- Staw, B.M. (1995). Repairs on the road to relevance and rigor. In L.L. Cummings & P.J. Frost (eds), *Publishing in Organizational Sciences* (pp. 85–97). Thousand Oaks, CA: Sage.
- Thibaut, J. & Kelley, H.H. (1975). *Procedural Justice: a Psychological Analysis*. Hillsdale, NJ: Erlbaum.
- Toennies, F. ([1887] 1957). *Community and Society*, translated by C.P. Loomis. East Lansing, MI: Michigan State University Press.
- Tyler, T.R. (1987). Procedural justice research. *Social Justice Research*, *1*, 41–6.
- Voslensky, M. (1984). *Nomenklatura: the Soviet Ruling Class*. Garden City, NY: Doubleday.
- Walder, A.G. (1986). *Communist Neo-traditionalism: Work and Authority in Chinese Industry*. Berkeley, CA: University of California Press.
- Weber, M. (1947). In A.M. Henderson & T. Parsons (trans. and eds), *The Theory of Social and Economic Organization*. New York: Oxford University Press.
- Xin, K. & Pearce, J.L. (1996). *Guanxi*: Good connections as substitutes for institutional support. *Academy of Management Journal*, *34*, 1641–58.
- Yang, M.M. (1994). *Gifts, Favors & Banquets*. Ithaca, NY: Cornell University Press.
- Zucker, L.G. (1986). Production of trust: institutional sources of economic structure, 1840–1920. *Research in Organizational Behavior*, *8*, 53–112.