



2017 MANAGEMENT INSIGHTS

Let the Numbers Do the Talking

How Overconfidence in Unstructured Interview Hurts Hiring Decisions

The Cost of Middle Ground Approach

Missing Out on the Creative Benefits of Paradoxes

Innovating through Cooperation and Competition

An Interview with Huateng (Pony) Ma, Chairman
and CEO of Tencent



Vision Without Boundaries

New Ideas for Business Practices

MANAGEMENT INSIGHTS

Co-published by School of Management, Fudan University
and International Association for Chinese Management Research (IACMR)



Guiding business to succeed in the new economy

03

Foreword

See Through the Future

Xiao-Ping Chen

06

Idea Scan

Management Scholars' Bookshelf

09

Research Highlights

Magic or Science?

How Rituals Can Improve

Performance By Decreasing Anxiety

Alison Wood Brooks Juliana Schroeder

Jane L. Risen Francesca Gino

Adam D. Galinsky Michael I. Norton

Maurice E. Schweitzer

14

Research Highlights

Money in Mind Makes One
Instrumental in Ties

Fei Teng Zhansheng Chen

Kai-Tak Poon Denghao Zhang Yuwei Jiang

18

Research Highlights

Let the Numbers Do the Talking:
How Overconfidence in Unstructured
Interview Hurts Hiring Decisions

Edgar E. Kausel

Satoris S. Culbertson Hector P. Madrid

24

Research Highlights

A CEO with Better Time Management
Makes a Company More Innovative

Jianhong Chen Sucheta Nadkaini

30

Research Highlights

Unethical Behaviors
in the Age of Rankings

Tim Vriend Jennifer Jordan
Onne Janssen

33

Research Highlights

Far from the Tree? Do Private
Entrepreneurs Agglomerate
Around Public Sector Incumbents
During Economic Transition?

David Tan Justin Tan

37

Research Highlights

Blinding Altitudes: How Holding a
Higher Ranking Position Suppresses
Objection to Unethical Practices

Jessica A. Kennedy Cameron Anderson

41

Research Highlights

How Do You Motivate Team Members to
Achieve Extraordinary Performance?
“Winning” for Underdogs
and “Don’t Lose” for Favorites

Robert B. Lount Jr. Nathan C. Pettit

Sarah P. Doyle

46

Research Highlights

Family Matters: How Family
Motivation Energizes Effort and
Compensates for Intrinsic Motivation

Jochen I. Menges Danielle V. Tussing

Andreas Wihler Adam M. Grant

50

Research Highlights

The Cost of Middle Ground Approach:
Missing Out on the Creative
Benefits of Paradoxes

Angela K.Y. Leung Shyhnan Liou

Ella Miron-Spektor Brandon Koh

David Chan Roni Eisenberg

Iris Schneider

55

Research Highlights

Gender-Blindness Can Help
Women Increase Confidence,
Actions and Self-Evaluation —
But Only When It’s Done Right

Ashley E. Martin

Katherine W. Phillips

61

Research Highlights

Suffering a Loss is Good Fortune:
Myth or Truth?

Cui-Xia ZHAO Si-Chu Shen

Li-Lin Rao Rui Zheng

Huan Liu Shu Li

66

Executive Perspectives

Innovating through Cooperation
and Competition

An Interview with Huateng (Pony)
Ma, Chairman and CEO of Tencent

80

Executive Perspectives

My Desired Success Is
Others’ Respect:

An Interview with Qiangdong
(Richard) Liu of JD.Com

See Through the Future

In this annual English issue of *Management Insights*, we include twelve research highlights that were rewritten from articles published in well-known journals such as *Administrative Science Quarterly*, *Academy of Management Journal*, *Organizational Behavior and Human Decision Processes*, and *Journal of Personality and Social Psychology*. These articles provide insights on many important management issues. For example, how is CEO's time management skill related to company innovation performance? Why managers holding higher positions in an organization would suppress their objection to unethical practices? Would thinking about money makes a person more instrumental in interpersonal relationships? Who are more likely to cheat to get a higher ranking on an important list? The answers to these intriguing questions are well articulated in our research highlights and are backed by empirical findings from rigorously designed lab experiments or field studies.

The research highlights in this issue also discovered novel approaches to help curb employee performance stress (using rituals), motivate underdogs (emphasizing winning) and favorites ("don't lose"), improve employee hiring decisions (letting the numbers talk), promote creativity (encouraging paradoxical thinking), increase women's confidence (gender blindness), or achieve long-term well-being (suffering a material loss in the short term). These discoveries might be counterintuitive at first sight, but have well-grounded rationales to explain them.

In addition to the research highlights, we also

included interviews of two remarkable business leaders of Chinese companies in this issue. One is Pony Ma, the founder and CEO of Tencent, one of the 50 most innovative companies in the world according to Fortune. The other is Richard Liu, founder and CEO of JD.Com, a rapid growing e-commerce giant that has become a strong competitor of Alibaba. Both Ma and Liu are young and well-educated; they call themselves the third generation of Chinese entrepreneurs who hold high ethical standards and believe in the market economy. The stories they shared with me in the interviews are truly fascinating. WeChat, the most popular social media platform used by the Chinese people was actually the result of inter-department competition within Tencent, and it is this kind of healthy competitive environment within the company that has kept Tencent innovative. For JD.Com, it is the motto of 'not selling fake products' and its actualization, and the speedy goods delivery by the friendly 'little brothers' that have won millions of Chinese customers' trust. Meanwhile, both Ma and Liu have clear awareness of the challenges they face, especially the challenges accompanied by disruptive technological advancement in Internet of Things and artificial intelligence, and have shared their thoughts in the interviews as well.

We hope you find the content of this issue exciting and inspiring. The end of 2017 marks the dawn of a new era. The future has already arrived; are we ready?

Happy 2018!

Written on January 7, 2018 in Seattle



2017

MANAGEMENT INSIGHTS

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Idea Scan

Management Scholars' Bookshelf

Book recommendations from top management scholars

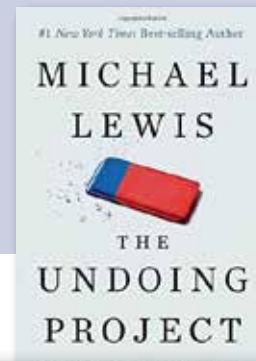
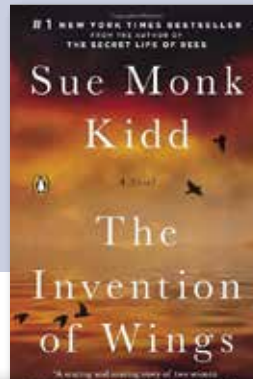


Wei Shen
Associate Dean
Arizona State University

Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined

Author: Lasse Heje Pedersen Publisher: Princeton University Press

It is a finance book. However, I found it to have a lot of relevance to strategic management as it systematically explores the different strategies employed by hedge fund managers and highlights the importance of specialization and learning in the success of hedge funds.



The Invention of Wings

Author: Sue Monk Kidd Publisher: Penguin Books

The story is a reminder of the dark history that does not spare any society where freedom, intellectual, physical, or spiritual, is the privilege of some. At the same time, it gives us hope that the desire to protect the dignity of each human is well and alive among both those who are privileged and those who are deprived.



Anne S. Tsui
Professor
University of Notre Dame



Shu Li
Researcher
Key Laboratory of
Behavioral Science,
Institute of Psychology,
Chinese Academy of Sciences

The Undoing Project

Author: Michael Lewis Publisher: W. W. Norton & Company

New York Times Best-selling author told us a fascinating story about how the collaboration between two men developed a Nobel Prize-winning theory and changed our mind.



Zhen Zhang
Associate Professor
Arizona State University

Leadership BS: Fixing Workplaces and Careers One Truth at a Time

Author: Jeffrey Pfeffer Publisher: HarperBusiness

We always look at the positive side of the area of leadership development and training, like inspirational and servant leadership. However the author reveals the other side of the story - unpleasant leaders (so-called C-suite scorpions and cockroaches) are prevalent in life and they dominate all hierarchies of power.

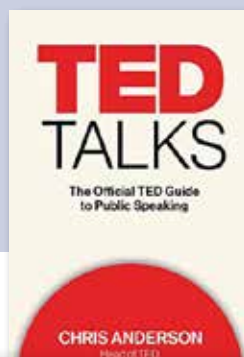
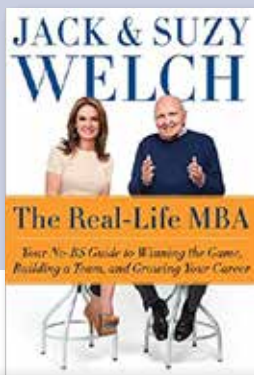
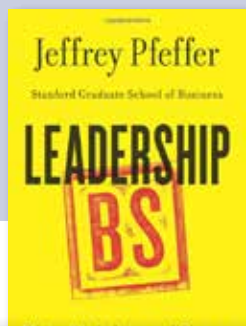
The Real-Life MBA: Your No-BS Guide to Winning the Game, Building a Team, and Growing Your Career

Author: Jack Welch & Suzy Welch Publisher: HarperBusiness

Jack Welch, who is known as one of the greatest business leaders in the 20th century, tells us in the book that business is like a kind of team sports and must rely on the power of the whole team. Technology and people can be its driving power so we should never stop learning.



Yong Su
Professor
Fudan University



TED TALKS: The Official TED Guide to Public Speaking

Author: Chris Anderson Publisher: Houghton Mifflin Harcourt

Although few people have the opportunity to give a TED talk before a big screen, everyone should have the capability to elaborate his/her idea in a persuasive and clear manner. The author provides in the book a practical and detailed solution of how to make a public speech. And the most important advice is: focusing on giving rather than taking. Always keep in mind what we can give our audience, like new information, inspiring idea or encouragement etc.



Yan Zhang
Professor
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Research Highlights



Magic or Science?

How Rituals Can Improve Performance By Decreasing Anxiety



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Life presents us with many occasions to experience performance anxiety. To make matters worse, when experienced before or during a performance task, anxiety tends to harm performance. The authors of this paper propose a simple way to address this issue - enacting rituals. Based on the findings from a series of experiments, the authors demonstrate that enacting rituals can improve performance in both public and private performance domains by decreasing anxiety.

From public speaking to first dates, most people experience performance anxiety. Although anxiety can be a useful motivator for preparation days or weeks in advance of a task or event, when experienced immediately before or during a performance, anxiety harms performance. It is therefore important to identify strategies that can diminish anxiety and prevent it from undermining performance. The authors of this paper suggest a simple, commonly-employed coping strategy: rituals. Although rituals may seem to be characterized by magical thinking and an illusory sense of control, enacting a ritual to reduce anxiety is widely employed by laypeople and celebrities alike. For example, singer Beyoncé Knowles listens to the same playlist of songs, says a prayer with every member of her band, completes a specific set of stretches, sits in a massage chair while she has her hair and makeup done, and spends

exactly one hour meditating before each show. If Beyoncé, one of the most successful artists of our time swears by this strategy, rituals must work, right? And if so, what drives the link between arbitrary ritualistic movements and task performance?

To answer these questions, the research team of this paper decided to investigate the efficacy of this seemingly magical phenomenon. Instead of relying solely on pervasive anecdotal evidence on pre-performance rituals, the authors undertook the task of empirically validating whether or not rituals can actually influence subsequent performance. Through a series of experiments, they uncovered the psychological mechanisms underlying this effect of rituals on performance. (Spoiler alert: It's not magic!) Based on studies involving multiple tasks and different rituals, this paper provides robust causal evidence that rituals improve performance by decreasing anxiety.

Decrypting the Magic of Rituals

Rituals come in a variety of forms and can be defined very differently depending on who you ask. To establish a comprehensive yet cohesive definition of a ritual before embarking on a quest to understand its link with performance, the authors integrated numerous theoretical and empirical conceptualizations to capture the essence of a ritual through three fundamental attributes: a fixed sequence of behaviors, symbolic meaning, and non-functional behavior. Accordingly, they defined a ritual as “a predefined sequence of symbolic actions often characterized by formality and repetition that lacks direct instrumental purpose.” This definition enabled them to distinguish between rituals and sets of random behaviors that are not imbued with symbolic meaning.

