

BY CLANCY MANN

SOCIAL AND CORPORATE PROCESS TRIANGLES

WORKSHOP

WORKSHOP MATERIALS

ICANETWORK CONFERENCE

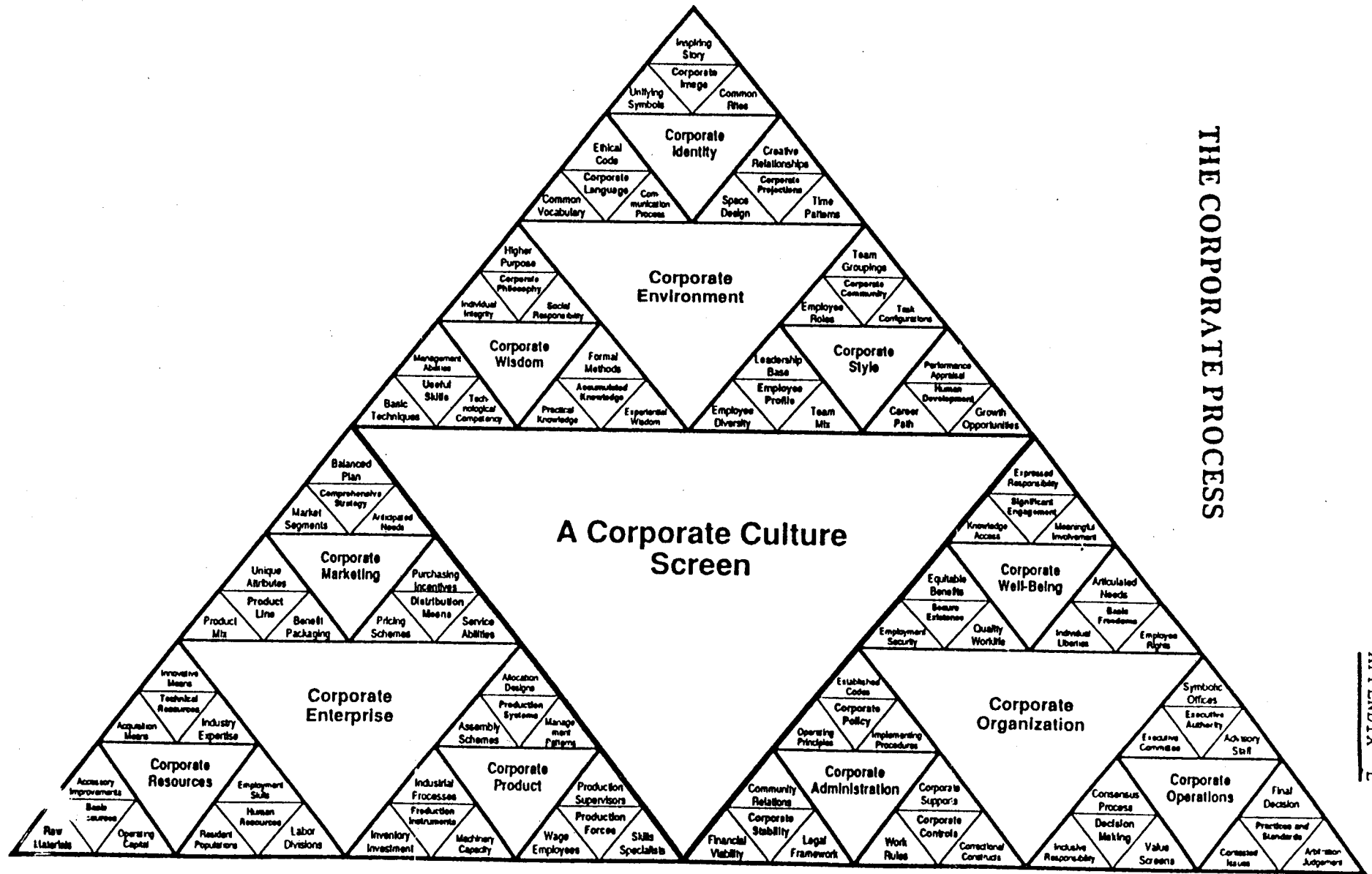
January 14-17, 1993

This Workshop is intended to survey the methodologies that the workshop leader and participants have developed to employ the social and corporate process triangles as analytical tools. All participants are encouraged to share their experience and insight.

This analysis suggests a sequence approach for formulating strategy for a particular country. It begins at the macro level and moves to the micro level by combining several different methods. It assumes that a firm already has determined that the country has strategic value (based on its global strategy).

- I. Country Environment. Employing a comprehensive analytical screen, such as the "country environment triangle" (App. C), assess how the economic, political and cultural factors of a country may affect "doing business" there.
 - A. Determinative Characteristics - how does the country "work," and how does it differ from other countries where the firm has conducted business? This analysis should be supported with vital statistics and other data.
 - B. Dominant Trends - what are they, where are they taking the country, and how are they likely to affect the business climate over next 10 years?
 - C. Major Constraints - to doing business in the country, as applied to a firm's strategic and operational interests.
 - D. Assessment of Risk and Risk Offset. At this point, it is possible to plug-in any of the more traditional risk assessment schemes. At the same time, it is critical to examine institution-al risk offset mechanisms, e.g., OPIC, MIGA, etc., as well as means to deal with political and cultural issues of the country.
- II. Industry Analysis. Porter's framework - five force analysis, strategic mapping, industry evolution - applied at two levels:
 - A. Country Level Competition. At this point also, the 2nd Porter Diamond could be employed; however, IMAN 601 students may not have been introduced to this.
 - B. Global Level Competition. How does the country's industry stack up against global competition?
- III. Firm Strategy. Should also be viewed from two levels.
 - A. Firm's Global Strategy, the overarching vision.
 - B. Firm's Country-Specific Strategy, complementing the global strategy.
 - C. Entry Scenarios, including strategy and tactics, business structure and nature of partners (if any).
 - D. Operational Strategies - may key off the specific subtriangle in point. This suggests that some strategies may be more amenable to addressing eco, pol or cult issues.
5. Action Plan - and Feedback (based on objectives and assumptions made)

THE CORPORATE PROCESS



SOCIAL PROCESS ANALYSIS

A Practical Framework and Methods for Analyzing Social Change

Introduction

Firms are faced perennially with the task of understanding the long-term effects and broader implications of specific actions or issues. This task is complicated enormously by the global context of today's competitive forces. Firms engaged in transnational operations or facing foreign competition must develop strategies which transcend national environments and must continually monitor and assess the strategic moves of their rivals, the everpresent threat from potential competitors and alternative products, and the bargaining power of their suppliers and customers. Further, such firms must project these competitive challenges, as well as the changing structure of the industry itself, across time -- far into the future -- for the lead strategies which they pursue will rarely bear fruit in less than a decade.

Traditionally, the task of assessing country environments by firms has been characterized as "risk analysis" and relegated largely to the finance function. It typically incorporates a number of macro indicators, mostly economic and political factors, but rarely extends to cultural conditions. Some formulae employ quantifiers which can be quite sophisticated, but they yield mere probabilities as analysis moves from the present into the vagaries of the future. To hedge against these uncertainties, scenarios often are employed, each based on assumed country developments and paired with appropriate "game plans." At the end of the day, "risk analysis" ends with predictions about future economic or business conditions and offers little insight into the dynamics of social change. It produces a "go" or "no go" entry decision for a particular country or transaction. Beyond that, it has little value and rapidly becomes obsolete.

The determination of firm strategy, on the other hand, calls for something more. First, it must be formulated within the full context of the country environment - economic, political and cultural. Secondly, it must enable the firm to operate effectively within that environment, assuming that the entry decision is "go." This entails a working understanding of the economic system, the markets, the legal system in practice, the relevant public and private sector institutions, national development (or industrial) strategies, the values and practices of the people, etc., i.e., all the social dynamics which are critical to business success.

Thirdly, and most importantly, firm strategy must be formulated and evolve to deal effectively with the progressive changes in society. This includes an appreciation of the way in which the markets, the industry, a firm's competitive position and country environments are evolving over the long term. Strategy planning in this context is

daunting, and for some overwhelming, because the number of variables at play and the pace of change can be enormous. This means that firms are faced perennially with the need to monitor and assess a wide array of trends moving through society, and in particular how these trends may impact their markets, the structures of their industries and their competitive advantages.

It is crucial, therefore, for management as a group -- and not just the CEO, the corporate planning department, or possibly an outside consultant -- to employ a method for thinking comprehensively about the business. Strategy is like the deployment of a battleship formation. When on course and properly configured, it becomes a juggernaut to adversaries. But the determination of its direction and its deployment take substantial time and resources, and once committed, its course and configuration are not readily changed. Long time horizons and strategic adaptation must become routine to management. The means to do this must be relatively simple and, at the same time, comprehensive. The framework and methods of social process analysis presented below are intended to provide management with such an instrument.

The Social Process Triangle

The social process triangle discussed here was developed in 1971-72 as an instrument to analyze social change and how it occurs.¹ It is intended to provide a disciplined framework for thinking comprehensively about all social dynamics, whether in the context of a local, national or the international community and whatever values, ideology or social heritage it might represent. It describes the interrelationship of social forces -- not actual or representative institutions -- and how these forces complement and possibly conflict with each other. Finally, when applied to specific events, trends and societies, it provides a useful instrument for analyzing social structure, social patterns and social change, for comparing differences among societies and social systems, and for assessing country business environments. These aspects are dealt with in more detail below.

