2018

Management Insights

Are Chinese Youth Born after 1990s Aliens?
Generational Differences Should Not Be Exaggerated

Building Heaven and Earth "Tiandi" with Social Values
An Interview with Vincent H. S. Lo, Chairman of the Shui On Group

Vision Without Boundaries

New Ideas for Business Practices

MANAGEMENT INSIGHTS

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Guiding business to succeed in the new economy

Management insights

2018

In the Age of Paradox,
Let Management Insights Be Your Guide

"It was the best of times, it was the worst of times. It was the age of wisdom, it was the age of foolishness; it was the epoch of belief, it was the epoch of incredulity. It was the season of Light, it was the season of Darkness; it was the spring of hope, it was the winter of despair…"

The words of Charles Dickens written 150 years ago still ring true today. It is the best of times as we live in an Internet age when almost everything can arrive at your door step and all information is accessible at your fingertips. We see robot greeting us at the front of a store, we can let the car drive us rather than the other way around. We can talk to anyone across the ocean any time free of charge, and we possess so much material stuff that is enough to live several lives… It is the worst of times because we see forests burnt, iceberg melt, neighborhoods destroyed, border walls are being built, tariffs increased, bitcoin price fell, and workers laid off. In this age of paradox, I hope that the management insights offered in this magazine can be the light and hope that can guide us to enter 2019.

In this annual English issue, we publish 12 new research highlights rewritten from articles published in top-tier management journals (e.g., *Strategic Management Journal, Journal of Applied Psychology, Organizational Behavior and Human Decision Processes*). These articles articulate how to deal with environmental uncertainty, for example, how knowledge teams innovate through power re-structuring based on expertise, how unfamiliar people can build trust by stepping out of own circle of acquaintances; how leaders motivate team members by developing differential relationships with them on the basis of performance, and how CEO charisma and narcissism influence other firm CEOs' strategic choice in different ways. These articles also reveal why people in China are more likely to tolerate individual bribery than organizational bribery, why sometimes it is the women who engage incivility against other women, and why high performers incur unexpected social costs in cooperative work teams. I hope you are intrigued and inspired by the findings reported in these research highlights.

In addition, we include two executive interviews in this issue. One interview is with Mr. Vincent H. S. Lo, Chairman of the Shui On Group, who has built a series of Heaven & Earth (Tiandi) works in Shanghai (see Building Heaven and Earth "Tiandi" with Social Values). Mr. Lo's most famous signature work is Shanghai Xintiandi, a trendy space where traditional Chinese elements are blended with Western modern architecture and culture. The other interview is with Dr. Ming Zeng, who is Alibaba's former Chief Strategy Officer and currently its Chairman of Academic Council (see A Deep Thinker of Future Business). Dr. Zeng participated and witnessed the amazing growth of Alibaba Group in the past 15 years, through which he developed many sharp observations and deep insights into the evolution of business and the challenges facing future organizations. I hope you enjoy reading the interesting life stories they share and the reflections they offer.

Happy 2019!

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Management Scholars' Bookshelf

Book recommendations from top management scholars

Hongquan Zhu
Associate Professor
Arizona State University

Superbosses: How Exceptional Leaders Master the Flow of Talent

Author: Sydney Finkelstein   **Publisher:** Portfolio

Superbosses are the most influential leaders in their fields who developed an exceptional number of influential leaders over time. Through ten years of scientific research, professor Finkelstein conducted hundreds of interviews and many in-depth case studies, revealing in this book the secrets of supperbosses in dozens of industries in America! Extremely well-written and pleasant to read, this book systematically describes the characteristics of superbosses, their philosophies, leadership techniques, mind-sets, and thought-provoking stories that are rarely known to the public. This is a must-read for all who is interested in developing high-level talents and top executive teams.
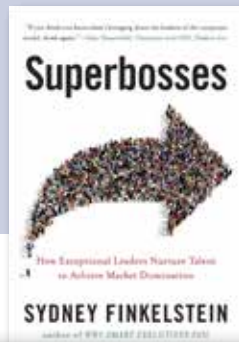
Blue Ocean Shift: Beyond Competing ——proven steps to inspire confidence and seize new growth

Author: W. Chan Kim and Renee Mauborgne   **Publisher:** Hachette Books

The book presents a holistic model for us to think what are the sources of economic growth by comparing and contrasting disruptive innovation and non-disruptive creation. The book does not stop at the conceptual level, and more interestingly, it dives into the 5 steps of Blue Ocean Creation process, laying out how firms can use the Blue Ocean Strategy to make impactful shift.

Guoli Chen
Associate Professor
INSEAD

The Righteous Mind: Why Good People Are Divided by Politics and Religion

Author: Jonathan Haidt   Publisher: Vintage Books

I love "The Righteous Mind" by Jonathan Haidt. It really clarifies the ideas behind the moral foundations framework, as well as describes the large amount of empirical testing of the model. After reading it, I felt like I had a better understanding of how moral values differ across people.

Christopher M. Barnes
Associate Professor
University of Washington

Throwing Rocks at the Google Bus: How Growth Bacame the Enemy of Prosperity

Author: Douglas Rushkoff   Publisher: Portfolio

It details how growth can become the enemy of prosperity, think the quarter to quarter mentality. Growth is seen as good in its own right, but rapid growth kills more organizations, then most other factors.

Bruce Avolio
Professor
University of Washington
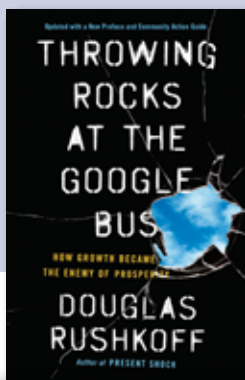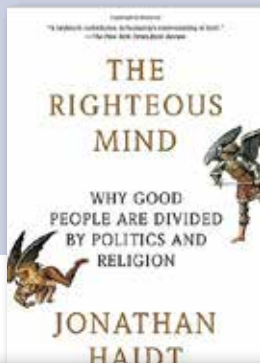
Zen in the Art of Archery

Author: Eugen Herrigel   Publisher: Vintage Books

This book describes the experience of a German Philosopher who goes to Japan to work with a teacher from whom he could learn Zen by means of archery. The philosopher thinks he can figure it out rationally, but learns that this is not at all possible. In fact, he had to learn in practice (as opposed to intellectually) over several years that becoming adept in a radically different form of knowing than he was used to required him to learn how to breathe in new ways, to learn to wait, to let go of himself, to dwell in boundless truth, to wait at the highest tension and to lose his ego. This is very different from the rational planning of the west but is much more likely than such planning to result in profound inner change that lies beyond our intellectual understanding.

Jean Bartunek
Professor
Boston College
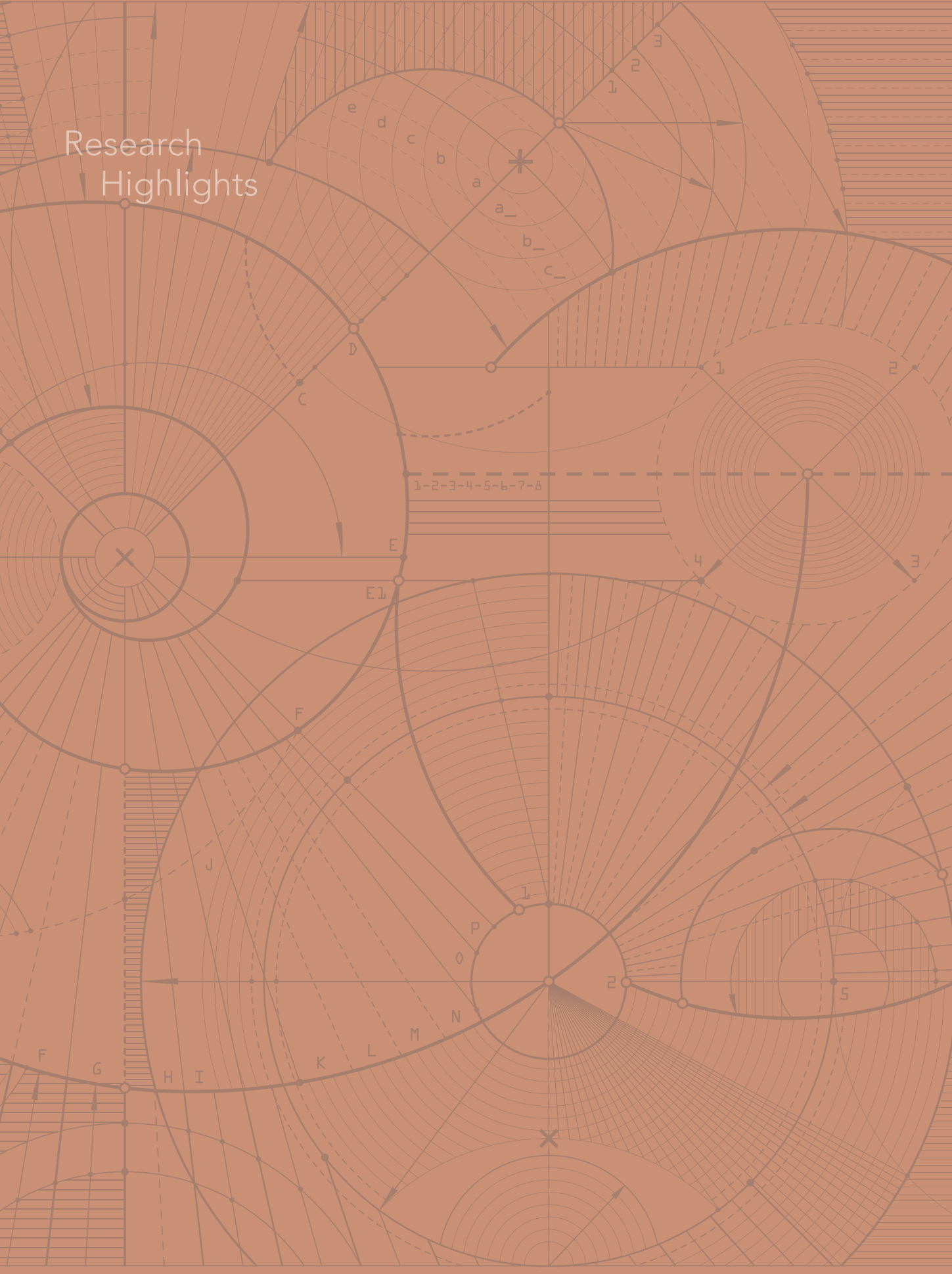
Are Chinese Youth Born after 1990s Aliens?

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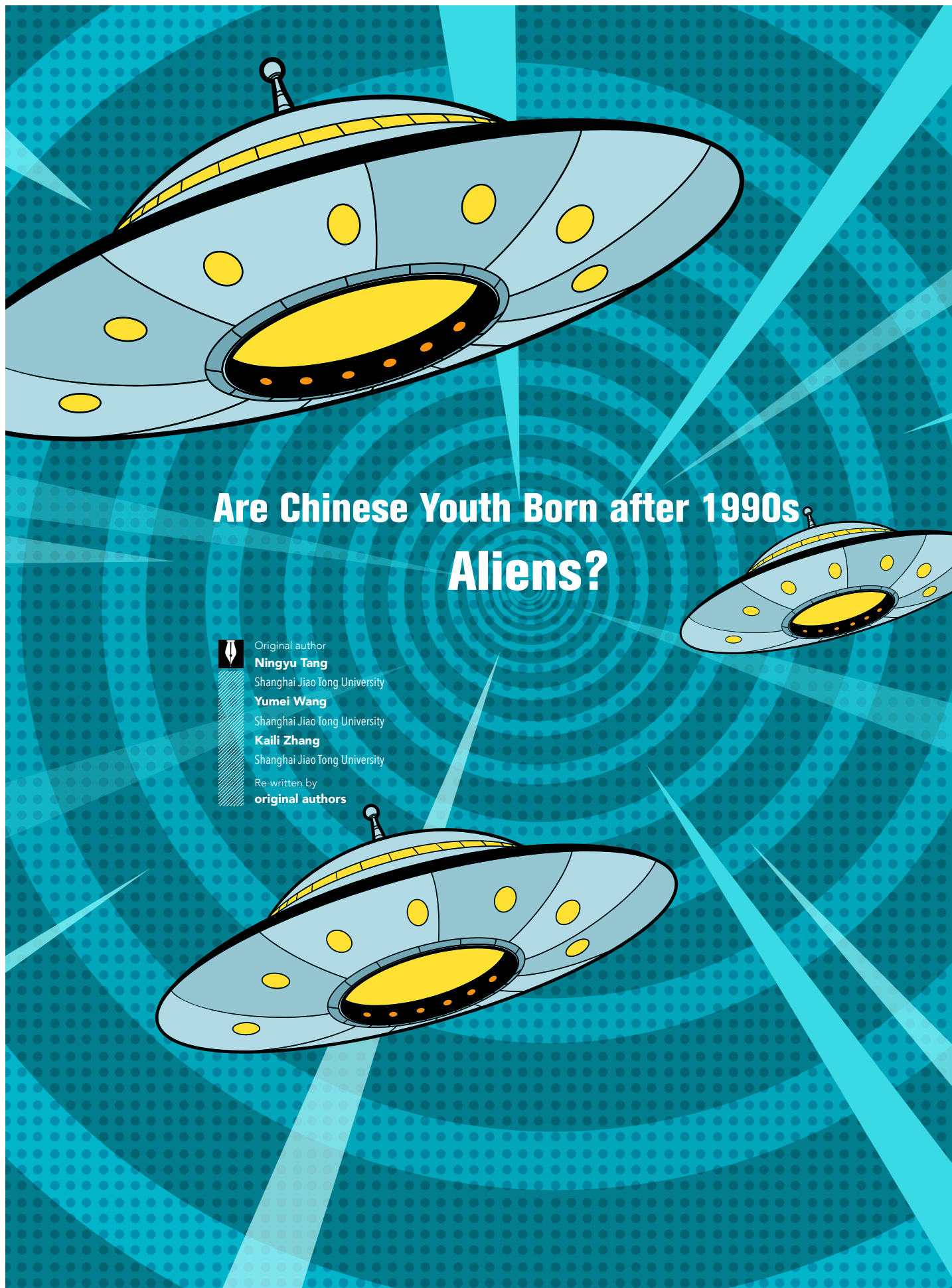
There are both value differences and similarities among the pre-reform (born in 1960—1977), during-reform (born in 1978—1989), and post-reform (born after 1989) generations, which are divided by the year of 1978 and 1990. Value differences can also bring different workplace behaviors. We suggest that it is more reasonable to use big economic events as the cutoffs of generational division. We also caution that generational differences should not be exaggerated.

Though the labels of the 1980s and 1990s have been widely used in the Chinese society, it is unclear why every 10-year should have such magic power to make people different from those who were born in the other 10-year. Even there are differences, can't it be age differences? If so, is generational difference a fiction? In fact, generational differences do exist. However, such generational differences are caused by the economic situation that individuals experienced in the young adults, rather than caused by age itself. As if the new babies are like a blank sheet of paper, their childhood experiences are painted as the base color of the paper which will remain life-long. For instance, in a closed society filled with infertility, people tend to be overcautious, although they want to be successful, they try to restrict the self to obey rules and be conservative; whereas in a society with wealth and advanced technology, people may have little worry to be more open. The broadened views lead them to focus more on social well-being rather than simply on personal gains and losses. Thus, along with the modernization of a society, the years with dramatic changes can be used as the cutoffs of generation cohorts. In this sense, generation cohorts represent the era instead of age.

The Three Generational Cohorts and Their Values

After the founding of the People's Republic of China,

among all the essential historical events, there have been two significant economic events: one took place in 1978 when the socioeconomic reforms were initiated, and the other was the establishment of the stock market in 1990. Based on these two events, people can be divided into three generation cohorts as pre-reform, during-reform, and post-reform. In the pre-reform era, China is a society with severe shortage of materials and people had the survival need for materials. Meanwhile, the mainstream thinking in this era was "big pot rice", egalitarianism, and sacrificing for collective interests, which made individual interests trivial. The pursuit of personal success and wealth was not only regarded as a disgrace but could be punished. In a word, compared with the other two generations, members in this generation were less open and more conservative. The prevailing collectivism frittered away this generation's desire for self-achievement and personal success. Although this generation cohort was educated to become a "greater self", due to the limitation of poor economic situation and the sense of "Do the best of yourself if you are poor", their transcendence values were not high.

The during-reform generation was born in 1978—1989. The new ideas such as "It doesn't matter if a cat is black or white as long as it catches mice" and "allowing a part of the people to get rich first" shifted China's focus from debating on ideology to modernization and economic development. The pursuit of personal

> Employees with high levels of self-enhancement should focus more on their own task, whereas employees with high self-transcendence values are more willing to take extra role work to benefit others and the organization.

wealth gained legitimization. A series of regulations such as the "open door" policy, market orientation, allowing enterprises to have multiple ownership, have accelerated economic development and made the first batch of rich people. The development of the economy and the enlarged freedom made this generation cohort more open and less conservative than the pre-reform generation. The long-pressed desire for material gain finally got released, thus this generation held the highest level of self-enhancement, but the lowest level self-transcendence among the three generation cohorts.

The post-reform generation was born in the 1990s. 1990 was also an important year in China's history when Shanghai and Shenzhen stock market established. It signaled the opening of China's financial markets, and was the milestone in China's capital market development. With capital transactions, people were able to achieve wealth accumulation and growth. Also, in this year, the Shanghai Pudong Economic Development Zone was established. A number of preferential policies attracted a large number of overseas investment and multinational companies, which also accelerated China's economic development. In 1992, Deng Xiaoping gave a speech on his tour of the Southern provinces of China and confirmed the direction for a socialist market economy with Chinese characteristics. China's modernization speeded up ever since then.

With two decades of economic development,

Chinese people's living standard has been greatly improved, with more and more people have entered the middle class. This economic development was accompanied by the development of science and technology, which connected China to the world. People could get access to large and diverse information. Relatively affluent lifestyle and abundant news and information broadened people's view. Thus, among the three generation cohorts, this generation was the most open, and the least conservative. They lived a decent life and did not have strong desires for high status and material wealth. In short, they cared more about the universal well-being than the self-achievement.

Value and Behavioral Differences among the Three Generational Cohorts

Will value differences among the three generation cohorts bring different behaviors in the workplace? Since values are considered as the guidance of behavior, the authors proposed that employees with high levels of self-enhancement should focus more on their own task, whereas employees with high self-transcendence values are more willing to take extra role work to benefit others and the organization. In addition, employees who are more open to change should have better innovation performance, whereas those with strong conservation values may not.

Will the division of generation cohorts in

the workplace and the generational difference hypotheses consistent with China's realities?

Empirical Findings

The authors conducted a nationwide survey and selected 16 manufacturing companies to be participants. The final data contained 602 supervisors and 2010 subordinates. The results showed that the years 1978 and 1990 were indeed two cutoff points to divide the three generation cohorts in the current workforce in China (most of the workforce were born after 1960). Take 1978 as an example, the cusp analysis indicated that people who were born during 1973—1977 had more similar values as those born during 1960—1972, but few as those born after 1978, indicating that 1978 was a cutoff year for cohort division.