To unpack the possible intrapsychic benefits of rituals, the

Performing rituals emerges as a promising technique for anxiety reduction as it is both easy to implement and aligns with conventional wisdom—people use rituals naturally.

authors began their search with anthropological, sociological, and psychological literatures that have a rich history in the study of rituals. Studies across these literatures link ritualistic routines with deeply-ingrained beliefs, circumstances characterized by high anxiety, or with improved performance. Unfortunately, studies from each literature only present a part of the complete picture and fail to explain the most important part of the puzzle: whether and how rituals improve performance. The present research comes to the rescue and offers answers to these unanswered questions through systematic investigation.

Uncovering the Path from Rituals to Performance

Rituals are ubiquitous across myriad performance domains and may improve performance in numerous ways such as delaying performance for a beneficial period

of time, improving concentration, increasing perceived control, or boosting motivation. Given the performance-improvement emphasis of this paper, the authors focused on a mechanism that has been most tightly linked to performance-reducing anxiety.

Anxiety is a discrete emotion characterized by high arousal, negative valence, a sense of uncertainty, and a low sense of control. Unless experienced sufficiently far in advance to be able to boost effort and preparation, anxiety is generally harmful in several ways. For example, it can drain working memory, impair information processing, increase egocentrism, and impair the ability to take another person's perspective. It also negatively influences motivational mechanisms such as risk seeking and self-confidence, and has also been shown to lower self-efficacy, the personal belief that one can

succeed on a specific task. Anxiety affects a broad swath of people, with most people experiencing some level of anxiety every day. It can be easily triggered by social interactions, change, performance evaluations, and uncertainty. Considering the prevalence and negative repercussions of anxiety, it is imperative to identify strategies that can effectively mitigate anxious feelings.

Performing rituals emerges as a promising technique for anxiety reduction as it is both easy to implement and aligns with conventional wisdom—people use rituals naturally. However, in order to make assertive claims regarding the efficacy of rituals, one needs to delve into the mechanisms driving the association. Drawing from extant literature, the authors offer four possible reasons why rituals reduce anxiety. First, performing the rigid, repetitive actions of a ritual may satisfy a fundamental need for

People experience less anxiety when they perform rituals rather than random behaviors, even if the sequential gestures are the same.

order. Second, rituals can serve as a potent form of distraction, blocking negative thoughts from entering a person's mind. A third possibility is that the symbolic value of a ritual may provide a buffer against threat and anxiety, by providing a perspective that extends beyond the threatened domain. The fourth possibility is that rituals function as a type of placebo, whereby the mere belief in the efficacy of a ritual reduces anxiety. The following section sheds light on the series of studies that were undertaken to explore these ideas and test the prediction that rituals improve performance by reducing anxiety.

Methodological Approach and Findings

The authors conducted a series of studies to test their prediction that rituals improve performance by reducing anxiety. They began with a pilot study to gather evidence that buttresses their definition of ritual and to investigate the types of rituals that people naturally use prior to performing anxiety-inducing

tasks. Responses from 400 participants confirmed the authors' expectations that enacting a ritual is a relatively common response to high-anxiety situations. Moreover, these responses revealed that rituals tend to contain symbolic connection to the upcoming task, and are distinct from superstitions or religious rites. The authors then designed five studies to test the causal links between rituals, anxiety, and performance.

Study1 In Study 1a, the authors investigate how rituals influence performance in an anxiety-inducing performance domain: singing in public. Before the task, half of the participants were asked to perform a novel ritual designed by the researchers, while the other half were asked to sit quietly. Data on participants' self-reported anxiety and singing accuracy performance revealed that participants who performed the ritual actually sang better than their counterparts, by experiencing lower anxiety. Study 1b used a math test as a private

anxiety-inducing performance task. Before the task, participants were either told to perform a ritual, to just "try to stay calm" (and not perform a ritual), or to just sit quietly (and not perform a ritual). The participants in the Ritual condition had lower heart rate (a proxy for anxiety) and better performance than those in the Calm or No Ritual condition.

Study2 Study 2 compared the effects of rituals under conditions of high versus low anxiety, and demonstrated that enacting a ritual mitigates performance decline on high-anxiety tasks, but does not influence performance on the same task under conditions of low anxiety.


Study3 In Study 3, the authors assessed the importance of the symbolic meaning of rituals. The results of this study confirmed that merely enacting a series of steps did not improve performance—but, when termed a "ritual," the same series of steps improved performance on a difficult math task.

Study4

Finally, in Study 4, the authors examined the effect of ritualistic behaviors described either as a “ritual” or as “random behaviors.” In this study, the authors also measured participants’ anxiety after completing the behaviors. The results demonstrated that

people experience less anxiety when they perform rituals rather than random behaviors, even if the sequential gestures are the same.

Together, the results of these four experiments have important theoretical and practical implications. From a theoretical

standpoint, they demonstrate the causal effect of enacting rituals on reducing anxiety and enhancing performance. Moreover, they provide a rare positive spin on the effects of ritualistic behavior by highlighting its beneficial impact. 

Managerial Implications

How many of us can boast about being free from the burden of performance pressures? At work or at home, experiencing performance anxiety is an unfortunate and pervasive feature of modern life. Anxiety is a double-edged sword that can boost performance through better preparation when experienced at the right time. But experienced at the eleventh-hour or during a performance, however, it can spell our downfall by depleting our mental resources. The deleterious effects of anxiety point to the urgent need for coping tactics. Engaging in rituals has been a popular strategy, even though rituals’ efficacy may seem questionable at first glance. What does throwing salt over one’s shoulder have to do with performance in a competitive exam? How can counting to 36 before a client presentation make it better?

Fortunately, the authors of this paper cater to the skeptics. Through rigorous experiments, they show that enacting rituals can have a real, positive impact on performance-by decreasing anxiety. Their approach demonstrates that it isn’t magic that makes rituals effective for improving performance. Simple, novel rituals have the power to reduce anxiety and lower elevated heart rates, and subsequently improve performance. Given these findings, we might not want to shy away from our quirky rituals the next time we feel nervous. Go ahead and sing that song, draw that doodle, go for a run, or jump in place five times – perform whatever simple ritual it takes to reduce the anxiety. If questioned on the efficacy of these “irrational superstitions”, we can now point the skeptics to this research and confidently claim, “It’s not magic. It’s science.”

This summary is based on the full article, “Don’t stop believing: Rituals improve performance by decreasing anxiety.” *Organizational Behavior* and Human Decision Processes, 137, 71–85. Alison Wood Brooks (awbrooks@hbs.edu) is Assistant Professor of Business Administration and Hellman Faculty Fellow at Harvard Business School, Harvard University. Juliana Schroeder (jschroeder@berkeley.edu) is an Assistant Professor of Management of Organizations at Haas School of Business, University of California, Berkeley. Jane L. Risen (jane.risen@chicagobooth.edu) is an Associate Professor of Behavior Science at Booth School of Business, University of Chicago. Francesca Gino (fgino@hbs.edu) is the Tandon Family Professor of Business Administration at Harvard Business School, Harvard University. Adam D. Galinsky (adamgalinsky@gsb.columbia.edu) is the Vikram S. Pandit Professor of Business at Columbia Business School, Columbia University. Michael I. Norton (mnorton@hbs.edu) is the Harold M. Brierley Professor of Business Administration at Harvard Business School, Harvard University. Maurice E. Schweitzer (schweitz@wharton.upenn.edu) is the Cecilia Yen Koo Professor of Operations, Information and Decisions at Wharton School, University of Pennsylvania. Misha Mariam is a Ph.D. student at Foster School of Business, University of Washington. She is also Associate Editor of the Research Highlight column of Management Insights.

Money in Mind Makes One Instrumental in Ties



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Business is about profits and money. Researchers have been interested in how thinking about money influences people's behavior, and existing findings suggest that monetary reminders generally pull individuals from socializing activities. But is it so? The authors of this paper tell another side of the story. With four experimental studies, they find that monetary reminders make people focus more on the instrumental aspects of a relationship. As a result, monetary reminder will lead people to more actively approach those who they think are instrumental in their goal accomplishment.

As an old Chinese saying goes, "talking about money jeopardizes a relationship." Not surprisingly, researchers have found that the desire of money often creates conflict with communal values and decreases relationship quality. What is more interesting is that even the mere thought of money can cause sweeping changes in interpersonal beliefs and behaviors. For instance, researchers have found that, when primed with the concept of money, individuals tend to spend more time working than socializing, and they prefer solitary activities over social activities. Moreover, thinking about money has been shown to decrease helping behaviors and interfere with empathy toward others. As money has a ubiquitous presence in modern commercial societies and the business context, such effect is concerning.

The authors believe that the

story about monetary reminders and individual socializing choice has another side that has not been told. The reminder of money, according to researchers, will activate a market-pricing mode, which is a relational mode wherein people use calculations of costs and benefits to organize their social interactions. Specifically, people consider what they may receive from a given relationship with a given amount of input. Therefore, it makes sense that individuals, when reminded of money, tend to refrain from social interactions that require their time and energy but won't benefit them in tangible ways.

Nonetheless, it is also widely believed that network, personal ties, or relationships can provide important material and informational aids, which are critical for personal goal pursuit and success. For example, for job seekers, many opportunities often come from

direct references from friends or indirect ties. Therefore, the authors believe that the thought of money will activate people's market-pricing mindset and instrumentality orientation. That is, money-primed individuals tend to focus more on the instrumental aspects of a personal relationship. Such orientation will in turn enhance people's tendency to approach other social targets, only when the targets are perceived instrumental in their own goal pursuits. To test these ideas, the authors conducted four experimental studies and found substantial support for their claims.

Empirical Evidence

Study1 In this study, the authors test whether monetary reminders would change the way people viewed interpersonal relationships, and whether this effect is explained through a market-pricing mindset.

214 undergraduate students in China were randomly assigned into two groups: money group and control group. To prime money, participants were instructed to evaluate 10 pictures in terms of quality, complexity, and clarity. The pictures depicted various forms of money (e.g., coins, banknotes) in the money condition and assorted furniture (e.g., tables, chairs) in the control condition. To capture participants' market-pricing mindset, researchers asked participants to indicate their positivity towards eight words such as trade, market, exchange, and benefits. At last, researchers captured participants' instrumentality orientation by asking to what extent they agree with statements such as "I think more about what people can do for me than what I can do for them."

The authors found that, in contrast with control group participants, participants primed with money responded more positively to market-related words (thus a higher market-pricing mindset) and reported higher instrumentality orientation in interpersonal relationships.

Study2 In this study, the authors seek to show that money-primed individuals tend to approach an instrumental social target, and this tendency depends on the perceived instrumentality of the social target.

Participants worked on a sentence-descrambling task including 30 sets of five jumbled words. Participants were asked to create a sentence by using four of the five words from each set. In the control condition, all of the phrases primed neutral concepts (e.g., "He opens his door"), whereas in the money condition, half of the jumbled word sets contained neutral concepts and the other half were related to money (e.g., "I cashed a check"). Next, participants were asked to work on a task that was described to require mathematics skills and logical thinking. They were then provided with a profile of an anonymous student (indexed by the letter A) from the same university with whom they could choose to collaborate on the task. In the instrumental condition, "A" was described as majoring in math, being a fan of math, and planning to become a financial analyst after graduation. In contrast, in the non-instrumental condition, "A" majored in Chinese, loved writing and reading, and was planning to become a writer after graduation. After participants read the file, they reported measure their approach intention toward "A" and their perceived instrumentality of "A".

The authors found that, with the instrumental target, money primed participants' approach intention was higher than control participants; whereas for the non-

instrumental target, money primed participants' approach orientation was lower than control participants.


Study3 Study 2 provided support that activating the concept of money increases people's tendency to approach instrumental targets. Study 3 sought to replicate this effect by adopting a different way to manipulate social targets' instrumentality. Specifically, a participant may perceive the help from another person redundant (i.e., not instrumental) when he/she believes he/she already possesses the skills that could guarantee the completion of the goal. Therefore, the authors manipulate participants' perceived competence by asking participants to do a Sudoku test first and provide different benchmark of performance. Afterwards, they were provided with the profile of the instrumental target same with Study 2 (indexed by the letter A).

