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Recent Studies

On humor's management power, venture capital in China, media's influence on business, and other topics of interest.

Research Notes by Des Dearlove and Stuart Crainer

Leading by Laughing

David L. Collinson (d.collinson@lancaster.ac.uk), "Managing Humour," *Journal of Management Studies*, Vol. 39, Issue 3, May 2002. www.blackwell-synergy.com

At the Ford Motor Company of the 1930s and 1940s, managers treated laughter as an offense warranting disciplinary action. Ford workers were banned from talking with colleagues, even during lunch breaks; humming, whistling, and smiling were treated as acts of insubordination. In 1940, John Gallo was fired from the company's River Rouge plant because he was "caught in the act of smiling," which followed an earlier transgression of "laughing with the other fellows," slowing down the assembly line.

These stories, recounted by David L. Collinson, professor of strategic learning and leadership at Lancaster University Management School in the U.K., illustrate the difficulty corporate management has traditionally had in dealing with humor. This legacy is not limited to corporations. Historically, authority figures in other institutions often sought to censure humor, regarding it as either uncivilized or dangerous. The ancient Greek philosopher Plato prohibited laughter in his Academy; and in medieval monasteries, humor was viewed as an obscene way to break the silence.

Yet the complex relationship between humor, power, and management has always been important, and it is becoming even more so, especially in businesses, Professor Collinson argues.

Moreover, far from being the austere bureaucracies suggested by organizational theory, corporations are actually full of jocularity. Studies confirm that humor can be found virtually anywhere that people congregate to earn a living, from breweries to accounting firms. The view of humor and jokes as a prohibited or superficial phenomenon of organizational life ignores reality and misses humor's significance, writes Professor Collinson.

Humor performs many functions. For manual workers, joking may be a means of coping with low-skill, high-pressure, and physically dangerous work. For emergency-services workers, humor can be a mechanism for dealing with trauma.

Humor can also provide cultural cues. Often it is an integral part of an organization's culture. "Jokes that people tell at the workplace can reveal as much, or perhaps more, about the organization, its management, its culture, and its conflicts than answers to carefully administered surveys," Professor Collinson writes. "If anything, under the moral smokescreen supplied by humor, people can express deeper feelings and views."

Contemporary companies seem to be more open about the role of humor; some overtly use humor to boost productivity and market themselves. Firms such as Southwest Airlines Company and Ben & Jerry's Homemade Inc. have embraced it to attract staff and differentiate themselves from competitors. Even more staid companies have tried to inject fun into their work environments.

Attempts to force humor in the workplace, however, can backfire. Corporate "fun days" can be excruciating, as many employees can testify. "Simplistic managerial attempts to manufacture humor in the name of creating fun are unlikely to be successful and may be counterproductive," Professor Collinson writes. The legal and financial implications of jokes that get out of hand show how humor can be a dangerous management tool, unless it is applied carefully.

Paradoxically, he concludes, the more corporations try to push "fun" on employees, the more they may resist it. Meanwhile, discouraging naturally lighthearted work environments can actually lead to a resurgence of pranks and a greater appetite for humor on the job. It's laughable, really.

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Venture Funding in China

Steven White (steven.white@insead.edu), Jian Gao (gaoj@em.tsinghua.edu.cn), and Wei Zhang (zhangw3@em.tsinghua.edu.cn), "China's Venture Capital Industry: Institutional Trajectories and System Structure," INSEAD Working Paper. www.dure.net/~kfa/data/papers/announce/2002_autumm/Jian%20Gao.pdf

In the most developed countries, venture capital is seen as a means by which entrepreneurs can build businesses and create greater wealth. In an emerging market economy like China's, venture capital is an increasingly important factor in helping entrepreneurs move an entire nation's economy forward. "In the Chinese context, venture capital came to be seen as a means of linking science and technological development on the one hand, with national economic development on the other," write Steven White, an assistant professor of Asian business at INSEAD, and Jian Gao and Wei Zhang, scholars from Tsinghua University in Beijing.

China's first venture capital firm opened in 1985 and was bankrupt by 1997. Today, venture capital firms appear to be on firmer ground. According to these researchers, in 2002 there were 210 venture capital firms in China. They further calculate that in China there are 86,000 new technology-based ventures employing 5.6 million people, 465 technology business incubators, and 53 high-tech zones. The incubators alone are reported to have produced 4,000 companies.

Initially, the Ministry of Science and Technology and other government bodies played a central role in financing new ventures. Funds from government sources, the authors say, are more accurately described "as 'leading funds,' serving as a signal to local governments and banks that the venture is politically and socially legitimate." Only now is venture capital beginning to be recognized as a commercial activity rather than simply government funding in a different guise.