Regarding value differences, among the three generations, the ordering on openness to change, from highest to lowest, is post-reform, during-reform and pre-reform, as expected. An interesting finding is that the post-reform generation shared similar values on conservation with the pre-reform generation. So this youngest generation in the Chinese workplace has integrated both openness to change and conservation values. Moreover, the post-reform generation possesses higher self-transcendence value than the reform generation, and it is more other-oriented. Finally, employees who have higher self-enhancement values show better in-role job performance, whereas employees who have higher self-transcendence values are more willing to engage in extra-role performance. Employees who have higher openness to change values exhibit better innovation performance, while conservation values do not show a significant relationship with innovation performance. ◪

Managerial Implications

Managers have been complaining about the young generations entering the workforce that they are self-centered and do not have a sense of responsibility. At the same time, the young workers also consider their older colleagues to be different from them and are difficult to communicate with.

But the findings of this study remind us that the generation gap is not as deep as previously assumed. We therefore make two suggestions. First, generation should not be divided into ten years or five years but based on the year of economic turning points. In other words, if China's social economy will develop smoothly and without any major changes from now on, then people can be considered in the same generation.

Second, people from different generations may also share similar values. For example, the post-reform generation has similar conservation values with their parents (i.e., the pre-reform). As a result, the young people in the workplace are not necessarily "aliens", in some respects, they are just like the "previous generation". Managers should consider generational differences, but also pay great attention to the commonalities they share in order to find most appropriate ways to motivate workers of different generations.

Negotiable Fate Fosters Entrepreneurial Orientation and Firm Performance

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> Whereas the belief in fatalism may hinder firm innovation and performance, the belief in negotiable fate was found to be especially beneficial when faced with uncertainty.

Upper management's belief in fate and personal control shapes companies' strategic decisions. Whether or not the belief in fate hinders innovation and firm performance depends on which specific "brand" of fate belief is ascribed. Although in the West, "fate" almost always carries a negative connotation, in the Chinese context, "fate" refers to both fortuitous and unfortunate events and circumstances with which one may have to contend. This formulation of fate allows the Chinese to acknowledge the unchangeable aspects of their life (e.g., it is their fate to have to face unfavourable circumstances), without rendering them helpless (i.e., it is possible to make the best out of a negative situation through one's efforts). Consequently, whereas the belief in *fatalism* (i.e., one's life and experiences are pre-determined and unchangeable) may hinder firm innovation and performance, the belief in *negotiable fate* (i.e., one's circumstances cannot be changed, but how one's life unfolds can ultimately be controlled through one's actions) was found to be especially beneficial when faced with uncertainty.

Belief in Negotiable Fate

The concept of negotiable fate was developed from the study of Chinese idioms, and therefore, reflects Chinese collective wisdom. Despite a heavy emphasis on the acceptance of fate in Chinese idioms, the importance of making the most out of available resources was equally highlighted. Such a belief in being able to negotiate with fate may be particularly beneficial for upper management who contend with an unpredictable business environment. Under these circumstances, a clear pathway to innovation and firm success is unknown — both consumer demands and products introduced into the market by competitors are constantly evolving. Therefore, rather than to predict one suitable solution, the belief in negotiable fate directs upper management's attention towards experimenting with available resources to develop multiple cutting edge products in an attempt to meet market demands.

However, despite the aspect of personal control embedded in negotiable fate, believers still concede that external factors beyond their control can impact the outcome. Consequently, it is reasonable to question if not believing in fate at all may be most beneficial. In our research, perceived personal control (i.e., without acknowledging the impact of external factors) did not consistently predict either a stronger emphasis on innovation in firm-level strategic orientation or firm performance as measured by multiple indices. In contrast, we observed that upper management's belief in negotiable fate uniquely (and positively) predicted

stronger emphasis on innovation in firm-level strategic orientation, and subsequently, firm performance. Furthermore, negotiable fate was especially conducive to firm innovation and firm performance among firms that operate in uncertain (rather than stable) environments.

Given the overall turbulence in China's current economy, these results imply that acknowledging the impact of unpredictable external factors can foster innovation through the firm's strategic stance, and subsequently, strengthen the firm's performance. Taken together, it seems that the most beneficial belief may not be the one that affords the greatest level of control, but rather, the belief that allows the upper management to maximize their gains based on the specific circumstances that they are facing.

Then how does upper management's belief in negotiable fate promote innovation? What are the key aspects of negotiable fate that motivate firm-level strategic decisions to emphasize innovation when it is clear that external forces can derail success? The answer lies in the similarities between negotiable fate and an approach to innovation called *effectuation*: both focus on making the best out of available resources. In stable environments, firms can identify and predict the suitable market solution, and subsequently, channel all the resources to identifying and producing this solution. In contrast, in dynamic and unpredictable

environments, the success of each endeavour is accompanied by greater uncertainty. Therefore, firms benefit from the effectuation process, which focuses on flexible experimentation with available resources. This approach enables firms to minimize loss without compromising the chance of innovative success. Thus, it is reasonable to expect the belief in negotiable fate to predict innovative success and firm performance, and for this effect to be particularly pronounced among firms that operate in a dynamic environment.

Research Methods and Findings

Two studies were conducted with executives who were part of an EMBA program at a large university in China. Only members of top management teams (e.g., CEO, VPs) participated in the studies. Each study consisted of two waves of data collection, conducted 6 weeks apart. One hundred and eighty nine responses were collected for Study 1. Respondents had an average age of 40.0 years and 11.8 years of tenure in management positions. One hundred and fifty responses were collected for Study 2. Respondents had an average age of 41.5 years and 12.6 years of tenure in management positions. The first wave of the questionnaire assessed respondents' beliefs in negotiable fate, fatalism, and perceived personal control; the second wave required participants to

rate their firms' strategic stance with regards to innovation (Studies 1 and 2), and firm performance and the extent to which their firms operate in a stable vs. dynamic environment (Study 2).

The results show that negotiable fate positively predicted firm-level strategic orientation towards innovation (Studies 1 and 2), and in turn, firm innovation performance and firm (overall) financial performance (Study 2). As expected, this effect was stronger among firms that operate in a more dynamic environment. Neither the belief in fatalism nor perceived personal control produced the same effects, suggesting that negotiable fate uniquely fostered both innovation and firm performance in the Chinese context. ✉

Managerial Implications

On the surface, the Chinese belief in fate could be fatal to a firm's survival if it was accompanied by helplessness. However, the special "brand" of beliefs that are espoused in many Chinese idioms capture the notion of negotiable fate rather than fatalism. Due to its emphasis on maximizing one's available resource, our studies demonstrate that such a belief among upper management fostered firm-level strategic stance on innovation, and subsequently, firm performance.

Based on these results, firms that are competing in dynamic environments should consider selecting managers with a strong belief in negotiable fate to reap these benefits. It is also important to point out that training managers to strengthen their beliefs in negotiable fate is alternative route, as studies have shown to be able to activate such a belief, even among individuals who do not generally hold them.

We propose that believing in negotiable fate is particularly important for managers whose firms operate in dynamic markets. In these environments, innovation success comes from being aware of both the difficulty in predicting appropriate solutions and the high likelihood of failure. By acknowledging the role of external factors in the belief of negotiable fate, managers will be able to accept that success is not entirely within their control. This will likely increase their openness to flexibly experiment with available resources, allowing the firm to be innovative while keeping affordable loses in mind.

Furthermore, beyond these strategic decisions on innovation, the acceptance of uncontrollable external factors will help managers focus on identifying factors that are beyond versus within the firm's control, rather than attempting to change aspects of the environment that are beyond their reach. This allows managers to offer multiple possible solutions that capitalize on factors within the firm's control, thereby maximizing the chances of a successful outcome. This approach is also likely to have a trickle-down effect by boosting morale within the company during uncertain times because it provides a sense of control despite the unpredictability of the future. Therefore, the benefits of belief in negotiable fate may also be an important leadership quality that can help minimize uncertainty and stress within the firm during uncertain times.

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Conditional Intolerance:
How Agentic Perceptions of Corrupt Acts Makes Individual Bribery More Intolerable Than Organizational Bribery in China

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The Chinese government is up in arms to fight against the scourge of corruption that has threatened its credibility. Given the highly internationalized nature of China's economy, addressing this issue requires an in-depth understanding of the influence of both Chinese and Western cultures on people's perceptions of corrupt acts. Towards this end, the authors of this paper examined the influence of national culture on the intolerance of bribery. Challenging the widely shared impression that collectivistic cultures are just more tolerant of bribery in any form, this paper presents a nuanced perspective. It argues that bribery is more intolerable across cultures when it is committed by an actor perceived as more agentic in that culture. Previous research found that Chinese tended to perceive organizational actor as more agentic than individual actor, whereas American showed the opposite perception. As such, Chinese (American) participants attribute organizational (individual) bribe payers' behavior to internally driven causes, rather than external pressures. This results in that the Chinese are more intolerant of organizational bribery than individual bribery, whereas just the opposite is true for Americans. Interestingly, the authors also investigated a group of bicultural participants (Hong Kong Chinese who have deep knowledge about Chinese and American cultures) and found the revealed cross-national pattern depending on whether Chinese or American culture was primed.

The practice of paying bribes or giving gifts in order to operate has been described as "an unspoken rule" in China's institutions.[1] To address this threat to its economic and social fabric, China is currently witnessing the most ambitious campaign against corruption since the nation was established in 1949. Over 1.3 million officials and businessmen have been investigated already.[2] Despite the government's determination, the campaign to curb bribery is laden with complications due to China's culturally dynamic business ecosystem and the inherently complex nature of bribery. First, workplace values and business norms regarding corrupt practices are evolving due to the cultural influence of Western-educated employees, multinational corporations' offices in Mainland China, and Chinese firms operating overseas. Second, what form of bribery is tolerated or penalized depends on the cultural orientation of the person you ask. Together, these factors point to an urgent need to appreciate the influence of both Chinese and Western cultures on people's perceptions of and reactions to corrupt acts. Investigation of these influences is imperative to understand how people respond to corrupt acts, their willingness to act against them, and their own

tendency to engage in them. The authors suggest that the key to understanding these complex implications resides in gauging where the blame is perceived to lie and how serious the offense is considered to be. They emphasize that in the context of cross-cultural phenomena, the attribution of blame and reaction to the offense can vary significantly based on the cultural lens through which it is viewed.

Accordingly, the authors adopt a cross-cultural approach to investigate how judgments of bribery committed by two different entities — individuals and organizations, vary across Chinese and American cultures. Based on an intensive review of relevant literature, they provide theoretical explanations and demonstrate the impact of cultural orientation on intolerance towards bribing through a multi-study empirical investigation. Moreover, to ensure a thorough understanding of the phenomenon, they also delineate the underlying psychological mechanism for this cultural difference through a rigorous theoretical and empirical investigation. The results of their investigation are extremely intriguing. They find that when it comes to perceptions of bribery, individuals and organizations are judged based on distinct assumptions regarding their agency. What's even more interesting is that the judgments can be antithetical depending on the cultural background of the observer. Specifically, their overarching thesis is that in both cultures, bribery committed by the more agentic entity will be judged as more intolerable. The cultures differ, however, on which entity they view as more agentic and why. To get a better grasp on these fascinating discoveries, let us walk through the theoretical pieces of the puzzle that the authors uncovered.

Types of bribery: The authors first distinguish between individual and organizational bribery. Individual bribery represents bribe-giving by an individual to serve individual interests. For example, a parent bribing the teacher to win favorable treatment of his child at school

or a defendant or prosecutor bribing the judge for biased judgment fall in this category. Organizational bribery is bribe-giving on behalf of an organization to serve the collective interests. A listed firm bribing the auditor for fraud exemplifies this form of bribery. This distinction is critical as there can be cultural differences in beliefs regarding whether causes of actions are individually or collectively driven. This is elaborated in the next section.

Individual versus group agency: Agency refers to an entity (individual or group) being seen as the initiator or cause of its behavior based on its intentionality, capacity, and autonomy. An important step in determining the perceptions of and reactions to different types of bribery is to understand if individual or group is perceived to be more agentic. This, in turn, depends on the culturally determined agentic beliefs of the perceivers. Individualistic cultures maintain a stronger belief in individual agency in which individuals are construed to be the drivers of their actions by being more autonomous from environmental constraints. In contrast, belief in group agency is stronger in collectivist cultures, in which groups are perceived to be intentional drivers of social outcomes. For instance, Americans endorse the belief that individuals take control of the situations around them and exercise free will, whereas Singaporean Chinese endorse the belief that organizations set a course for themselves independent of the influences surrounding them. This theoretical perspective on cross-cultural differences points to two important steps of investigation — cultural differences in intolerance towards bribery, as well as underlying attributional mechanisms driving these differences.

Cultural variability in intolerability towards bribery: A theoretical distinction between individual versus group agency helps to unravel why there may be cultural variability in people's perceptions of the intolerability of individual versus organizational bribery. If, as suggested above, individuals are perceived as more agentic than collectives in American culture, then

> The tendency of the Chinese to construe groups as powerful social actors leads them to see organizational bribery as more internally driven. Moreover, they are also likely to perceive individual bribery as more externally driven due to their tendency to view individuals as being constrained by their social environment.

Americans might be more readily assign internal motives (e.g., greed, ambition, desire) to bribing behaviors by individuals than to those by organizations. Moreover, if organizations are perceived as less agentic entities in the American culture, Americans may attribute organizational bribing behaviors to external factors such as the broader social environment (e.g., business competition). The reverse is likely to be true in the context of Chinese culture. If organizations are perceived as more agentic than individuals, then Chinese will more readily attribute bribing behaviors by organizations to their ''intents'' (e.g., missions, strategies, organizational culture, and ethical codes). Moreover, if Chinese perceive individuals as less agentic and powerful in exerting their free wills, then they might be less likely to attribute individual bribing behaviors to individual dispositions and intents, and more to the group pressure, social environment, and situational constraints. Based on the above arguments, the authors predicted that Chinese are more intolerant of organizational bribery, while Americans are more intolerant of individual bribery.

Attributional mechanisms driving differential intolerability: In addition to demonstrating cultural differences in people's intolerance towards bribery, a culturally driven perspective on agency helps to explain why these differences occur. Drawing from past literature, the authors assert that Chinese and Americans assign causality to internal and external factors differently, depending on whether the individual or organization is the bribing entity. For a bribing individual,

Americans may perceive greater internal volition because they believe individuals have the freedom to exert their will despite environmental constraints. For a bribing organization, however, Americans are more likely to make external attributions as they perceive collectives to have lower agentic control over their choices. On the contrary, the tendency of the Chinese to construe groups as powerful social actors leads them to see organizational bribery as more internally driven (e.g., due to organizations lacking an ethical code or intending to impair justice/fairness). Moreover, they are also likely to perceive individual bribery as more externally driven due to their tendency to view individuals as being constrained by their social environment.

Methodological Approach

The authors employed different methodologies to find empirical support for their ideas. In the first two studies, the propositions regarding cultural differences in the intolerance of individual bribery versus organizational bribery were tested by surveying college students as well as working adults in Mainland China and the United States (U.S.). The second study was also designed to test the underlying explanations that predicted these cultural differences in bribery intolerance. This was done by asking Chinese and American participants to indicate the extent to which they saw the bribe payer's behavior as due to internal and external causes. Finally, in the third study, the authors employed the cultural priming paradigm by experimentally manipulating the salience

of the Chinese or American cultural frame on a group of bicultural individuals from Hongkong to demonstrate that intolerance of individual versus organizational bribery varied as a function of the primed cultural frame.

Together, these studies confirmed the authors' predictions that cross-cultural differences in internal attribution explain why the Chinese are harsher in their judgments of organizational than individual bribery, whereas the Americans are harsher in their judgments of individual than organizational bribery. At a broader level these findings provide insights on important psychological mechanisms that apply to individuals across cultures — people are more intolerant of a bribing behavior when they perceived the bribe to be more causally attributable to that entity. ✉

Managerial Implications

By shedding light on important determinants and underlying mechanisms of the complex phenomenon of bribery, this research provides several practical insights and policy implications. In China, organizational bribery is a more serious and punishable transgression, while individual wrongdoing may be viewed with more leniency. Unfortunately, this perspective can spell doom for the government's attempts to combat corruption which are mainly targeted at large-scale organizational misconducts (e.g., the infant milk formula scandal) and reforms of the system and institutions (e.g., the Chinese Communist Party's anti-corruption agency —the Central Discipline and Inspection Committee). In the process, individual transgressions based on personal relationships (guanxi) can slip through the cracks and eventually escalate into issues with dramatic implications. Policy makers in China can benefit from incorporating the insights of this research and taking actions to regulate the acts of bribery at the individual level. This research also highlights how an individualistic bias allows corporations to get away with corrupt activities by making it difficult for people to attribute criminal intent and guilty will to the corporation. Countries with individualistic cultures, such as the United States, can also capitalize on these findings by focusing on broader systemic issues rather than narrowly focusing on the few "bad apples". In general, we all need to be cognizant of the fact that when it comes to addressing issues such as bribery, we cannot paint with a broad brush and ignore the subtle distinctions in the nature of the transgression. Paying under the table to get your kid into a school might not be the same thing as giving gifts to an official on behalf of your organization, depending on who you ask. It can be hard to gauge what would be considered worse and attract severe penalties. Using cultural cues as a roadmap can be the key to successfully navigating such complexities of the modern, global business era.

Hot Shots and Cool Reception?
Unexpected Social Costs for High Performers
in Cooperative Work Cultures

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Being a high performer comes with a host of privileges, but not without costs. The substantial contribution of high performers to their workgroups attracts both social support but social undermining as well. Given the importance of high performance to organizations, it is important for us to understand why they draw both intentional positive and negative reactions from peers. Through a field study and an experiment, the authors of this paper examined this counterintuitive phenomenon in which outperformers attract diametrically opposite reactions from their peers. A systematic empirical investigation revealed that the answer lies in whether the high performers are viewed as benefits, or as threats. Surprisingly, cooperative work contexts exacerbated the likelihood of outperformers being perceived as threats and given negative treatment in the form of belittling and criticism. This paper elaborates upon the fascinating underlying processes that explain these paradoxical effects.

It comes as no surprise that star performers are highly valued and respected by their workgroups for their relevant contributions, and attract social support in the form of advice, care, help, and opportunities. Although this is mostly true, being a star performer also has its downsides. This paper shines a light on the unfortunate reality that being a star performer in workgroups often comes with a social cost. On the one hand, there is a definite social upside in the form of peer support and prestige. On the other hand, the better performance of these individuals makes them recipients of negative attitudes and behaviors such as aggression, exclusion, and ridicule. Moreover, research shows that relationships with both positive and negative interactions are worse than those that are just negative because they create more uncertainty and stress.

The type of behavior displayed towards high performers is hardly a knee-jerk reaction. Instead, it is a calculated and strategic treatment by their peers. Peer treatment results from consideration of high performers as both benefit and a source of inspiration to the collective, and as a threat to the other individuals in the unit. Through an in-depth empirical investigation, the authors reveal the paradoxical process of social comparison in work groups which explain how high performers can be perceived as both beneficial and threatening. This paper also demonstrates the unexpected social disadvantages of cooperative contexts, especially for star performers.