The authors found that, for low-competence participants (who are more likely to view "A" as instrumental in their task), the priming of money increases their willingness to choose "A" as their partner; whereas for high-competence participants, the priming of money decreases their approach intention.

Study4 The final experiment built upon the design of Study 2 by

adding a “no-information-on-instrumentality” group to clear potential confounding explanations. The results corroborated the findings from previous experiments.

That is, when “A” is described as instrumental, the priming of money will increase their willingness to approach “A”; whereas when “A” is described

as not instrumental or neutral, the priming of money will decrease their willingness to approach “A”. 

Managerial Implications

Common wisdom suggests that “money is the root of evil.” Previous research has repeatedly showed that money-primed people are unwilling to make sacrifices or do good deeds for people in general and that they focus on self-interest to the exclusion of others. Given such one-sided evidence about the negativity of monetary reminders, it seems advisable for managers and organizations to avoid monetary reminders as much as possible. However, the authors have shown that instead of creating a general indifference among people, money actually makes people more selective in their choices of relationship partners, such that only those instrumental to people’s personal goals are attractive. In fact, in a recent study in work settings, researchers found that the salience of the concept of money enhanced personal performances without hindering interpersonal cooperation. Specifically, this study was conducted during the contract-signing period for NBA players, and it was found that in the year before they signed a new contract, their personal performance and cooperation

were both enhanced. Considering that cooperation was also a predictor for possible salary increases (although not as important as personal performance), it is wise for people to cooperate to secure a higher salary. This idea is consistent with the notion of the “invisible hands of the market,” which posits that the economy will be at its best when individuals are striving for their personal interests, instead of thinking about others’ interests, in a regulated environment. Therefore, monetary reminders don’t always pull individuals from cooperation; instead, it encourages cooperation when the cooperation is instrumental to the focal individuals. This is especially likely to occur when the focal individuals have confidence in other people’s ability in helping their achieving the goal. Therefore, rather than being afraid of the negative impact of monetary reminders on employees’ behaviors, managers or organizations can help their employees to see the value, ability, and instrumentality of their coworkers. In this case, the presence of monetary reminder is likely to generate positive outcomes.

This summary is based on the full article, ‘Money and relationships: When and why thinking about money leads people to approach others.’ *Organizational Behavior and Human Decision Processes*, 137 (2016), 58–70. Fei Teng (tengfei.scnu@gmail.com) is an assistant Professor in School of Psychology, Center for Studies of Psychological Application, Guangdong Key Laboratory of Mental Health and Cognitive Science and The Base of Psychological Services and Counselling for “Happiness” in Guangzhou, South China Normal University; Zhansheng Chen (chenz@hku.hk) is an Associate Professor in Department of Psychology at The University of Hong Kong; Kai-Tak Poon (ktpoon@eduhk.hk) is an Assistant Professor in Department of Psychological Studies and Center for Psychosocial Health at the Education University of Hong Kong; Denghao Zhang (zhangdenghao@126.com) is an Associate Professor in Department of Psychology at Renmin University of China; Yuwei Jiang (yuwei.jiang@polyu.edu.hk) is an Associate Professor in Department of Management and Marketing at the Hong Kong Polytechnic University. Junchao (Jason) Li is a Ph.D. candidate at the Foster School of Business, University of Washington.

Let the Numbers Do the Talking: How Overconfidence in Unstructured Interview Hurts Hiring Decisions





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Not understanding how correct or incorrect a decision is results in overconfidence and an unwarranted willingness to take costly risks. When such heightened overconfidence is displayed by organizational decision makers, it can have deleterious consequences for their organization, such as lower financial returns. In this study, the authors focus on overconfidence in predictions of job performance based on an unstructured interview as well as standardized tests information versus solely on standardized tests information. Results across three separate studies demonstrated that decision makers presented with interview information were more overconfident than ones presented with test scores only, and also received fewer payoffs. Based on rigorous empirical investigation, this study provides compelling evidence that unstructured interviews not only fail to help personnel selection decisions, but can actually hurt them.

Overconfident decision makers with an illusion of understanding can be the bane of organizations. Organizational success hinges upon decisions concerning employing and investing in the right people. It is therefore

imperative that the process of personnel selection is meticulous and devoid of subjectivity. In most organizations, however, the process is largely determined by how managers weigh different predictors. This approach is

susceptible to recruiter biases that affect their applicant choice and predictions regarding job performance. Unfortunately, most people lack the ability to recognize the limits of their knowledge. To make sound decisions and reliable

predictions, decision makers must tease apart the difference between accurate and inaccurate information. Most decision makers, however, fall prey to using invalid cues while making choices. Resolving this issue is necessary for dependably predicting future job performance. Identifying flaws in the ways in which recruiters make selection decisions is key to ensuring that organizations get the right human capital. Towards this end, the present paper highlights the role of overconfidence and decision-related variables in personnel selection.

The study authors put the widely popular recruitment approach of unstructured interviews under the lens. Three studies examined how non-diagnostic information can weaken the validity of diagnostic information in people's predictions. The empirical investigations revealed that counter to common practitioner beliefs, unstructured interviews do more harm than good when it comes to identifying candidates who will perform well in the future. By methodically disentangling the intricate

mechanisms behind the effect of presenting unstructured interview ratings, the authors demonstrated that adding these to a set of other predictors makes the decision makers overconfident and results in low prediction accuracy. One may be still wondering how more information could possibly lead to poorer decisions! Can't the decision makers simply ignore the extra information? Allow the authors to guide you through this puzzle and reveal how the illusion of knowledge lies at the helm of these issues.

A Good Start Goes a Long Way

Before we begin, we first need to understand what makes hiring decisions so important to organizations. The criticality of this process lies not only in the immediate results in the form of choosing a candidate, but also in the type of job offer and subsequent events in the selection process. The recruiters' confidence in a certain candidate comes with costs to the organization in the form of high

salary and attractive perquisites. Unless the candidate actually demonstrates proportionately high job performance, the resources invested in the candidate can become sunk costs. It is therefore in the best interest for organizations to ensure that the recruitment process is successful in identifying and hiring applicants who deliver on the promise of high performance.

To the credit of organizations, the importance of selection processes is not lost upon them. Managers responsible for this process combine information from a number of predictive tools to gauge which candidates will exhibit high job performance in the future. These predictors include such things as scores on standardized tests of general mental ability (GMA) and personality inventories, as well as work samples and interview ratings. Unfortunately, despite being equipped with a large amount of information obtained from these tools, recruiters often make poor hiring decisions. One would imagine that all the information obtained from multiple tools would enhance

Hiring managers become more confident about their selection decisions when they are presented with standardized test scores and interview ratings, as opposed to when they are presented with standardized tests alone.

the decisions-making process of the recruiter. On the contrary, it turns out that the very presence of various sources of information worsens the decision process and its outcome. In the following sections, the authors help us uncover the mystery behind this counterintuitive effect.

Using the Right Tools and Using the Tools Right

Drawing from Brunswik's lens model, the authors identified two components of the equation that explain how using information from unstructured interview ratings is not only futile but counterproductive to recruitment decisions. The first part of the equation is represented by the strength of the relationship between the cues and the criterion. Simply put, the recruitment tool that is most highly associated with the desired outcome of high job performance would be given the highest preference by the decision maker. In this regard, both GMA and conscientiousness have consistently been shown to be strong predictors of job performance

across occupational groups whereas structured interviews also demonstrate good predictive ability, unstructured interviews- or those in which questions and scoring techniques are not specified in advance and based off of clear job-relevant information-have been known to contribute very little, even under ideal circumstances. Despite the general lack of support of the effectiveness of unstructured interviews, practitioners continue to rely on them.

To understand why practitioners may employ a tool with little or no validity, we must turn our attention to the second piece of the equation. Here, the focus is on how the decision maker weighs different cues. Weighing cues differentially can determine whether the information enhances or impairs the decision quality. Unfortunately, most practitioners' internal worlds do not match the external world, and the importance they place on different predictors is inconsistent with research findings. Practitioners seem to believe a combination of

standardized tests and intuitive methods are important to expose the "person as a whole". Unstructured interviews are widely used by hiring managers to tap psychological factors that they think cannot be captured through other methods. As a result, hiring managers become more confident about their selection decisions when they are presented with standardized test scores and interview ratings, as opposed to when they are presented with standardized tests alone.

This unsubstantiated overconfidence in the validity of unstructured interviews sheds light on the reasons for their continued use, despite their inability to aid decision accuracy. This, however, does not explain how unstructured interviews can actually worsen the accuracy of personnel selection decisions. To solve this piece of the puzzle, we are introduced to another flaw in the human thought machine.

When More Means Less

When it comes to additional information obtained through

Presenting unstructured interview information to participants made them less accurate yet more confident, without being better at discriminating among choices.

unstructured interviews, more information actually leads to less accuracy in decision making. This is because individuals tend to value non-diagnostic information more than diagnostic information which weakens the validity of diagnostic information in their predictions. When presented with unstructured interview ratings, recruiters are unable to ignore the invalid information and place an unwarranted weight on unstructured interview information. It is therefore, the availability of the additional invalid informational cues from interviews that explains how they can impair decisions.

Being Sure About Being Right

Despite the overconfidence stemming from availability of invalid interview information, the authors considered other mechanisms through which unstructured interviews could benefit the decision process. They explored the idea that perhaps overconfidence based on unstructured interviews is compensated for by the ability

to discriminate between high and low accuracy. Towards this end, the authors posed an additional exploratory question-When decision makers are more confident, do they also tend to be more accurate about their predictions? They highlighted that for this to occur, the available information needs to be valid, but decision makers also need to recognize that they have valid information.

Empirical Investigation


The authors designed three studies to examine the ideas discussed above. For Studies 1 and 2, the authors used a sample of 132 individuals responsible for hiring decisions. These studies tested whether accuracy, overconfidence, and the ability to discriminate are affected by the interview information, as opposed to the amount of information presented. Participants were provided data from actual applicants at an airline company. In Study 1, one group of participants were given information in the form

of unstructured interview ratings as well as standardized test scores for GMA and conscientiousness, while the other group received only standardized test scores. In Study 2, the amount of information presented to both groups was equal, but the content was different. Half of the participants were presented with standardized test scores (GMA and conscientiousness), while the other half were presented with GMA test scores and unstructured interview ratings. In both studies, participants made decisions regarding which applicant from a pair would be the better performer. Both studies confirmed that when individuals assessed candidates based on information that included unstructured interview ratings they were more overconfident than those who made assessments based on standardized tests alone. This effect was a result of the unwarranted importance that the participants placed on the unstructured interview information. In addition, this overconfidence did not help the participants who

received unstructured interview information to discriminate better between right and wrong choices.

The third study consisted of a betting competition for 149 undergraduate students. Like in Study 1, half of the participants were presented with information on GMA and conscientiousness, while the other half were given GMA, conscientiousness, and unstructured interview and asked to predict which applicant among two would be a better performer.

In addition, participants bet on the candidate of their choosing. This study confirmed the earlier finding that presenting unstructured interview information to participants made them less accurate yet more confident, without being better at discriminating among choices. In addition, participants with interview information were likely to bet more money for their preferred candidates. This demonstrates that greater overconfidence is related to fewer payoffs.

Together these studies establish that adding information from unstructured interview is not only futile, but a detrimental exercise that worsens personnel selection decisions and ultimately lowers payoffs. These findings provide important information to organizational decision makers who continue to erroneously use unstructured interviews to make selection assessments. 