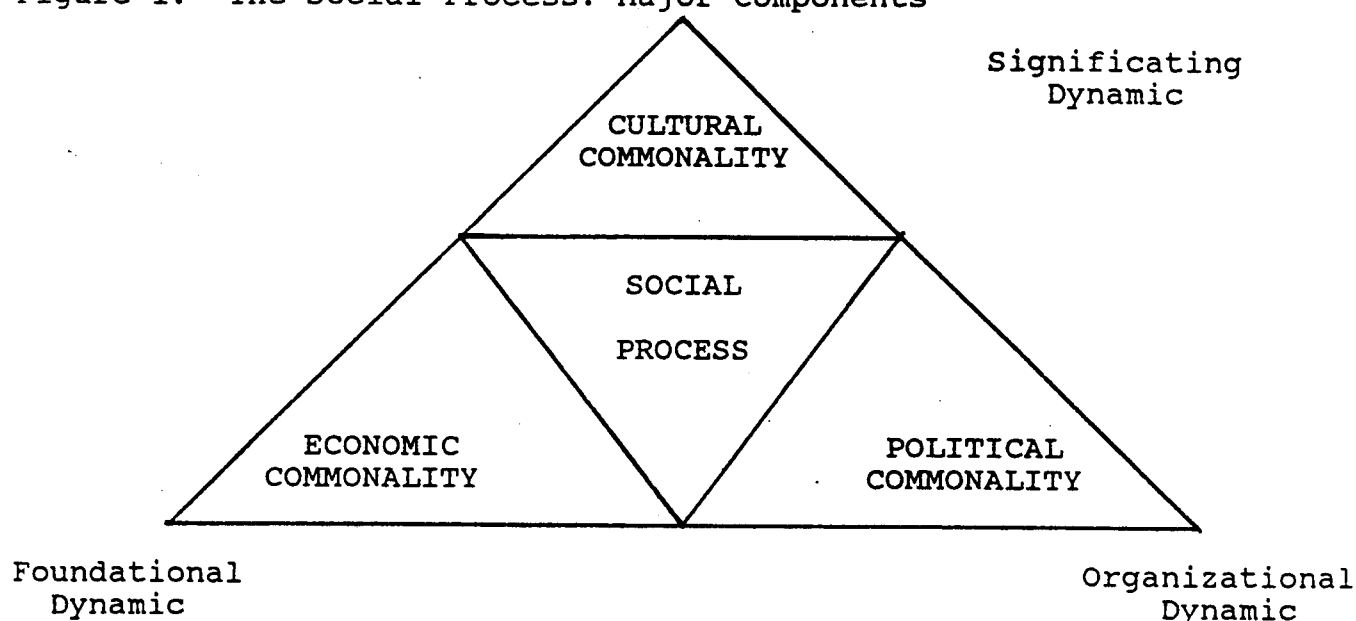
For purposes of applying the triangle, the term "social process" should be understood in the broadest meaning of the term. It encompasses every facet of society, but only in light of the underlying forces or dynamics at play. These forces are found in every society in every age, whether a neanderthal tribe or a technologically advanced

^{1/} The social process triangle was created substantially in its present form at two conferences held in Chicago during the summers of 1971 and 1972. The conferences were sponsored by The Institute of Cultural Affairs, a non-profit organization dedicated to human development and to strengthening 'grass roots' communities around the world. The conference attendees represented a substantial cross-section of North Americans and included foreign nationals from countries across the world.

industrialized economy. Due to physical necessity, human free will, chance, religious inspirations, forms of governance and leadership, and the build-up of folkways over time, etc., however, these forces manifest themselves at particular times and in different societies by various patterns of values, behaviors and institutions.

In order to facilitate social analysis, the social process triangle introduced here divides all social dynamics somewhat arbitrarily into three general types -- economic, political and cultural.² (See Figure 1.) This tripartite division serves the purpose of enabling any one social dynamic to be related directly to any other social dynamic. This simplification becomes extremely useful when dealing with social complexity, even though it might be argued that important subtleties and nuances may be lost this way.

Figure 1. The Social Process: Major Components



While this argument clearly has some merit, experience suggests that any loss is likely to be only temporary for purposes of analysis. For one thing, the triangles provide for a multi-level analysis, so that the same data, institutions and events can be captured at different levels of abstraction. For another, because the various components of the social process triangles represent social dynamics, they do not mutually exclude data, institutions and events which evidence other dynamics. Rather, such data, etc., can be examined and interpreted simultaneously from the perspectives of those other dynamics.

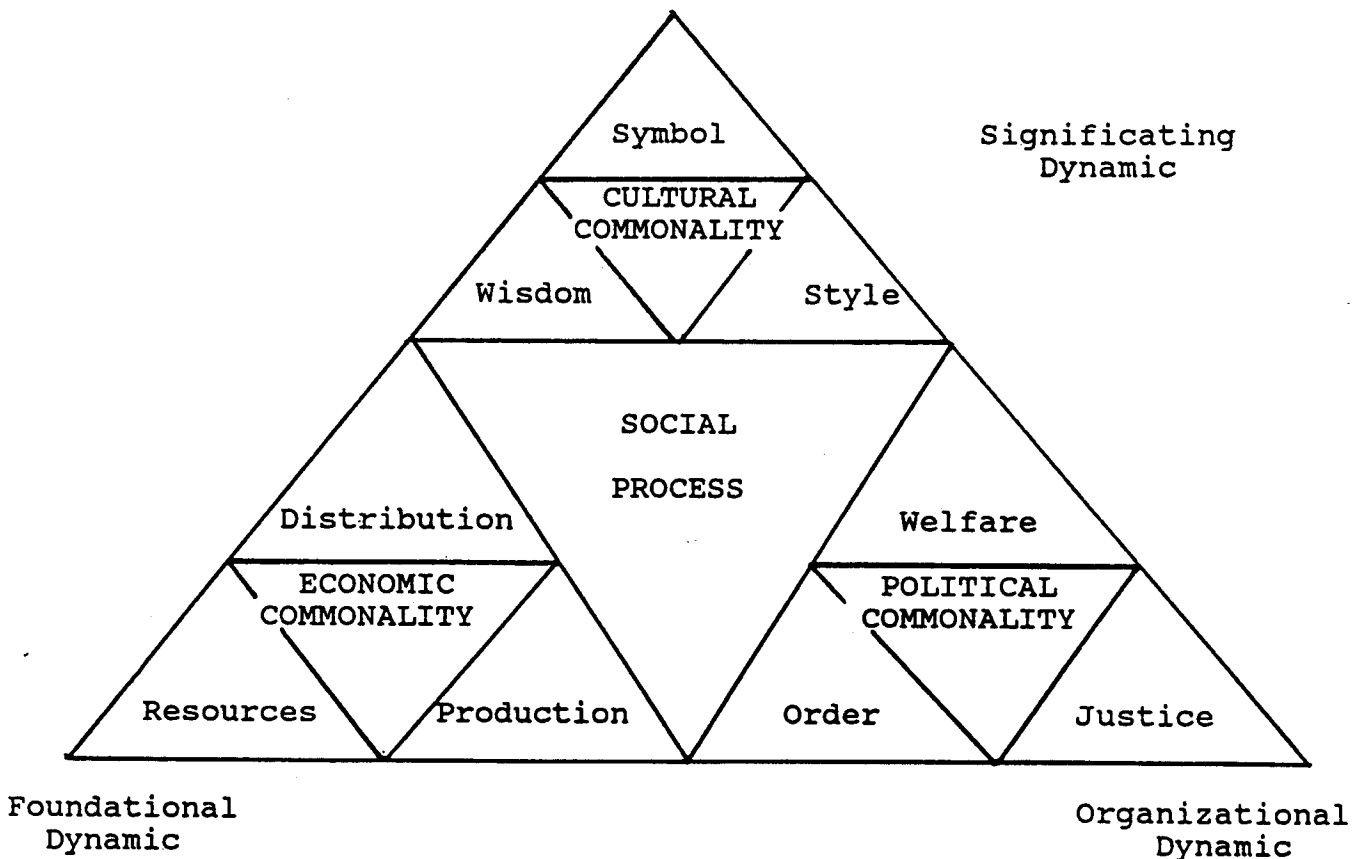
^{2/} This general division -- or one similar -- is not unusual among social scientists. See, e.g., D. Bell, The Cultural Contradictions of Capitalism (1978), who develops a 3-fold division of economic, political and social.

As a result, the full application of the triangles to any subject matter will likely compensate for any losses of insight that may occur at any point along the way. In any case, the ultimate rationale of the tripartite division is to provide a comprehensive screen for social dynamics and to facilitate simplicity in social analysis.

Social Dynamics and Their Interplay

Each of the three main categories of the social process triangle -- economic, political and cultural -- represents a fundamentally different social dynamic. And each is characterized by its own subset of social dynamics. (See Figure 2.) Thus, the economic commonality characterizes the foundational, life-sustaining dynamics of any society. Without it, no society is possible. History is littered with examples of deserted towns whose primary resource is exhausted (e.g., a mine) or abandons it (e.g., a river, a major plant). The economic commonality determines the type of resources which are available, how the production of goods and services is organized, and the criteria and institutions governing the distribution of these goods and services.

Figure 2. Social Process: Subsets and Dynamics



The political commonality, by contrast, defines the organizational, decision-making dynamics of a society. Without it, no society -- indeed, no social unit of more than one person -- is possible. Indeed, the collapse of the political dynamic typically results in social chaos or anarchy. The political commonality determines how social relationships are ordered and how order is maintained, both externally and domestically, how justice is embodied in governmental decisions, and how the well-being or "social welfare" of a society is defined. Taken together, these three dynamics constitute the social compact among all members of society and establish the collective expectations of the body politic about the "pursuit of happiness."

Ultimately, every society consists of values which freight its heritage, its sense of purpose or destiny and the daily significance of its people. Cultural commonality, therefore, represents the rational pole of the social process triangle, i.e., the rationale of being a "society" in the most profound sense of the term, for it illumines or directs society as a whole. Its failure -- often manifested in a weakness of vision -- not only undercuts the rationale for creating wealth (economic commonality) and for exercising power (political commonality), it ultimately leads to cynical resignation and social stagnation. The cultural dynamics consist of the cumulative wisdom of the people and the means by which this wisdom is transferred and renewed from generation to generation; the life style of society, i.e., how generations interact, people procreate, and individuals participate in social life; and the symbolic life of society, i.e., the most sacred and often unquestioned myths, rituals and symbols that define society and give it significance.