Benefit and Threat of Upward Comparison to High Performers

When it comes to treatment by their peers, high performers receive a mixed bag of reactions. They can be viewed as a source of inspiration and increased resources for the group, and accordingly, be treated with respect and given social support. In contrast, they can also be perceived as threats who take the spotlight away or make the others look bad in comparison. These contrasting perceptions are driven by social comparisons made by the peers of the star performers. The process of social comparison involves an evaluation of one's relative standing by comparing oneself to others, based on important parameters such as personal attributes, performance, and so on.

In general, individuals are more likely to make upward comparisons — i.e. compare their situation with those who are better than them. This is especially true in the context of work where a comparison with high performers can serve a pragmatic and informative function. This is because the relative standing of high performers on the job performance parameter can affect the rewards distribution as well as task accomplishment of the peers. Based on these upward social comparisons, the peers' perceptions of the high performers can be both beneficial and threatening. The authors shed light on how top performers instigate these parallel yet paradoxical social comparison processes for peers, which then determine the type of treatment received by them.

Beneficial Upward Comparisons: Upward social comparison with high performers can be beneficial to the peers as it can motivate and inspire them to do better. Associating and identifying closely with high performers can boost the peers' sense of status and self-image. They are beneficial from an instrumental perspective too, by being a source of expertise or advice for the peers, and elevated reputation and greater leader satisfaction for the workgroup. To maintain these benefits associated with high performers, their peers offer them social support in the form of care, help, and opportunities.

Threatening Upward Comparisons: Upward comparison with high performers can also be threatening as it shines a light on the disparity in performance and opportunities. Peers can suffer from damaged self-views when they fail to meet the high performers' standards. In addition, high performers are likely to be awarded preferred tasks and best customers, are selected for training opportunities, and even attract favor from the leaders. The high performers are thus perceived as threats, and the peers are motivated to engage in retaliatory responses. This motivation triggers social undermining of high performers to diffuse frustrations that stem from the unfavorable comparison, and to erode high performers' influence.

Downside of Cooperative Work Climate

The level of cooperativeness in the workgroup can have a strong influence on peer reactions to upward comparisons, as well as on their likelihood to engage in social support or undermining behaviors. Cooperative work climates are characterized by group harmony, interdependence, coordination and, information sharing. Such collaborative work contents have gained immense popularity in organizations as they are associated with high productivity. Surprisingly, the authors find that cooperative climates pose a greater social disadvantage to high performers. The do not reap unique social benefits and they incur more mistreatment. This intriguing finding can be explained by the fact that individuals in cooperative climates are motivated by group welfare and conformity, rather than self-interest and uniqueness. In such contexts, high performers represent deviance from the norms of commonality and solidarity prescribed by cooperative climates. This causes the peers to lash out against them and making them targets of backbiting and belittling behaviors.

Methodological Approach

The authors tested their ideas through a systematic investigation involving two studies. The first study was conducted in a large chain of Taiwanese salons. Data was collected from 350 stylists across 105 salons over two surveys. Manager-rated job performance, as well as stylists' self-reported demographics and workgroup cooperative climate data was collected at Time 1. Eight weeks later, data on perceptions of benefit and threat, along with experiences of support and undermining was obtained from the same respondents. In line with the authors' expectations, high performers experienced more support and undermining from peers, depending on whether they were viewed as beneficial or threatening respectively. The advantage of support, however, disappeared for high performers under more cooperative climates.

In the second study, 284 US undergraduates participated in an experiment in which they were divided into teams. The teams were instructed to approach the task with a cooperative focus, in which rewards were split equally, or with a competitive focus which had more individualized rewards. After the first round of face-to-face interactions, the participants were directed to separate rooms and asked to "work virtually", although, in reality, the second round was completed by the participants as individuals. Made-up information about the performance of other team-members and scripted messages feigned to be from teammates were presented to the participants. The researchers assessed the extent to which peers perceived other members including the high performers of their team as beneficial or threatening. The results supported the earlier findings that when a star performer was perceived as a threat, they were on the receiving end of undermining and belittling behaviors, but garnered support when they were perceived as a benefit to the workgroup. Moreover, the experiment demonstrated that cooperative work climate exacerbated the prevalence of undermining of high performers. ◫

Managerial Implications

High performers are hard to come by and even harder to retain. Despite high investments, organizations are unable to keep their star employees from being enticed away by competitors. This paper argues that all the riches in the world may be insufficient to retain high performers if their social experiences are difficult and stressful. Organizations can succeed in retention of top performers by adopting strategies that foster social acceptance for them. This includes discarding the prevailing rose-colored view of cooperative work climates. Managers need to keep in mind that an excessive focus on cooperative norms can trigger resentment towards the coveted high performers, ultimately resulting in their exit from the organization.

What Is Wrong with Treating Followers Differently? Developing Differentiated Relationships with Your Followers Based on Performance

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Leaders developing differential exchange relationships with their followers can have both positive and negative influences on group outcomes. In this research, the authors test an idea that such ambivalent influences depend on the criteria based on which leaders develop differential relationships with their followers. Through two field studies, the authors demonstrate that members' actual contributions of work performance are legitimate basis that can mitigate the negative influences of leaders' differentiated relationships with followers on members' justice perceptions, and in turn, intra-group relational quality and group proactivity. These findings underscore the importance of leaders' choice of basis in developing differentiated relationships with their followers.

Almost every leader in a work group develops and maintains differential leader-member exchange (LMX) relationships with his/her followers, providing more resources, support, trust, and respect to some "in-group" members than other "out-group" members. For exchange, those "in-group" members, compared with their colleagues, are expected to take more important responsibilities and team tasks at work, and make more significant contributions to the group.

Given the limited time, energy, and resources leaders have at their daily work, leaders maintaining high LMX differentiation in the work group can improve managerial efficiency and group outcomes through assigning the members with the right skills to the right tasks. On the other hand, high LMX differentiation may engender employees' injustice perceptions due to the unequal distribution of organizational resources,

and subsequently harm group outcomes. Previous studies found evidence for both predictions, that is, LMX differentiation sometimes was found to be positively related to, sometimes negatively related to, and yet sometimes had no relationship with, group performance.

What should managers do to reconcile the ambivalent consequences of high LMX differentiation? Is there a solution that can reduce high LMX differentiation's negative influences on employees' justice perceptions while maintaining its positive influences on group efficiency? The answer is definitely a YES! The authors of this paper focus on the basis of LMX differentiation, that is, the criteria based on which leaders develop differential LMX relationships with their followers, to examine members' work performance as a legitimate basis that will compensate for high LMX differentiation's negative influences.

LMX Differentiation, Bases, and Individual and Group Outcomes

Leaders usually develop differential LMX relationships with their followers based on three major categorical criteria. First are the members' characteristics, such as ability, skill, task performance, and extra-role contributions of organizational citizenship behavior (OCB). The second category is related to leaders' own characteristics, such as personality and behavioral styles. The third is relational demographics, such as the perceived similarity between the leader and the member in age, gender, job tenure, personality, values, and attitudes. Even though all three categories might be observed in organizations, the authors propose job performance, which includes both task performance and extra-role contributions of OCB, as the most appropriate basis for treating members differently.

Leaders' developing differential LMX relationships on the basis of followers' actual contributions of task performance and OCB is actually a process of role assignment and efficient resource allocation within the group: Leaders give more autonomy and resources to high performers and expect them to engage in more challenging, unconventional, and even risky explorations beyond their prescribed job contents. As a result, high performers under such a role differentiation process are motivated to work proactively because of their felt accountability. Low performers, on the other hand, may also be motivated to work proactively seeking for high-quality LMX relationships with the leader through their expected improvement of performance and contributions at work.

Taken together, the authors suggest that high LMX differentiation will not necessarily lead to low levels of group members' justice perceptions, intra-group relational quality, and group proactivity when it is based on members' legitimate inputs of work performance and extra-role contributions.

Empirical Evidence Based on Two Field Studies

Study1 The purpose of Study 1 was to test whether high LMX differentiation's negative influences on group cohesiveness and group members' proactivity would be weakened by leaders' application of members' work performance as the basis for developing LMX differentiation. Two hundred and seventy-six banking clerks from 25 branches of a large commercial bank in Taiwan participated in this field study. Empirical findings provided support for the authors' prediction that high LMX differentiation, which was based less on members' task performance and/or OCB, would lead to lower levels of group cohesiveness as perceived by group members and group proactivity as rated by group leaders.

Study2 In Study 2, through a sample of one hundred and ninety-two employees from 41 work groups that cover a wide array of job characteristics, the authors sought to replicate the findings of Study 1 by using different indicators of intra-group relational quality and group proactivity. Moreover, the authors sought to explore whether members' perceptions of procedural justice might explain why non-performance based LMX differentiation would decrease intra-group relational quality and group proactivity. Similar to results of Study 1, empirical results in Study 2 demonstrated the crucial role of the bases of members' task performance and OCB in weakening the relationships of high LMX differentiation with high within-group relationship conflict and low group proactivity. Despite the legitimacy of members' task performance and OCB in support of a high LMX differentiation within the group, results further revealed that only task performance but not OCB, as the basis for LMX differentiation, can effectively reduce members' procedural justice perceptions associated with high LMX differentiation.

Summary Summarizing results from the above two studies, the authors concluded that although high LMX differentiation harms within-group relational quality and group members' proactivity, basing LMX differentiation on employees' task performance and OCB can effectively eliminate its negative influences on group outcomes. Comparatively, group members may regard task performance as more legitimate than OCB in developing LMX differentiation, because members will not perceive procedurally injustice when LMX differentiation is largely based on members' task performance only. ◩

Managerial Implications

The findings of this research provide important implications for organizational leaders in managing relationships with their followers in the workplace. Managers have limited time, energy, and resources from the organization in their daily work. As a result, managers have to make a divide between "in-group" members and "out-group" members and provide the former core members with more personal and organizational resources so as to improve group efficiency. In the meanwhile, such a divide causes within-group relationship conflict, decreases group cohesiveness and group members' proactivity. This research offers an effective managerial tactic for leaders to develop differentiated relationships with followers without generating unwanted consequences to the work groups. Several specific managerial implications and suggestions can be drawn from this research:

1.In the eyes of the group members, both task performance and OCB (especially task performance) are legitimate standards for leaders to rely on in developing differentiated relationships with members.

2.Group leaders should pay attention to how they develop work relationships with their members; when they base their decision on how much trust, support, or resources they should provide their members with on task performance, even if it results in differentiated treatment, the members are unlikely to perceive it as unfair. On the contrary, the more such differentiated treatment is based on task performance, the more procedural justice they would perceive, and the more proactive they would be.

3.It would be very important for the group to reach consensus regarding the criteria used in evaluating task performance and OCB. Once such criteria are established, and group members accept them, it would be easy for group leaders to promote high job performance within the group by treating members differently using these criteria.

In summary, the authors encourage leaders to treat members differently because there is nothing wrong with doing so per se; the crucial point leaders should pay attention to is the basis on which they treat members differently.

Enhancing Trust: Stepping out of Your Circle of Acquaintances

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Confucius said that he does not know how a man without trustfulness can function. Trust plays a crucial role in China's social life and business activities. However, according to trust scholar, Fukuyama, trust plummets as soon as Chinese people step out of their circle of acquaintances. To improve trust Chinese need to step out of their acquaintance circle. The 2013 annual report social mentality of China showed that less than 30% of the Chinese residents expressed their willingness to trust strangers. In the present study, a research group with scholars from the United States and China provided their explanations for this low-trust phenomenon in China from the social interaction perspective, and they also proposed a possible solution to this conundrum: stepping out of one's circle of acquaintances and socially interact with outgroup members.

Social Interaction in China

The sociologist Fei Xiaotong describes the way Chinese trust as "the differential modes of association." He used an analogy to explain this concept. Individuals serve as the center of social interactions in Western society. The relationship between different social actors is like a bundle of firewood that a few bundles will be tied up together, so different bundles of firewood will have a distinct boundary. In contrast, relationship (guanxi) acts as the principal in Chinese society's social interactions. In this case, people form a network where themselves stand in the center. It is like throwing a rock into the lake and causing the ripples. Each circle spreading out from the center becomes more distant and at the same time more insignificant. Because strangers are not in Chinese people's circles of relatives and acquaintances, Chinese people have no basis to trust strangers. Therefore, the way in which Chinese people are accustomed to interacting with people in the community seems to negatively influence people's generalized trust in strangers. In other words, inviting people to take the initiative to step out of their ingroups and engage in positive social interactions with outgroups may augment their level of trust.

Laboratory Data

We conducted four behavioral experiments that adopted different designs but achieved a consistent finding: experience with ingroup members, no matter positive or negative, will barely have an influence on Chinese people's trust in strangers; however, positive experience with outgroup members will significantly increase trust in strangers. A positive experience can be manifest in various ways: receiving help, support, or trust. For example, in one experiment, the researchers randomly assigned participants into two groups. One group read a story about a boy received help from his brother, and another group read a story of

> Reciprocal helping with ingroup members will have no effect on their level of trust, while reciprocal helping with outgroup members will significantly increase their trust level.

a boy received help from a stranger. Afterwards, the participants will negotiate with an as-yet-unassigned counterpart. The study found that people who read the stranger version story reported a higher level of trust than did people in the brother version story condition.

We proposed that indirect reciprocity may provide a possible explanation from a psychological perspective to this trust shaping mechanism. Indirect reciprocity is a social exchange of like behaviors between at least three different people who do not receive and provide exchanges with the same others. For example, ''if you scratch my back, I will scratch someone else's.'' People who have had positive experiences with outgroup members will have positive attitudes and emotions, which will encourage them to engage in positive social interactions with others. A positive social interaction with a stranger, unexpected within low trust Chinese society, increases trust in strangers, and so encourages reciprocating that positive social interaction with other strangers. There is a proverb: "A bit of fragrance clings to the hand that gives flowers." The fragrance will encourage people to reshape their trust in strangers. But the tricky point is that roses must come from someone from outgroups. Unfortunately, the mutual exchange of roses between ingroup members seems to be of no benefit to trust.

Real-world Evidence

Stepping out of one's own ingroup can enhance the level of trust. This finding is not limited to the laboratory,

but can also be verified by big data in reality. The China Social Survey in 2005 interviewed more than 10,000 Chinese residents and asked them about some general social attitudes in their daily lives. The questionnaire documented the frequency of respondents' social interactions with different people, such as alumni or colleagues (ingroups) and people attending social activities (outgroups). The survey data shows that reciprocal helping with ingroup members will have no effect on their level of trust, while reciprocal helping with outgroup members will significantly increase their trust level. The research model further clarifies a causal relationship between reciprocal helping and trust: it is not individuals' high trust in strangers that leads them to interact reciprocally with other people, but that positive experience with outgroup members finally increases their level of trust as predicted.

Mark Twain once wrote this: "Travel is fatal to prejudice, bigotry, and narrow-mindedness, and many of our people need it sorely on these accounts. Broad, wholesome, charitable views of men and things cannot be acquired by vegetating in one little corner of the earth all one's lifetime." A defining characteristic of traveling is to step out of one's ingroup and comfort zone, and to meet, talk to, and acquaint strangers. Stepping out of one's own ingroup, he can see the broader world and know interesting new faces. You can also improve your trust. This finding may not only be limited to China, but it can be found in other cultures. ⊠

Managerial Implications

This study explores the relationship between social interaction and trust in strangers. The finding of the low-trust phenomenon in the society can also be applied to organization context to help managers understand the logics of some management practices. Clear division of labor can, of course, improve organizational efficiency to a certain extent. This is the fundamental logic of modern organizations. However, too many segments of different departments and units may make employees physically and mentally confined to their own ingroups. Even though a certain amount of people are working in the same organization, they may know nothing about nor be interested in things outside their own ingroups. This may potentially jeopardize employees' level of trust. If managers try to cultivate a trusting corporate culture, they could intentionally break down the ingroup/outgroup boundaries and encourage people from different departments to have the opportunity to interact. The positive experience can be as simple as it could be: supporting colleagues in different divisions, helping departments outside of their reporting line, or building trust beyond own small groups. These experiences will subtly change people's attitudes and behaviors about trust.

Lack of trust could be a major obstacle to China's continued international economic development, especially as the interactions between Chinese and foreign businesspeople are only likely to increase as the global marketplace evolves. Another managerial implication of this study is for foreigners. Many foreigners seem to notice that it is crucial to build trust and hence establish a long-term relationships with Chinese business partners. However, less seem to understand that in China there has been a certain cultural tendency towards distrust of strangers. Therefore, they are often treated as outsiders at the very beginning, which makes them very uncomfortable. When a foreigner is initially treated as an outgroup member, he/she doesn't have to panic. At the same time, a foreigner can make good use of the identity of outgroup members and actively initiate a simple positive social interaction, such as a small favor to the Chinese side. Presumably, the Chinese side will participate in this interaction and gradually changes the level of trust.

Queen-bee Syndrome: Unmasking the Implications of Gender for Workplace Incivility

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Incivility, especially towards women, is an unfortunate reality of the modern workplace. The relatively inconspicuous and low-intensity forms of behavior through which it is expressed has led to a poor understanding of the phenomenon, and underestimation of its consequences. This gap in our understanding presents a workplace mystery – who are the culprits, and why are some women targeted more than others? The authors of this paper uncover the nuanced dynamics of the workplace incivility, and shed light on the undesirable implications it can have for the victims. Through a systematic empirical investigation, they highlight that women are not only the targets but also the perpetrators of incivility towards women. They also identify the attributes that can make some women more susceptible to uncivil behaviors from other women, and demonstrate the resulting negative experiences of women at work.

Incivility in the workplace has become a prevalent form of modern discrimination. Driven by an ambiguous intent to harm the target, it can be expressed in several low-intensity behaviors such as ignoring, interrupting, making fun of, or disrespectful treatment of the target. The relatively inconspicuous forms of this deviant behavior enable it to thrive rampantly in the workplace compared to various overt forms of discrimination that are legally prohibited or socially tabooed.

It would be a huge mistake to underestimate the repercussions of incivility at work despite the low intensity and inconspicuousness of the behaviors. Ample evidence indicates the personal and organizational costs associated with incivility. Employees experience a host of negative outcomes including lower work engagement and job satisfaction, and display increased turnover intentions and absenteeism. Moreover, the financial implications of incivility for the organization are estimated to be $14,000 per employee. Given the extent of its ramifications, it is of paramount interest and importance to both employees and employers to understand the dynamics of incivility at the workplace. This involves identifying not only the perpetrators and the targets but their relevant

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attributes as well. The authors of this paper undertake the challenging task of uncovering complex workplace dynamics that result in incivility towards certain groups.

Identifying the Culprits: Prior research has generally found that women report higher levels of incivility than men. For instance, in a sample of U.S. Eighth Circuit federal court system employees, women experienced higher incivility from coworkers and supervisors over a 5-year window than their male counterparts. Similarly, in a study of attorneys, 10% of women reported exposure to gender incivility, while men reported exposure to gender incivility 2% of the time. Several such studies indicate that women are frequent targets of incivility at work. What is less known, however, is who the culprits of instigating incivility toward women are. An in-depth understanding of this issue requires examining the instigators' characteristics. The authors undertook a theoretical and empirical investigation to help elucidate who it is that engages in uncivil acts toward women at work. They began by considering the differing theoretical viewpoints regarding the instigators of incivility towards women.