Managerial Implications

To err is human—all of us can admit to being guilty of not recognizing the limits of our knowledge. Often our overconfidence, or the unwarranted belief in the correctness of one's answers comes at personal cost. Unfortunately, when such overconfidence is displayed by organizational decision-makers, the repercussions are no longer limited to one person, but put the success of an entire organization in jeopardy. Some might think that the answer to best recruiting practices lies in employing all tools in one's repertoire. In the context of recruitment, however, more is not the merrier. At the face of it, there seems to be no harm in substantiating test scores with unstructured interview-based information. As this paper

demonstrates, however, that will only serve to jeopardize the selection process and bring long term losses. So does this mean that unstructured interviews are a thing of the past and should be done away with? The answer to that question lies in the purpose of the interview. If the idea is to provide information to applicants, to improve applicants' reactions, and to make sense of the process by integrating different organizational stakeholders, then unstructured interviews can be a worthy ally. If, however, the goal is to hire the best candidate, then steer clear of unstructured interviews, and let the numbers do the talking.

This summary is based on the full article, "Overconfidence in personnel selection: When and why unstructured interview information can hurt hiring decisions." *Organizational Behavior and Human Decision Processes*, 137, 27-44. Edgar E. Kausel (ekausel@uc.cl) is an Associate Professor at School of Management at Pontifical Catholic University of Chile. Satoris S. Culbertson (culberts@up.edu) is an Associate Professor of entrepreneurship and innovation management at Pamplin School of Business, University of Portland, Portland. Hector P. Madrid (hpmadrid@uc.cl) is an Assistant Professor at School of Management at Pontifical Catholic University of Chile. Misha Mariam is a Ph.D. candidate at the Foster School of Business, University of Washington, and associate editor for Research Highlights of Management Insights.

A CEO with Better Time Management Makes a Company More Innovative



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It is well established that the characteristics of CEO has profound implications for firm strategies and outcomes. In this paper, the authors examine how CEOs' feeling about time influence their leadership pertaining to time-management and consequentially corporate entrepreneurship. Studying a sample of 129 small and medium-sized Chinese firms, they find that CEOs' time urgency (the feeling of being chronically hurried) is positively related to their temporal leadership, which in turn is positively related to corporate entrepreneurship. They also examine the effects of three distinct pacing styles: early-action, meaning the CEO exerts the most effort early in the task process and relaxes as the deadline nears; steady-action, meaning the CEO spreads out effort evenly across the time allotted; and deadline-action, meaning the CEO is most active as the deadline nears. They find that the deadline-action style inhibits CEOs' temporal leadership, but the steady-action and early-action styles have similar effects on their temporal leadership.

Individuals differ in their feelings, or perspectives, of time. While some individuals are acutely aware of the passage of time and feel chronically hurried, others are more relaxed and focus little on internal deadlines. Also, some people tend to extend most efforts early on, some make steady efforts throughout the process, and some

only work hard when deadline gets close. These different feelings of time are more than personal choices of life or work style. Instead, such different time-management approaches have profound implications on work outcomes.

The authors of this paper asked the important question of how CEOs' temporal dispositions

(i.e., time urgency and pacing style) are related to their temporal leadership behaviors, which will in turn influence corporate entrepreneurship—a set of firm activities encompassing innovation, corporate venturing, and strategic renewal. Indeed, accelerated changes in competition, technological advances, and

customers' preferences have forced firms to think about time and have brought the issue of time to the forefront of strategic management. A leader's interpretation of time serves as a temporal filter that molds expectations and evaluations of decision situations and forms the basis for strategic behaviors. CEOs' time urgency and pacing styles are especially pertinent to strategy because speed and pacing are central to gaining and maintaining early-mover advantages through sensing and seizing yet-to-occur technological and market opportunities ahead of competitors.

CEO's Temporal Dispositions

Time-urgent people, as they are acutely aware of the passage of time and feel chronically hurried, often create aggressive internal deadlines and use them as markers of the timely completion of team tasks. They regularly check work progress, increase others' awareness of the remaining time, and motivate others to accomplish commitments within the allotted time. Because they

strive for timely completion of all scheduled activities, time-urgent people are efficient in the use of time, work very fast, and serve as clock-setters for group activities. In contrast, non-time-urgent individuals, who feel less hurried and constrained by time, tend to put little emphasis on internal deadlines, are relaxed, and do not feel the need to intensify efforts or push others to meet deadlines.

Pacing style refers to how individuals distribute their effort over time in working toward deadlines. Pacing style is represented as a continuum of how closely the intensity of work is paced to the deadline. At the low end of the continuum is the early-action style. Early-action individuals spend most of their effort at the beginning and finish the task long before the deadline so that they can relax when the deadline is close. They also stimulate others to get busy at the beginning but tend to be less active when close to the actual deadline. At the high end of the continuum is the deadline-action style, which

means the pacing is very close to the deadline and individuals start very late, intensifying their effort only as the deadline gets close. Deadline-action individuals tend to overemphasize task execution and motivate and energize themselves and others to maximize efficiency at the last moment. In between the two ends is the moderate pacing distribution represented by a steady-action style. Steady-action individuals tend to spread out effort over work activities evenly. They keep activities well organized, have a strong sense of direction, and constantly set sub-goals and monitor others' work progress over time.

CEOs' Temporal Disposition and Their Temporal Leadership

The authors suggest that CEOs with higher time urgency and steady-action (in comparison to early-action and deadline-action) are more likely to exhibit temporal leadership, which includes three interrelated activities: scheduling,

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temporal synchronization, and the allocation of temporal. Scheduling specifies a clear timeline of when the various team activities should be completed. Team leaders break the total available time frame into different temporal milestones associated with completing a set of sub-goals for each member and for the team as a whole. Each temporal milestone serves as a marker for tracking and reviewing the progress of members and of the team, as well as for making necessary adjustments to ensure a task's timely completion. Temporal synchronization addresses the question of "how" and involves temporally sequencing and coordinating different team members' activities. Team leaders create a coherent temporal framework to ensure that each team member carries out the assigned action at the appropriate time, and they continually adjust this framework to accommodate gaps, delays, and deviations. The allocation of temporal resources refers to distributing time across

team activities in an efficient and effective way, especially when time pressure is intense. Team leaders prioritize the team's task goals, efficiently allocate time to different subtasks, and create built-in blocks of time for unexpected contingencies.

The Positive Impact of CEOs' Temporal Leadership on Corporate Entrepreneurship

The authors further explore how CEOs' temporal leadership is related to corporate entrepreneurship, which refers to a set of firm activities encompassing (a) innovation: a firm's commitment to creating and introducing new products, processes, and organizational systems or methods, (b) corporate venturing: a firm's creation of businesses in existing or new fields, markets, or industries, either internally or externally, and (c) strategic renewal: the degree to which a firm revitalizes its operations by changing its business scope and competitive approaches.

The authors believe that

CEOs' temporal leadership can significantly enhance corporate entrepreneurship for three reasons. First, corporate entrepreneurship involves multiple complex sub-activities with different, sometimes competing timelines. Thus it is important for the CEO to help the top-management-team (TMT) set clear goals and specific time frames for corporate entrepreneurship activities, so that TMT members can empower others in the organization to design courses of actions and execute strategies in a timely manner. Second, corporate entrepreneurship activities are highly uncertain and time-pressured. To capture fleeting opportunities, TMTs need to temporally synchronize corporate entrepreneurship activities both within the organization and with environmental demands. CEOs' temporal synchronization can not only provide a well-defined time structure that allows TMTs to sequence the timing of various interconnected strategic activities, but also create a


CEOs' time urgency enhances corporate entrepreneurship via temporal leadership, whereas the deadline-action CEOs - in comparison to early-action and steady-action CEOs - exhibit less temporal leadership and in turn undermine corporate entrepreneurship.

coherent framework in the TMT to synchronize innovative activities with customers', competitors', and technological demands in the targeted market. Finally, because innovation, new business venturing, and renewal activities require new knowledge and perhaps completely different routines, considerable time and the commitment of a firm's top executives are required to formulate and implement these activities. Efficiently allocating temporal resources prioritizes innovative ideas and new strategic initiatives above other demands, so that TMTs will devote significant managerial time and effort to overseeing corporate entrepreneurship initiatives.

Empirical Evidence Based on 129 Small-and-Medium-Sized Chinese Firms

Study Procedure. To test these ideas, the authors collected survey data from small- and medium-sized enterprises (SMEs) located in three high-tech industrial parks in China's Guangdong and Shandong

provinces, which are leading hubs of high-tech industries in China and host China's largest clusters of SMEs spanning a wide range of high-tech industries. One of the authors set up face-to-face meetings with the CEOs of the SMEs in the industrial parks. From the 348 SMEs, 158 CEOs - together with their TMT members—agreed to participate in the study. The authors collected data at three different times from these firms. At time 1, they sent the CEOs a temporal disposition and demographic survey. At time 2, two weeks later, they sent out the CEO temporal leadership surveys, to be filled out by at least three TMT members other than CEOs. At time 3, six months later, they asked CEOs and at least three TMT members to fill out surveys on corporate entrepreneurship activities. The authors retained in the sample firms from which they received responses from the CEO and at least three TMT members. The final sample satisfying this criterion consisted of 129 firms from 13 industries.

Results. Rigorous analyses of the data show that CEOs' time urgency was positively related to CEOs' temporal leadership. Also, the authors find that deadline-action CEOs had significantly lower temporal leadership scores than the early-action and steady-action CEOs. But there was no significant difference between the CEO early-action and steady-action subgroups. These results confirm that the deadline-action style inhibited temporal leadership but suggest that the CEO steady-action style does not confer any advantage over the early-action style in promoting temporal leadership. Moreover, CEOs' temporal leadership was positively related to corporate entrepreneurship. Taken together, the analyses reveal that CEOs' time urgency enhances corporate entrepreneurship via temporal leadership, whereas the deadline-action CEOs - in comparison to early-action and steady-action CEOs - exhibit less temporal leadership and in turn undermine corporate entrepreneurship. 

Managerial Implications

The findings of this study provide important implications for CEO selection, training, as well as corporate management. To start with, this research suggests that time-urgent, early-action, and steady-action CEOs are better than non-time-urgent and deadline-action counterparts in facilitating strategic initiatives and corporate innovation. Therefore, when selecting CEOs, the temporal styles, or dispositions, of the potential candidates should be taken into consideration. For incumbent CEOs, they should be informed about the fact that their dispositions in time-management—in terms of time-urgency and pacing—are much more than their personal preferences or styles; instead, their temporal dispositions have profound implications for corporate initiatives. For those non-urgent and deadline-action CEOs, certain training might be needed to promote a shift in their perspectives of time. Equally important, the authors shed light on the important role that CEO temporal leadership plays in facilitating corporate strategic initiatives. To reiterate, CEO temporal leadership include scheduling, temporal synchronization, and the allocation of temporal resources. CEOs should lay out clear schedules and create long-term strategic goals and the sets of interim milestones. Thus, TMT can provide a clear road map for organizational members in charge of individual corporate entrepreneurship activities. This clear and

adaptive scheduling of strategic activities within the TMT can ensure a coherent and integrated plan of action for formulating and implementing corporate entrepreneurship activities across the organization. Moreover, establishing temporal milestones can help TMTs track and monitor the progress of each strategic activity and facilitate the timely execution of corporate entrepreneurship initiatives. Beyond scheduling, temporal synchronization requires CEOs to temporally sequence various sub-activities in the correct order and accurately map the times when each task activity should be accomplished. Strategy research suggests that one of the main challenges CEOs face is “to discover and manage the optimal temporal progression of various processes . . . which makes effective synchronization critical.” As the top leader, the CEO should pay substantial attention to coordinating and synchronizing the TMT’s internal pace so that temporal conflicts are dramatically reduced, time lags are shortened, and environmental changes are detected earlier. Lastly, to better manage time for TMT members and for corporate activities, CEOs should also learn to prioritize different subtasks, be alert to unexpected contingencies, and expend significant effort in anticipating potential obstacles and creating built-in spare time to accommodate such contingencies.

This summary is based on the full article, ‘It’s about Time! CEOs’ Temporal Dispositions, Temporal Leadership, and Corporate Entrepreneurship’ *Administratively Science Quarterly*, 62(1), 31-66. Jianhong Chen is an Assistant Professor in the Department of Management at Peter T. Paul College of Business and Economics at the University of New Hampshire. Sucheta Nadkaini is the Sinyi Chaired Professor of Chinese Management in the Cambridge Judge Business School at the University of Cambridge. Junchao (Jason) Li is a Ph.D. candidate at the Foster School of Business, University of Washington.