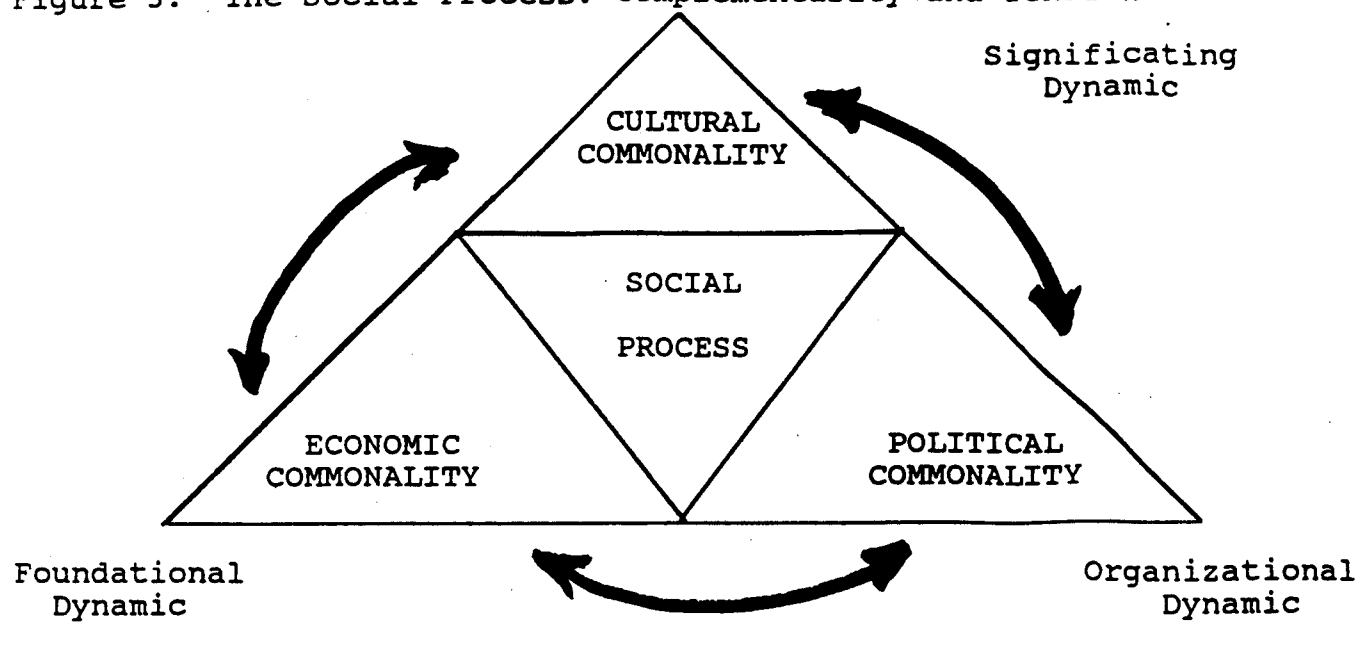
These three overarching dynamics -- economic, political and cultural -- both complement and stand in tension with each other. In one sense, they simply provide different perspectives on the same social phenomena; in another, they indicate how these various perspectives can lead to radically different results and how these results may sharply conflict with each other.

First, consider the complementarity of the three dynamics. (See Fig. 3.) Besides supplying the material means to sustain human life, the economic commonality provides the resources that enable the body politic to realize its notion of welfare and order (political) and that equip individuals to realize their personal development and society as a whole its aspirations, i.e., to live their understanding of the "good life" (cultural).

At the same time, the political commonality provides the rules for individuals and organizations to engage in the pursuit of economic gain and wealth-creating activities (economic), on the one hand, and defends the institutions generated through the expression of values (cultural), on the other. Finally, the cultural commonality provides direction for the political dynamics, which is reflected in each society's concepts of "order," "justice" and "welfare," and gives fulfillment to

everyone's engagement in economic activity. Without the significance provided by the cultural dynamics, economic and political activity loses its significance and runs the danger of becoming socially destructive.

Figure 3. The Social Process: Complementarity and Tension



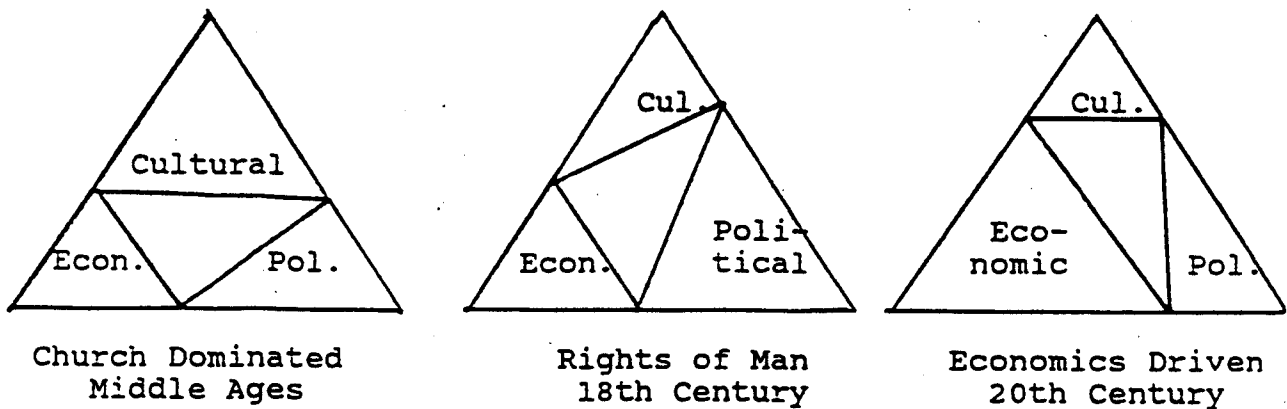
Despite the apparent harmony among these three processes, they also stand in tension with each other. Thus, the standards of "welfare" called for by the social compact (political commonality) may be undercut by the demands for efficiency or the sheer absence of resources emanating from economic activities. Street poverty and overflowing jails in the U.S. are evidence of this. By the same token, the standards of equity and equality, which also emanate from the social compact, often conflict with a society's aspirations of individual fulfillment (cultural commonality) and the limits placed on the costs of legal representation for indigents (economic commonality). Further, people often find that their preferred life style and their notion of fulfillment and the "good life" (cultural commonality) are constrained, if not undermined, by their head-on experience with the market place (economic commonality) and the demands of equal opportunity in the work place (political commonality).

This tension can be illustrated from two perspectives: one historical and the other contemporary. Historically, there has been a tendency for one of the major dynamics to lead or dominate the other two. During the high and late Middle Ages, for instance, the Church in Rome was the transcendent power, being the chief civilizing force and dominating the feudal organization of western Europe. Under the Church's tutelage, the creation of wealth and the advance of technology were heavily subordinated to religion. The Church's suppression of the

Copernican theory dramatically illustrates this point. According to the spirit of Medieval times, everything has a place and a role, and these collaborate to the glory of God. To seek another role by amassing wealth conflicted with this paradigm. This imbalance in the social process is represented by Fig. 4.

In contrast to this cultural dominance, the 18th Century pioneered the "rights of man" as embodied in the American Declaration of Independence and the French revolution. Pursuant to this political paradigm, religion was dethroned and individual freedom became transcendent as part of a new "social compact" -- whether in the sense of Hobbes, Rousseau, Locke, Mill or Marx. The "nation state" emerged, focusing and mobilizing political will around centralized forms of government, and became increasingly allied with commercial interests. Under the new U.S. Bill of Rights, church and state were permanently separated. (See Fig. 4.)

Figure 4. The Shifting Balance Among the Major Social Processes



During the late 19th and 20th centuries -- with the rise of the industrial revolution -- both the political and especially the cultural dynamics within western societies have become largely subservient to various economic systems of capitalism or even the developmental determinism of various forms of industrial socialism. These are wealth-generating, producer societies, increasingly dominated by market demand and consumer sovereignty, where success of any kind is most frequently measured by monetary worth. This is as true of sports figures as of business executives. Even elected representatives in Congress, whose focus is said to be "power," justify pay raises by reference to the "going rates" for industry barons. Every part of society today -- including so-called non-profit organizations and jury awards for "pain and suffering" -- takes its cue from modern economic standards. See Fig. 4.

From a more contemporary perspective, Daniel Bell adopts a three dimensional view for analyzing U.S. society, much like the one presented here. In his The Cultural Contradictions of Capitalism (1978), Bell characterizes the dominant principles and values operating

in each dimension and how they potentially conflict with each other. The economic dimension is dominated by the principle of hierarchy and technocracy and the value of efficiency. Politically, by contrast, people espouse the value of equality and the principles of equal justice and equal opportunity. At the same time, in the cultural dimension of home, family, community and education, people are guided by the value of personal self-fulfillment. This value is protected by such principles as private property, "my home is my castle," the "old 'pal' network" and "doing your own thing."

Bell makes the point that this triad of values is at war within itself. People act and think one way at work, another for social policy and a third in their private lives. No one social institution, dominant belief or ethic allows Americans to integrate their lives. Born in an age of transition and in a highly diversified society, where all is in flux, we are "condemned," as it were, to live in the midst of this tension among these divergent value systems.

The social process triangle, therefore, contains both complementarity and tension among its three major dynamics. It is equally applicable for analyzing any society in any period of history, but its application reveals changing patterns of dominance among the major dynamics. Above all, the triangle provides a simple framework of analysis -- three different dimensions or perspectives for examining the same social phenomena. Insight comes from the interplay of these perspectives.