Male-instigated versus female-instigated incivility: One group of likely suspects of instigating incivility toward women are their male coworkers. As members of the dominant majority, men may view women at work as outsiders who are "encroaching" their terrain. This may manifest a sense of threat, competition, and hostility toward them.

The other explanation is that the incivility towards women is being perpetrated by other women! This somewhat paradoxical form of intrasex conflict can be explained by the same general idea behind the *queen bee syndrome.* Just as the queen bee does not allow any other female bees to gain power, women at the workplace also try to stave off competition by alienating other women. Limited resources and low access to higher levels of the organizational hierarchy can drive women to compete, and engage in incivility against one another.

To resolve this theoretical debate, the authors conducted a study to establish whether female-instigated incivility more commonly occurs for women than male-instigated incivility. Students working part-time in a service job for at least six months were recruited to take an online survey. Participants indicated

how frequently they experienced various forms of uncivil behavior at work over the past month. Analysis of data from 422 participants revealed that women reported experiencing greater incivility from female co-workers than from their male counterparts. This finding lends support to the intrasex conflict perspective, as opposed to incivility solely being perpetrated by the more socially dominant group (i.e., men).

Having established the source of workplace incivility towards women, the authors sought to gain further insight into the phenomenon. Drawing from the intrasex conflict perspective, the authors explained why women become targets of incivility by other women in general. The question remains, however, why some women may suffer higher degrees of female-instigated incivility than others? The authors' next step was to answer this question by identifying what factors might exacerbate uncivil treatment towards some women.

Identifying the targets: One way to get a better understanding of when women are most (least) likely victims of female-instigated incivility is to look at the dispositions or tendencies of the targets that may drive the likelihood of being treated uncivilly by other women. The authors focused on agency and communion as determinants of the extent to which women experience gendered incivility exposure. Individuals who are more agentic exhibit dominant behaviors, whereas individuals with communal traits exhibit interpersonally warm behaviors. Based on common gender stereotypes, women are expected to embody communal traits, such as kindness and cooperativeness, whereas men should embody agentic traits, such as independence and assertiveness. The authors draw from these ideas to explain how women who act with high levels of agency or with low levels of communion are more likely to experience female-instigated incivility.

Building on the intrasex conflict perspective, the authors argue that women more often compare themselves to other women, and may, therefore, be compelled to compete with other women for scarce organizational resources as opposed to competing with men. Agentic women who display independence and assertiveness represent a threat to female coworkers because of their propensity to be self-focused, and competitive. Women are not expected to behave in this fashion according to stereotypical gender norms, and therefore other women might perceive agentic behaviors as "rude and aggressive" or "conniving," resulting in the targeting of agentic women by other women. Similarly, gender role theories also suggest that women are expected to maintain communal characteristics. When they deviate from these conventions, other women may separate themselves from these individuals, which can manifest in the form of female-instigated incivility.

Consequences of Female-Instigated Incivility

The deleterious impact of workplace incivility on employees' well-being and withdrawal is not news to anyone. However, the damage caused by being mistreated by one's own group needs to be highlighted to truly understand the implications of female-instigated incivility on the victims' personal well-being. To explicate which type of incivility is most harmful to well-being and withdrawal, the authors examined job satisfaction, psychological vitality, and turnover intentions as outcomes of female- and male-instigated incivility.

Empirical Investigation

Two more studies were carried out to empirically establish the instigating factors and effects of female instigated incivility. In one study, participants who worked full-time were recruited through e-mails, postings on social media, and communication with managerial contacts. Through two surveys, sent out approximately one month apart, 608 participants reported their agentic and communal traits, job satisfaction, experiences of incivility, and so on. The other study expanded on the first by investigating psychological vitality

and turnover intentions as two additional employee outcomes. Moreover, it examined agentic and communal behaviors at work rather than assessing the traits. Data were collected from 319 participants recruited from undergraduate business courses.

The results largely support the authors' arguments that women not only report higher female-instigated incivility than male instigated incivility but also that women higher in agentic traits experience increased female-instigated incivility. This, in turn, reduces job satisfaction, psychological vitality and turnover intentions with agentic women being most at-risk for experiencing this interpersonal stressor. Interestingly, the results indicate that men are less likely to report male-instigated incivility even when they had higher communal traits. In other words, men displaying communal traits do not face the adverse effects of deviating from gender norms, and may instead receive a social credit for breaking certain gender norms while adhering to others. ☒

Managerial Implications

This paper helps us understand why and when women might be treated uncivilly at work by delineating the central role, and ramifications, of gender in this process. Across three studies, the authors showed that women, especially ones who display gender norm deviance by behaving in an agentic manner, are more frequent victims of female-instigated incivility. They also highlight the damaging consequences of gendered incivility in the form of reduced job satisfaction, lower psychological vitality, and higher turnover intentions. To make matters worse, men do not face the same repercussions for deviating from gender-based norms. This, of course, does not mean that men are off the hook. But it gives us a nuanced understanding of where the issue is most intense. Together, these findings demonstrate that female instigated incivility may be a unique experience that differs from other forms of mistreatment.

Although the picture looks bleak, the researchers leave us with roadmaps to address these issues. They suggest that simple interventions such as weekly or biweekly meetings to discuss incivility and its impact can be an effective tool to reduce such toxic behaviors. Organizations could also foster a diversity climate through the social integration of employees who are underrepresented in the workplace. Given the susceptibility of the target groups and the relatively discreet ways in which incivility manifests itself, the problem can often go unnoticed and unaddressed. This paper takes a critical step in shining a light on this workplace issue and uncovering how incivility occurs in underrepresented-and, possibly undervalued-groups at work. The time is ripe for organizations to use these insights to understand the nuances of this rampant issue, and create a culture that minimizes the threats and repercussion associated with it.

Follow the Leader (or not)? Peer Firm CEOs' Charisma and Narcissism may Influence Focal Firm Executives' Decision to Imitate Strategy

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When firms are uncertain about the costs and benefits of some strategic actions, they may imitate the actions of peer firms. Given this uncertainty, the challenge for executives is: which firms to imitate and which to ignore? Using a sample of Fortune 500 companies, the authors found that the charisma of peer firms' CEOs enhances focal firm's imitation of their strategy, while the narcissism of peer firms' CEOs reduces focal firm's imitation of their strategy. This might be due to the fact that people often associate charisma with effective leadership and narcissism with ineffective leadership. In addition, the authors found that these CEO characteristics' influence on focal firm imitation is stronger in dynamic industry environments and is weaker for focal firms that already have experience with the strategy.

When firm executives contemplate whether to adopt a strategic action, the potential benefits or costs of this action are often ambiguous and difficult to determine. Faced with such uncertainty, firm executives tend to observe their peer firms in the industry, perceive (sometimes erroneously) peer firms to have superior information, and imitate the strategic actions that have been taken by a large number of peer firms. In such situations, firm executives act as boundedly rational decision makers: they rely on cognitive shortcuts and easily accessible information. The prevalence of a particular strategic action among peer firms acts as social proof of its perceived effectiveness.

In addition to the frequency of actions, previous scholars have also found that firm executives are more likely to imitate peer firms that have larger size, higher status, and superior performance. Extending this line of thinking, the authors argue that the psychological characteristics of peer firm CEOs may also have a crucial influence on focal firms' inclination or resistance to emulate peer firms' strategies.

The authors zoomed in on charisma and narcissism, two widely recognized characteristics of leaders. They argue that these characteristics of peer firm CEOs will trigger focal firm executives' categorization of leaders, which operates through their implicit leadership theory (ILT): people have prototypical notions of leader characteristics in their minds, and these schemas are activated when they encounter a leader. In other words, perceived effectiveness of decision-making is

People have prototypical notions of leader characteristics in their minds, and these schemas are activated when they encounter a leader.

recognized from the characteristics of the leader.

There are many channels from which focal firm executives observe peer firm CEOs' characteristics. For example, common membership to corporate boards, trade associations, elite social clubs, or simply learning about them in TV and newspapers. The authors argue that, when focal firm executives observe peer firm CEO to be charismatic or narcissistic, they will perceive peer firms' strategic actions as the purposeful choice of CEOs. In other words, they tend to view the strategic action as a result of peer firm CEO's leadership. The authors examined the influence of peer firm CEOs' charisma or narcissism on three types of strategic actions: corporate social responsibility, international diversification, and product market diversification. These strategic actions are quite salient, but their performance implications are far from clear.

When Peer Firm Ceo is Seen as Charismatic

When these strategic actions are taken by peer firm CEOs who are charismatic, this will enhance the perceived effectiveness of such actions in the eyes of focal firm executives. Consequently, focal firm executives are more likely to imitate these strategic actions. The positive influence of CEO charisma has been well-documented in previous research. For example, some scholars found that CEO charismatic vision statements favorably influenced securities analysts' ratings. This is probably due to analysts categorizing the firms as having effective leadership, which provides a clear path toward future performance.

When Peer Firm Ceo is Seen as Narcissistic

What happens when strategic actions such as CSR, international diversification, and product market diversification are implemented by peer firms with narcissistic CEOs? Narcissistic CEOs will likely trigger negative inferences about the effectiveness of these strategies. Evidence on ILT clearly suggests that narcissistic leaders are often seen as being pushy, dominant, manipulative, loud, self-centered, and obnoxious, triggering a negative leader categorization. In the strategy making context, previous research also found that narcissistic CEOs tend to take actions that deviate from effective decision-making and frequently result in suboptimal outcomes. For instance, narcissistic CEOs are known to engage in grandiose actions that attract attention, are exceedingly driven by social praise, and ignore the advice of directors. When a narcissistic CEO enacts a strategic action, it will likely be viewed as outcomes of the CEOs' personal self-enhancement motives, brash tendencies, and idiosyncratic preferences. These negative inferences will tend to reduce focal firm executives' intention to imitate peer firms' strategies.

> The influence of peer firm CEO characteristics should be stronger in highly uncertain contexts and weaker in contexts with low uncertainty.

The Role of Contextual Uncertainty

Given that uncertainty provides the foundation for imitation between firms, and that categorization becomes more influential as uncertainty rises, it follows that the influence of peer firm CEO characteristics should be stronger in highly uncertain contexts and weaker in contexts with low uncertainty. In other words, the effect of peer firm CEO charisma or narcissism will be stronger in highly dynamic industries, as the ambiguous, uncertain, and volatile market conditions make it difficult for executives to discern what constitutes effective managerial action and which peer actions should be considered as important and worthy of their attention.

In addition, the more prior information focal firm executives have about the strategic action, the less uncertainty they will have about the action. With greater familiarity or certainty about the given strategic domain, there is less need to rely on others and imitate. Consequently, peer firm CEO charisma or narcissism will be less influential on focal firm executives' tendency to imitate.

Research Method and Findings

The authors used a sample of major U.S. firms that made the Fortune 500 list at any time during 2001—2008. After accounting for missing data, the final sample consisted of 251 firms spanning 1,158 firm-year observations during 2001–2008 for CSR practices, 174 firms spanning 1,235 firm-year observations during 2001–2012 for international diversification, and 250 companies spanning 1,839 firm-year observations during 2001–2012 for product-market diversification.

To capture CEO charisma and narcissism, the authors employed the video-metric approach: they trained raters to rate CEO characteristics based on a video clip of each CEO. Identifying information was deleted from the video so that the raters were not affected by confounding aspects such as firm performance and reputation.

The authors controlled for a number of factors about the focal firm, such as firm size, prestige, return on assets, and CEO likeability. At the industry level, the authors controlled for a host of peer factors, such as recent strategy levels, the number of peer firms, peer CEOs' likeability, peer firms' size, and peer firm's prestige. Because the longitudinal panel comprised of multiple observations per company, the authors used Generalized Estimation Equations

(GEE) regressions to test their hypotheses.

The authors found support for most of their hypotheses. Data analysis showed that, the charismatic characteristic of peer firm CEO tend to positively influence focal firm's decision to imitate the peer firm's strategies. In contrast, when focal firm executives observe strategic actions enacted by a narcissistic peer CEO, this dampens the decision to imitate.

Furthermore, industry dynamism tend to enhance the positive effect of peer CEO charisma on the imitation process across all three strategic actions, but does not seem to affect the negative influence that peer firm CEO narcissism has on interfirm imitation of the three strategic practices. When focal firms had prior experience in international or product market diversification, this lessened the effect that either peer CEO charisma or peer CEO narcissism had on focal firms' imitation of each of these practices. Focal firms' prior experiences in CSR practices, however, did not reduce the influence that either peer CEO charisma or peer CEO narcissism had on focal firms' imitation of this strategic practice. ✉

Managerial Implications

This study suggests that the reach of certain leaders extends well beyond their direct followers. Leadership can have far-reaching effects on external observers and other leaders, even though this influence is largely nondeliberate and unintentional. Firm executives' decision making can be affected by their perceptions of peer firm CEOs' characteristics. As key decision makers in firms, executives could benefit from the awareness to check their own perceptions and assumptions, and avoid the bias toward strategies undertaken by peer firms with charismatic or narcissistic CEOs. Such decision bias is especially strong when uncertainty in the industry is high. More specifically, when evaluating the strategy championed by a highly charismatic peer firm CEO, executives should avoid casting an overly positive light on the strategy just because the CEO is charming. Similarly, when evaluating the strategy championed by a narcissistic peer firm CEO, executives should try to put their stereotypes aside and evaluate the strategy more on its own.

The very same strategic action can be seen as either effective or ineffective depending upon the type of leader that enacts it. When leaders with negatively perceived characteristics institute a practice, this can be influential in stopping the spread of a practice that may otherwise diffuse widely. It is also possible that when leaders with positively perceived characteristics enact a detrimental practice-be it an ineffective or an unethical one-peers may still be likely to follow suit.

Should Top Executives Be Involved in Entrepreneurial Opportunity Formation?

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Chinese proverb says "practice produces genuine knowledge". Is this truly the case in the process through which entrepreneurial opportunities emerge in established companies? Should top executives keep a distance and limit their involvement by just picking the best opportunities out of those they are presented with in the bottom-up process? To answer this question, the authors compared data from the Danish Statistics Bureau and the Danish labor market research database by analyzing two matched data sources: a double-respondent survey of CEOs and HR managers and employer–employee register data. 473 Danish firms were selected as the final sample. The findings suggest that top executives' involvement can bring positive effects towards the relations between bottom-up processes/ diversity and opportunity formation. This study provides insights on the importance of executives' roles, the allocation of decision rights within and across hierarchical layers, and employee diversity in the formation of entrepreneurial opportunities.

More and more entrepreneurial firms have been established in the past decade. Instead of focusing on how opportunities relate to start-up firms formulate, scholars seek to systematically understand entrepreneurial opportunity formation in established firms. Entrepreneurial opportunities are those potentially profitable, beneficial, but not so well articulated, tested, or prototyped that are ready for exploration. For example, before a viable project exists, a new product concept may have gone through several iterations in order to be formally evaluated in its content and structure to be considered as an entrepreneurial opportunity.

Research points to two mechanisms within firms that can have an impact on the emergence of entrepreneurial opportunities, namely, the intended, top-down planned process and the bottom-up autonomous process. The latter one, also called the "reactive selection view", has been considered as the most important driver of such opportunities, especially when a firm has a diverse work force. This view also stipulates that direct executives'

involvement in this process is likely counterproductive. Thus, executives should not directly engage in the process of opportunity formation, instead, they should assume the role of approving or rejecting opportunities generated through the autonomous process. As Mr. Zhou Hongyi, the founder of a Chinese company 360 has advocated, technicians should stand in the retail stores to interact with real customers and get real feedback to ensure that every product has the best user experience; but top executives don't need to do that.

So what is the process of forming entrepreneurial opportunities in established startups? Should top executives simply keep their distance and limit their participation by choosing the best opportunity proposed from the bottom-up autonomous process? To answer these questions, the authors of this paper compared data from the Danish Statistics Bureau and the Danish labor market research database, and analyzed the two matched data sets: a large scale, double-respondent survey of CEOs and HR managers, and a population-wide employer-employee register data. They selected 473 Danish firms as the final study sample and tested a "direct involvement" hypothesis that is different from the current dominant view in the field.

Hypothesis 1: The positive association between bottom-up entrepreneurial initiative and opportunity formation is positively influenced by executives' involvement in the entrepreneurial opportunity formation process.

Their reasoning for this hypothesis is the following. First, senior management often has superior information and resources allocation capabilities. Such information may warrant different forms of involvement by executives, ranging from discrete signaling to direct "top-down championing." In other words, executives should work with lower-ranked entrepreneurial opportunities' influencers. For example,

if the initiative encounters severe resources constraints, the executives can play a critical role by assisting the opportunity formation. The level of executive involvement is supportive. It is also based on a positive assessment of the business impact of the initiative.

Second, executives' involvement in the entrepreneurial opportunity formation process may also be of a corrective kind. The LEGO case shows, for example, that the bottom-up entrepreneurial process can become too untrammeled, leading to problems of duplicative efforts, lack of knowledge sharing, harmful competition between projects and teams, initiatives that do not fit core business areas, and failure to recognize linkages between initiatives. Although highly asymmetric information and highly uncertainty conditions often characterize the entrepreneurial processes complicate executives' involvement in this process, such involvement can reduce the coordination and cooperation problems caused by bottom-up initiatives. For example, executives can identify and terminate inefficient projects before a formal assessment, thereby saving organizational resources and ensuring that these new entrepreneurial opportunities are aligned with the overall strategies of the firm. Therefore, the direct involvement of executives in the entrepreneurial process can be "amplifying" as it strengthens the positive outcomes that bottom-up initiative can generate.

The authors further reason that employee diversity should facilitate opportunity creation because it spawns new ways to conceive and solve problems. On the other hand, the more diverse the employees, the greater the management challenges, especially in terms of coordination and cooperation (duplication of work, neglect of the overall situation, agency problems, less group commitment, less trusting of each other, etc.). Additionally, high levels of heterogeneity constrain peer monitoring, particularly in situations where clear performance standards are absent. As a result, employee diversity is more likely to give rise to

> The role of executives in the entrepreneurial process is not limited to defining the administrative framework of the process, but also in selecting among the opportunities that arise from such bottom-up process.

problems of moral hazard, such as withholding effort in the process of opportunity formation (e.g., knowledge sharing that is beneficial to opportunity formation may not take place). Under such circumstances, top executives can use their statutory power to address these potential issues to compensate the lower-level managers' lack of sufficient authority to address such problems beyond their jurisdiction. Therefore, they tested the following two hypotheses.

Hypothesis 2: Top executives' involvement in the entrepreneurial process can bring positive association between employee diversity and opportunity formation.

Hypothesis 3: Bottom-up initiative, employee diversity, and executives' involvement positively interact to influence entrepreneurial opportunity formation, such that the positive interaction between bottom-up processes and employee diversity will be increased by executives' involvement in the entrepreneurial process.

