

## Management Compared

**Behind the Factory Walls.** Decision Making in Soviet and US Enterprises. PAUL R. LAWRENCE, CHARALAMBOS A. VLACHOUTSICOS, and six others. Harvard Business School Press, Boston, 1990. xii, 342 pp., \$29.95.

*Behind the Factory Walls* summarizes the research of a joint American-Soviet team of management specialists formed from the Harvard Business School and the Soviet Institute of External Affairs of the Foreign Economic Commission. American and Soviet researchers, working as a team, were given remarkable access to two American and two Soviet enterprises operating in the same lines of business. The identities of the four companies are concealed behind generic names (AmTruck, SovTruck, AmElectric, and SovElectric), and the names of the Soviet and American managers are also changed. What emerges from this joint research effort (conducted in 1988) is a fascinating glimpse "behind the factory walls" into the actual decision-making processes of American and Soviet industrial enterprises. The research team focused attention on key managerial decision-making areas—planning, hiring and firing of managers, capital investment decisions, and new product introduction—to find what is common and what is different.

What can be learned by such a research effort? Are there major surprises for specialists on the Soviet industrial enterprise? A number of findings serve to confirm the specialized literature that has been built up over the years. The American team notes the greater degree of vertical integration of the Soviet industrial enterprise (the bringing of more and more activities in house to avoid dependency), the need to earn bonuses to prevent workers from leaving, the downward adjustment of targets to ensure plan fulfillment, the greater role played by organizations external to the enterprises (such as the ministry or the party), and the preoccupation with supply problems. The confirmation of earlier findings based on the Soviet literature or surveys of emigrés is a welcome result for specialists on Soviet management.

Some of the project's more fascinating findings are discoveries of common behavior. In both settings, industrial managers engage in "storming," battle for easier goals from higher-level organizations, and use

similar procedures in easing out unqualified managers. The noted "ratchet effect" (use of previous plan fulfillment to determine current plans) is a concern of both American and Soviet managers. Both Soviet and American industrial managers use social reasons (such as safety or environment) to justify activities that they need on purely economic grounds.

The timing of the appearance of this research is especially fortunate. It captures the first phases of the implementation of Soviet reforms of the industrial enterprise. Hence Soviet specialists can use it to gauge the progress and implementation of reform. The research team's most striking finding is the degree to which the industrial democratization features of the perestroika reform are being taken seriously. In the examined cases, the workers' collective does appear to play a prominent role in the selection of managerial personnel and in other major managerial decisions. The team was struck by the manner in which the Soviet system combines industrial democracy with a directive system in an apparently harmonious fashion.

This book shows the value of comparative case studies, even though the research team's generalizations may be premature in view of the limited number of enterprises studied. The team has succeeded in confirming many of the major research findings of Soviet specialists, has discovered some unexpected common behavior patterns, and has shed light on the implementation of the perestroika reforms.

PAUL R. GREGORY

Department of Economics,  
University of Houston, Houston, TX 77004

## Externalized Employment

**The Invisible Work Force.** Transforming American Business with Outside and Home-Based Workers. BEVERLY LOZANO. Free Press (Macmillan), New York, 1989. xii, 218 pp. \$19.95.

Firms in the United States have undergone profound changes in the last decade as a result of downsizing, mergers and acquisitions, and the need to stay competitive in an increasingly global economy. In fact, between the beginning of 1980 and the end of

1987, Fortune 500 companies reduced their work forces by 3.1 million, going from an aggregate of 16.2 million employees to 13.1 million.

This type of internal labor-market turbulence has prompted many companies to rethink their overall staffing attitudes and practices. The traditional attitude that firms took toward their white-collar work force entailed permanent, or at least relatively secure, employment, with some notion of career advancement. Yet current staffing practices challenge that stance. Many companies now think of their personnel in much the same manner as they do their inventories, striving for a just-in-time staffing strategy to parallel their just-in-time inventory systems that keep supplies and materials just sufficient to meet current demand.

This desire for elasticity in staffing has resulted in an ad hoc two-tiered work force in many U.S. firms. The first tier comprises a core of salaried employees on the company payroll toward whom the traditional attitude still holds. These core employees are accorded a relatively high degree of job security, perquisites, health and pension benefits, and opportunities for training and skill upgrading. The second tier includes a cadre of workers, many of whom are not on the company payroll, hired as self-employed independent contractors, temporaries, or casual part-timers. These workers have weak ties to the company, are generally hired for finite periods, often in a non-systematic fashion, and receive no health coverage or other benefits. Many in the second tier previously worked for the firm as core employees.

This second-tier work force goes by many names, including contingent work force, peripheral or secondary workers, and even reserve work force. Although this tier has always existed in the United States and elsewhere, there is evidence that its numbers are growing. Examples abound in the publishing, television, insurance, and advertising industries of employees laid off from the core tier and hired back as independent contractors, euphemistically referred to as freelancers, or supplanted by temporary workers. Yet studies of this trend have been lacking.

Into this breach enters Beverly Lozano with *The Invisible Work Force*. On the basis of a case study of Silicon Valley, Lozano aims to document and describe what she calls in her book title the invisible work force and in her text the informal work force. In effect, she defines this work force as made up of those workers who operate in a gray area between wage work and self-employment; typically, each works for only one firm and is expected to perform as an employee, yet is