The Multi-Level Rationale of the Triangles

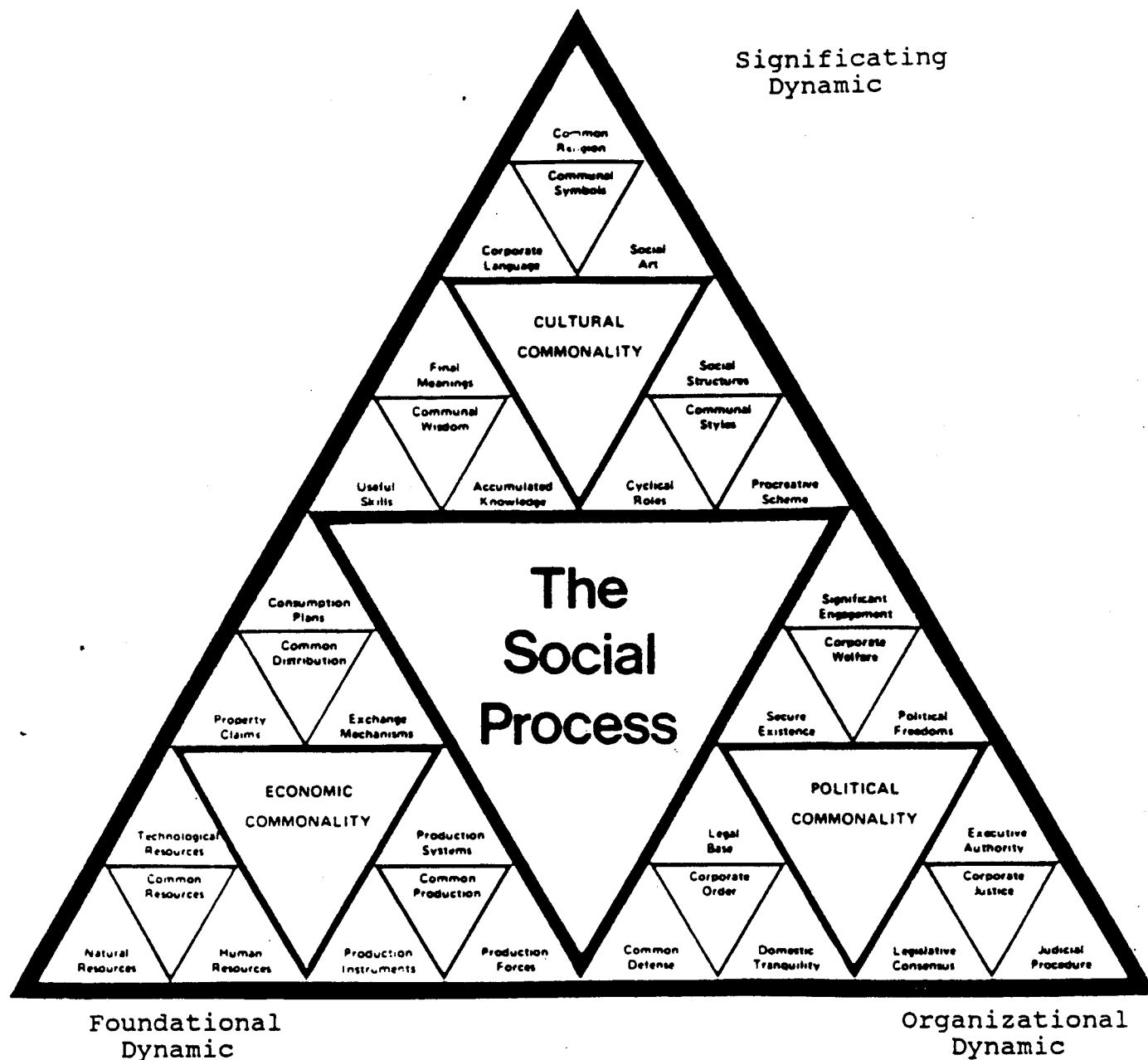
Each of the three major parts of the social process triangle is subdivided into subtriangles which in turn are further subdivided into additional triangles. Each sub-triangle contains all the dynamics of the whole, while representing a further refinement of the dynamic contained in its parent. These sub-triangles assist analysis by permitting any social phenomenon to be placed with considerably greater accuracy within the social process as a whole and related to other social dynamics. (See Fig. 4. A glossary of terms used in the social process triangles is attached as Appendix A.)

The three-fold rationale for the major dynamics, discussed above, therefore, holds also at other levels of subdivision. Thus, the economic commonality itself has a foundational dynamic (resources), an organizational dynamic (production) and a rational or significating dynamic (distribution). These three complement and stand in tension with each other, much as do the economic, political and cultural dynamics. Each represents a different perspective on economic commonality. And each in turn is subdivided into triangles, governed by the same rationale, which define that particular dynamic in more detail.

Similarly, the political and cultural commonalities can be broken down into their sub-dynamics. The second level of triangles in the

political dynamic consists of (foundational) order, (organizational) justice and (value) welfare, while that in the cultural dynamic

Figure 5. Multi-Level Social Process Triangle



consists of (foundational) wisdom, (organizational) styles and (value) symbols. These triads of sub-dynamics bear the same relationship to each other as do the economic, political and cultural dynamics.

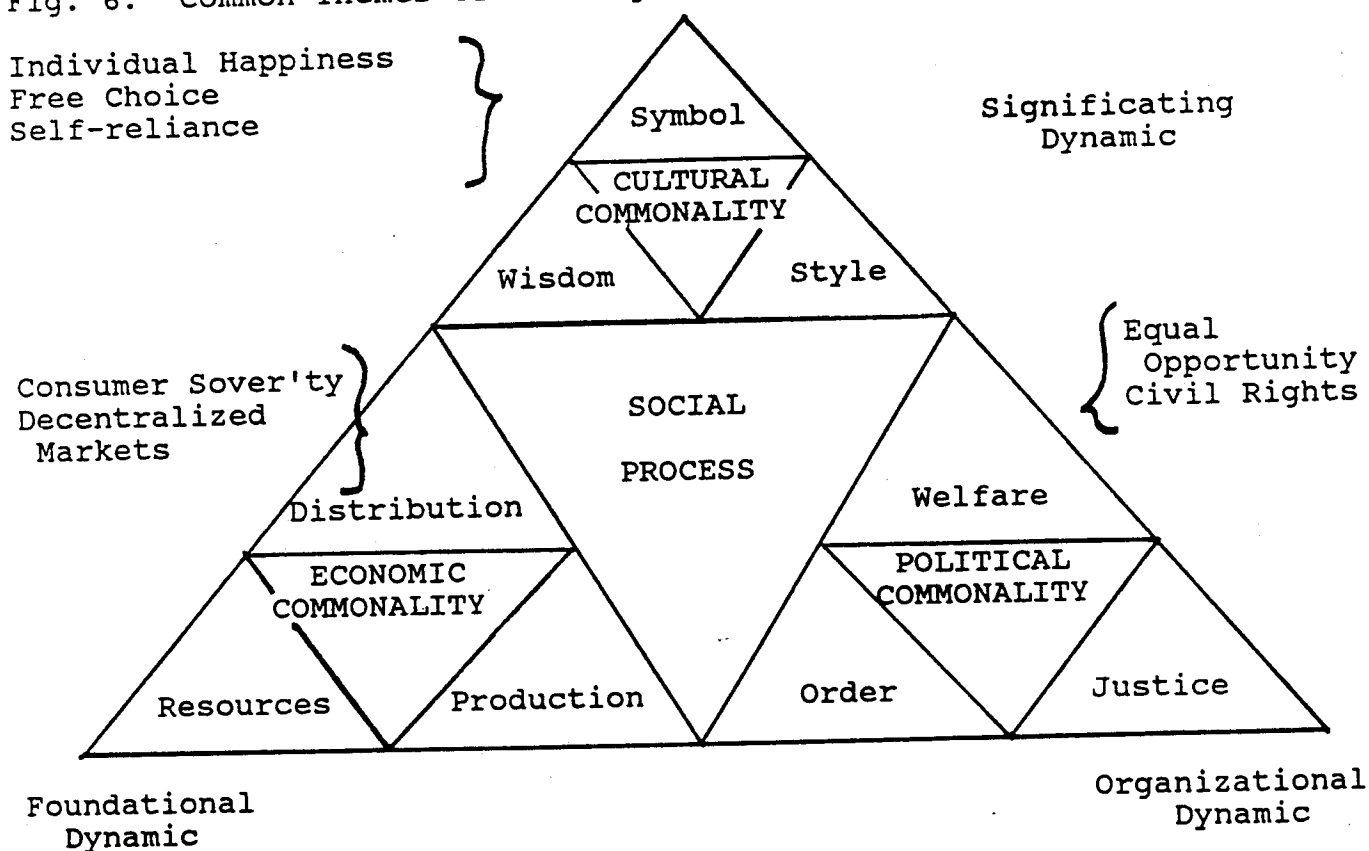
Moreover, each aspect of these sub-dynamics can be subdivided further in its three component dynamics, and these too complement and stand in

Social Process Triangle

tension with each other as do the major dynamics. In triangle and sub-triangle, the lower left component always represents the foundational or sustenance pole, the lower right always the organizational or decision-making pole and the apex always the rational or significating pole.

Given this consistent rationale behind the social process triangle, it logically follows that parallels may be drawn between similarly placed dynamics on the triangle. Thus, in a society with a long-standing and thorough-going market economy, such as the United States, the significating poles of each of the three major dynamics -- i.e., the distribution dynamic of economic commonality, the welfare dynamic of political commonality and the symbols dynamic of the cultural commonality -- may be expected to reinforce each other. See Fig. 6. Individualism, volunteerism and limited government are common themes of each. Keep in mind, however, that even among thorough-going market economies, specific patterns of behavior and belief can vary widely from society to society. These will be explored below in more detail by comparing country environments.