The findings from the data provide full support for the hypotheses. It seems that if a company appropriately implements the bottom-up initiatives in combination with the executives' involvement, it will enjoy particularly strong benefits in identifying entrepreneurial opportunities. Additionally, the role of executives in the entrepreneurial process is not limited to defining the administrative framework of the process, but also in selecting among the opportunities that arise from such bottom-up process. There is evidence that firms often take considerable care when it comes to the (formal) organizational design aspects of entrepreneurial projects, notably the allocation of decision rights within and across hierarchical layers. Also, executives can involve themselves in other ways than formal decision-making, such as lending informal support, giving encouragement, and so on. This contributes to the strategic belief of iFLYTEK executives' involvement in their practices, that is: "Integrate closely, bottom-up and top-down, to make amplified outcomes." ◧

When Well-Intended Lies Will and Will Not Be Appreciated by Others: On The Costs Of Paternalistic Lies

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Many lies that are intended to help others require the deceiver to make assumptions about whether lying serves others' best interests. In other words, lying often involves a paternalistic motive. Across seven studies, the authors show that although targets appreciate lies that yield unequivocal benefits relative to honesty, they penalize paternalistic lies. The authors identify three mechanisms behind the harmful effects of paternalistic lies, finding that targets believe that paternalistic liars (a) do not have benevolent intentions, (b) are violating their autonomy by lying, and (c) are inaccurately predicting their preferences. Importantly, targets' aversion towards paternalistic lies persists even when targets receive their preferred outcome as a result of a lie. Additionally, deceivers can mitigate some, but not all, of the harmful effects of paternalistic lies by directly communicating their good intentions.

People often lie with the intention of benefitting others. In many cases, however, it is not immediately obvious whether lying will, in fact, benefit the recipient of the lie (henceforth "target"). For example, an employee may inflate impressions of a colleague's performance on a presentation because he believes honesty will cause emotional harm and demotivate the colleague. Yet this belief may not necessarily be correct. A truthful statement might be seen as more beneficial in the eyes of the colleague, and could actually motivate the colleague to learn from his shortcomings and improve his performance in the future. If this colleague were to find out that the employee lied about his performance, how might he react?

In this research, the authors investigate how targets react to paternalistic lies-ones that require the lie-tellers (henceforth, deceivers) to make subjective judgments about the target's best interests. Paternalistic lies are ubiquitous and have important consequences in a variety of contexts. For example, government officials might tell paternalistic lies to citizens by concealing facts about potential security threats to avoid inciting national panic; doctors might tell paternalistic lies to patients by giving them overly optimistic prognoses in order to provide hope; and friends and romantic partners might tell paternalistic lies to each other by delivering false praise with the intention of preventing emotional harm. In all of these cases, deceivers might lie out of genuine concern for the well-being of the targets, but targets may not appreciate these lies because judgments about whether the lie is ultimately more beneficial than the truth are inherently subjective. Thus, well-intended paternalistic lies may backfire.

Given the prevalence of paternalistic lies and the important effect they can have on people's lives, the authors conducted a series of studies to unveil how paternalistic lies influence interpersonal judgment and behavior.

First Things First: What Are Paternalistic Lies and What Are Not?

Before studying how targets respond to a paternalistic lies, it is important to distinguish these

lies from unequivocal prosocial lies, or those that are known to both the target and the deceiver to be in the best interest of the target. Researchers have shown that when people tell unequivocal prosocial lies, targets perceive the liars' benevolent intentions to be sincere, and thus, targets react favorably to deception. However, in many cases, both the consequences and true intentions associated with prosocial lies are unclear. For example, imagine that an employee (Bob) asks a colleague (Joe) for feedback on a presentation. When Bob asks Joe how he performed, what should Joe say? One option is to provide an honest opinion, believing that Bob would prefer to hear the truth and that knowing his presentation was unsatisfactory might help him improve in the future. Alternatively, Joe could lie to Bob, believing that Bob is looking for positive reinforcement and that hearing his performance was poor would devastate him. Without knowing how the truth or a lie would affect Bob emotionally or help him in the future, Joe must rely on his assumptions about Bob's best interests when deciding whether to be truthful. This scenario illustrates that when given the opportunity to tell a prosocial lie, individuals often lack insight into others' preferences for truthfulness, as well as the negative consequences that lying might have on them. Thus, this type of lie can be considered a paternalistic lie.

On the other hand, suppose a woman, Emily, has terminal cancer. Emily's doctor expects that she is going to die soon, and believes that there is no medical treatment that can help her. Emily has told the doctor in the past that she would prefer to remain hopeful about the prognosis rather than receive complete candor. If the doctor were to falsely tell Emily that she might be eligible for a new experimental treatment soon, this would be an example of an unequivocal prosocial lie. Here, through candid conversation, the doctor has learned of Emily's preference to be deceived under these circumstances in order to maintain hope. Thus, by lying, he would not be making an assumption about what is best for her, but would rather giving her the false information that she agreed would make her better off.

Paternalistic Lies in the Eyes of the "Beneficiaries"

Previous research has shown that individuals who tell unequivocal prosocial lies that yield monetary benefits to the target are viewed as more ethical than those who tell the truth, regardless of whether the deceiver benefitted from lying. Importantly, positive moral judgments of prosocial liars are driven by the perceived benevolence, rather than honesty, of the deceiver. In addition, prosocial liars are sometimes perceived to be more trustworthy.

The authors of this article suggest that paternalistic liars will not be perceived as favorable. They consider three potential processes that may underlie moral judgments of those who tell paternalistic lies: perceptions that (a) paternalistic liars are not motivated by benevolent intent, (b) paternalistic lies violate one's autonomy, and (c) paternalistic liars are inaccurately predicting targets' preferences. To test these ideas, the authors conducted seven studies that include deception games (where participants receive information from another person-who is not real and is in fact manipulated by the researchers-and make decisions) and vignette experiments to deliver robust findings on how people respond to paternalistic lies.

In three experimental studies (Studies 1—3) with varied settings within the context of a deception game, the authors consistently found that participants experience less positive affect in response to paternalistic lies compared to honesty, and perceive the message senders as less moral when they told a paternalistic lie than when they told the truth. Additionally, in Study 3, they corroborated that these effects are driven by doubts about the benevolent motivations of deceivers, the perception that paternalistic liars violated the targets' autonomy, and the perception that paternalistic deceivers inaccurately predicted targets' preferences.

Study 4 demonstrates that paternalistic lies result in reduced satisfaction with outcomes obtained via those lies. These results suggest that the findings in Studies 1—3 were indeed driven by distaste for paternalistic lies,

rather than by dissatisfaction with the outcome obtained in the deception game. In addition, across all studies the authors found that participants' distaste for paternalistic lies (relative to honesty) held regardless of the actual outcomes participants received within the choice sets, thus providing further evidence that the results were not driven by initial preferences for outcomes not received.

When deception is uncovered, a possible response of the deceiver is to defend her actions, explaining that she lied because she believed it was in the target's best interest. In Study 5, the authors tested the effectiveness of this type of defense. While communication of benign intentions did improve judgments of the message sender's moral character, it had no effect on punishment of deceivers or on targets' emotional responses to deception. Moreover, targets believed deceivers were not prosocially motivated, viewed lying as an autonomy violation, and thought deceivers inaccurately predicted their preferences, even when the deceiver tried to communicate good intentions.

The authors further conducted Study 6 and Study 7 to provide evidence for individuals' aversion to paternalistic lies in contexts beyond the deception game. Using a vignette design that depicted realistic situations and relationships in which paternalistic lies are told, Study 6 replicated Studies 1 and 3's findings that paternalistic lies result in harsher moral judgments than unequivocal prosocial lies. In Study 7, the authors use the vignette experimental design to provide causal evidence that perceived benevolent motivation is a mechanism underlying the moral judgments of paternalistic lies, as opposed to only something that co-occurs with the decreased moral judgment. ☑

Managerial Implications

This work has important practical implications for interpersonal interactions, management, and policy-making. Leaders and policy-makers often withhold or distort the truth in the perceived best interests of their stakeholders. Although targets may respond positively when the lie is clearly favorable to them, individuals often lack full insight into others' preferences, and there is often uncertainty about the ultimate consequences of deception. This research indicates that well-intended lies may backfire if deceivers lack sufficient knowledge about what is actually in targets' best interests. Targets are likely to penalize paternalistic lies, as well as the policies, people, and products associated with them.

Relatedly, this research indicates that paternalistic lies have detrimental effects not only on interpersonal perceptions, but also perceptions of outcomes resulting from these lies. Sometimes individuals need to make decisions on behalf of stakeholders that require a choice between two alternatives that have different assets and tradeoffs. For example, a government organization may be faced with the decision of whether to protect citizens' privacy, or obtain personal data to screen for a terrorist threat. The decision-makers may act in what they truly believe is the stakeholder's best interest, and the stakeholders' preferences for each of these options are clearly important in determining their satisfaction with the decision. However, this research suggests that the stakeholders may respond more favorably to the outcome that is delivered with transparency than to the outcome that is delivered via deception.

Innovate or Die: How Should Knowledge-Worker Teams Respond to Technological Turbulence?
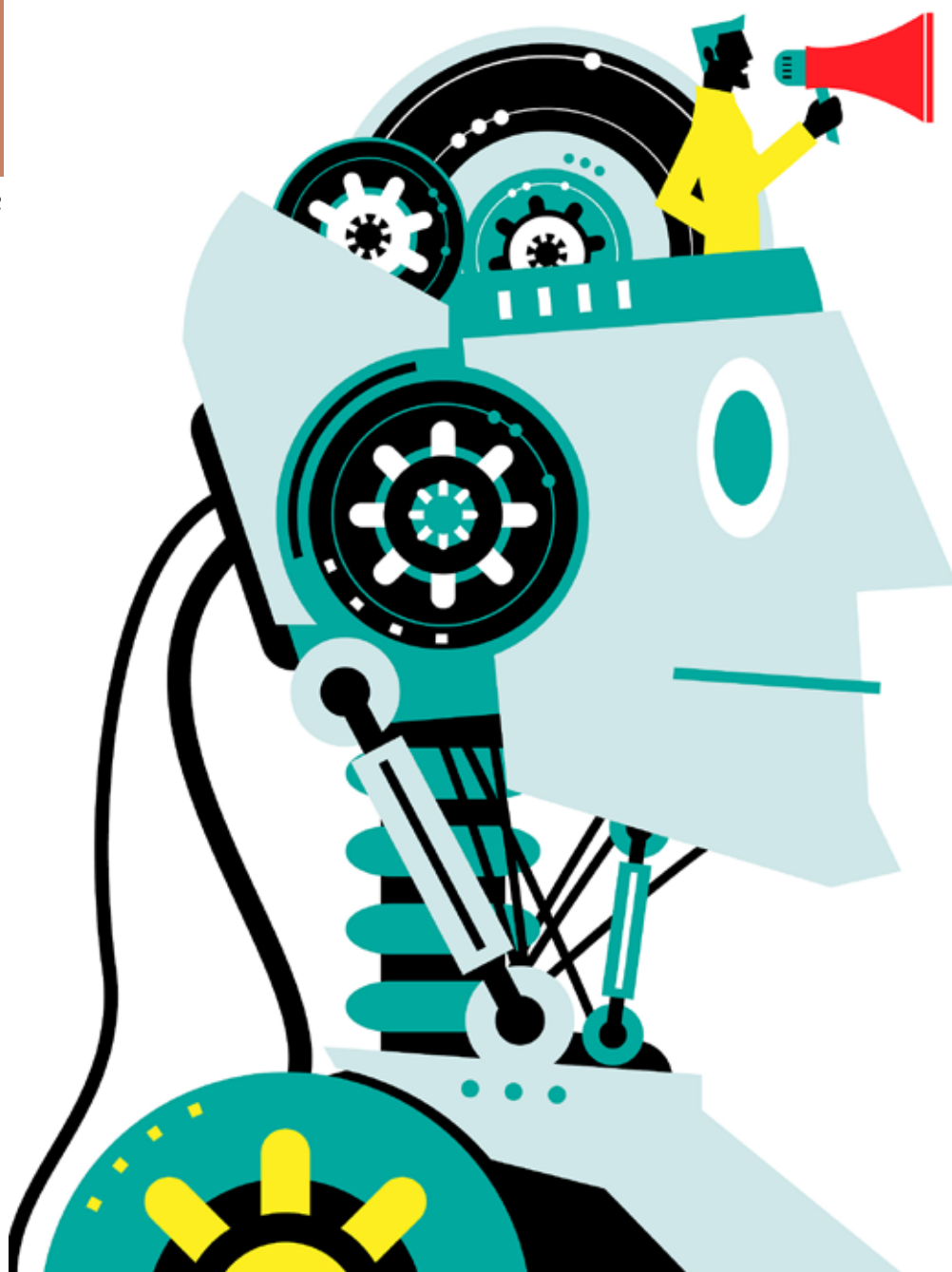
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This research focuses on knowledge-worker teams and views them as open systems that are directly affected by changes in the external environment. In the face of a turbulent technological environment, knowledge-worker teams engage in two team processes, namely, de-dependence on established team experts and new knowledge acquisition, to achieve high innovation performance. We conducted two field studies to test our hypotheses. Results provide considerable support for the critical roles of these two team processes. Moreover, team autonomy is a crucial catalyst for the occurrence of these two team processes in response to technological turbulence.

Today companies face a fast-changing business landscape owing to dramatic advancement in technologies. Technological turbulence poses great pressure for companies to innovate. To foster innovation, companies often rely on knowledge-worker teams as building blocks for rapid, flexible, and adaptive responses to the demands of the external environment. How knowledge-worker teams manage their team processes to respond to technological turbulence and enhance innovation performance is a critical issue. Such team processes are the micro-foundations to enhance organizational responsiveness to environmental changes and innovativeness.

How Does Technological Turbulence Affect Knowledge-worker Teams?

Technological turbulence refers to rapid change and unpredictability in technology. It is characterized by rapid obsolescence and advancement of knowledge.

It has been assumed that knowledge and expertise that are acquired through experience are valuable in helping teams achieve high performance in a stable environment. However, this premise cannot hold in a turbulent technological environment. Previously acquired expert knowledge becomes obsolete and less capable of addressing challenges in the new situation, while real-time acquisition of new knowledge relevant to the changing situational contingencies is crucial.

These characteristics of technological turbulence pose a unique challenge to knowledge-worker teams in managing expert members. In knowledge-worker teams, members can establish the understanding regarding who are the experts in teams based on the cues such as education and professional qualifications. Traditional wisdom regards the expertise advantage owned by established team experts as a valuable asset for team functioning and performance. Viewing that established team experts can make better

decisions, team members should grant more power to the experts and depend on their opinions and advice. Such teams can achieve higher performance because of the effective allocation of decision power.

However, in a turbulent technological environment in which the value of expertise is not long-lasting but transient, team power-dependence structure will be fundamentally different. Members will become "de-dependent" on established team experts. Instead, they will rely on the members who have real-time acquisition of new knowledge which is essential for team survival.

Two Unique Processes to Enhance Team Innovation Performance

Knowledge-worker teams need to engage in two unique team processes to respond to the challenges of fast obsolescence and advancement of knowledge inherent in technological turbulence. The first is de-dependence on established team experts. Expertise in a turbulent technological environment may become detrimental. It restricts experts from learning new knowledge and orients them to interpret new situations from the lens of experience, leading to inappropriate decisions and actions. As a result, team members will downplay the performance expectations of the established team experts, lessen their conviction that they can make good decisions or lead the team to solve problems in new situations, and then become critical of and not depending on their views and advice. In sum, team members will de-depend on established team experts.

The second team process is acquiring new knowledge from external sources. Knowledge workers who work in a fast-changing technological environment are under the continual pressure to stay up-to-date through constant learning and retooling. New knowledge that is valuable in addressing technological turbulence presents an opportunity to obtain power. Hence, team members will be motivated

to acquire new knowledge to maintain or gain power in the new situation. In turbulent environments, an effective source for gleaning new knowledge is external sources, such as professional associations, research institutes, and occupational peers.

The two team processes, namely, de-dependence on established team experts and new knowledge acquisition, have positive effects on team innovation performance. De-dependence prevents team decision making from being dominated by obsolete knowledge and allows diverse knowledge to weigh more. It also encourages the participation of all team members. Acquiring new knowledge from external sources helps teams disclose new perspectives, which spark the development of new ideas and the adoption of new ways of doing things. For these reasons, these two team processes are positively related to team innovation performance.

Team Autonomy is Key

Team autonomy can facilitate the two team processes in response to technological turbulence. High team autonomy indicates freedom and discretion, as well as a sense of personal responsibility and accountability, to initiate the actions that can effectively respond to the environmental challenges faced by the team. In contrast, low team autonomy denotes a lack of independence and authority to take the actions that are in the best interests of the team, thus obstructing the team from responding to changes in the external environment.

In teams with high autonomy, technological turbulence can easily trigger de-dependence on established team experts because they are not dominated or interfered by the established team experts to do so. However, when teams have low autonomy, they may struggle in reducing dependence on established team experts. Even when perceiving a high level of technological turbulence accompanied by expertise obsolescence, these

> High team autonomy facilitates the acquisition of new knowledge by team members in response to technological turbulence because high autonomy offers a sense of responsibility and accountability.

teams may habitually rely on established team experts for problem-solving and decision-making.

Likewise, high team autonomy facilitates the acquisition of new knowledge by team members in response to technological turbulence because high autonomy offers a sense of responsibility and accountability. In contrast, low team autonomy obstructs the proactivity of team members in new knowledge acquisition even it is demanded by technological turbulence, because of the little responsibility and accountability and the difficulty of changing the power-dependence order in such teams.

Research Methods and Findings

Study1 This study consisted of new product development (NPD) teams from ten organizations operating in three technology-intensive industries in China, namely, information technology, biotechnology, and materials technology. These teams worked in a variety of NPD areas, such as Internet of Everything, big data analytics and applications, cloud computing, navigation, smart security and transportation, smart currency processing, high-performance plastics, and gene diagnostic technologies. NPD teams are highly relevant to our research questions

because monitoring and reacting to technological turbulence have been cited as major factors in configuring the new product development process.

We interviewed 75 members of NPD teams and conducted surveys to 1,629 members of 175 NPD teams at three time points, and found that technological turbulence did not have a significant relationship with de-dependence on established team experts. But this relationship became positive when team autonomy was high. Moreover, technological turbulence had a positive relationship with new knowledge acquisition, and this positive relationship became stronger when team autonomy was high. De-dependence and new knowledge acquisition, in turn, had positive relationships with team innovation performance.

Study2 This study consisted of 65 NPD teams from six firms operating in the information-technology industry in China (response rate = 92.9%). These NPD teams worked in various areas, such as financial technology and customer relationship management systems.

The results provided support for the directional associations, such that it was the changes in technological turbulence that led to changes in de-dependence/new knowledge acquisition rather than the opposite direction. Moreover, we found that

technological turbulence had positive relationships with both de-dependence and new knowledge acquisition. The relationship between technological turbulence and de-dependence was stronger when team autonomy was high. However, the relationship between technological turbulence and new knowledge acquisition did not vary across high versus low levels of team autonomy. De-dependence and new knowledge acquisition, in turn, had positive relationships with team innovation performance. ✉

Managerial Implications

Many Chinese companies are facing technological turbulence. How to respond to this environmental challenge and reap the innovative benefit from it? In particular, how to manage established team experts who may fight against power loss and at the same time grant more power to the members who can acquire new knowledge?

The first step is awareness of technological turbulence and the associated knowledge obsolescence and advancement. Team leaders should facilitate members to develop a shared understanding on the rate of change in the technological environment and challenges involved. They can conduct regular team training workshops to develop the habits of scanning the external environment and identifying cues that are of potential significance to the survival and growth of the team. In addition, they need to discuss whether the expertise has been obsoleted in the new task situation and the necessity of acquiring new knowledge.