The swift expansion of China's technology sector — in combination with nascent corporate laws that are not always enforced — means opportunity abounds, but opportunism is rife. For foreign venture capital firms, China is very appealing, especially considering the current downturn in Western economies. Eight of the top 10 venture capital investors in China are foreign. (They include Intel Capital, Goldman Sachs, and Walden International.)

There's irony in such an overtly capitalist entity as a venture capital firm being utilized by a Communist regime to meet its economic targets. Perhaps more interesting, however, is that the venture capital industry has not been successful around the world, even in capitalist economies. In Germany and the U.K., venture capital is regarded with tepid enthusiasm. For China, the questions are whether venture capital is the most effective means of distributing resources — and whether it can be a force for sustained growth.

Media's Influence on Business
Alexander Dyck (adyck@hbs.edu) and Luigi Zingales (luigi.zingales@gsb.uchicago.edu), "The Corporate Governance Role of the Media," Harvard Business School Working Paper Number 03-051.
www.people.hbs.edu/adyck/dyck_zingales_media.pdf

Look back at the business magazines of the 1960s and you will find an unquestioning, monochromatic world. Newspapers and magazines largely regurgitated the corporate line. The very thought that the media could set the corporate agenda — or influence executives' decisions — would have been risible.

Alexander Dyck, an associate professor at Harvard Business School, and Luigi Zingales, the Robert C. McCormack Professor of Entrepreneurship and Finance at the University of Chicago's Graduate School of Business, make clear how times have changed. They show persuasively that the media, in their efforts to pressure managers and directors to "behave in ways that are more socially acceptable," increasingly do drive corporate agendas and action — sometimes for the better, sometimes not.

By way of introduction, the researchers recall an instance in March 1988 when all of the major U.S. networks broadcast a tape of a Panamanian tuna boat killing hundreds of dolphins while it was fishing. This led a number of environmental groups to campaign against tuna fishing that endangers dolphins, which, in turn, led the H.J. Heinz Corporation to announce it would sell only "dolphin-safe" tuna. Other major tuna producers followed Heinz, and each adopted programs to source and promote dolphin-safe tuna.

This appears to be a simple case of corporate strategy's being shaped by the media for an environmental good. The reality was not so simple. In the tuna incident, the media raised consumer awareness of the issue and forced corporations to respond to environmentalists' demands, mostly by shifting tuna fishing to another area, the western Pacific, where it did not kill dolphins. This significantly increased costs for producers but didn't necessarily result in less damage to the environment. In fact, environmentalists criticized the decision for reducing biodiversity in the western Pacific, where tuna fishing "does not kill dolphins, but it does kill other species that, unlike dolphins, are on the endangered species list."

In addition, market research suggests most consumers haven't paid much attention to the dolphin-safe label because they're motivated by price rather than conscience when buying tuna.

In the area of corporate governance, the professors say the media wield the power to pressure governments to better enforce existing laws or develop new laws that strongly affect corporate strategy. This is because politicians have been held in the thrall of the media much longer than corporate executives.

Then there are the media's more overt attacks on companies' reputations. Whether in the form of journalists writing about companies or activists projecting their agendas

Organizations tend to place greater value on knowledge from external sources than from internal sources.

using paid advertisements in newspapers, on the Web, or on television, negative media attention can be harsh on corporate reputations internally as well as in society at large. In 1992, for example, the shareholder activist Robert Monks funded an advertisement in the *Wall Street Journal*. The caption "The non-performing assets of Sears" was accompanied by a picture of the company's board of directors. Some good did come of this: The Sears board accepted many of Mr. Monks's suggested changes in policy, and the board was forced to "increase shareholder value, an objective they should have pursued to begin with," the authors write. But the Sears directors paid a heavy price for such public criticism. Their reputations were sullied; whether they had acted in shareholders' best interest was not the issue.

The better news about the media's increased influence on business agendas is that publications are producing more quantitative rankings of companies, such as *Fortune* magazine's "100 Most Admired Companies," that include nonfinancial performance measures. These rankings are valuable marketing assets companies can utilize, and they don't have to bear the cost of collecting and certifying the information themselves.

Is Organizational Learning Good?
Chris Grey (cjg38@cam.ac.uk), "Against Learning," University of Cambridge Judge Institute of Management Working Paper Number 4/2001. www.jims.cam.ac.uk/research/working_papers/abstract_01/abstract_01_f.html

Learning, whether at school or within organizations, is generally regarded as a liberating force that empowers the individual. So it is hard to imagine anyone, especially a professional educator, being against it. Yet Chris Grey, a faculty member at Cambridge University's Judge Institute of Management in the U.K., cautions that organizational learning can also be an instrument of control.

In the business world, the notion of the learning organization came to prominence in the 1990s, when Peter Senge and the late Donald Schön of the Massachusetts Institute of Technology and Chris Argyris of Harvard were influential in convincing companies that organizational learning — learning undertaken by individuals that benefits the wider organization — is critical to business success.