Fig. 6. Common Themes of the Significating Pole - Ex.: United States



In the United States, the American ideals of individual liberty, freedom of expression (including religious freedom) and equal opportunity are bedded in a market system that is anchored in a strong belief in

consumer sovereignty, private property and suspicion of governmental power. Antitrust laws were introduced a century later largely to ensure that private aggregations of economic power could not be used to circumvent the concern initially felt about governmental power. During the subsequent decades of the 20th century, these laws have been expanded and interpreted to focus on and strengthen the rights and benefits of consumers. The way in which the United States operates as a nation today can not be understood without a clear understanding of this heritage and how it threads its way through every piece of the social fabric.

These patterns differ markedly from the market economies of, say, Germany or Japan. Though their histories are quite distinct, these two societies possess individual and social philosophies which are much more communitarian than individualistic. The homogeneous nature of each of their populations also results in shared value legacies which reach far beyond the political compact that forms the primary basis of U.S. society. Because of this, the patterns of beliefs and behaviors emanating from the rational poles of the three major dynamics differ substantially from those of the United States as well as from each other.

By the same token, a comparison of the organizational poles of the three major dynamics also reveals certain consistent themes. Japanese society, for instance, highly organizes and integrates social relationships in most every respect. See Fig. 7. This ethnocentricity - a type of 'communitarianism' (George Lodge) - tends to exclude 'outsiders'. It is reflected in the style of business conglomerates (cultural dynamic), known as 'kereiatsu', which typically are built around a combine led by a major financial house, trading company and industrial concern and integrate a wide array of subsidiaries, suppliers, subcontractors and distributors through interlocking directors, cross shareholdings, business understandings and social clubs.

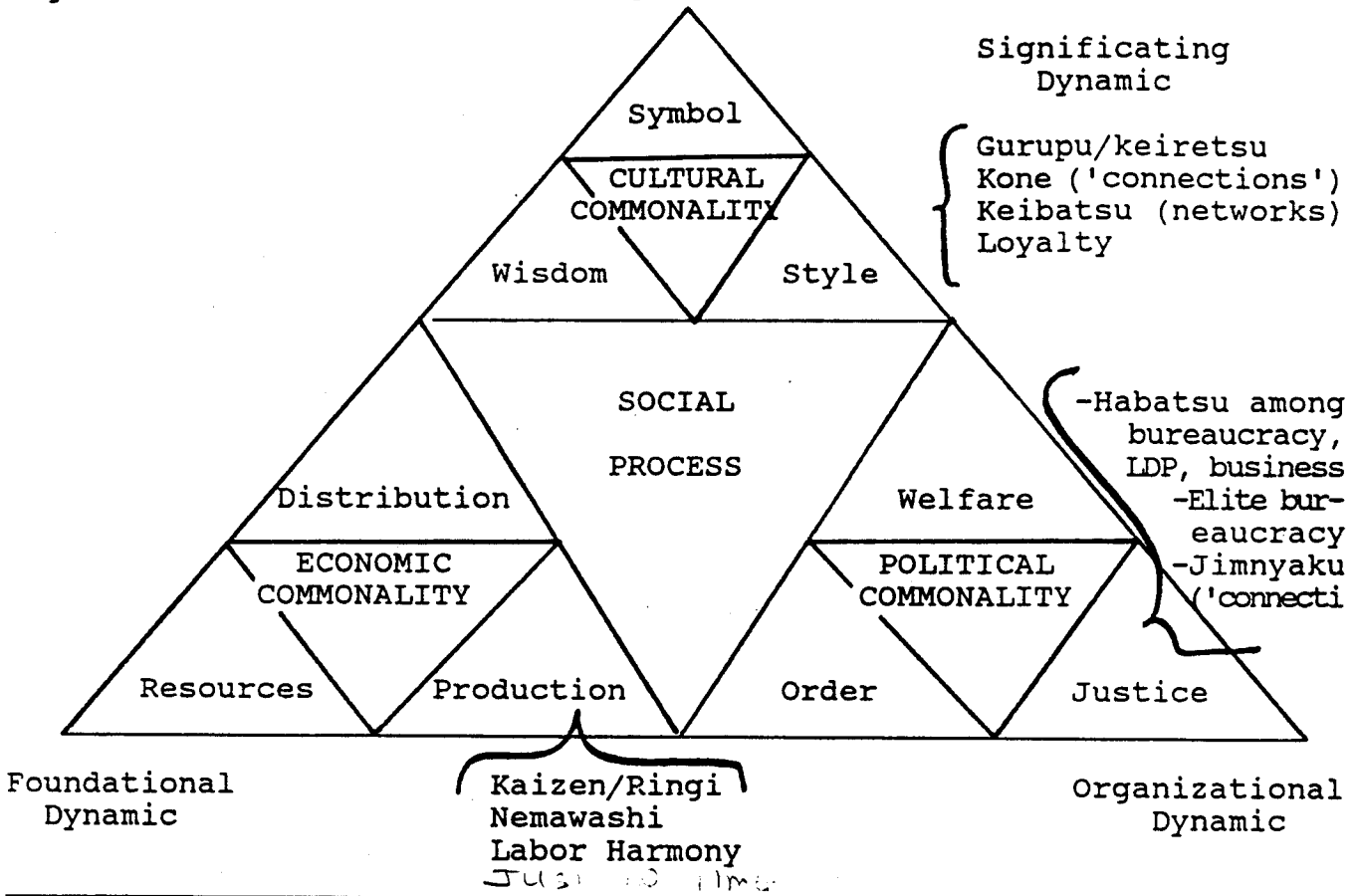
The Japanese style of 'communitarianism' reappears in the tightly organized justice dynamic (political dynamic), which some have termed 'Japan, Inc.' and Karel van Wolferen (1990), calls the 'System', where

"bureaucrats, former bureaucrats in top business positions, former bureaucrats turned politician and the former bureaucrats or bureaucratized businessmen who head the business federations are as one, as they mingle and busily monitor the economy and maintain social control." (p. 45)

It manifests itself again in the organization and management of Japanese production systems (economic dynamic). It is reflected not only in the group-oriented management practices of nemawashi ('taking care of the roots'), kaizen (constant improvement) and ringi (bottom-up participatory problem-solving), but also in the system of industrial relations which has induced labor harmony since the end of WWII. However interpreted, the three organizational poles possess a theme of

social harmony which is common to the economic, political and cultural dynamics of Japanese society.

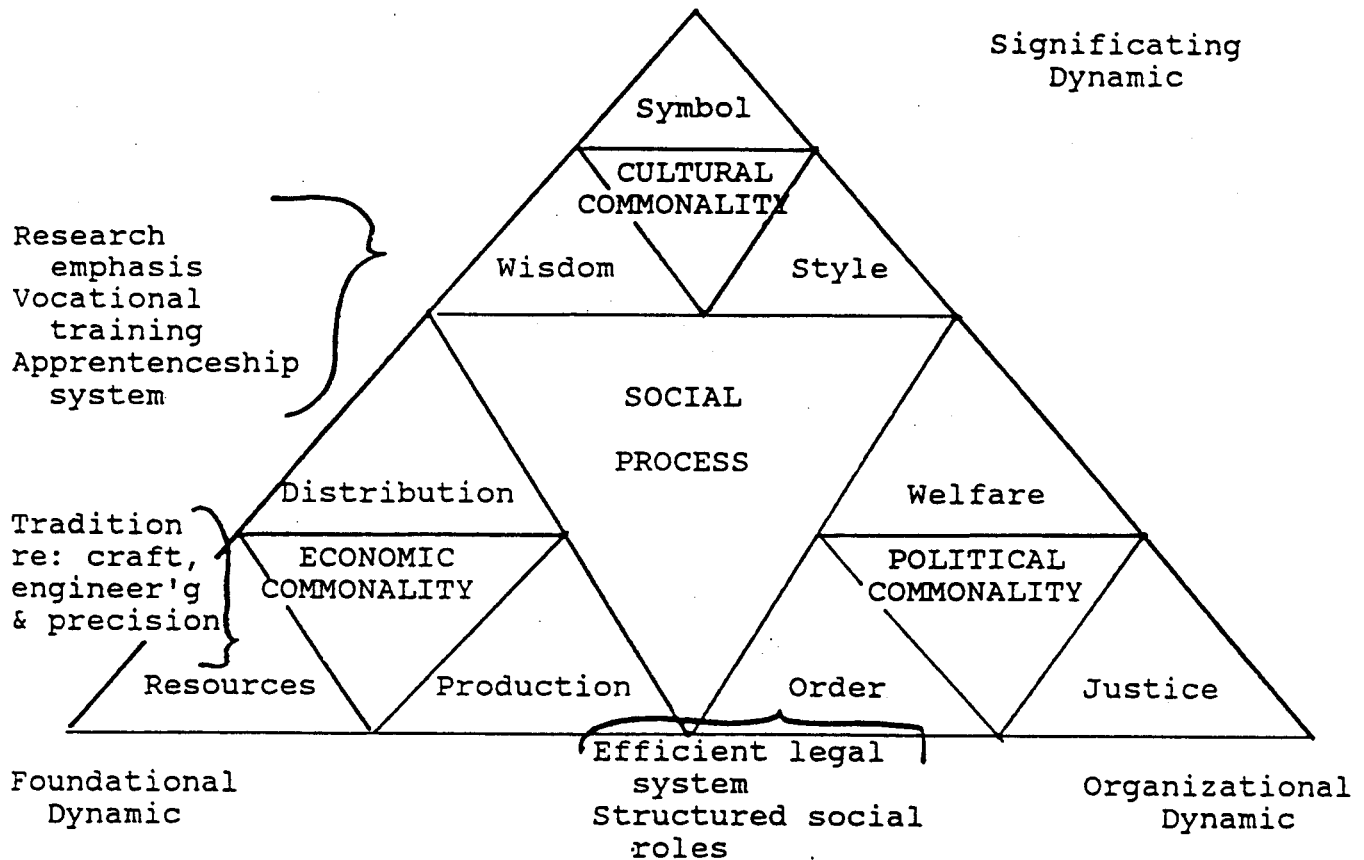
Fig. 7. Common Themes of the Organizational Poles - Ex.: Japan