In addition, leaders must facilitate the team processes in response to technological turbulence. They should encourage team members to reduce dependence on established team experts, and seek new knowledge from external sources in the face of high technological turbulence. To do so, leaders should encourage all team members to develop critical and independent thinking and participate in decision making, as well as support the members who possess relevant and updated knowledge and information to step up and take charge.

A related implication is that in the face of accelerated environmental changes, established experts must acquire new knowledge. Otherwise, they must step down or they will get in the way of organizational survival and development. We do not suggest that organizations disregard the past contributions of established experts. Rather, organizations must take timely actions to reduce the detrimental influence of expertise for surviving in new task situations. In rapidly changing environments, only those companies that de-depend on old expertise and acquire new knowledge can survive and thrive.

Finally, leaders should create a highly autonomous and empowering work environment to facilitate proactive behaviors from team members that are conducive to power redistribution. Leaders should delegate power and give freedom and discretion to members in executing tasks and avoid micro-management. They should also provide support and resources when team members seek advice and help. Once an autonomous climate is established, knowledge-worker teams will be able to effectively manage their processes to meet the challenges of the external environment.

Being Selfish for the Greater Good: How Anti-Profit Beliefs Obscure the Societal Benefits of Profit

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Profit-oriented motives are often regarded as fundamentally incompatible with social good, as profit is viewed to come at the expense of others. Although profit driven motives can have societal benefits, the acknowledgment of their role in incentivizing societally beneficial behaviors is confined mainly to scholarly discourse. Through seven rigorous studies, the authors of this paper demonstrate that an overwhelming majority of people hold anti-profit beliefs, whereby business profits are thought to be at odds with societal welfare. Consistent with this view, people readily grasp how profit can incentivize firms to engage in practices that harm others, while blatantly neglecting how it can also push firms to adopt practices that benefit the greater good.

Think about a typical profit-seeking corporation. What characteristics come to mind? Did you think of adjectives like greedy, selfish, immoral, or harmful to society? If so, you are not alone. As the authors of this paper argue, the overwhelming majority of people hold anti-profit beliefs, characterized by perceptions that profit-seeking is necessarily in conflict with beneficial outcomes for consumers and society. Even in the United States, one of the most market-oriented societies in human history, the contributions of profit-seeking industry to societal progress are often questioned or denied altogether. This skepticism seems less surprising, however, when we consider that even in market societies, profit-seeking motives have long been portrayed as evil in media, literature, art, ancient folklore, and religious scriptures. Such narratives create and foster negative stereotypes about for-profit firms and beliefs about their adverse effects on the society.

But such stereotypical beliefs about profit-seeking firms may not reflect their actual impact on society. Though people with anti-profit beliefs perceive profit to be negatively associated with firms' value to society, this contradicts the consensus among corporate social responsibility scholars: more profitable firms tend to be more responsible. Stakeholders acting on systematically inaccurate beliefs may make poor decisions or choose bad policies. It is therefore critical to investigate anti-profit beliefs. Towards this end, the authors of this paper conducted a systematic empirical investigation of how profit is perceived as inherently harmful, and how these perceptions can be in stark contrast to reality.

Empirical Investigation of Anti-profit Beliefs

To understand the nature and implications of anti-profit beliefs for firms, the authors undertook seven separate studies involving hundreds of participants. The first step was to provide initial evidence for anti-profit beliefs by demonstrating a negative relationship between firm profit and societal value. Authors sampled 40 firms from the Fortune 500 list of highest-grossing public corporations for this study. Participants recruited through a web panel were asked to rate their perceptions of each firm's profitability and value to society. In accordance with the predictions, participants perceived a strong negative association between firms' profitability and value to society. Interestingly, these findings starkly contradicted the relationship between actual profit and objective measures of actual societal impact for the same firms, which was positive. These findings suggest that anti-profit beliefs are not only inaccurate, but in the wrong direction entirely!

One may speculate that these intriguing findings

are idiosyncratic to prominent or familiar firms. To put these doubts to rest, the authors conducted Study 2, which confirmed that participants assumed higher profits to be associated with lower societal value across entire industries. Moreover, they believed that higher profits were associated with more harmful practices, such as overcharging consumers and maintaining poor safety standards, as well as fewer beneficial practices, like producing valuable goods and services.

The next step was to test whether the presence of a profit motive had a causal impact on perceived societal value. By manipulating only whether hypothetical firms were labeled as for-profit or non-profit in Study 3, the authors showed that even identical firm practices are thought to impact society more negatively in the presence of a profit motive. Building on these findings, Study 4 demonstrated that firms are expected to be able to increase their future profits by adopting more harmful business practices in the present, such as overcharging, underpaying employees, polluting the environment, reducing safety standards, and using deceptive marketing.

The authors also investigated people's neglect of firm incentives and the malleability of anti-profit beliefs. Study 5 showed that prompting subjects to consider the role of voluntary consumer choice in strongly competitive markets can attenuate anti-profit beliefs by encouraging a better understanding of how competitive constraints incentivize firms to produce better products than their competitors in order to profit. The same pattern of results was found when subjects were prompted to consider firm incentives to develop a good reputation in Study 6.

Finally, Study 7 provided a much-needed solution to mitigate anti-profit beliefs by prompting subjects to consider how profits help guide future production decisions, incentivizing firms to create the products that consumers most value. Together, these studies establish that people maintain a zero-sum view of profit when assessing profit-seeking firms and tend to neglect how competitive market conditions incentivize firms to create value for society.

The Basis of Anti-profit Beliefs

Despite widespread agreement among scholars that profit can motivate both good and bad societal outcomes, the idea that self-interest can be directed to serve society is counterintuitive. People tend to perceive a fundamental conflict between profit-seeking and actions that benefit others. Because the motives of profit-seeking firms run counter to moral norms against excessive self-interest, people tend to be suspicious of these firms and wary of potentially harmful consequences. These concerns may help protect people from exploitation in zero-sum exchanges where profits for one party come directly at the expense of the other party.

But it is counterproductive to indiscriminately apply these judgments to positive-sum competitive market contexts as well, where profit motives can result in better outcomes for both consumers and society. In competitive markets, firm profits are determined by the voluntary choices of consumers. Therefore, seeking profits by deceiving or overcharging consumers is a rather short-sighted strategy. Instead, profits can motivate firms to make consumers and society better off by providing incentives for conservation and innovation. In this sense, competitive markets align the selfish motives of profit-seeking firms with outcomes that are valued by society, and profit reflects the "net contribution that the firm makes to the social good".

However, this may be difficult to appreciate. Most people experience market exchanges from a consumer perspective in which the harmful aspects of profit are more immediate, visible, and intuitive than the beneficial implications of profit, such as innovation and resource conservation. Hence, even when exchanges with profit-seeking firms are voluntary and mutually beneficial, people often see them as zero-sum situations with a winner and a loser and neglect the possibility that both sides can benefit. In reality, selfish motives do not necessarily result in win-loss situations. On the contrary, the profit motive can incentivize firms to engage in societally beneficial behaviors.

Mitigating Anti-profit Beliefs

Prevalent stereotypes about firms' motives, coupled with a vast array of personal marketplace experiences that appear zero-sum, may keep people from questioning their anti-profit beliefs. Most consumers lack adequate information and in-depth understanding of the complex interplay of consumer choice and competitive firm behaviors across repeated exchange. As a result, they focus on the immediate adverse incentive effects of profit and overlook the long-term positive incentive effects.

These unfavorable attitudes towards profit-oriented entities may be problematic and result in undesirable outcomes. Some firms may be unfairly criticized, undermining relationships with partners, stakeholders, or customers. Moreover, neglecting the possibility that profit can motivate beneficial outcomes may have steep societal costs through systematically worse economic policies. Profit-oriented tactics and pricing mechanisms can significantly enhance the effectiveness of organizations that seek to help the world, but these opportunities may often be overlooked.

Given the adverse impact of anti-profit beliefs, it is important to identify mechanisms through which these perceptions can be attenuated. Fortunately, the findings of this paper provide some initial guidance. First, the authors demonstrate that explicitly prompting consideration of market conditions that provide consumers with meaningful choices can attenuate anti-profit beliefs. Highlighting how consumers can respond to bad firm behavior in a competitive market reduces the expectations that firms will be able to profit by actively engaging in harmful practices. Moreover, stressing the importance of reputational information and the need to inform future production decisions can also keep a check on anti-profit beliefs. ◪

Managerial Implications

The word "profit" may be tainted by its association with selfish, unethical and harmful activities. Even in extremely market-oriented societies, people question the compatibility of ethical and profitable business practices. Due to their limited insight into the process of value-creation, most people are unable to recognize the positive incentive value of profit. While firms may be tempted to promote their profitability to satisfy their investors, doing so may inadvertently damage their reputation among consumers.

Instead, firms may fare better by highlighting their strategies for long-term value creation at the cost of short-term profits, thus helping convince consumers that they are mostly motivated by a social mission. Educating their consumers about the complex factors driving business decisions may also benefit firms. Engaging them in the inside story of the risks and competitive dynamics involved in operating a business can help illustrate that profitability requires more than a willingness to take profit from others. Although these approaches may not alter deep-seated intuitions and convince people that firms can profit from good practices, they may at least weaken anti-profit beliefs. Dispelling the myth of mutual exclusivity between selfish interests and the greater good would be beneficial for firms as well as society. Firms that succeed in communicating the win-win ideal of the market to their consumers can pursue profits with pride.

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Building Heaven and Earth "Tiandi" with Social Values

Lu Xiongwen
Dean of School of Management,
Fudan University

Vincent H. S. Lo
Chairman of the Shui On Group

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Honored as "Shanghai Guye" (someone who married to Shanghai) and "the one who saved Trump" by the Hong Kong media and the *New York Times*, Mr. Vincent H.S. Lo is the fourth son of a wealthy merchant in Hong Kong. His father senior Mr. Lo was a great business leader, but success for the young Mr. Lo did not come easy. Mr. Vincent Lo began his business with only HK $100,000. Today his assets exceeded RMB 100 billion. It should not be too hard to imagine how much Mr. Lo suffered and struggled to grow his company to today's size and status.

Shanghai Xintiandi is a star brand established by Mr. Lo when he led Shui On Group to enter the mainland China market. In Xintiandi, the combination of new and old blocks showcases the historical and cultural heritage of China and the international metropolis style of Shanghai to the world. As the leader of this project, Mr. Lo has been bold but modest, and he has never blindly pursued wealth or a quick return but has dedicated himself to creating inspirational and chic boutiques, and building unique landmarks that are consistent with the urban temperament. "I am pleased that these projects can be kept and preserved as a whole to make value to the society. And I feel this is my responsibility," Mr. Lo has said.

At each stage in the development of the Shui On Group, Mr. Lo has set principles for himself and has gradually formed his own way to make choices. At present, based on his judgment on the whole developmental and operating environment in China, Mr. Lo has been able to find ways to transform the operating model of the Shui On Group from a heavy asset business model to a light asset one, opening up a stable and sustainable developmental path for his enterprise.

Shui On's Replicable Business Models

Dean Lu: As we know, until now, the Shui On Group has promoted three different models for real estate development projects. The first one is represented by Xintiandi, which is a typical comprehensive commercial facility built in the city center. The second one is represented by Chuangzhi Tiandi, which is a knowledge-based community with knowledge innovation at its core. And the third is a new living center that is usually set up adjacent to a transportation hub, like Hongqiao Tiandi. In your opinion, are these three models well developed? Is it time to consider applying these models to other cities?

Mr. Lo: These three models are quite mature. But when it comes to the rebuilding work in old downtown areas, we are still very cautious, because demolition is always a difficult part of these projects. Although we control the demolition process, such projects still take a long time. This means that the time cost of our initial investment could be really high, which undoubtedly affects the company's comprehensive market competitiveness. Nevertheless, I have high expectations for Chuangzhi Tiandi. Thirteen years ago, I started to build this project in Shanghai precisely because I had seen the need for innovation and

entrepreneurship in our country in the near future.

At that time, we chose Silicon Valley in the United States and the Left Bank in Paris as models to learn from, and we explored how to motivate young people to generate innovative ideas and start their own businesses through creating a certain atmosphere or ecological environment. Today the entire China is building an innovative and entrepreneurial ecological system. As Chuangzhi Tiandi matches the national policy and we are full of experience in this area, we have received many invitations from other cities.

Despite that, we are still very cautious in selecting locations. You know, to create such an atmosphere, location should be an important consideration — near universities is a basic criterion. Hence, we built Chuangzhi Tiandi near Fudan University and 13 other universities. It is indubitable that university resources are valuable to us, but at the same time, we have noticed that a great many young people nowadays like to work and live in a community environment. I therefore have a new idea —to combine Xintiandi with Chuangzhi Tiandi and establish a comprehensive community. Xintiandi is used for leisure and consumption, which is a part of high-quality life, but after we have combined the two models, they can function well together. People can stay there for life, work,

study, being entrepreneurs, or innovating, which are in alignment with modern young people's pursuit of life and work.

Dean Lu: I have been to Xintiandi. It's like a club with flexible space. Over there, many young people can rent offices as they wish. And the atmosphere is relaxing for them to meet and discuss things together.

Mr. Lo: Yeah, this is one concept in our blueprint. In the future, we will probably establish a clubhouse there and attract our target customers from certain professions, such as finance and real estate. We want to provide them with a place to discuss things, exchange opinions, and brainstorm.

Dean Lu: Well, the idea of integrating life, study, and entrepreneurship seems attractive to you. Then, with regard to your Tiandi brand, are you going to replace the sub-brands like Xintiandi, Chuangzhitiandi, or Hongqiaotiandi, and merge them into an integrative brand called "Tiandi"?

Mr. Lo: Yes, you are right. We have Tiandi as the core brand and hope to include all these models into it. Nowadays, people's pace of life is fast and tense, and in many circumstances they need to handle many different things at the same time.

Dean Lu: In its early days, the Shui On Group conducted business in the field of demolition, relocation, and renovation, and

provided many services to projects from the government. After China's urbanization process, renovation work became more difficult to carry out, and the cost of relocation became increasingly high. Are these factors affecting your work? Have you found any countermeasures?

Mr. Lo: Actually, we have changed our strategy that only those areas that cover over a million square meters are worth the investment. That strategy is costly. In fact, after deducting interest costs and the incremental value of the loss of land, we can hardly make any profits. So we aim for smaller projects. It is true that a certain scale is needed to ensure the feasibility of integrating together all the elements we mentioned earlier and producing agglomerative force. But I hope the development cycle could be shorter — three to five years is better.

Dean Lu: In recent years, we have witnessed the rapid development of the real estate industry in mainland China. It is said that the real estate industry should be localized. So adapting to the local policy environment, the cultural environment, and the development level of the city is a premise for project work, such as product designing and selling. You are experienced in establishing relationships with government. Could you share your experience with us?

Mr. Lo: Every time I make an investment decision, I always think about what my investment could do for the local community and its citizens, and I do not just focus on profits. It has been more than thirty years since I began to carry out investment projects in mainland China, so many governmental officials and friends know my philosophy well. They trust me and would like to give me their support. For example, both Xintiandi, which we started 20 years ago, and Chuangzhi Tiandi, which we established 13 years ago, were designed to cater for the future developmental needs of Shanghai. My thoughts were relatively advanced, and I tended to be determined in doing things, so certain amount of suffering was unavoidable.

When we were working on the Chuangzhi Tiandi project, we decided to create an entrepreneurial and innovative atmosphere. Back then many people did not understand this decision. We placed ourselves in Yangpu District for this project, as there were 14 universities in this district. We hoped that the traffic around would be slow, and that people could have a cup of coffee on the side of the road, comfortable and cozy. But at that time, everyone believed that the traffic should be fast. Thus, the whole atmosphere was totally different from my expectation. Therefore it took time to coordinate.

Business Is More than Gambling

Dean Lu: In the overall development process of the Shui On Group, what crucial periods of development, transition or even

Mr. Lo: In the 1970s, I focused on how to stabilize the company and enable it to survive on its own. And later, I devoted myself to earning more money and helping the company continue to prosper.

Looking back on those years, I find that I made some wise decisions in the 1970s. I was considering how to invest in real estate industry during that period, but I did not have enough capital, so I invested in some projects developed by my father. Meanwhile, the British Hong Kong government launched a plan called the Home Ownership Scheme, calling for private investment. Under the scheme, the government set a price and provided a piece of land. Investors were supposed to build 3,000 apartments on the land in the near future. Once the projects were completed, the government would buy these apartments at a specified price. After careful consideration, I held that there was little market risk in the scheme because the finished products were bound to be sold. Although the profits were not that much, at least they would contribute to my primitive capital accumulation. Later, in the early 1980s, the market was depressed as a result of the Sino-British negotiations, so I began to work on these projects, two of which were on a large scale. Now, with 6,000 flats in Kowloon Bay, Richland Gardens, which we built, is still the largest project

in the Home Ownership Scheme in Hong Kong, a record-breaking accomplishment. It took only 20 months from the date of contract to the date of delivery.

Dean Lu: Only in 20 months?

Mr. Lo: Yes, in 20 months, 22 apartment blocks with 34 floors were built.

Dean Lu: That was a miracle!

Mr. Lo: Yes, it was. I amassed HK $300 million from this project. Later, in 1985, when the government auctioned the land of the Shui On Center, I put all this money into it. In return, this land brought me a great fortune. However, some people felt

confused and asked me: "So many people are immigrating to foreign countries. Why do you still invest in Hong Kong's land?" I thought one important reason was that I was not willing to immigrate. During the time when I was studying abroad, I suffered discrimination, so I didn't understand why those people desired to go abroad to be second-class citizens. In 1985, I went to the mainland to make investments and personally experienced the wave of reform and opening up. You know, we Chinese people rely on interpersonal trust to a large extent. At that time, people who had worked with me knew that I was a man of responsibility and was not just out to make a quick buck. Because of this, the Xintiandi project, with a great central location, was assigned to me. In a word, all these factors were vital for my career development.

However, people are easily carried away when they are very successful. At that time, we bought land so casually that things didn't go well in some second-tier cities. We invested a lot of money but it didn't pay back. Moreover, there was another impressive lesson we learned in the 2008 world financial crisis. In that year, we had a $375 million bond maturing. At first, I thought that this was not a big deal, since our debt ratio was only 16% and I had more than RMB 2 billion held at the bank. It never occurred to me that the global financial market would stagnate completely after Lehman Brothers went

bankrupt. I didn't have enough US dollars to pay the debt, which was very dangerous during that period. If I didn't repay the bond on time, I might go broke at any moment. Fortunately, I made great efforts on my own, and the banks also had confidence in me. Anyway, the problem was finally solved. From this crisis, I learned one lesson — that sometimes I was too confident in myself without realizing that things were not always under my control. That's the reason why I now put so much emphasis on stability.

Dean Lu: When you took on the Xintiandi project, more than half of the senior directors were against it. But you were resolved to invest in the project despite staunch opposition. In your opinion, can you owe the success of this project to a rational decision made after sufficient research? Or was it actually a gamble?

