and an attempt to integrate these game-theoretic models into Leibenstein's framework would have improved the book significantly. What Leibenstein deems to be non-maximizing conventions such as peer group pressure or fixed-wage contracts may actually be optimizing behavior in the face of informational constraints.

Leibenstein implies that a source of U.S. inefficiency is the hierarchical organization of firms. Although there may be gains from specialization within a firm, he argues that there are significant costs associated with hierarchies as well. For example, there are problems in coordinating activities across units, potential conflicts between managers' self-interest and the company's interest, and factionalism.

A less rigid hierarchical structure within the Japanese firm, according to Leibenstein, is one of the reasons that Japanese firms apparently perform more successfully than firms in the United States. For example, there are fewer distinctions between workers and managers in Japan. Further, he argues that several other aspects of Japanese employment systems are particularly advantageous: the lifetime employment ideal; the small number of job boundaries; and flexible compensation. He also argues, however, that the Japanese management system is not wholly responsible for Japanese success; also playing an important part are cultural values, such as loyalty.

It would have been helpful if more attention had been paid to the difficult question of the degree to which the Japanese management system is exportable. In my opinion, results from game theory suggest that at least some of the benefits of the Japanese system may be transferable. Specifically, game theorists have shown that under some circumstances, cooperation in repeated prisoner's dilemma games (the situation that Leibenstein believes characterizes much of industry) is more likely the longer the participants' time horizons and the lower their discount rates (Friedman, above). Such is the case when there are short-term gains to both sides from noncooperative behavior, but longer-term losses. Long time horizons appear to be a major characteristic of Japanese workers and firms, and it is conceivable that time horizons in other countries could be affected by the policies of their governments.

As my discussion of game theory and allusion to efficiency wage and implicit contract theories suggest, many of the phenomena that Leibenstein labels as non-maximizing are consistent with maximizing models of behavior. Of course, the existence of such theories does not prove that conventions, inertia, and the like are the result of optimizing choices. But even if these theories receive empirical confirmation, Leibenstein is to be commended for pointing us toward a subject that has received insufficient attention from economists—the internal workings of firms. Further, his discussion of the problems of coordination and incentives suggests the important general implication that cost minimization may be a very difficult goal for any firm to achieve.

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A recent Industrial Relations Research Association volume paper that George Milkovich and I co-authored concluded that although various theories exist about the effects of compensation policies and why these policies might vary across firms, there is little empirical evidence either on the determinants of compensation policies or on whether these policies have desired incentive effects at the individual, corporate, or macroeconomic level. In the last few years, however, compensation policies and their effects have begun to attract the attention of many industrial relations researchers, and a forthcoming special issue of the Industrial and Labor Relations Review will be devoted to this topic.

The current volume, which grew out of a two-day conference held at New York University in 1984, is an excellent introduction to compensation policy research and practice. A unique aspect of the volume is its interdisciplinary orientation; the contributors include academic economists and industrial psychologists, as well as practicing compensation and personnel and human resource specialists. A very readable introductory essay by the editor provides general discussion of analytical issues in compensation policy research and whets the reader's appetite for the papers that follow.

The volume is divided neatly into four parts. In the first, nontechnical discussions of economic models of incentives and risk sharing

Team work is a management “buzz” word of the 1980s, along with organizational culture and flexibility. This book is a blueprint for the use of teams as a basis of organization. Tjosvold relies on a review of social psychology research to understand how teams function and to argue that they are a superior basis for structuring the management process of an organization. The material reviewed focuses on expectancy theories of motivation and group process research.

The fundamental premise is that cooperation provides far better motivation for employees than does competition. Tjosvold argues that cooperation functions best in group situations, and that the result of team-based cooperation is greater productivity, more innovation, and integration of individuals into the organization by acceptance of group goals. Organizations must be restructured to abandon hierarchy, make power a positive force, and channel group conflict to reach sound solutions to managerial problems. In such a system, status differences should be reduced and employees at all levels brought together in production and human resource policy teams.

Tjosvold reviews important issues, such as the use of power in team work situations, and does so without the use of academic jargon or excessive text citations. The style reflects his intention of reaching managers as well as academics and management educators. The purpose of reaching both audiences, however, results in the usual ambivalent presentation. Is this research, or a “how to” book for managers? Tjosvold’s strong advocacy of team work leads him to cite research selectively and to weight the book heavily with normative material. Each chapter, for example, contains sections giving summary advice to managers (“Guides to Action” and “Steps to . . . ”). Diagrams illustrating the flow of teamwork processes are confusing.

It is difficult to think of a sound use for this book. Tjosvold’s aim of summarizing academic research to provide a basis for practical application is commendable; translating academic work for application is a crucial task. The book’s partially academic style, however, makes it unlikely reading for the popular management market. Furthermore, the material is presented in such a simplified form that researchers will not find it useful and would probably argue with several of the principle