Finally, the foundational poles of the three major dynamics are likely also to embody common themes. German society, for example, reflects in most respects a bias toward order, discipline and productivity. This theme, which is critical to any society, is clearly expressed in Germany's foundational dynamics. See Fig. 8. Thus, German society's commitment to wisdom (cultural dynamic) -- to excellence in science, philosophy and useful skills -- is epitomized by resources provided to education and the high respect paid teachers and professors at every level. Business and the state (Laender) governments cooperate closely in an apprenticeship program that equips everyone with functional job skills who is not preparing for university education. At the same time, Germany's great legal tradition, which has influenced the civil and commercial code systems of many countries, reflects its concern for order and stability (political dynamic). Finally, Germany's emphasis on craftsmanship, technological superiority and worker training ensures quality in the resources (economic dynamic) that support its high productivity. These three aspects are blended together by a strong support role of the federal and state governments, which spend 2.5% of

GNP alone in supporting the technological development of German industry. (Thurow, 1992, p. 38)

Fig. 8. Common Themes of the Foundational Poles - Ex. Germany



As this analysis suggests, similar (foundational, organizational or significating) poles within the social process may be expected to complement and reinforce each other. Where they do not, this may indicate the existence of social stress, rigidities or deficiencies. Thus, it is widely believed that America's educational system -- especially for lower half of the nation's students -- does not meet the resource needs of its high tech economy, i.e. a dysfunction between the foundational dynamics of the economic and cultural processes. Equally, it may be asked whether the German penchant for social order and political stability will enable that country to play a leadership role in the integration of the European Community and the emerging relationships with Eastern Europe, i.e., a potential dysfunction among the organizational dynamics of all three social processes. And, the question may be raised whether Japan's cultural homogeneity and ethnocentric attitude accords with the requirements of an expanding market economy that is built upon the need for trade reciprocity, i.e., a potential dysfunction among the significating dynamics of three social processes.

The issue of complementarity, therefore, cuts across the social process in a number of directions. It may arise among the major processes and result in a bias toward the economic, political or cultural commonality of a society during a particular era. Further, it may reflect a real or potential dysfunction among the foundational, organizational and significating dynamics, impeding a society from realizing its potential. Finally, it may signify an imbalance among the sub-parts of any one of the major processes, as when a rigid, outdated or overly complex and costly legal system (order) impedes citizens access to legislative input (justice), rights and benefits (welfare) that are part of the social compact and are critical to the functioning of the political process.

As the foregoing suggests, the social process triangle is intended to provide a framework for holding and analyzing all aspects of society as well as the total environment within which business operates. The next step is to consider how it may be applied as an analytical tool to specific situations.

ANALYTICAL APPLICATIONS

The social and corporate process triangles provides the framework for a number of approaches that can be used for analyzing the social and organizational environment of business. These range from analyses of social change, economic systems, and country and regional environments to problem-solving, issue/policy analysis and mapping organizational capability. These are a few -- but by no means all -- of the approaches that could be used to employ the triangles. The applications are discussed below.

A. Trend Analysis

Modern industrial society is constantly and increasingly in the throes of change. For business purposes, the question facing managers is not so much why social change occurs, i.e., change theory, but (i) what changes are likely to occur in the market and industry structure of a particular society within a foreseeable time frame, and (ii) and how will this affect a firm's competitive position and business prospects? Trend analysis is intended to enable a business manager to think into the future without forecasting. It can be used as prologue to building a practical vision or as a means to assess how market conditions might change for the industry.

Trend analysis employs the social process triangles as a framework to force a comprehensive survey of how the market or the competitive structure of industry is likely to evolve. As a working definition, 'trend' is defined as a pattern or a reoccurring series of events over an extended period of time, that indicates a common direction and tends to reinforce a way of acting, thinking or feeling in society.

Trends may be deep-seated and broad-based, such as the increasing movement of women into the mainstream of the U.S. work force, or they may be superficial and relatively short-lived, such as fads in clothing or music. Trends also may be judged to be positive or negative, based on their expected impact on society.

This analysis can be undertaken using the following steps:

1. Trend Siting. Identify in each of the major segments of the triangle -- economic, political and cultural:
 - (i) Several (third level) dynamics that have special significance for the industry, and
 - (ii) Recent events that characterize this significance.
2. Trend Candidates. For each dynamic, determine the --
 - (i) Direction(s) or momentum(s) of these events, and
 - (ii) Social forces (institutions, beliefs, group behavior, etc.) that appear to reinforce these direction(s) or momentum(s) at present.
3. Trend Verification. For each likely trend --
 - (i) Determine the strength and duration of the social forces that will perpetuate and reinforce the trend(s) during the next five to ten years.
 - (ii) Is the intensity or momentum of each trend likely to be high, median or low?
4. Trend Impact. Using a time horizon of 8 to 15 years --
 - (i) Assess the likely impacts of each trend on the market or competitive structure of the industry, keeping in mind that any trend can have economic and political as well as cultural impacts.
 - (ii) How are either or both likely to change over the next 10 years?
5. Scenarios -- can be constructed from the above analysis by determining how and at what points trends will intersect in the future, and how these impacts will shape the industry or market.

B. Economic Systems Analysis

The social process triangle can be used also to define and compare the operating assumptions and characteristics of economic systems. Comparisons can be made among such paradigms as traditional, command and market economies, as well as between the particularized economic systems of countries, i.e., the individual capitalism of the United States as contrasted to the group capitalism of Japan.

Whereas "traditional economies" are built on custom and inherited position (i.e., the medieval towns of Europe where every one had his/her place), and "command economies" allocate resources and

distribute goods and services through goals chosen by a higher authority (whether a despot, an ideology or an elected legislature), the "market system" relies on the aggregated choices of individuals exercising their economic preferences (whether wisely or unwisely).

This approach is particularly useful for understanding how a country's economic system functions as an integral part of society as a whole, including such aspects as symbols, life style, management philosophy(ies) and the social compact. By the same token, it permits an assessment of the institutions that support the economic system.

For this type of analysis, the social process dynamics can be deployed within a matrix. See Appendix . The various components are arrayed down the left-hand side. Across the top, different categories can be listed, depending on the type of comparison or characterization desired. The content of the matrix reflect the social characteristics of each system. At least two types of comparisons are possible, i.e. -

1. Generic Comparison of Economic Systems. By arraying the three generic types of economic systems -- traditional, command and market economies -- across the top of the matrix, each system can be profiled, its guiding principles compared, and insights gleaned of their inner dynamics. Thus, the values that motivate a command economy are different from those that drive a market economy. (See, e.g., R. Heilbroner, The Making of Economic Society.) This comparison is useful not only as a didactic tool, but is particularly relevant in analyzing the challenges and progress of former command economies seeking to transform themselves into market economies. It must be recognized, of course, that no economic system reflects any of the pure generic forms. See Appendix B.
2. Country-Specific System Comparisons. In this case, differences in how countries' economic systems operate are highlighted. Thus, while the United States, Germany and Japan may all have market systems, they function in markedly different ways. To make this comparison, array the countries across the top.

C. Environmental Profiles

The social process triangle can be employed to assess societal environments, whether at the global, regional, national or sectoral level. These are largely macro analyses, but are concerned mostly with how the dynamics of the social process are imbedded in social institutions, whether economic, political or cultural. Profiles are assessments that can be used to formulate a firm's operating guidelines or appropriate entry strategies as well as governmental policies. Further, as country environments are constantly undergoing change, this type of social process analysis can assist firms to gauge changing policies and the business climate on an ongoing basis.

Following are some types of profiles:

- o Global Profile. What is the sociology of the planet or of "world society" (John Burton (1972), pp. 19, 20, World Society, Cambridge Univ. Press), or the "global village," i.e., the present state of how and by what means peoples interrelate?
- o Regional Profiles. How do the component sociologies of a region correspond to one another, e.g., Western Europe and the European Common Market? What are the differences, and how can they be reconciled?
- o Country Profiles. How receptive is the sociology of a country to a firm's business purposes? The key to this analysis is to develop operational or "applied" standards (at the 3rd level) for evaluating a country's environment. Thus, in terms of the economic dynamic, "quality" may be the operational standard for evaluating "resources"; "productivity" for evaluating "production"; and "purchasing power" for evaluating "distribution." As for the political dynamic, "stability" may be the operations standard for evaluating "order"; "due process" for evaluating "justice"; and "business climate" for evaluating "welfare." And for the cultural dynamic, "job ethic/job skills" may be the operational standard for evaluating "wisdom"; "business style" for evaluating "style"; and "sacred values" for evaluating "symbol." The profile must be customized to the observer's need. See Appendix C.
- o Sector Profiles. Very often a particular aspect of a country is crucial. In that case, e.g., the technological infrastructure or the regulatory framework, a particular sector of society becomes the focus of attention. The social process in that case is used to ensure that all aspects - i.e., economic, political and cultural - of that sector and the institution that sustain it are examined and understood.

In drawing insight from profiles, it is useful to ask the following questions:

1. What are the common threads that define the society or infrastructure?
2. To what extent do the corresponding poles of the three major dynamics reinforce or conflict with each other, i.e. --
 - o Foundational poles = resources, order and wisdom
 - o Organizational poles = justice, style and production
 - o Significating = symbol, distribution and welfare
3. Where are the dysfunctions within each of these triads, and what appears to give rise to them?
4. What are the social rigidities that sustain or reinforce the dysfunctions?
5. What strategies can remove, ameliorate or compensate for the rigidities? See Appendix D.