Mr. Lo: Business is more than gambling. The real estate industry was at a low point in the 1990s, but I firmly believed that the prospects of this industry must be linked with the future development of Shanghai. Once the city became developed, the real estate was bound to prosper. At that time, over twenty years ago, although I was optimistic that Shanghai would become an international financial center, it still lacked many supporting facilities, especially those related to people's quality of life. Hence, I wanted to build a district where people

could relax, meet their friends, and chat with each other. Nevertheless, considering that the location of Xintiandi was next to the site of the First Conference of the Communist Party Congress, the government required that these Shikumen (literally "stone gate") buildings must be kept and that high-rise constructions were not to be built next to them. Then a creative idea came to my mind — why not preserve these buildings but transform their functions? That was the origin of the Xintiandi concept.

Dean Lu: It is really a masterpiece. Through the transformation of the old city and the protection of cultural relics, Xintiandi not only showcases the international metropolitan culture of Shanghai, a cosmopolitan city with a long history, but also relates to the development of the whole city. By the way, have you ever thought about the consequences if you had failed?

Mr. Lo: Frankly speaking, I had thought about that. I remember one scene very clearly. Just before I was about to make the final decision, I asked the financial director whether we would go bankrupt in the case of failure. "No, of course not!" he answered. Then I decided and announced: "OK, let's do it!"

Vitalize Your Company

Dean Lu: Research shows that 90% of start-up companies end up in failure. From your experience, how can you increase the probability of success in starting a business?

Mr. Lo: In retrospect, my success in entrepreneurship at that time should to a large extent be attributed to my belief that I was not allowed to fail. In fact, my entrepreneurship was rather difficult. After graduation, I returned to work for my father. But as my elder brother and sister had already been working there before my arrival, there were few important things assigned to me. After more than two years, I left and found a job for myself in a company outside.

My parents burst with anger when they heard about this. My mother told me that I must start my own business if I didn't want to work for my father. Finally she persuaded my father to lend me HK $100,000 to support my business in the construction industry. In fact, there were some words my father once said that I always bore in mind. I heard them one day when I passed my father's room —he was arguing with my mother on whether to help me start a business. "Forget it. This son is useless. Don't waste time on him!" My father said. On hearing these words, I made up my mind that I must succeed in running my own business. Then I didn't have one day off, working 16—20 hours each day in the first seven years of my business. Of course, this might not necessarily be the foundation of my success. Although determination

wouldn't commit myself to this industry for ages. I did some research and found out that in the whole world few companies that only specialized in construction projects succeeded. At that time, I was determined to make my company a success — to be in a sustainable state in which it could operate well even in the absence of my supervision. That was an important decision, and meant that I needed to build management systems, frameworks and institutions as well as cultivate talents in the company. I think those measures contributed a lot to the corporation's strong developments afterwards.

Dean Lu: You have held to the wisdom for a long time that it's a must to establish a complete modern organizational structure and a good governance system if you aim to run your company over a long time or make it a century-old enterprise. Therefore in the early years, you spent a lot of time on these aspects and employed many professional managers to help you, right?

Mr. Lo: Yes, you're right. When I founded my company, we had only five people. It was hard for me to recruit employees with adequate experience or high academic qualifications, because everyone knew that I was born with a silver spoon in my mouth and they felt that my company would not last long. However, I stuck to this career and created a satisfactory organizational

is important, the most important thing for young people is to understand themselves, to find out their real motivations for starting a business and to figure out their advantages and disadvantages. After that, they should work diligently, endure hardships and believe in themselves. All of these aspects are of great importance.

Dean Lu: Did you ever think about giving up in the early stages of your entrepreneurship?

Mr. Lo: No, I didn't. After two years in the construction industry, I knew clearly that I

environment, which made it possible to attract and retain talents. These people were of vital importance for the long-term development of the company.

Dean Lu: As an entrepreneur who grew up in Hong Kong, studied in Australia and returned to the mainland to fight for your career, which management thoughts do you prefer, the western ideological system or the eastern traditional cultural ethics?

Mr. Lo: I regard my thoughts as a blending of the two cultures. As I studied abroad for years, it was inevitable that I was influenced by Western education. Despite that, I still strongly advocate our Chinese culture because my father enlightened me with Chinese culture as I was growing up. He is a very strict person who has taught me by his own example. For instance, during one summer vacation while I was studying abroad, I came back home for a vacation. My father told me: "Well, you, come to work with me tomorrow." Then the next day he left his car at home and took me to work by trolleybus — he wanted me to understand the life of ordinary people. When I was about to go abroad to study, my mother suggested taking a plane, while my father rejected her advice and asked me to take a cargo ship. He insisted that young people should have some experience and toughening. So I went to school in a small cargo ship with a load of 6,000 tons and spit for 13 days. Suddenly

I came to realize that this was just what life is like. My father's attitudes and diligence greatly affected my way of managing and operating in business nowadays. Of course, I understood that only relying on Chinese culture might not be enough for success, so I also borrowed some western management models to let the two systems work together and coordinate with each other.

Dean Lu: As you said, your parents have left a deep impression on you and provided you with a lot of guidance and help. Now, as a father, what is your own way to educate your children and help them grow?

Mr. Lo: I really hope that I have determination like my father's to teach my son and daughter. But this is very difficult. I hope to have heart-to-heart talks with my children, but the generation gap always exists. The best example could be that they wanted me to buy an iPhone, because they felt that if I didn't buy an iPhone and use WhatsApp, they wouldn't be able to communicate with me, so I had to buy one. Of course, I believe they should go through some training. When my son was 14 years old, I arranged for him to serve as a room boy in the Shangri-La Hotel in Hong Kong and help customers carry their luggage. I thought he should go out to see what grassroots jobs were like and experience the feeling of receiving tips. When my son graduated four years ago, I told him: "Dad

won't support you for a long time. Get yourself a job or be your own boss. Pick one and do it!"

Dean Lu: As your father once told you.

Mr. Lo: Yes. At first my son, like many young people, went to America to study, and planned to live in New York. He found a job there, but suddenly the company informed him that the position was occupied. He was scared about that. Then I told him, "Think about it by yourself, go for a job or start a business." He later decided to start a business, and targeted the food industry. In fact, it is hard to survive in this industry. After this decision, he started to work as a trainee. And two years later, he opened two stores in Hong Kong.

Dean Lu: Why didn't you arrange for him to come to your company as an intern and train him gradually?

Mr. Lo: If he had come to my company, he would not have learnt anything. Many colleagues would have known that he would be the boss in the future, so none of them would have asked him to do things. And if I taught him by myself, it wouldn't function well, either. So it was better to let him "touch the nails" outside, undergo some suffering, and accumulate experience by himself. Generally speaking, I don't order my children to enter my company. I give them

rights to decide on their own. If they are interested, I welcome them back. Of course, competence is required. Otherwise they could just be shareholders.

Dean Lu: I have heard that your daughter has joined the Shui On Group. Is this by your invitation or her personal wish?

Mr. Lo: I think the 2008 financial turmoil had an impact on her. She worked in New York during that period. Each time she phoned me, she would say, "today several colleagues were fired." I could feel that she was in a bad state. Then, I gave her my advice. "Stay there or come back, make a decision according to your own wishes," I said. Finally, she decided to come back to Shanghai along with her husband. In the future, it will still be up to her to choose a career. I fully accept it now. And I don't want to order my children to follow my will like my father did.

Dean Lu: It's enlightened and wise for you to do so. However, are you worried about the potential problems caused by that? As you mentioned just a moment ago, entering into your company too early may hinder the growth of your children, right? So far, as your daughter has taken on some responsibilities in your company, are there any worries for you about this problem?

Mr. Lo: Oh, no, I never worry about that.

My daughter had worked outside before, and she is a modest and unobtrusive person, without any of the behavioral style of rich second-generation people. She never buys famous brands. Even though I wish to pay the bills for them, she still doesn't want it.

Dean Lu: So you have confidence in her and hope to help her grow in her career. What do you think will be the most important assets to be left to your children?

Mr. Lo: At present, I think the most important thing is to teach my children how to behave well. It is useless to give them money. Young people today always have their own ideas, and we can't impose our wills on them. So I adopt a democratic way. When they need my advice, I will tell them my views.

Dean Lu: Would you like to share with us your considerations about the succession plan in the Shui On Group? More than ten years ago, you mentioned your willingness to retire early and do something you like. But three years ago, we witnessed your re-emergence and direction in the organization's significant transformation and adjustment. Then, in your opinion, what kind of succession is ideal and can leave you relieved?

Mr. Lo: In the next three years or so, I believe, this management team will be capable enough. Of course, the environment for doing business today is very sophisticated. So is the whole situation in politics, economics and other aspects in the world. Under such circumstances, it is not easy for someone who is green to take on responsibilities and make decisions. Now I am cultivating these colleagues and asking them to make more decisions in order to

help them understand what is needed for a wise decision. In my point of view, the best result is that the management ability of our professional team could be improved. If my children are interested in management in the future, they can participate by playing the role of a director or just a shareholder—it's up to them. I'm confident that the company could thrive on its own.

Dean Lu: During the whole development period of the Shui On Group, which aspects do you think need further adjustment or improvement?

Mr. Lo: It's certainly our portfolio that needs to be improved. The question lies in how to keep a balance between the long-term and the short-term strategies, which really matters. In the past, we focused too much on long-term investment outcomes, leading to assets on a large scale (more than 100 billion yuan) most of which made no contribution to our short-term profits. That's why we need to keep a balance. So far, we have made some adjustments in the whole development approach, and planned to take a light asset route. What are light assets? They are brands such as Xintiandi and Shanghai Knowledge & Innovation Community, which are very popular in the market. By using these brands to create new opportunities, we can act like a small trader. And in this way, an ideal payback will be gained.

In addition, I'm rather concerned about the current world situation. I am worried now about how to make full preparation in case of the sudden occurrence of major events in the world. Although the real estate industry is a home industry, we should realize that China is the second largest economy in the world and will definitely be influenced by the outside. Looking from this perspective, I hope my company will operate steadily.

Dean Lu: Looking forward to the future, are there any unfinished dreams for you to pursue in person?

Mr. Lo: Our company is now in the stage of transformation and adjustment. I hope that I can manage things well and get the company on the right track while I am still taking the lead. I feel it is important to do my duty and hand it over smoothly. Every time I engage myself in these projects, I always hold a belief that it is my responsibility to keep these projects going and preserve them as a whole to give value to society. ⊠

Xiao-Ping Chen
Professor of University of
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Ming Zeng
Former Chief Strategy Officer and
Chairman of Academic Council of
Alibaba Group

A Deep Thinker
of Future Business

I have known Ming Zeng for more than 20 years. We both obtained our Ph.D. from the University of Illinois at Urbana-Champaign. We also co-authored a paper on co-option in multi-partner strategic alliances, which was published in *Academy of Management Review* (Zeng & Chen, 2003). Shortly after that he quit his academic job and joined Alibaba while I stayed in academia. During these years, every time when I read news about Alibaba's new progress, I will think about him and the critical role he played as its chief strategy officer (CSO). I really admire his successful transition from a scholar to a practitioner. Now he has retired from the CSO position, and finally has time to reflect and share his experience with me.

Translator
Zhuolin She
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Xiao-Ping Chen: Hello Ming, in the past 20 years, you have been a professor at INSEAD and Cheung Kong Graduate School of Business, and then the CSO of Alibaba, and now the Director of Education at Hupan University. Would you share with me your experience in the transition from a management scholar to a practitioner, and then to a business educator? Was it difficult? How did you deal with the transitions?

Ming Zeng: Although my work role seems to have changed, I realized later that in all these transitions, there is one thing that has not changed. That is the role of me being a thinker. Engaging in deep thinking is my hobby, and I also think it is my advantage. Because whether you are a researcher or a practitioner, it's very critical to think deeply about the problems and use appropriate methodology and analytical skills to solve them. In fact, the most important aspect of doctoral training is the cultivation of the ability to think deeply and the mastery of methodologies for analyzing problems. So

thinking is something I haven't changed.

But the biggest change is the perspectives I take. When I was a scholar, I always looked at things from an outsider perspective. I could understand a phenomenon, but without enough intimate feelings. After working in Alibaba, the biggest change is that I became an insider and gained a totally different appreciation of the questions and the corresponding situations. The contextual knowledge helps me to develop a very deep understanding of the situation, which prompts me to discover practical problems that need new solutions. At that time, the problems are no longer staying at the abstract level. So my observation is that theoretical research is to pursue abstraction and parsimony, but real organizational problems are often concrete, vague and chaotic.

The process of continuously optimizing business strategies under ambiguous situations is a normal state in a company. So at the beginning, the most challenging thing for me was that I couldn't provide a perfect answer to any question and I had

to experience trial-and-error. It's more balanced now for me after being in the front line because I know when I should jump out and when I should immerse myself. I feel happy to be the Director of Education because I can adopt a wide scope and observe a lot of industries and companies at different stages of development to gain many insights through comparative analyses.

Company Core Values Are Guidelines for Strategy and Action

Ming Zeng: For example,when encountering problems in Alibaba, our general approach is to go back to the company's core values, and its mission and vision, in order to identify feasible solutions. However, in the past two years, after talking to many start-up companies, I found that very few of them do that. Most of them think about

problem solving from the perspective of self-achievement, interest, and business opportunities. It seems that it is rather rare for companies to have a DNA of long-term thinking and vision driven.

Xiao-Ping Chen: In my view, this is actually one of the most important reasons why Alibaba is so successful, and why Alibaba is so distinct. Alibaba's mission is to "make it easy to do business anywhere", with the "six pulse Excalibur" as its core values. These six values are: customer first, teamwork, embrace change, integrity, passion, and commitment. I would like to understand what roles these core values play in the process of formulating Alibaba's corporate strategies.

Ming Zeng: These values serve as basic guidelines, and everything we do ends up being evaluated by these values. For example, when we discussed whether we

should offer cloud computing service, we used our mission statement to guide us. At that time, the technical challenges for building cloud computing were enormous, and there were huge disagreements even among the technical staff whether we were able to do it. Jack Ma ultimately decided to move forward, mainly because offering the cloud computing service was in alignment with Alibaba's mission. Cloud computing has lowered the threshold for entrepreneurs to enter market and made it cheaper and easier for them to run business. It is very helpful to develop an ecological environment for e-commerce, so we insisted to build cloud computing service.

Xiao-Ping Chen: This cloud computing service can help small and medium-sized enterprises to grow, and it fits perfectly with your mission to "make it easy to do business anywhere", so that's why you did it. This is a great example of mission-driven strategic decision making.

Ming Zeng: Yes, a company that makes decisions based on values and mission will have a long-term plan and the social responsibility that goes beyond profitability. Although this vision is also summed up by Alibaba's continuous exploration and are constantly adjusted according to the external environment and different development stages, overall, we stick to this principle in making majority of the decisions.

Xiao-Ping Chen: Did you feel this way when you first joined the company?

Ming Zeng: Yes, I got to know Jack Ma in 2000, and I also went to Alibaba to conduct training workshops in 2001 and 2002. At that time, I felt that this company was different: it had clear ideologies and pursuits, which were particularly attractive to me.

Xiao-Ping Chen: What was your work relationship with the CEO (Jack Ma) when you were the CSO of Alibaba? How did you position yourself? For example, when you had very different opinions about the company's strategic direction, how did you reach consensus? Can you give me some examples?

Ming Zeng: I feel very lucky because Jack Ma is a very creative person and also a visionary. This goes back to the mission, vision and values of Alibaba. I came to realize that a good strategy cannot be born without the guidance of a good vision. Because vision gives direction, then it is

possible to discuss the best ways to achieve the vision, and the rest are strategies.

In this sense, I work very well with Jack Ma because he has a particularly good intuition-based vision, and I am very good at systematic thinking. So during the time we worked together, I played two important roles. One was a role of jigsaw puzzle solver, i.e., to integrate his relatively scattered sparkling thoughts, and transforming them into a coherent picture that everyone could easily understand. The other role was to sort out the logical relationship behind the overall picture and the rhythm of the execution timeline. Other people used to joke about it, and they would say, "We could not understand what Mr. Ma was saying. Would Professor Zeng please translate its meaning for us?"

Xiao-Ping Chen: Haha, this is interesting. This means that you two shared the same vision about the company, and it was easy for you to reach consensus.

Ming Zeng: Yes, indeed. But I also observed a very interesting phenomenon, that is, there was a cycle in our cooperation. For instance, within a certain period of time, say between two to three years, our general consensus rate fluctuated between 70% and 90%. The 90% happened oftentimes right after we have had extensive discussion and formed relatively clear vision and strategic direction. But as the external and internal environments changed and the business

moved forward, our understanding of the matter would start to diverge. And then slowly we would work out the differences and come together again. Personally I thought it was a good tension. If we haven't had any disagreements, then there was no complementarity between us.

Xiao-Ping Chen: I totally agree with you. It would be boring if you always had the same viewpoint, which wouldn't be conducive to stimulating new thinking. In my view, Alibaba is a very creative company. It constantly creates new things and new businesses. It has developed so many new ventures from the original B2B platform. You must have had deep involvement in each of their creation.

Ming Zeng: Yes, that is the case. From 2008 to 2010, Taobao grew from a relatively vague ecological concept to a very clear positioning as an e-commerce ecosystem. For Jack and me, these two or three years were a crucial period that we figured out each other's work and thinking style and found the best way to work together.

For example, we had some big arguments about what things should be done by our business partners, what should be done by ourselves, and even about where to draw the ecological boundaries. Before then, we also had different ideas about how the design of Taobao store should look like. As you know, to open a store offline, you need to have the physical

space etc., but opening a store online is actually to build a website on Taobao. So should Taobao help all sellers to build their store websites or let third-party partners do that? This was the first very specific question. The second question was, do we want to make money by providing services through this website? After a period of heated discussion and trial, we finally decided that we would only provide the most basic template for a store website, and hand the rest of personalized or customized shop services to third party partners. In this case, Taobao does not charge any fees for a store website, and does not regard it as a profit point. After we made this decision, its latter development became exponential.

In line with this logic, building Taobao is equivalent to building another marketplace.

This marketplace allows the third-party service providers to help sellers to customize or personalize their store website. They directly deal with the sellers through the Taobao platform, which resulted in a booming market.

Xiao-Ping Chen: And this platform also activates many new types of businesses; very interesting!

Corporate Strategy Itself Has Become a Dynamic Concept of Continuous Evolution

Xiao-Ping Chen: You once summarized that the strategy of Taobao before 2016 could be classified into three phases: the strategic trial period, the formation

period, and the expansion period, which corresponded to the beginning of its establishment to 2007 (the daily average GMV was over RMB 100 million), and from 2007 to 2012 (the average daily income exceeded RMB 100 million), and from 2012 to 2016 (surpassed Wal-Mart). Is this an afterthought or a prior plan? In your opinion, what is the relationship between strategy formulation and evolution? What developmental stage do you think Taobao is currently in? What will be its future?

Ming Zeng: This summary is an after-thought, but it was also felt at the time. For example, I just mentioned that Taobao entered the second stage of development after 2008 and tried to become an open platform. This was a pretty clear indication of the change, so you knew that Taobao entered a new stage. Think about that Taobao's GMV was RMB 99.97 billion in 2008, almost a hundred billion Yuan, but by 2012 it reached one trillion Yuan.

