In this book, Richard Walton addresses the fundamental problem facing human resource decision-makers in advanced industrial economies: How to adapt traditional organizational policies and institutional practices in ways that not only enhance the performance of individual enterprises but can be diffused broadly enough to contribute significantly to the competitiveness of the national economy. His laboratory is the shipping industry. His method is cross national comparison of innovations in work organization and related human resource policies and governance structures.

I would like to use this review to both summarize this ambitious and refreshing book and to challenge human resource researchers and practitioners to take Walton's argument seriously by broadening the variables and strategies that enter into human resource policy analysis. The central message of this book is that such broadening will be necessary if our profession is to make a significant contribution to national economic and social welfare.

The objectives of this book are ambitious not only because of the difficulties associated with cross national research but also because Walton sought to both develop and apply a new theory of innovation that could provide insights to policy makers. To do this he needed to go beyond existing theories of organizational change to explore the realm of institutional adaptation. The term "institutions" refers to the overarching relationships among employer, labor, and government interests, structures, and policies and the economic incentives and values in the larger social system in which any single firm or industry is embedded. Walton's model is refreshing in that he examines how variations in these institutional features can serve as either facilitators or barriers to the diffusion of human resource and related organizational innovations.

Walton casts his model within a systems perspective. Consistent with this perspective he argues that for changes to be institutionalized alignment, or internal consistency, must be achieved among all parts of the system. The central proposition in his theory is that the change must be guided by a coherent model that addresses the interests of all the key stakeholders—in this case employers, workers and
their unions, and government policy makers. Four additional explanatory propositions are also developed to round out the model. These propositions address the importance of economic pressures and incentives; the social contexts that influence values, beliefs, and attitudes toward innovation; the degree of centralization of employer and labor organizations and associations; and, the skills and capacity to manage change. The major parts of the book develop this model inductively and then examine its explanatory power in light of the practices found in the shipping industry in eight countries.

The problem to be addressed by the innovations is clear: The costs of shipping are too high for most advanced industrialized nations to compete with third world fleets or fleets sailing under "Flags of Convenience." To compete in this environment Walton observes industry leaders in these countries espouse a model of innovation that involves flexibility in work organization and job assignments, egalitarian organizational arrangements, decasualization of employment contracts and stronger commitments to employment continuity, and participative decision making.

On the basis of data collected from interviews, industry records, and other secondary sources, Walton ranks the shipping industries in each of the eight countries according to the extent to which these innovations have been diffused. Norway, Holland, and Japan are ranked as high innovators; the United Kingdom, Sweden, and West Germany are ranked as moderate innovators; and Denmark and the U.S. are ranked at the bottom as noninnovators.

One of the rather disappointing aspects of the book is that while a plausible case for these rankings is made as Walton discusses practices in each country, nowhere is the actual degree of diffusion of these innovations measured or reported. Nor are their actual economic contributions ever calculated or estimated. We must take on faith the conclusion that this is the innovative model that best suits the shipping industry and, that where adopted, this model produces the economic results required.

Similar methodological concerns can be raised about the subjectiveness of the rankings Walton assigns to each country to measure where it stands on the explanatory variables in the model. The descriptions of developments in each country make the rankings assigned sound plausible, however, a more skeptical reader wants more concrete evidence before being convinced.

But the contributions of this book lie more in the perspective taken in building the model to discuss diffusion of innovations at a national level than in the actual data or analysis provided. By entering the world of institutional adaptation. Walton draws attention to such changes as the power and structure of the labor movement and its relationship with employers; the vision, centralization, and internal cohesion of the employer community; the economic contexts
and incentive structures facing each party; and not in the least, on the role and content of public policies that affect the industry adjustment strategies.

If Walton’s model is valid, human resource professionals in the U.S. have special reason to take notice. One could reasonably argue that it is not just the shipping industry in the U.S. that would rank last of eight countries on a scale of diffusion of human resource innovations. The reason that other U.S. industries can be expected to lag other countries can be seen through a quick review of the propositions in the model. For example, while the U.S. has felt the pressure of international competition and high wage costs, few incentives encourage U.S. employers to adapt to cost pressures by reinvesting for the long run and focusing on improving the quality and productivity of their labor forces, rather than by short run efforts to cut costs either through movement of production offshore or through wage cuts and other traditional belt tightening efforts. U.S. employer associations remain weak or nonexistent in many industries and the shrinking American labor movement is neither centralized nor secure enough in its position in society to play the partnership role required to negotiate commitments to support diffusion of human resource innovations. Instead, the majority of American employers would rather put resources into weakening or eliminating unions than work toward reforming, broadening, and strengthening the role of labor and its contributions to society. Similarly, the prevailing American ideology tends to resist an activist role for government, particularly when it involves urging firms and unions to adopt new human resource practices and strategies. Yet the need for an active and aggressive government role is precisely one of the major implications of Walton’s model.

Walton’s message is therefore profoundly political: Managers should work with labor leaders rather than fight them; government policy makers should structure economic incentives so as to encourage adoption of innovative human resource models and then actively negotiate benefits to workers and unions that are contingent on their acceptance and support of these innovations. Individual employers who compete with each other should work together to strengthen their industry associations and accept the internal discipline that goes along with stronger peak associations of business and labor.

Read from this vantage point, Walton opens a new chapter in theory development and policy analysis that is worth reading and contemplating by every serious human resource practitioner and researcher. It introduces considerations too often ignored by those whose vision is normally constricted by a focus on the role of individual firms and top executive values, interests, and ideologies. It also offers a sobering challenge to all of us interested in the diffusion of innovations in the U.S. If Walton is right, our attention should shift
from the culture and values of management to the national politics of institutional reform. To this, all I can say is, Amen—it's long overdue.

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