D. Problem Solving

The social process triangles can be employed as the framework for examining and developing comprehensive solutions to messy problems and issues. This is largely a cause-effect analysis, but recognizes that every problem or issue and its potential solution has not one but three facets. Thus, this approach allows -- indeed, calls -- for a number of causes and effects to be considered. It thereby enables a search for root causes and comprehensive solutions instead of dealing primarily with symptoms.

This method proceeds as follows:

1. Locate the immediate problem/issue on the social process triangle, e.g., falling labor productivity = human resources; ethnic uprisings in India = domestic tranquility; concern about abortion = religion/individual freedoms(?)
2. What are the likely implications of the problem/issue for society/for individuals?
3. Where are the root causes? Typically, they can be found in another dynamic.
4. Look for solutions that address root causes. These are wholistic solutions that embrace or complement all three dynamics, i.e., system changes, not merely palliatives or placebos.
5. Solution verification. Does the proposed solution have identifiable economic, political and cultural dimensions?

E. Issue/Policy Analysis

The social process triangle provides analysts with a 'systems framework' for sorting out the potentially conflicting values and positions at stake in specific issues. It further enables them to devise policy solutions that combine the strengths of each position and, at the same time, come to terms comprehensively with all relevant economic, political and cultural aspects of the issues.

The steps in this type of analysis take the following sequence, but the analytical framework may be expanded by reference to the concept of social dysfunctions and rigidities mentioned above under "Environmental Profiles."

1. Define the issue, and the various values or viewpoints at stake and the groups or that sustain it as a socially relevant concern. Health care example: How to make quality health care available and affordable to every American?
2. Plot these various values or viewpoints at the third level on the social process triangle. (Site at least three points on each of the three major dynamics.) Health care example: For the economic dynamic, look at technological resources, human resources, property claims and consumption plans; for the political dynamic,

consider legal base, secure existence and executive authority; for the cultural dynamic, examine useful skills, social structures and social art.

3. Identify the underlying value conflicts and determine the social systems or institutions that sustain the conflicts and impede their resolution or reconciliation. These are typically the source of social dysfunctions or rigidities; they also may be warring paradigms. The points of conflict and their sources should be carefully parsed and tracked to stakeholders and institutions.
4. What trends are at work that are working to ameliorate or exacerbate the conflicts? (See "Trend Analysis," above.)
5. Formulate a range of policy or strategy alternatives -- moving from the least to the most inclusive of the disparities -- that to some extent reconcile the conflicts and provide a complete system for their implementation, including support institutions. (Each alternative should address the key points in each of the social process dynamics.)
6. Verification. Compare these alternatives in terms of their costs and benefits, ease of administration and implementation, and the extent to which they address the original concern(s).

F. Organizational Analysis

The dynamics of any organization in society are simply a mirror image of the social process dynamics. An organization is, in effect, society writ small with some significant differences. Organizations normally: a) are established for one or more specific limited purposes, b) are, therefore, expected to have (either expressly or impliedly) a limited duration, and c) are part of the larger society and subject to its norms and practices. Nevertheless, organizations possess internal dynamical relationships that correspond to those of the larger society, i.e., "enterprise" (foundational) dynamics, management (organizational) dynamics, and cultural (significating) dynamics.

Ultimately, the purpose of this method is to assess "organizational capability," i.e., institution's ability to function effectively in realizing its mission and vision. With this as a backdrop, the corporate process triangle (see Appendix E)³ can be employed as a tool to identify organizational dysfunctions and challenges -- whether internal or external -- and to develop and reality-test strategies that

³ The corporate process triangle is also a product of the work of the Institute of Cultural Affairs and associate colleagues during the 1970's. The version presented here, originally entitled "A Corporate Culture Screen," was revised by ICA colleagues during the 1980's.

address these issues. Use of the social process triangle forces analysis to be comprehensive. It also suggests that, because of the way it is organized, staffed and managed, an organization may be able to utilize some strategies better than others.

- o Objective Level. First, map the organization in terms of the major dynamics and their sub-parts to the third level. (This can be done using a matrix.) (1) Identify the unit that has primary responsibility for the dynamic, (2) How does that unit describe its responsibility (i.e., the activities it engages in), and (3) What is the unit's reporting position (up and down the chain) in the organization.
- o Reflective Level. Determine how the activities and responsibilities of the unit: (4) interrelate and are influenced by dynamics of the other poles of the triangle, and (5) contribute to the success of the organization as a whole, i.e., its master strategy.
- o Interpretative Level. (6) What are the dysfunctions, asymmetries or anomalies that are impeding its effective functioning? (7) Relative to each, what are the management challenges facing the organization?
- o Decisional Level. (8) Define alternative strategies and the management tasks for addressing each challenge? (Query: Can strategies be typed according to corporate process dynamics, i.e., their ability to address economic, political or cultural issues?)

[To Be Continued]

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GLOSSARY OF TERMS
SOCIAL PROCESS TRIANGLES

NB: These definitions refer to processes and dynamics which may occur anywhere and not to specific events or institutions which may take shape in any particular society. The repeated use of the terms 'common', 'communal', 'commonality' and 'corporate' indicates that all these dynamics are defined and acted out within a generally accepted context of each society.

- I. **Economic Commonality** - refers to all (foundational) aspects of the social process which sustain a community through the provision of goods and services. Without this dynamic, a society can not support itself and soon ceases to exist.

Example:

- A. **Common Resources** - refers to the (foundational) process of providing basic materials, i.e., various inputs or factors of production, whatever they may be, which are needed to the production of goods and services.

1. **Natural Resources** - refers to the (foundational) process of identifying and extracting all materials naturally found in the physical environment.
2. **Human Resources** - refers to the (organizing) process of developing and providing manpower for operating all aspects of the economic commonality.
3. **Technological Resources** - refers to the (significating) process of creating and improving techniques, devices and methods for refining, utilizing and conserving all types of resources, including the equipment and manufacturing processes required for common production.

Example: Minerals (natural resources) are mined by trained miners (human resources) with the use of equipment and extraction processes (technological resources).

- B. **Common Production** - refers to the (organizing) process of organizing the means of production, i.e., the various ways in which resources are transformed into capital and consumer goods and services. It encompasses both the hardware (i.e., equipment) and software (i.e., management systems and techniques) of the production process, and to the mobilization of personnel to accomplish the various tasks.

1. **Production Instruments** - refers to the (foundational) process of securing the capital goods, tooling and industrial processes needed for the production of goods and services, including the energy supplies required for their operation.

2. **Production Forces** - refers to the (organizing) process of mobilizing the personnel requirements of production at all levels, i.e., structuring positions, selecting and assigning personnel and managing its productive use. This includes all aspects of labor relations and systems for organizing people to do work.
3. **Production Systems** - refers to the (significating) process of designing and coordinating operating systems at every level of production. Here are found also the various tasks of directing, delegating, controlling and budgeting, and the feedback loops which inform the process of designing and coordinating.

Example: The process of common production may take place exclusively within a firm, but more often it will involve many firms. In the civil air frame industry, for example, the design of aircraft and the coordination of their final assembly (production systems) may be dominated by large companies, such as Boeing and Airbus, but the multitude of component parts from rivets to jet engines is generated through a broad network of smaller suppliers and their capital goods manufacturers (production instruments) as well as through the organization and application of various levels of skilled labor in cooperation with labor associations (production forces).

C. Common Distribution - refers to the (significating) process of determining how a limited quantity of goods and services are owned, transferred and distributed in society among an infinitely larger number of competing claims for their use and consumption. Because the mechanisms included here define the concept of 'distributive justice,' this process (much more than either common resources or common production) provides the distinguishing mark of economic systems.

1. **Property Claims** - refers to (foundational) process of defining who has the right to dispose of what and under what conditions. This is fundamental to any economic system and encompasses all types of property claims, including such matters as wages, home ownership, intellectual property, earnings and dividends and taxes. These claims determine the extent to which any person or organization has a claim, and to that extent participates in the exchange of goods and services. The process applies equally to governments' fiscal status and to the value of their currencies relative to other nations.
2. **Exchange Mechanisms** - refers to the (organizing) process of allocating goods and services among competing claimants, whether through individual transactions or in the aggregate

through government entitlement programs or international currency fluctuations. The process can be based on one or more currencies, on in-kind barter arrangements or on gift and inheritance bequests. However these exchanges occur, they determine the value of the goods and services transferred, and affect the value of other goods and services in the society. The mechanisms that apply in any society are not neutral: they entail a transaction cost and they often limit who may participate in specific exchanges, e.g., the purchase and sale of real estate normally involves a broker's commission, closing costs, a down payment and a determination of credit worthiness.

3. **Consumption Plans** - refers to the (significating) process of how goods and services will be distributed and ultimately defines a society's concept of 'distributive justice'. It provides the system for equilibrating supply and demand, and how these terms are defined operationally. Is the demand, for instance, determined by consumer sovereignty or government edict? Are supply and demand balanced through the pricing system of market forces or through five-year plans of government agencies?

Example: In a market system, auto workers on manufacturing lines are compensated for their work through hourly wages established through union negotiations (property claims), which are paid through checks drawn on banks (exchange mechanisms) and are spent on government-imposed taxes and the varying goods and service priorities of the earning households. In a command economic system, the range of household spending decisions and of available consumer goods is vastly narrower because of the dominant role of the state in the allocation of economic resources.

- II. **Political Commonality** - refers to all (organizing) aspects of the social process by which a community is organized and makes decisions about its future. It embodies most of the elements of (what is commonly called) the 'social compact', i.e., the principles which make a government legitimate in the eyes of the governed.