That was a blowout period. At that time, we clearly sensed that Taobao entered a stage of rapid development, and strategically clarified it as an ecosystem. Then we discussed how such an ecosystem could be rapidly expanded. Compared to the original basic e-commerce market, e-commerce website, an online market, or the basic market size built from 2003 to 2007, it was at a completely different stage of development.

Xiao-Ping Chen: I see. So what do you think is the relationship between strategy formulation and evolution?

Ming Zeng: As I mentioned in another occasion, corporate strategy today is at least very different from that in the previous industrial age, which often regarded strategy formulation and strategy implementation as two different, consecutive things. The so-called strategy formulation, strategy implementation, as well as strategy content and strategy process, are basically studied in two different fields. But now I find that the strategy itself is also rapidly iterating, so I call it a rapid iteration of vision and action. Strategy formulation no longer has a very formal process, indicated by a very clear planning stage, and a clear implementation stage. It may take five, eight or even ten years for traditional companies to finish strategy formulation, implementation, and completion. But for today's Internet companies, strategy is a continuous iterative process of improvement and optimization. And strategy formulation and execution become an intertwined and inseparable continuous process.

Xiao-Ping Chen: Yes, it's the interaction between the two. One provides feedback to the other, with constant evolution. And in this process, disruptive innovation keeps emerging. By the way, what kind of development stage do you think Taobao is currently at?

Ming Zeng: I think Taobao may be entering its fourth stage of development, which is a new stage of innovation. This is related to the external environment. As you know, the entire mobile Internet industry has experienced nearly a decade of rapid growth in China and has entered a saturation period.

Meanwhile, users' consumption habits are also changing, hence the so-called consumption upgrade. Business seems to move from simply focusing on attracting customers to focusing on providing quality products and services to customers. With these major changes, Taobao must become more innovative to be ahead of the curve. In this sense, Taobao is entering a stage of strategic upgrading and innovation.

Xiao-Ping Chen: Can you provide more specific information about the content and form of this strategic innovation?

Ming Zeng: The core is to focus on the customer and use the current Internet products to promote the creation of the next generation of products, such as the ubiquitous web, more extensive interactions, and technologies like VR and AR. So how to improve user experience with these new technologies is a new challenge for Taobao, as well as for the entire e-commerce industry.

Xiao-Ping Chen: In other words, customer orientation is the ability to provide individualized and customized services, experiences and products to each and every customer.

Ming Zeng: Yes, exactly. Ten men, ten colors. That's what we've been talking about.

Xiao-Ping Chen: If so, what is your personal description of Taobao's future business model?

Ming Zeng: I will describe it as the C2B model (Customer to Business), not the typical B2C model in the industrial age. The core of the C2B model is customer-centric, that is, better understand customers through continuous interactions and provide them with more services tailored to particular needs. So it's not only "ten men, ten colors", but also different experiences in different situations. The services become more flexible, targeted, and precise.

The Caterpillar Strategy of Alibaba

Xiao-Ping Chen: Alibaba has evolved more and more businesses in the past ten years: Alibaba.com (B2B), Taobao, TMall (B2C), Ant Financial, AliPay (lending, deposit, remittance, cross-border payment), Cainiao (logistics), Hema Fresh (online-offline grocery), to name a few. Jack Ma called it the "caterpillar strategy" of Alibaba. What do you think of it?

1998

Ming Zeng received his doctor's degree in International Business and Strategy from the Illinois State University.

1999

Ming Zeng started his systemic study on the dynamics of internet, with the company of Alibaba as his first studying case.

2003

Ming Zeng became the strategy consultant for Alibaba Group.

2006

Ming Zeng joined Alibaba to be in charge of the company's strategy issues, and has since participated in designing and executing Alibaba's overall strategy, which includes the creation and development of such important subsidiaries of Alibaba as Taobao, Alipay, AliCloud and Cainiao, etc.

2007

The Strategy Conference of Alibaba Group first presented the concept of Postindustrial Era & E-Commerce Ecosystem.

2009

After investigating the feasibility of initiating its cloud computing business, Alibaba Group came to realize the potential values in the field.

2010

Alibaba Group unequivocally proclaimed that a brand new type of business culture shall be the pursuit of this internet era.

2012

Alibaba presented the innovative commercial mode of C2B (consumer to business).

2011

Alibaba Group came to realize the essential values of data.

2017

Ming Zeng became the Director of Education at Hupan University as well as the chairman of Academic Council of Alibaba Group.

2013

Alibaba Group established the post of Chief Digital Officer, in order to promote the technological development and commercial innovations in the fields of big data and machine learning.

2015

The customization strategy of totally individualized recommendations by Taobao began to release its immense potential.

Ming Zeng: It means that we have multiple businesses going on at one time, just as caterpillar with a hundred legs walking at the same time. Which business become more dominant is a result of the combination of many factors. For example, at the beginning, B2B was our core business that focused on overseas export trade; but then Taobao became the engine that facilitated the development of the entire company, because when you got in touch with customers, so many other businesses grew, which affected many relevant links in the industrial chain. Later, at the third stage, AliPay became the engine. Due to the development of the mobile Internet technology and the popularity of smartphones, the mobile payment business suddenly boomed. It was then that AliPay became a very important locomotive that attracted the new users and promoted business development. I think the next engine would be cloud computing, i.e., AliCloud. So in essence, the characteristic of this Caterpillar strategy is to continuously find the next breakthrough in innovation based on the progress of technological advancement, and use that to promote the prosperity of the ecosystem.

Xiao-Ping Chen: Was this Caterpillar Strategy something you had from the start? Or as you said before, it emerged naturally with the changing business situations?

Ming Zeng: It's more of the latter. As the Chinese saying goes, it was a result of "tianshi, dili, renhe" (the right timing, the favorable external condition, and the harmony between people). Alibaba is very lucky because it was established at the right time and had the opportunity to move forward quickly with the rise of the Internet age. But the second root cause is that it is a vision-driven company. With a clear vision, it pursued things proactively and sometimes even work hard to identify the next hot business and act on it. In this sense, although the caterpillar strategy was not a pre-conceived one, it was a natural outcome because we do not know what the next big breakthrough is, and we want to try multiple things so that we do not miss it.

Xiao-Ping Chen: Do your top management teams have retreats every year to discuss these issues?

Ming Zeng: Yes, we have a very rigorous process to do this. Every year starting around August or September, we will have brainstorming sessions about some relatively macro-level, long-term strategies for the next eight to ten years. After that, we meet almost every month to keep the discussion going, and finally integrate them into the next year's operational plan. Then we engage in the budgeting process to allocate resources according to this operational plan. So the vision we're talking about actually is reflected in the specific corporate operations. It is actionable and implementable.

For instance, many companies are KPI-driven. Their KPI is often set at 10% higher than past year, and then they break down this goal and come up with the next year's operational plan. In Alibaba, we are completely driven from vision to strategy, then to the operational plan, and then decide what will be reasonable KPI.

Xiao-Ping Chen: In other words, your process is the opposite of other companies, at least the way of thinking is reversed. So what level of managers are generally involved in this process?

Ming Zeng: In fact, the whole company is involved. For example, top management team members will have high level discussions in August, but at that time, we also assign the topics to mid-level managers. During the second meeting, we discuss the feedbacks collected from all VPs. And then we pass the questions and ideas down layer by layer, when it gets to the operational planning, in fact, every business unit is already involved. Basically, the whole company is fully activated, and that's why it works.

Xiao-Ping Chen: Very good. Now you have been working in Alibaba for more than ten years, and you have witnessed it growing from a small, unknown company into one of the most valuable companies in the world, with more than 800 million users on its platform. From your perspective, what are you most proud of?

Ming Zeng: Looking back, I think it was so great for Alibaba to be able to keep up with and ride the waves of the technological advancement in China in the past two decades. From the earliest Internet companies such as Sina, Sohu, to the later ones as Baidu and so on, the Internet industry has undergone several rounds of big development. Alibaba came a long way step by step, and as time goes on, it has accumulated greater potential for development. For me, it's most gratifying to be able to persist in doing the right things for a long time and to keep riding waves with big changes.

The second thing I feel proud of is teamwork, such as the work relationship between Jack Ma and myself, the whole top management team, and the executive and

strategic thinking ability of all top managers. We have deep-level communications. Our teams' execution is superb, and we never need to worry about whether such a difficult mission or task can be completed or not. We work well together.

Xiao-Ping Chen: Jack Ma once told me about how he cultivated his successors. He really emphasized the importance of having Alibaba's core cultural values infiltrated into their bones. This is probably the main reason why you guys worked so well together. Do you have anything you thought was regrettable?

Ming Zeng: I do not think I have any regrets, even though we did make many mistakes along the way. Jack Ma once said that Alibaba made one thousand and one mistakes. To me, these mistakes were inevitable because we only had that level of understanding under the circumstances at the time. The important thing was that we learn from these mistakes and do not make them again. So no regrets.

The Future of Business Will Be Smart Business

Xiao-Ping Chen: Very good. You are indeed a thinker. Whether you are a scholar or work in a company, you have kept a mentality of learning and thinking. Recently, you proposed that the future business will be smart business, and that "ecosystem" is the core concept of smart business. Specifically, in the new ecosystem, we should look at business in terms of "point, line, or plane". The "point" business means that every service participant runs a business, the "line" business refers to an organization that gathers many service participants (i.e., the traditional B2C companies), and the "plane" business is the platform that helps merchants (service participants and companies) enjoy the network benefits and create value through substantial improvement of efficiency (such as Taobao). The "plane" business becomes the most fundamental component of an "economy". In the expansion process of one "plane" business, other "planes" may be derived and created. These "planes" are interconnected with one another, promoting the upgrading of China's entire economy to form a new internet-based economy. I think your metaphor of "point, line, and plane" business vividly describes the elements of the Internet economy. It's truly original and creative. Can you talk about the mutual interdependence and co-evolution of the point, line, and plane businesses?

Ming Zeng: Well, let me first talk about the meaning of these concepts. The caterpillar strategy you just mentioned is probably more like a natural evolution from a plane business to a mini-economy today. For example, Taobao is a plane business, from which comes AliPay, then from AliPay to Ant Financial, and then comes AliCloud, Cainiao, and so on. These planes are

increasingly permeable, and in fact they are already building the infrastructure for future business that will eventually promote the upgrading of the entire Chinese economy.

The most critical part of this process is the formation of the planes. So what is a plane? To use a familiar word, the plane is the ecosystem. What is an ecosystem? It is a coordinated network with multiple parties. This is very different from the industrial age where the system is a typical closed line, or a linear supply chain. There is a chain group, which is the brand. The brand controls the entire supply chain from the beginning to end.

In the future world of smart business, the key is to open up a closed supply chain and to form an open coordinated network. In this coordinated network platform, new types of integrated service provider will appear, which is a new type of line business. For example, Li Ning is a typical offline sports clothing brand. It's a typical B2C line clothing brand. It has to deal with everything by itself (from designing to producing to marketing to selling, etc.). But a fashion brand on Taobao, such as one female clothing brand, has achieved sales of more than RMB 10—20 billion in the past four years, and also enjoys a good brand recognition. This is actually a very typical new line business that provides products and services to consumers on Taobao. But this line business is conducted entirely with Taobao's infrastructure and a variety of service

providers active on this platform. Therefore, the efficiency of this line business is much higher than that of the traditional B2C.

Xiao-Ping Chen: Because on the Taobao platform, a lot of things are done by others, it just needs to do what it does the best.

Ming Zeng: Yes, it only needs to integrate coordinated services. It can do this because a lot of new types of point businesses, such as the ones we talked about earlier that provide online services for websites, who are traditionally small companies, but on Taobao they can use relatively standardized online services to provide services to thousands of other companies. So they achieve a very large economy of scale quickly. The point businesses in turn support the development of the line businesses, and the development of the line businesses helps the plane business to achieve great competitiveness. Therefore, compared to the traditional industries, the core advantage of the point, line and plane businesses is their interdependent relationships. They co-evolve. Without point and line businesses, there won't be the plane business; in turn, without the plane business, point and line businesses cannot grow.

Xiao-Ping Chen: They depend on each other, promote each other, support each other, and work together to improve the overall efficiency.

Ming Zeng: Yes, its overall efficiency goes beyond the traditional B2C organizational form in the industrial age. And it can provide a truly personalized service.

Xiao-Ping Chen: It just suddenly came to me, what would happen if Li Ning put itself on Taobao to operate? Can Taobao help it become more competitive?

Ming Zeng: Yes, traditional enterprises should move to such online platform to transform themselves. But relatively speaking, I do not specifically talk about Li Ning here, it is difficult for traditional companies to change their mindset, because they do not have the Internet thinking at the beginning to reconstruct its entire operation. They are afraid of losing control.

Xiao-Ping Chen: It is a pity. Now from the perspective of setting company strategy, if a company is a point business, or a line business, or a plane business, what are the respective concerns, opportunities, and challenges for each type of business?

Ming Zeng: The biggest challenge for "point" business is to seize the opportunity and to figure out which plane can provide the biggest developmental opportunity in the next step. For a point business, the entry barrier is often pretty low, so it's important to seize the opportunity. Its strength lies in the explosive growth because it provides

simple services. For example, the online Taobao store decoration business we just mentioned is a relatively simple service, and it does not need to possess anything special. So it can rapidly develop on Taobao. But then, it can also easily be done by others, so within two to three years, this market will be saturated. But there may be other opportunities one can identify and quickly jump in.

The plane business is probably the most difficult in terms of strategies. I'll start with the plane business and then discuss the line business, because the line business is a new species that looks similar on the surface, but actually very different from the industrial age.

Xiao-Ping Chen: Why do you say that?

Ming Zeng: The plane business is a kind of organization form that did not exist before. No matter you call it eco-system or platform, its core function is "to enable". That is, its existence is to enable others to achieve the purpose of serving customers. Now back to the line business, its main challenge is to integrate resources. You need to be able to see what kind of possibilities are offered by the various platforms, and then choose the one that is good at helping you to integrate the values of the point businesses.

Xiao-Ping Chen: The challenge of the line business is whether it can well integrate the resources provided by the point and

plane businesses. This is very interesting. Can you give an example?

Ming Zeng: For example, the ecosystem of Alibaba provides payment, logistics, and cloud computing services. It also provides services like online store decorations, warehouse management software, and customer service management, which are good "point" resources. If the line business can utilize both the point resources offered on the platform and the plane resources, and integrate them to achieve its goals, then its efficiency will be the highest.

Hupan University: Discover and Accompany Entrepreneurs

Xiao-Ping Chen: Now you are the Director of Education at Hupan University that has the mission to cultivate China's future entrepreneurs. Do you think entrepreneurs can be cultivated through university education?

Ming Zeng: Now I prefer "discover and accompany" rather than "cultivate". Of course, in the process of accompanying entrepreneurs grow, we also provide "nutrition" to them, in that sense, there is some cultivation involved. But I admit that we cannot create an entrepreneur out of thin air. In other words, MBAs can be mass-produced because the skills needed in managing business are relatively standardized, but the business sense and creativity entrepreneurs need cannot be mass produced. In that sense, the word cultivation is a little bit too mechanical. We think it is more important to identify good candidates first, and then find ways to let them learn from the failure and success of others so that they can become more successful entrepreneurs.

Xiao-Ping Chen: How do you discover these good candidates then?

Ming Zeng: Hupan University invests lots of resources in the discovery process. We first use a referral process rather than a normal application process. We require them to have referrals to nominate them. Then after the screening process, our admissions team will directly visit the most promising (the top 10 percent) candidates. We then select about 1/3 from this pool and invite them for an on-site one-day interview, which includes one-on-one presentation and conversation, team exercises, etc. Finally, we will make the admission decision based on comprehensive considerations. We only admit one class of 40 people a year.

Xiao-Ping Chen: This is a very elaborate process. Did you come up with this process from year one, or did you continue to make changes and optimize it?

Ming Zeng: Yes, it is constantly optimized, and it's much more rigorous now than before. Moreover, after the first batch of students came in, we had more interactions with them through classes and other activities, and understood better about what kind of entrepreneurs have the most potential. We then revise our criteria and the recruiting process.

Creativity Is the Most Needed Quality for Future Entrepreneurs

Xiao-Ping Chen: In your mind, what are the most important qualities for China's future entrepreneurs?

Ming Zeng: I think there are several. First is the ability to learn. The world is changing so fast. No matter how much you know at the moment, you will be outdated in a short time, so you must be able to learn and grow quickly. The hardest thing is to break through your own bottleneck, which is a great challenge. It used to be possible for an entrepreneur to grow up in 20 years' time, but now it is five years, so the learning pressure is much greater than before.

Another important ability is integration.

Entrepreneurship now covers a wide range of topics and requires very different complementary skills, it is important for a leader to have high emotional intelligence and can integrate expertise in different fields. You probably noticed that more and more companies are founded by a team of partners, because it is simply too demanding for one person to possess all skills.

Xiao-Ping Chen: I agree, and it is the case of Alibaba also. Although Jack Ma is a visionary, he doesn't really have the know-how to realize the vision himself. He relies on a team of talented individuals to make things happen. Then, what do you think are the most important knowledge and skills for entrepreneurs?

Ming Zeng: I think the specific knowledge and skills are becoming less and less important. Peter Drucker once proposed three stages to describe economic development: the industrial revolution, the management revolution, and the technological revolution stage. I think we have now reached the fourth stage, that is, the creativity revolution stage. Because no matter what you learn, as long as it is structured knowledge, it will eventually be replaced by machines.

Xiao-Ping Chen: But if you don't have enough knowledge, it's hard to have the

ability to integrate or to be creative, because you have nothing to integrate.

Ming Zeng: I agree. One must have expertise in a particular field, but this expertise should also involve your understanding of the nature of the business and community. If there must be some specific knowledge one has to possess, I think that should be a general understanding of the artificial intelligence (AI). Because AI will change the most common technologies in all fields and will quickly be applied in more and more industries. So why do I say that the most important thing in the future world is creativity, because ordinary knowledge and skills will be easily replaced by machines.

Xiao-Ping Chen: Well said. Now would you please summarize the thoughts and wisdom you most wanted to share with future entrepreneurs and managers?

Ming Zeng: From a different perspective, if we want to talk about future business, it will be smart business or intelligent business. I recently wrote a book entitled *Smart Business* (Zeng, 2018). The English version was published in September and the Chinese translation is published in November. I think this is the most fundamental trend for the future business. If we take the standpoint of an entrepreneur, the core ability will be to keep learning and making breakthroughs. Creativity is

important to everyone.

Xiao-Ping Chen: Do you think creativity can be cultivated?

Ming Zeng: I think it must be cultivated, because a person without creativity will be replaced by machines. But I am not pessimistic. In the past century, with the replacement of human physical strength by machines, the skills of the human brain in other aspects have been greatly developed. So if the machines can free people from tedious repetitive work, then everyone can concentrate on doing something creative. The creative things include how to make bread or writing a new song.

Xiao-Ping Chen: Creativity does not need to involve something particularly revolutionary.

Ming Zeng: Yes, there are so many forms of creativity. Actually, even interpersonal interactions can be full of creativity, but there is still a lack of such content in the current educational system. We are working hard to develop systematic new knowledge through observational studies of people in creative industries such as entertainers, design professionals, and people who work across industries. There is still a long way to go.

Xiao-Ping Chen: Thank you for sharing. I'm looking forward to having another deep talk with you in a few years! Ⓜ

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