Unethical Behaviors in the Age of Rankings

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How many rankings have you come across every year? Are you familiar with “HuRun Global Rich List”, “World Fortune 500”, “The World’s Most Liveable Cities”, “The World’s Best Universities”, “Top Ten Global Football Leagues”, and much more? Various kinds of rankings have attracted individuals, businesses, governments, schools, sports leagues, and other groups to participate. Across the industries, “ranking” adds positive forces to promote competition and prosperity. However, would there be potential negative effects of these rankings? For those who receive a bonus through their performance in rankings, will that induce unethical behaviors?

Rankings, as the name suggests, are lists in which individuals or groups are ordered according to a relevant dimension. Today, rankings are used as a key benchmark to guide important organizational decisions, such as investment or divestment, promotion or demotion, and other types of rewards or punishments for individuals or groups.

“Martin Winterkorn, Volkswagen’s chief executive [...], was in the midst of a plan to more than triple [Volkswagen’s] sales

in the United States in just a decade-setting it on a course to sweep by Toyota to become the world’s largest automaker. [...] Volkswagen’s unbridled ambition is suddenly central to what is shaping up as one of the great corporate scandals of the age, [as] Volkswagen said it had installed software in 11 million diesel cars that cheated on emissions tests, allowing the vehicles to spew far more deadly pollutants than regulations allowed. [...] On Mr. Winterkorn’s watch, Volkswagen did become the largest automaker in the world, surpassing Toyota in July. He had two months to savor it.” Reported by The New York Times in 2015, September 26.

The Volkswagen emissions scandal, as well as other organizations’, such as Mitsubishi Motors fuel fraud scandal, the American National Football League’s “deflategate”, were to some extent a result of the competitive mindset induced by rankings. However, who are more likely to engage in immoral behaviors? The top-ranked, the bottom-ranked, or the middle-ranked ones?

Professors Vriend, Jordan, and, Janssen set out to answer

this research question and conducted six studies with the samples of American residents and Dutch college students between 2013 and 2016, and revealed several remarkable findings.

First, they found that rankings did induce competitors to behave unethically, especially those at the top. Rankings would work as intended when they are based on the legitimate performance of all individuals involved. If individuals are able to illegitimately enhance their performance through a wide variety of unethical behaviors, it will threaten the legitimacy of the rankings. Recent scandals in sports and businesses have aptly demonstrated the detrimental effects of unethical individuals on rankings. If rankings are to be used as an effective tool for eliciting competition and cooperation, unethical conducts must be kept to a minimum.

Another main finding is the association between rewards and the top ranking positions, as well as the relationship between punishments and the bottom ranks. These sanction mechanisms were initially designed to motivate desirable competitive behaviors -yet, in fact, created a sort of

paradox. It is most likely that unethical behavior will occur when its potential benefits outweigh its potential costs. External rewards or punishments should be used carefully in such situations. However, fewer interests may demotivate people to participate in the ranking, which will damage the value of the “ranking” itself. It seems that when an individual is prohibited from doing unethical behavior, it could reduce her desire to actively participate in the “rankings”. But from an organization’s perspective, it is more costly to engage in unethical behavior to attain more valuable ranks.

Is this a dead-end for rankings?

The answer is “No”. The authors suggested a few options to mitigate the potential negative effects of rankings.

Accountability. The unethical behavior appears to be driven largely by the “elevated perceptions of power”, especially for the individuals in top ranks than those from the middle ranks. The top ranks elicit perception of greater power that enable them to have access to resources that other ranks cannot obtain. Although it would be difficult to alter such perception, accountability can be an option. Individuals with elevated perception of power are more sensitive to social consequences, so when they believe that they will be held accountable for their actions that arise in the ranking process, they will be less likely to act unethically.

A “Fair” Rank. When the top positions are unstable, those who have elevated perception of power perceive fewer degrees of freedom.

This implies that decreasing the individuals’ ranking stability can also reduce their motivations to behave unethically. A “fair” rank order of individuals on some relevant performance dimension should be the basic principle on which the rankings are based.

The absence of fairness on relevant performance dimensions may reduce the attractiveness of rankings and result in injustice perceptions.

Moral Mindfulness

Moral rationalization mechanisms can help individuals to form clear boundaries and awareness of unethical behaviors, thus establishing a “moral mindfulness.” Once “mindfulness” is developed, it would naturally inhibit the individuals to rationalize unethical behaviors. 📧

Managerial Implications

In the most recent 2017 HuRun Global Richest List, Google's two founders were ranked the world's richest 12th and 14th, respectively. We all know that Google's famous motto is “Don't be evil”.

In the same list, a Chinese February IPO propelled Wang Wei, 46, of SF Express to the third spot, with

a five-fold growth in his wealth to US\$27 billion, just behind Wang Jianlin (Wanda Group) and Jack Ma (Alibaba Group). These entrepreneurs, who are mindful of creating the positive vibes and values in their organizations, have virtually established the powerful yet invisible moral mindful organizational culture.

This summary is based on the full article, “Reaching the top and avoiding the bottom: How ranking motivates unethical intentions and behavior” *Organizational Behavior and Human Decision Processes*, 2016, 137, 142-155. Tim Vriend (t.vriend@rug.nl) is an Assistant Professor at the University of Groningen, Netherlands, Jennifer Jordan (jennifer.jordan@imd.org) is a Professor at the University of Groningen, Onne Janssen (o.janssen@rug.nl) is a Professor at IMD, Switzerland. Monica Ren (monica.ren@mq.edu.au) is an Assistant Professor at Macquarie University, Australia.

Far from the Tree? Do Private Entrepreneurs Agglomerate Around Public Sector Incumbents During Economic Transition?



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The Chinese government began the steps of economic transition in 1978 to allow individuals to establish private businesses outside of the state sector. Since then, the private sector has grown dramatically, while state enterprises have struggled to survive. Schumpeter's (1942) account of creative destruction has depicted China's transition as a process of private enterprises emerging and outcompeting less productive state enterprises. An important question that has remained unanswered by such accounts, however, is where private enterprises emerged, particularly with respect to preexisting industrial activity in the state sector. There are competing perspectives on the role of large organizations in spawning entrepreneurs: there are reasons why such organizations can be more fertile but also less fertile as spawning grounds for entrepreneurs. We reconcile these competing perspectives by conceptualizing a trade-off between two countervailing conditions associated with large organizations: bureaucratic socialization and exposure to capabilities.

Entrepreneurial Spawning by Large Incumbents

The emergence of market opportunity does not in and of itself bring about the existence of new organizations, because building a new organization requires founders to acquire a complex array of skills. In the context of the economic transition in China, where the private sector as a whole had been formally suppressed for decades, this perspective is especially relevant. The allowance of private entrepreneurship by top-down market reforms did not suddenly bring about a population of trained entrepreneurs. The need for training grounds where individuals acquire the know-how to build and run complex organizations is sufficient for explaining the agglomeration of entrepreneurial activity around incumbents.

On the one hand, researchers have argued that such organizations are the least fertile spawning grounds for entrepreneurs. The core logic is that bureaucratic work environments suppress the kind of independent, holistic thinking that is typically associated with entrepreneurs. Large organizations tend to be characterized by narrowly

defined jobs within elaborate hierarchies and divisions of labor, which limit employees' opportunities to learn the wide variety of functions needed to build new organizations. They tend to select or socialize individuals against creative initiative. They insulate individuals against exposure to external contacts-such as with customers, suppliers, and resource providers-that would be useful for potential entrepreneurs.

Other scholars have argued that large organizations should be more fertile as spawning grounds for entrepreneurs. Even if large organizations are bureaucratic, they are often rich repositories of capabilities. Operations within large organizations tend to be more complex. They can use technologies and processes that are not possible at smaller scales. They also coordinate more varied and complex relationships with resources providers and other external constituents. Exposure to these capabilities from the inside makes employees better able than those without this exposure to reproduce similar operations.

To reconcile these competing perspectives, we suggest a non-monotonic relationship between

incumbent organization size and local entrepreneurial activity. To the extent that more sophisticated levels of experience make individuals better prepared for entrepreneurship, the likelihood of spawning entrepreneurial ventures should initially increase with organizational size. At some point, however, the incremental value of exposure to larger-scale capabilities becomes offset by increased bureaucratization in larger organizations. To reach the point of gaining holistic management experience is very difficult. Through socialization and selection, larger bureaucratic organizations reduce the likelihood that those who rise to leadership positions will diverge from these organizations' prevailing practices and beliefs.

This argument is based on two key assumptions. First, it assumes that sophisticated levels of management experience — e.g., capabilities inherited from a parent — are important for entrepreneurship. But entrepreneurship can take a spectrum of forms, from larger-scale, investor-backed ventures to smaller-scale self-employment. For the purposes of entering

entrepreneurship on a smaller scale, such as self-employment, such experience is less critical. Second, the argument that large bureaucratic organizations socialize individuals against entrepreneurship assumes that individuals are socialized only or primarily via the work environments of their employers. Research has found that being located in a highly entrepreneurial region provides broader sources of socialization that make individuals more likely to become entrepreneurs.

Entrepreneurial Founding Rates Around State, Collective, and Private Enterprises

Of the three types, state enterprises were by far the largest. State enterprises also managed the most complex relationships with resource providers and external constituents in the economy. However, they are the most overwhelmingly bureaucratic type of organization in Chinese society too. On the contrary, private enterprises were by far the smallest and least bureaucratic, whereas collective enterprises were in the middle of these two types of organizations.

Following our reasoning, we expect the most effective training grounds to be within collective enterprises. As an intermediate form between private and state enterprises, collective enterprises offered a balance between providing exposure to the complexities of larger-scale operations and limiting exposure to bureaucratic socialization. We therefore propose the following hypotheses:

Hypothesis 1. The presence of collective enterprises in a region should have a positive effect on local founding rates of private startups.

Hypothesis 2A. The effect of collective enterprises on founding rates of private startups should be stronger than the effect of private enterprises.

Hypothesis 2B. The effect of collective enterprises on founding rates of private startups should be stronger than the effect of state enterprises.

Hypothesis 3A. The effect of collective enterprises on founding rates should be weaker for small startups than for large startups.

Hypothesis 3B. The difference in effect size between collective and private enterprises should

be larger for the founding rates of large startups than for the founding rates of small startups.

Hypothesis 3C. The difference in effect size between collective and state enterprises should be larger for the founding rates of large startups than for the founding rates of small startups.


Hypothesis 4. The presence of private enterprises in a region should have a positive interaction effect with the presence of state enterprises on local founding rates of private startups.

Empirical Setting and Main Findings

Our empirical setting is the bicycle manufacturing industry in China from 1978 through 2008. Our analysis is based on a novel data set of private entrepreneurial

startups and industry incumbents in the oldest and largest bicycle-producing region of China: the municipality of Tianjin. Data come from the Tianjin Municipal Administration for Industry and Commerce. Our sample consists of 1760 private bicycle manufacturers founded between 1978 and 2008. In our founding rate analysis, we split private startups into large, medium, and small sizes based on terciles of registered capital. In all analyses, we include a variety of controls at the district level. There are 16 districts in the Tianjin municipality. In addition to district fixed effects, we include total population (ln (district population)), population density per square kilometer (Population density), and population growth rate (Population growth). Additionally, we include controls for

local economic activity, government spending, and education.

We find evidence of a non-monotonic effect of incumbent organization size on local founding rates by private entrepreneurs. The effect of collective enterprises on founding rates of private startups is stronger than the effect of both private and collective enterprises. We also find moderating effects that are consistent with the hypothesized mechanisms behind the non-monotonic effect of size. The effect of collective enterprises on founding rates is weaker for small startups than for large startups. In addition, the presence of private enterprises in a region has a positive interaction effect with the presence of state enterprises on local founding rates of private startups. 