Example:

- A. **Corporate Order** - refers to the (foundational) process of defining and enforcing the scope and limits of the most fundamental relationships among members of a society as well as of that society with other nations. The conditions of domestic and international tranquility and of an effectively functioning legal system are the normal long-term outcomes expected from the functioning of this process. It is the foundational dynamic of the political process, without which society dissolves into chaos.

1. **Common Defense** - refers to the (foundational) process of safeguarding the integrity of society against external forces, including securing national borders against attack as well as developing alliances with other nations.
2. **Domestic Tranquility** - refers to the (organizing) process of ensuring the internal stability of society through law enforcement, correctional remedies and public support.
3. **Legal Base** - refers to the (significating) process of authorizing and clarifying the full range of procedures, rules and actions required to operate a legal system which support society's daily operations.

Example: The dissolution of the USSR reflects how material changes to the economic system may increase social instability (domestic tranquility), dramatically revise national boundaries (common defense) and require fundamental changes in the regime of property rights (legal base).

B. **Corporate Justice** - refers to the (organizing) process of deliberating, formulating, promulgating and administering the policies, laws and regulations of society. Taken together, these define the meaning of 'justice' in any society and determine its future directions. It encompasses all aspects of governmental decision-making.

1. **Legislative Consensus** - refers to the (foundational) process of determining the consensus of society on major issues in light of varying viewpoints and interests and the future needs of the nation.
2. **Judicial Procedure** - refers to the (organizing) process of settling disputes which affect social interests. These may involve interpretations of the constitution, laws and the rights and duties of individuals and may extend to determinations of the scope and limits of judicial and other governmental powers. Decisions may be rendered in the context of mediation, arbitration and litigation.
3. **Executive Authority** - refers to the (significating) process of establishing and administering governmental systems to implement constitutional and legislative mandates, judicial determinations and executive rules and regulations.

Example: The tension-filled division and balance of powers among the legislative, judicial and executive branches under the U.S. Constitution differ significantly from the parliamentary system of the United Kingdom. While each system of government has three distinct functioning branches, as reflected in the 'corporate justice' triangle, the U.K. system reflects a predominant role for

'legislative consensus' and, therefore, strikes a different balance among the branches.

C. **Corporate Welfare** - refers to the (significating) process of enabling members to participate in the benefits, responsibilities and promise of society as a whole. It is that which gives meaning to corporate order and justice, and which defines the political spirit of a nation. In nineteenth century terms, this might be called the 'rights of man'.

1. **Secure Existence** - refers to the (foundational) process of ensuring that every individual has the basic sustenance needed to engage in the political life of the nation. While it forms the foundational category of corporate welfare, the degree of security that exists depends greatly on society's stability and economic performance. Secure existence encompasses such basic needs as physical sustenance, adequate livelihood and assistance in emergencies.
2. **Political Freedoms** - refers to the (organizing) process of safeguarding the rights and liberty of individuals, so that they may participate in political life and have a genuine 'say' in their future. The exercise of these rights is always tempered by the rights of others and the general requirements of 'corporate order', discussed above.
3. **Significant Engagement** - refers to the (significating) process of releasing individuals to freely engage in and creatively contribute to the political life and future of a society. It entails such aspects as access to information, the ability to pursue chosen vocations and the freedom to act out expressions of conscience.

Example: Constitutions, says Montesquieu, are written not on tablets of stone, but in the hearts of citizens. Legislated entitlements (secure existence) and a 'Bill of Rights' (political freedoms) may provide the foundation for political engagement, but this freedom will not become reality until individuals are motivated to risk their lives and their fortunes for the sake of improving society and securing its better future (significant engagement). How serious is the commitment to democracy when barely 50% of the American electorate bother to vote in national elections?

III. **Cultural Commonality** - refers to all (significating) aspects of the social process which engenders values, fosters creativity and generates meaning to life. It inculcates significance throughout the social process, including the economic and political commonalities.

Example:

A. **Communal Wisdom** - refers to the (foundational) process of transmitting and perpetuating society's Weltbild, i.e., its view of the world or understanding of "what makes sense." What is being transmitted is not simply information, but information that is overlaid with and colored inescapably by a distinctive way of thinking. This means that the same events may be seen and understood differently by different societies.

1. **Useful Skills** - refers to the (foundational) process of conveying practical methods which enable all members of a society to function effectively in their jobs and daily lives. It includes everything from the 'three Rs', 'home remedies' and being 'street wise' to the industrial arts and sophisticated techniques of problem-solving. These vary widely depending on the society, and may be transmitted through formal instruction as well as through observation and personal experience.
2. **Accumulated Knowledge** - refers to the (organizing) process of creating and preserving the reservoir of information, of critiquing conventional views and of codifying the insights which enable society to advance to higher levels of awareness and comprehension. This may be as mundane as improving the science of management and as esoteric as probing the secrets of the universe.
3. **Final Meanings** - refers to the (significating) process of the continual search for ultimate meaning in life as reflected in the interior life of individuals, social morality or ethics and the ultimate concerns about reality before which every member of society stands.

Example: The foundation of every society is its educational system -- both formal and informal -- by which generations learn from each other the skills, science and social morality that largely determine its future. Without it, society is condemned to stagnation and decline. The United States provides superb graduate training for % of its populace, but lets the lower quarter drop out, while Germany ; and Japan (Thurow)

B. **Communal Styles** - refers to the (organizing) process by which society organizes and rehearses its corporate life together. In this sense, what is meant is not so much 'fashion' in its popular meaning, but the manner in which members of a society interact, i.e., express or act out their relationships with each other. This occurs in essentially three different settings: generations, procreation and community.

1. **Cyclical Roles** - refers to the (foundational) process of structuring social relationships -- including behavior

patterns and responsibilities -- based on age groups. These foundational roles delineate the expectations that society raises as individuals progress through life phases. Thus, during their early years, as the emerging generation, individuals engage intensely in acquiring the vision, basic knowledge, skills and accepted behavior patterns of society; with adulthood (established adults), they adopt career paths and hone the patterns of skills, discipline, productivity and leadership that these paths entail; as senior members or elders of society, they provide the reflection, far-sighted leadership and vision that comes with long experience.

2. **Procreative Schemes** - refers to the (organizing) process of ordering the vital social units, known as family, that begets, rears and nurtures the new born, and thereby perpetuates society. It encompasses society's expectations about sexual behavior and roles, family covenants and patterns, and parenting rights and responsibilities.
3. **Social Structures** - refers to the (significating) process of shaping the institutions, practices and patterns of relationships that define how every part of society interacts at every level. It encompasses groupings of all kinds, whether based on local communities, employment-related or professional associations, religious affiliations, volunteer service organizations, or interest and hobby groups. They range from highly structured membership organizations to an informal neighborhood canasta group. Each group affirms some self-conscious commitment and creates an intentional context for social relationships.

Example:

- C. **Common Symbols** - refers to the (significating) process of creating self-consciousness in a people of the sacred values which they hold in common. By definition, symbols are objects "used to represent something abstract" (Webster's, 1982), e.g., the dove is a symbol of peace. These abstractions or values often are both unarticulated and unreflected, and so commonly accepted as to be taken for granted. For this reason too, changes in meaning may occur imperceptibly in various parts of society and engender individual and social tensions that begin to fester long before their causes are identified.
1. **Corporate Language** - refers to the (foundational) process of developing a common means of communication, i.e., a language that expresses -- oral and written -- the full range of feelings, thoughts, images and concepts by which people convey consciousness and meaning. Language creates commonality by instilling standardized patterns of expression that both enable and limit the symbol-sound-image relationships of a society to human experiences.

2. **Social Art** - refers to the (organizing) process of rehearsing human experience in a way that brings awareness, eventfulness and new images to ever-expanding social consciousness. It constantly challenges and revises obsolete understandings and searches the edge of human vision for new meaning.
3. **Common Religion** - refers to the (significating) process of holding a society consciously before the final mystery. It does this by establishing primary images of consciousness, dramatizing the human journey and signifying ultimate reality.

Example:

	<u>TRADITIONAL</u> (Cultural)	<u>COMMAND</u> (Political)	<u>MARKET</u> (Economic)
Dominant - Traits	Static	-----> Dynamic	

ECONOMIC COMMONALITY

Resources

- Natural
- Human
- Tech

Production

- Instruments
- Forces
- Systems

Distribution

- | | |
|--------------|-----------------|
| -Claims | Past Practices |
| -Exchange | - Custom/Status |
| -Consumption | - Barter |
| | - Patrimony |

Planning Procedures

- Bureaucratic Elite
- Favors/Suasion/Force
- National Interests

Market Mechanism

- Mkt Price
- Monetized Mkt
- Consumer Demand

POLITICAL COMMONALITY

Order

- Defense
- DomTranq
- Legal

- Custom/tribal

- Admin. fiat

- Private property

Justice

- Legis
- Judicial
- Exec

Welfare

- Secure exist.
- Pol.Freedoms
- Significant Eng.

CULTURAL COMMONALITY

Wisdom

- Skills
- Knowledge
- Fin.Meanings

Status

- Craftsmanship
- Universal truth
- Perpetuate past

Ideology

- Planning
- Orthodoxy
- Party line

Wealth

- Efficiency
- Relative
- What works

Style

- Cyc.Roles
- Procreation
- Structures

Fealty

- Ext.family
- Royalty

Power

- State groups
- The party

Money

- Nuclear family
- Interest groups

Symbols

- Language
- Art
- Religion

Monarch

Manifesto

Central Bank

COUNTRY ENVIRONMENT ANALYSIS

APPENDIX C

Simplified Social Process

The various categories in the triangle below are intended to provide a screen for painting a dynamic portrait of a country, i.e., how it works. The various aspects are not institutions or simply characteristics, but social forces at play. These economic, political and cultural forces, as well as the institutions which they give rise to, tend to complement and reinforce each other. The terms are intended to represent the same meaning as portrayed in the original social process presented in the text.