Much of the literature on organizational learning, Professor Grey notes, simply assumes that, "like vitamins and giving up smoking, learning is a good thing." In making the contradictory case, Professor Grey suggests there is an important distinction between learning that broadens the thinking of individuals and learning for a specific organizational purpose, which may have the opposite effect.

His argument focuses on two concerns. First, organizational learning is often presented as a shift away from hierarchical management. As such, it claims to give individual workers greater freedom to be creative and to innovate. Yet a common guiding principle of organizational learning is ensuring that senior managers have access to new corporate knowledge through the codification of workers' tacit knowledge. In this respect, the researcher argues, the learning organization can be seen as belonging to the tradition of Taylorism, which sought to wrest power from the hands of skilled workers.

Professor Grey's other contention is that organizational learning has an implicit agenda. Here he draws parallels with a 1977 study of schoolboys destined for jobs as manual workers. The research found that the boys' learning opportunities were organized to significantly reduce the variety of life choices available to them. In other words, their learning was designed to train them only for manual work rather than to empower them to make alternative choices.

Although Professor Grey does not claim that organizational learning is in itself bad, he warns of the danger in presenting prescriptive education as a completely open opportunity to learn: "However well-intentioned or innocent sounding, any invocation of learning entails an abdication of the capacity to think."

Knowledge Inside and Out

Tanya Menon (tmenon@gsbfac.uchicago.edu) and Jeffrey Pfeffer (pfeffer_jeffrey@gsb.stanford.edu), "Valuing Internal vs. External Knowledge: Explaining the Preference for Outsiders," Stanford Graduate School of Business Research Paper Number 1776, January 2003. http://gobi.stanford.edu/ResearchPapers/Library/RP1776.pdf

Many organizations are familiar with the "not invented here" (NIH) syndrome — the unspoken understanding that ideas from the outside can't possibly be as valuable as those developed internally. But research by Tanya Menon, an assistant professor of behavioral science at the University of Chicago's Graduate School of Business, and Jeffrey Pfeffer, the Thomas D. Dee II Professor of Organizational Behavior at Stanford Graduate School of Business, shows that "organizational reality" is quite different and more complex than meets the eye.

The authors support their findings with two case studies. The first involves Fresh Choice Inc., a chain of self-service restaurants offering an extensive salad bar and other food stations, and its acquisition of another salad chain called Zoopa. Initially, managers at Fresh Choice were impressed by Zoopa's operations and service; they saw this expertise as an important rationale for acquiring Zoopa. But once the merger had occurred, First Choice managers appeared to be dismissive of Zoopa's service and operations knowledge. Professors Menon and Pfeffer conclude that the perceived value of this knowledge within Fresh Choice decreased once the outsider, Zoopa, became an insider. "It is also possible that Fresh Choice stopped valuing Zoopa's knowledge over time, not because it valued external knowledge more, but because it had already learned all it could from Zoopa," the professors write. Or perhaps, they add, defenders of the status quo within Fresh Choice were resisting change.

The second case shows how a technology, originally developed at Xerox's Palo Alto Research Center (PARC), became more highly valued by PARC researchers when they saw the same technology being developed by someone else. In 1995, researchers at Xerox PARC began work on Documents.com, a project to develop an advanced Internet-based document management technology. But by 1999, funding for the project was stopped; Xerox lacked confidence in its own technology. Then several years later, attitudes changed when Xerox saw another company, Impresse, was developing a similar technology, and doing well. Eventually, Xerox approached Impresse with a view of possibly partnering with or even buying the firm.

These cases, the authors argue, suggest some common features of organizational life. Market competition can make external knowledge seem more valuable, and organizational constraints (budgets, politics, resistance to change, etc.) can make internal knowledge seem less valuable. As one PARC scientist said, "Xerox was not an early adopter of Documents.com four years ago and could have been setting a precedent by being able to offer the services. Now that we have competition, it's perceived to be of genuine value."

The authors also observe that the proximity of internal knowledge can make its flaws more visible. Conversely, because external knowledge is less accessible and harder to scrutinize, it may seem more valuable and desirable to those who don't control it. These forces typically outweigh the effects of NIH syndrome. Consider how, in the 1980s, U.S. managers and commentators venerated Japanese management practices. Yet W. Edwards Deming, an American credited with inspiring Total Quality Management, was largely ignored in his own country until Japanese companies adopted his ideas.

The tendency to overvalue knowledge outside a company may also help explain the corporate predilection for management fashions. "Even while managers chase after fads, copy what other companies do, engage in competitive benchmarking, and seek the help of outside consultants," Professors Menon and Pfeffer write, "they often ignore or resist good internal ideas." ✚