Managerial Implications

Our research suggests that in contexts where governments retain significant control over basic business needs, the locus of entrepreneurial spawning is likely to be around organizations with some degree of government connection. Such organizations are likely to be able to operate at larger-scales and provide entrepreneurs with better operational and regulatory

training for founding their own large-scale ventures. While second-best compared to free markets for entrepreneurial inputs, the mechanisms described here may, under transition economy conditions, provide certain advantages for growing the private sector compared to entrepreneurship emerging completely independently of the state sector.

This article is rewritten from "Far from the Tree? Do Private Entrepreneurs Agglomerate Around Public Sector Incumbents During Economic Transition?" *Organization Science*, Vol. 28, No. 1, January–February 2017, pp. 113–132. David Tan (davidtan@uw.edu) is an Assistant Professor at the Foster School of Business, University of Washington. Justin Tan (jtan@schulich.yorku.ca) is a Newmont endowed Chair Professor at the Schulich School of Business, York University. Danyang Zhu is a doctoral student at School of Management, Fudan University.



Blinding Altitudes: How Holding a Higher Ranking Position Suppresses Objection to Unethical Practices

The higher the rank, the lower the dissent — this appears to be the mantra when it comes to speaking-up against unethical practices in organizations. Through a multi-study approach, the authors found that holding high ranking positions lowers principled dissent. Individuals positioned at upper levels of the organizational hierarchy are less likely to object to unethical practices because they fail to see them as being wrong in the first place. This ethical blindness stems from a strong sense of identification with the organization.



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With Great Power, Comes Great Responsibility

Organizations are challenging contexts, replete with situations that make it hard to steer clear of unethical activity. Factors such as prevalence of goals, use of groups to make decisions, and an emphasis on money can trigger as well as fuel unethical actions, intentionally or otherwise. The onus of maintaining ethical standards in organizations typically falls on the high ranking employees. High-ranking members tend to be seen as more competent, experienced, and committed to collective goals. They are, therefore, trusted by others to provide direction. It is, therefore, critical that these individuals act as champions of ethical values in their organizations and engage in principled dissent

when necessary. Principled dissent is an individual's effort to protest or change morally objectionable practices. It is an efficient way to stop unethical activities as it helps to rectify ethical failures before they cause permanent damage to an organization. By expressing dissent against unethical practices, individuals at the top of organizations' hierarchies can stop wrongdoing and redirect the organization to a more honorable path.

Higher Rank, Lower Morals?

Despite being empowered to do so, high-ranking individuals at the top of organizational hierarchies fail to stop unethical practices all too often. The business world is fraught with examples of ethical failures. Accounting fraud, sale

of harmful products, health-hazardous overwork, pervasive incivility and discrimination – countless unethical practices persist unchecked in organizations, even when people in high-ranking positions are likely aware of them.

The authors of this paper took up the challenge of investigating why organizations leaders fail to uphold ethical standards. Results from three rigorous studies revealed that inability to oppose unethical practices is a side-effect of occupying the coveted high-ranking spots. Being in these powerful positions, ironically, makes individuals less likely to oppose unethical activities, compared to individuals who occupy lower ranks with less power and influence. So what leads to this unfortunate, counterintuitive effect? Why do individuals at the top fail to speak-

up against recognized unethical practices, despite the authority that their high rank grants them? Surely, occupying higher rank doesn't turn ethical people into unethical ones! The answer to this mystery lies ahead. Before the big reveal, however, let us look at the research methods that went into capturing the underlying mechanisms.

Methodological Approach

Uncovering the mysterious mechanisms that lead to the counterintuitive effect of high ranking positions requires a multi-pronged approach aimed at solving different parts of the puzzle. To do so, the authors conducted three studies. In Study 1, they analyzed data collected by U.S. Merit Systems Protections Board through a survey of 11,162 employees of

U.S. federal government agencies. This data was used to examine the relation between hierarchical position and principled dissent.

In Study 2, an experimental design with 271 participants was used to replicate the findings of the first study as well as test for the underlying mechanism that may explain this phenomenon. This study also tested whether higher rank lead to less dissent in general or simply corrupts and leads people to prefer unethical actions.

Study 3 was aimed at testing whether the negative effects of high rank on principled dissent disappear when rank no longer affects identification with the group or organization. Accordingly, manipulations were used to create conditions under which participants were more, or less likely to identify with their group. In addition, this

study was designed to detect whether higher rank changes ethical views, preventing high-ranking individuals from detecting ethical problems. 170 participants were recruited in this experimental study which examined principled dissent in the context of price gouging. From the findings of the three studies, the authors found the missing pieces of the puzzle and identify the underlying mechanisms causing low dissent at high ranks.

Hidden Costs of Holding Higher Rank

Across the three studies, the authors consistently found that holding a high-ranking position reduced principled dissent against unethical practices. To be able to address this issue, the pertinent question is why this happened. As

it turns out, higher rank generates a kind of ethical blindness. Individuals holding higher rank do not engage less in principled dissent because they don't want to. It is because they perceive less reason to do so.


As individuals gain higher rank in the organization, they fail to see their organization's practices as unethical. By being accorded a high-ranking position in an organization, individuals are likely to view their organization more positively and identify with it more strongly. High ranking positions fulfill members' psychological needs for power, control and subjective well-being. This leads to positive views of the organization, as well as greater identification with the sought-after high status role and with the organization that confers it. Driven by their strong identification, the high-ranking individuals are unable to perceive their organization's practices as unethical to begin with. As a result, the prospect of engaging in principled dissent never even occurs to them.

There could be other factors that can help to explain why high-ranking individuals would refrain

from dissent, such as high profit from unethical practices or stiffer penalties for revealing them. As the authors point out, however, these factors are likely to vary across contexts whereas stronger identification due to holding higher rank is likely to be robust across most organizations. Therefore, the focus of this paper is the generalizable adverse effect of strong organizational identification in the context of unethical conduct.

Conclusion


Organizations often get caught in demanding and ambiguous ethical

situations and rely on individuals at the top of organizational hierarchies to guide them out. Unfortunately, this common approach of allocating responsibility to such individuals seems to be misguided as they are least likely to speak up against unethical activities. This is not because people become immoral as they climb up the ladder of organizational hierarchy, but because they become blind to ethical issues. Strong identification with the organization constrains their ability to discern and stop unethical behavior, making them susceptible to unintended unethicality. 

Managerial Implications

Both high rank and high organizational identification come with benefits for employees and organizations. However, one must be cognizant of the fact that the combination of the two can be deadly and lead to unchecked unethical activity. High ranking individuals with strong identification are often incapable of detecting unethical practices. Organizations might wish to involve individuals who hold lower rank or who identify less highly with the organization when critical decisions are being made. Such people could help leaders identify their ethical blind spots. The secret to keeping ethical violations in check lies in shedding light on the true nature of issues and ensuring that our organizational champions are not blinded by their high ranking positions.

This summary is based on the full article, "Hierarchical rank and principled dissent: How holding higher rank suppresses objection to unethical practices." *Organizational Behavior and Human Decision Processes*, 139, 30-49. Jessica A. Kennedy (jessica.kennedy@owen.vanderbilt.edu) is an Assistant Professor of Management in Organization Studies at Owen Graduate School of Management, Vanderbilt University. Cameron Anderson (anderson@haas.berkeley.edu) is the Lorraine Tyson Mitchell Chair in Leadership & Communication at Haas School of Business, University of California, Berkeley. Misha Mariam is a Ph.D. student at Foster School of Business, University of Washington.



How Do You Motivate Team Members to Achieve Extraordinary Performance? “Winning” for Underdogs and “Don’t Lose” for Favorites



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How to motivate team members to achieve extraordinary performance in intergroup competitions is an important yet unanswered question for team leaders in organizations. In this research, the authors test an idea that the motivational tactic depends on whether the team was priorly expected to win (i.e., favorites) or to lose (i.e., underdogs) in the competition. Through five experiments, the authors demonstrate that favorites and underdogs can both achieve extraordinary performance when the former is motivated with the “don’t lose” appeals and the latter is motivated with the “winning” appeals by their leaders. These findings underscore the importance of leaders’ framing of appeals in motivating their members in intergroup competitions.

People are fascinated by sports competitions partly because of the unpredictable results—the weak teams can and usually beat the strong teams surprisingly. We always attribute these unexpected results to players’ complex psychological states during the competition, such as the “eager to win” desire from the weak team players and the “can’t lose” pressure from the strong team players. Thus, a great coach should also be a great psychologist who can accurately read team players’ hearts and take immediate actions to manage their emotions to fit with the complex and dynamic situations during the competition.

Do firm managers have to be aware of their team members’

psychological states during intergroup competitions in the market? The answer is definitely YES! Imagine two sales teams are competing for a large amount of bonus judged by their monthly sales. One team is consisted of senior salespersons who have rich customer resources, whereas the other one is a newly formed team with junior salespersons who have limited customer connections. Will the junior team members be demotivated because of the tiny chance to win? Will the senior team members also be demotivated because everyone including themselves expects that the bonus is already in their pockets? If this is the case, the reward system will be a waste of

money for the organization—no one is motivated to exert more efforts seeking for better performance.

An interesting question arises from the above scenario case. That is, how to motivate team members to achieve extraordinary performance, independent of whether they are expected to win (i.e., favorites) or to lose (i.e., underdogs) in the intergroup competition. The authors of this paper focus on different motivational orientations of the favorites and the underdogs during the competition, and develop a contingent motivational tactic to address this question.

Different Motivational Orientations and Different

Motivational Tactics

The authors think favorites and underdogs approach intergroup competitions with different motivational orientations because of the differing expectations they received from others. In general, individuals have two different types of motivational orientations: some are motivated to exert efforts seeking to gain as much as possible—“winning” orientation, whereas others are motivated to exert efforts seeking to lose as little as possible—“don’t lose” orientation.

Favorites cannot gain much (e.g., public attention and praise) from winning the competition because their winning was what others expected – winning becomes an obligation or duty that favorites ought to fulfill in order to secure their advantageous standing (i.e., “they are supposed to win”). Favorites, however, will lose a lot if they fail in the competition (e.g., public critics and scoff). Therefore, favorites are likely to maintain a strong “don’t lose” orientation in competing with the underdogs. The authors suggest that managers should use “don’t lose” appeals to motivate favorites and boost their performance, trying to be consistent with their motivational orientations.

On the contrary, underdogs have nothing to lose if they fail in the competition because they were

not even expected to win. In other words, they will not be criticized nor will they feel bad themselves when defeated by the stronger teams. Instead, winning is seen as a maximum standard that one hopes to achieve, and as such, winning becomes an aspiration or an ideal for underdogs to advance their standing and reputation. For this reason, underdogs will gain a lot if they surprisingly win the competition (e.g., public attention and praise, more potential economic gains and advancement opportunities). Thus, underdogs are likely to maintain a strong “winning” orientation in competing with the favorites. The authors suggest that managers should use “winning” appeals to motivate underdogs and boost their performance, trying to be consistent with their motivational orientations.

Empirical Evidence Based on Five Experiments

Study 1. The purpose of Study 1 was to test whether underdogs and favorites enter intergroup competitions with different motivational orientations. 105 adults were asked to imagine that they were in a team preparing for a big game. About half of the participants were instructed to believe that they were in favorite teams, whereas another half were instructed to believe that they were in underdog teams. All participants

were then asked to write down their feelings and thoughts when preparing for the coming game. Results demonstrated that participants in the underdog teams had stronger “winning” motivational orientation with thoughts like “I know my team can rise to the challenge and win”; participants in the favorite teams, however, had stronger “don’t lose” motivational orientation with thoughts like “I would feel embarrassed if we ended up losing this game”.

Study 2. The authors tested the proposed contingent motivational tactic by examining effortful behavioral intentions of Democrats and Republicans to support their party’s candidate in the 2012 United States Presidential election. A total of 399 Democrats and 151 Republicans participated in this study. At the time when this study was carried out, the latest opinion poll showed Democratic candidate Barack Obama leading Republican candidate Mitt Romney, so the 399 Democrats were naturally in “favorite” group and the 151 Republicans were naturally in “underdog” group. Results revealed that for the 399 Democrats who received “don’t lose” appeals from the campaign manager exhibited stronger intentions to display a variety of effortful volunteer activities (e.g., send personalized letters supporting their candidate

Motivational appeals should fit with individual standing in the intergroup competition—“winning” appeals for underdogs and “don’t lose” appeals for favorites.

to voters) to aid their party in the election than those who received “winning” appeals from the campaign manager. Results were reversed for the 151 Republicans, those who received “winning” appeals from the campaign manager exhibited stronger effortful behavioral intentions than those who received “don’t lose” appeals.

Study 3. The authors manipulated whether a participant’s group was an underdog or a favorite in an inter-university competition and tested whether a fit between standing (underdog vs. favorite) and motivational appeal (“winning” vs. “don’t lose”) would result in greater effort than when there was a misfit. A total of 132 undergraduate students from two universities participated in this study, and were asked to generate as many uses for a knife as possible in the time allotted, as an indicator of effortful behavior. Results again demonstrated the authors’ ideas


that motivational appeals should fit with individual standing in the intergroup competition—“winning” appeals for underdogs and “don’t lose” appeals for favorites.

Study 4. In this study the authors examined the direction of the effect. Through a sample of 194 undergraduate students participating in a “slider task” ostensibly measuring one’s perceptual ability under time pressure, they replicated the findings observed in Studies 2 and 3. They further revealed that participants experiencing fit put forth more effort than participants who did not receive a tailored motivational appeal; a misfit between appeal and standing, however, may not decrease motivation from baseline in competitive contexts.

Study 5. 253 undergraduate students participated in this study. Results unraveled that the fit between standing and

motivational appeal would increase team members’ goal commitment—striving for winning the competition, which in turn lead to higher levels of effortful behaviors. In other words, goal commitment is one vital mechanism explaining for the effectiveness of the contingent motivational tactics proposed by the authors.

Summary of studies

Summarizing results from the above five studies, the authors concluded that compared with motivational appeals that misfit with individuals’ standing in the competition, motivational appeals that fit with individuals’ standing could motivate higher levels of efforts from team members. This effect exists in both favorite teams and in underdog teams, and the effect sizes in these two different groups are almost the same. 

Managerial Implications

The findings of this research provide important implications for intergroup competitions not only in the sports context but also in the business world. Organizations have increasingly relied on work teams to produce, create, and sell firm products to improve the organization's functioning. As a result, intergroup competition exists in almost every organization and the team-based reward system has thus been widely used by organizations to motivate employees engaging in intergroup competitions. The purpose of organizations applying team-based reward is not to differentiate between highly performed teams from poorly performed teams and to give reward and penalty to them, respectively; instead, the fundamental goal of organizations applying such reward system is performance management—motivating every team member to achieve extraordinary performance independent of how well one's actual ability and prior performance is. This research offers an effective motivational tactic for employees engaging in intergroup competitions based on their teams' relative standing in the competition. Only three steps are involved in this motivational tactic:

1. *Identifying the team as either a “favorite” (i.e., with advantageous performance expectation in the competition) or an “underdog” (i.e., with disadvantageous performance expectation in the competition).*
2. *Motivating the favorites with “don't lose” appeals—such as “the bonus is almost in your pocket; do your best not to lose it!”*
3. *Motivating the underdogs with “winning”*

appeals – such as “we are not supposed to win, but we can make it happen and take the bonus from others' pocket by working harder!”

These three steps involved in the contingent motivational tactic also have important implications for inter-firm competitions in an industry. Take the cell phone industry as an example. Nokia was a giant leading company (i.e., favorite) in this industry, but it suddenly became an underdog when the industry entered the smart-phone era. In their competition with the two leading smart-phone companies—Apple and Samsung, the Nokia leadership did not realize their disadvantageous standing in the market and still appealed “we can't lose” in motivating their employees. This misfit between the Nokia's standing in the market and the leadership team's motivational appeals decreased Nokia employees' commitment to the goal (i.e., don't lose) because they had been losing the competition already. Obviously, the motivational strategy the Nokia's leadership team used was discouraging and ineffective, partly being responsible for the fall of Nokia ultimately. The implications of this research are significant because this research challenges the conventional thinking of motivation, particularly the rule of 20/80 which suggests managers only making good use of the top twenty percent high performers in a team or within the organization. This research, however, suggests that poorly performed teams can also be motivated to achieve better performance, as long as using the “winning” appeals to enhance their commitment to the goal of winning the competition.

This summary is based on the full article, 'Motivating underdogs and favorites' *Organizational Behavior and Human Decision Processes*, 141, 82–93. Robert B. Lount Jr. is an Associate Professor in the Department of Management and Human Resources at Fisher College of Business at the Ohio State University. Nathan C. Pettit is an Associate Professor in the Department of Management and Organization at Stern School of Business at the New York University. Sarah P. Doyle is an Assistant Professor in the Department of Management and Organizations at the Eller College of Management at the University of Arizona. Wei He is an Associate Professor in the Department of Human Resource Management at the School of Business, Nanjing University.



Family Matters: How Family Motivation Energizes Effort and Compensates for Intrinsic Motivation

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Some individuals hit the jackpot with jobs that are inherently interesting, grant autonomy and are replete with opportunities to develop competence. The enjoyment experienced in such jobs motivates employees to work harder, smarter, longer, and more productively, resulting in superior job performance. Unfortunately, not everyone in the workforce can boast of having such dream jobs. A staggering number of individuals are employed in unstimulating, monotonous jobs in assembly lines, fast food restaurants, and retail stores, that are devoid of pleasure, autonomy, and variety. It can be a struggle for such employees to find meaning in their work that can inspire motivation and enhance productivity. So, what drives such employees to invest effort? This paper asserts that when work fails to motivate people intrinsically, families come to the rescue! Findings from a survey, daily diary, and objective performance measures demonstrate that family motivation can compensate for uninteresting work by energizing employees.

Don't we all aspire for stimulating jobs that make us feel excited about getting out of bed and going to work, that make effort less aversive and inspire us to work harder without being asked? Such jobs provide employees with autonomy and growth opportunities, as well as a sense of meaningfulness. Together, these factors ensure intrinsic motivation, or the desire to invest effort based on interest in the work itself. Employees who experience this sense of intrinsic

motivation towards their jobs, focus their attention, invest considerable effort, and persist in the face of obstacles. It is, therefore, critical to achieving important outcomes such as enhanced productivity. In its absence, quality and quantity of performance suffer.

In an ideal world, all jobs would be inherently meaningful and interesting. Unfortunately, the harsh reality is that a bulk of jobs available today lack important sources of intrinsic

motivation such as autonomy, skill variety and opportunities to develop competence. Across the manufacturing, service, and agricultural sectors, employees have little discretion in tasks, decisions, work methods, and schedules. Many jobs lack opportunities for employees to work on products and services that make an obvious meaningful difference in the lives of others. Such work contexts, devoid of factors that foster intrinsic motivation, can

have deleterious consequences for relevant work outcomes. Considering the magnitude and criticality of this issue, it is important to identify solutions through which the motivational void created by unengaging jobs can be addressed.

The solution lies in an unlikely source that is external to the work itself. When it comes to motivating employees with jobs that fail to inspire intrinsic motivation, families matter! Findings of the current research project indicate that families act as alternate sources of energy and offer motivation that jobs fail to provide. This positive view regarding the role of families in work outcomes is a shift from the depletion perspective in which families are often portrayed as negative influencers by acting as sources of interference or distraction from work. In contrast to predominant perspectives that regard families as a source of depletion, this paper highlights how families can, instead, be drivers of superior work performance.

So, what is it about families that enable them to create a positive motivational effect when more proximal factors such as job attributes and organizational

conditions fail to do so? Although families are unlikely to change one's inherent interest in the work, they can have a significant impact on how the purpose of work is interpreted. This process is facilitated through family motivation—a special case of prosocial motivation, which is the general desire to benefit others. Specifically, family motivation is evident when employees are driven to expend effort at work in order to take care of their family members. Family motivation can imbibe traditionally monotonous work with an elevated meaning by transforming it into a vehicle for expressing important values, such as caring for family. Employees who lack interest in the work itself can still perceive it as meaningful by focusing on how the outcomes of work align with their values, rather than attending to the process of doing their monotonous jobs.

What makes the role of family motivation uniquely important is the additional benefit that it can have over related forms of motivation. For example, in comparison to other forms of prosocial motivation, employees are likely to care more about working to benefit their family members than other beneficiaries

owing to the frequency of contact, as well as the close and long-term nature of the relationship. Family motivation can be especially strong based on the heightened perceived impact through personal responsibility and enduring, visible benefits that one's work can have for the family. Family motivation can also be more effective than extrinsic motivation which involves working solely to obtain rewards or avoid punishments. Unlike extrinsic motivation, family motivation involves work being attached to a core value, making it a stronger and stabler driving force. It can also have a broader and more consistent effect in comparison to sources of motivation that are determined by the nature of the job or the organization. This is because family motivation sustains across different contexts, as employees can take their families with them from one job and organization to another. Together these unique factors make family motivation a uniquely potent source of effort at work.

The ideas discussed above establish that families can be an exceptionally effective source of motivation in the absence of intrinsic job motivation. The next

step in this scientific endeavor was to empirically demonstrate the validity of the ideas and explain how familial factors can manifest into greater persistence and job performance. Accordingly, the authors delved into the task of testing the mechanisms through which families can work their magic and motivate employees even in the most mundane jobs. Before an in-depth discussion of their findings, let us look at the innovative and rigorous methods that were employed to uncover the process.

Method

To test the main propositions and shed light on the underlying mechanisms through which family motivation can enhance job performance, a study was conducted in a “maquiladora”. These are Mexican companies specializing in coupon processing that provide cheap labor for jobs involving assembly, processing, or manufacturing. Employees are required to scan discount coupons through a standardized manual process that involves taking each coupon out of its shipping container, scanning the barcode, and checking that the system counted and categorized the

coupon correctly. The monotonous and largely uninteresting nature of the job makes it a suitable context for studying work that may be associated with low intrinsic motivation. It must be noted that some employees may perceive even this monotonous work environment as intrinsically motivating as the work gives them an opportunity for growth and skill development. There is also likely to be variance in the degree of family motivation of the employees depending on whether they are doing this job primarily to support their family, or for other reasons.

Data was collected at multiple time points from several sources. A survey to measure employees’ motivations was followed by a two-week long diary study in which employees filled out a diary each morning on work days. Diary entries were appropriate for capturing energy and stress that vary on a day-to-day basis. Lastly, data on objective job performance for each employee was collected from the performance monitoring system.

Findings

As predicted, empirical findings supported the idea that family

motivation is positively associated with job performance, especially when intrinsic motivation is low. Simply put, family motivation compensates for low intrinsic motivation towards the job. The underlying mechanisms that enable family motivation to facilitate job outcomes were also revealed. Specifically, family motivation works its magic by enhancing energy, particularly in the absence of intrinsic motivation. “Energy” can be viewed as a form of high-arousal positive affect, reflecting the extent to which an employee feels a sense of vitality. The authors assert that viewing a job as important, despite being boring, can be energizing. This enables employees to work harder and can enhance performance.

Interestingly, contradicting the authors’ predictions, results indicated that family motivation amplified stress levels for employees with high levels of intrinsic motivation, rather than lowering stress. The authors speculated that family motivation may be a source of stress for employees when they are cognizant of the fact that their work impacts their families. ❏

Managerial Implications

Through rigorous empirical investigation, the authors demonstrated that by mitigating the costs of low intrinsic motivation and by serving as an alternative source of energy external to the work itself, family motivation can enhance job performance. These findings have important practical implications. At an individual level, employees can motivate themselves by focusing on how their effort will be valuable down the road in creating a better future for their families. In terms of organizational interventions, family motivation can offer a more effective substitute for intrinsic motivation compared to extrinsic rewards which can have side effects of over-justifying tasks and crowding out other reasons to work. Family motivation can increase worker performance without detrimental side effects as the importance of families is internalized in the employees' value systems. Leaders can use these insights to boost family motivation by making the family more salient at work and instituting structural changes that increase the benefits of the job to the families as well. Organizations can also undertake family-oriented initiatives such as company picnics and "bring your child to work" days that allow employees to bring their home lives into the workplace more clearly. Of course, like any phenomenon, there can be disadvantages and boundary conditions to the positive effects of family motivation. Organizations need to be cautious while implementing strategies that foster family motivation. If work is too closely linked to family outcomes, employees can succumb to burnout and stress, resulting in negative ramifications for performance and turnover along with crippling effects on well-being, potentially causing withdrawal from loved ones. Family motivation can also increase

concerns about job security, resulting in fewer instances of providing feedback or expressing criticism. At extreme levels, family motivation could even cause unethical behavior. Organizations, therefore, need to consider the nuances and the potential downside of championing any motivational approach.

Finding and retaining a meaningful job that provides intrinsic motivation is a career dream that comes true for a small segment of the workforce. Given the criticality of employee motivation for ascertaining relevant organizational outcomes, we need to identify alternate sources of motivation for the other segment of the workforce that is not endowed with inherently meaningful employment that fosters intrinsic motivation. Families present a simple and yet immensely effective solution to this issue. Although, family needs have previously been regarded as a primary reason for work, their motivating and energizing role has largely been overlooked. This paper sheds light on this new perspective and demonstrates how families matter in shaping job performance. By serving as sources of meaning and motivation, families can enhance a person's inherent willingness to work long and hard. Family motivation energizes employees to carry out their work against odds, thereby enhancing performance especially in jobs where intrinsic motivation is low. We need to remember that the relationship between work and families is a two-way street—families support work just as much as work supports families. So, don't worry about being distracted by that family photograph on your office desk. It might just be the energy booster you need to go the extra mile and ace that task.

This summary is based on the full article, "When Job Performance Is All Relative: How Family Motivation Energizes Effort and Compensates for Intrinsic Motivation." *Academy of Management Journal*, 60(2), 695–719. Jochen I. Menges (jochen.menges@whu.edu) is a lecturer at Judge Business School, University of Cambridge, and holds the Chair of Leadership and Human Resource Management at WHU—Otto Beisheim School of Management in Germany. Danielle V. Tussing (dvtuss@wharton.upenn.edu) is a PhD candidate in management at the Wharton School at the University of Pennsylvania. Andreas Wihler (a.wihler@fs.de) is an Assistant Professor in Organizational Behavior at the Frankfurt School of Finance & Management in Germany. Adam M. Grant (grantad@wharton.upenn.edu) is the Saul P. Steinberg Professor of Management and Psychology at the Wharton School at the University of Pennsylvania. Misha Mariam is a Ph.D. candidate in management at the Foster School of Business, University of Washington.

The Cost of Middle Ground Approach: Missing Out on the Creative Benefits of Paradoxes

Paradoxical frames make people more creative — this is what previous research with Western samples found. In this study, the authors examine why this creative benefit emerges and whether it applies to East Asians. Using evidence from five experiments, the authors suggest that people from East Asian cultures, which valorize the middle ground approach, are less likely to thoroughly scrutinize paradox and reconcile it with integrative solutions, thus receiving less creativity boost from paradoxes.



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More Paradoxical, More Creative?

Rapid global and demographic changes give rise to many seemingly conflicting practices, such as the simultaneous presence of competition and cooperation, control and autonomy, planning and flexibility, and individuation and team building. It can be quite confusing and challenging

for people to deal with these paradoxes, which are contradictory yet interrelated elements that exist simultaneously.

However, paradoxes also bear the potential for more creativity — the process of producing something that is both novel and useful. Previous research suggests that adopting paradoxical frames, which are mental templates that encourage individuals to recognize

and embrace contradictions, give rise to opportunities for reconciling contradictory elements creatively. In contrast, when people deal with conflicting demands by simplifying or polarizing them into either/or categories, they may overlook the complex inter-relationships and miss the creative benefits of paradoxes.

In particular, sense of conflict is one important mechanism that accounts for why paradoxical

Experiencing conflict can facilitate unconstrained and explorative mental search, bolster insights to go beyond commonplace assumptions, and enhance receptivity to out-of-the-box associations.

frames can enhance creativity. Experiencing conflict can facilitate unconstrained and explorative mental search, bolster insights to go beyond commonplace assumptions, and enhance receptivity to out-of-the-box associations. For example, individuals tend to become more creative after they are confronted with counter-stereotypes or exposed to different cultures.

Middle-Ground Approach to Conflict Suppresses Creativity

While the above finding sounds tempting, does it apply to everyone? In particular, since previous research used Western samples, do East Asians approach paradox in the same way and can also enjoy the creativity boost? The authors of this paper aim to explore this issue by investigating “for whom” and “why” the creative benefit emerges.

To answer the “for whom” question, the authors focus on

the role of the middle ground approach. People who prefer the middle ground approach endorse two extreme positions to a moderate level and emphasize intermediate fulfillment of opposing interests. Because they assume both perspectives to be somewhat true, they tend to harmonize conflict, rather than to directly confront and scrutinize conflict. Without first honoring their differences, embracing contradictory elements may lead to a false synergy that does not fully integrate both elements.

Different cultures may approach paradoxes quite differently. Western cultures tend to follow Aristotle’s formal logic and Hegelian logic, which emphasize differentiation between contradictory elements, as well as integration that provides higher-order solutions. In contrast, East Asian cultures valorize the ideals of taking the middle way, avoiding extremes, tolerating

contradictions, and upholding harmony. This naïve dialecticism is manifest in the Confucian philosophy “Doctrine of the Mean” (“Zhongyong”). It is also reflected in the tendency that East Asians are more likely to choose middle (versus extreme) response options in self-report surveys than European Americans. Therefore, the authors propose that the effect of conflict on creativity is weaker among East Asians than among Westerners.

Harnessing Creativity Through Integrative Complex Thinking

Why do paradoxical frames benefit creativity mainly for individuals with a low middle ground approach? The authors suggest that a necessary but not sufficient factor for successfully reconciling conflict is integrative complex thinking, which involves thoroughly recognizing discrepancies

Individuals adopting a low (versus high) middle ground approach are more likely to get a creativity boost from conflict, because they tend to engage in integrative complex thinking.

underlying the conflict and then to synergize and integrate them.

“Tamagotshi”, a handheld digital pet that hit the market with huge success in the late 90s, illustrates the potential contribution of integrative complex thinking to creativity. Tamagotshi is paradoxical because a pet is a living being while an electronic device is not. Nevertheless, it embraces these paradoxical elements and breaks away from preconceptions that keeping a pet is a hassle and an electronic device is lifeless. Pocket-size, easy to operate in hand, and requiring “feeding” and “playing”, Tamagotshi fulfills people’s desire for keeping a pet conveniently.

Approaching the same paradox with middle ground approach, however, is likely to lead to relatively less creative ideas that tend to hold onto the defining characteristics of the initial objects, such as a dog-shaped robot or a movable dog toy for kids. Thus, the authors

suggest that individuals adopting a low (versus high) middle ground approach are more likely to get a creativity boost from conflict, because they tend to engage in integrative complex thinking.

Methodological Approach

The authors designed five experiments to examine the individual and cultural differences in dealing with paradoxes. Using 250 Taiwanese participants, Study 1 tested the effect of paradoxical frames on creativity through conflicts. The authors activated paradoxical frames by framing two elements in product design as paradoxical. The results of Study 1 replicated prior findings with Western samples that paradoxical frames induced higher levels of conflict and creativity; however, in this East Asian sample, sense of conflict did not mediate the link between paradoxical frames and creativity.

Next, the authors examined the role of middle ground approach.

They focused on individual difference in Study 2 using 304 Taiwanese participants, and on cultural difference in Study 3 using 99 Singaporeans (East Asians) and 66 Israelis (Westerners).

The authors primed paradoxical frames by asking participants to recall paradoxical statements. Study 2 replicated the findings in Study 1, and further showed that Taiwanese participants who endorsed low (versus high) middle ground approach received more creativity boost. Study 3 showed that sense of conflict following the adoption of paradoxical frames was more likely to induce creativity for Israelis (Westerners) than for Singaporeans (East Asians).

Study 4 aimed to establish the causal role of middle ground approach. Conducted among 144 Taiwanese participants, the experiment manipulated low middle


ground approach by instructing participants to prioritize one position over another, and manipulated high middle ground approach by instructing participants to endorse both positions to a moderate level. The results showed that participants were more likely to reap the creative benefits from sense of conflict if they take a low (versus high) middle ground approach.

Study 5 sought to test the effect of integrative complex thinking on creativity. The experiment recruited 178 online participants, and asked them to consider a paradoxical negotiation either from the perspective of both parties (inducing high integrative complex thinking) or from one party only (inducing low integrative complex thinking). The results suggested that participants who endorse low middle ground approach closed the negotiation deal more creatively after they engaged in integrative complex thinking; participants who endorse high middle ground approach

were less likely to benefit from integrative complex thinking, and gained less creative advantages from the conflict they experienced.

Conclusion

Individuals and cultures that endorse the middle ground

approach are less likely to leverage the enhanced sense of conflict into improved creativity. To benefit from paradoxes, we need to confront them and engage in integrative complex thinking that sets distinctions and forms syntheses among contradictory elements. 

Managerial Implications

How can organizations enable their members to get the creativity boost from paradoxes? We need to take into account the cultural background of organization members and devise strategies accordingly. Interventions that aim to raise awareness of paradoxes may not be effective, especially for East Asian members in organizations, who tend to harmonize paradoxes using middle-way solutions. In addition to members' cultural background, organization culture may also play a role in how members approach paradoxes. If the organization culture emphasizes harmony and encourages members to maintain relationships and reach agreements via compromises, members will be more likely to take the middle ground. To reap the creative benefits of paradoxes, organizations should cultivate an environment that facilitates members to think about paradoxes deeply and thoroughly, encourages them to break away from common assumptions, and allows sufficient time to explore options rather than rushes them to quick compromises.

This summary is based on the full article, "Middle ground approach to paradox: Within- and between-culture examination of the creative benefits of paradoxical frames", published in *Journal of Personality and Social Psychology*, 2017 Aug 14. doi: 10.1037/pspp0000160. Angela K.-y. Leung, associate professor of psychology at Singapore Management University. Shyhnan Liou, professor at Institute of Creative Industries Design, National Cheng Kung University. Ella Miron-Spektor, assistant professor of behavioral science and management at Technion-Israel Institute of Technology. Brandon Koh, PhD student at the School of Social Sciences, Singapore Management University. David Chan, professor of psychology at Singapore Management University. Roni Eisenberg, former graduate student of organizational psychology at Technion-Israel Institute of Technology. Iris Schneider, junior professor of social and economic cognition at the University of Cologne and former graduate from Vrije Universiteit, Amsterdam. The rewriter Isabelle Yi Ren is a Ph.D. student at Carroll School of Management, Boston College.

Gender-Blindness Can Help Women Increase Confidence, Actions and Self-Evaluation – But Only When It’s Done Right



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In a male-dominated society, can “gender-blindness” help working women increase their confidence and improve their pay, promotion and performance? The answer is yes. After studying 1453 respondents through five rigorous studies, the results suggest that “gender-blindness” is a powerful intervention to increase women’s, but not men’s, workplace confidence, and has downstream consequences for action-taking: a precursor to reducing inequality. This research provides insightful implications for women’s empowerment, organisational ideologies, and diversity management. It also provokes questions, regarding the implications of highlighting vs. downplaying gender differences in a broader context — not just at work, but in life. To be, or not to be gender-blind?

Popular books like *Men are from Mars; Women are from Venus* view men and women as very different from one another, almost treating them as different species. Likewise, our everyday experiences with gender reinforce the notion that natural and acceptable differences between men and women are immutable and diagnostic, shaping our interpretation of behaviours and outcomes. While these ideas bring

benefits by acknowledging gender differences, the authors of this paper suggest that reducing gender differences may be a better ideology for approaching gender differences in the workplace. In particular, they suggest that decreasing our focus on gender differences may be a more adaptive ideology in typically male-dominated workplaces for closing the confidence gap between men and women and

helping women take action to shape their career outcomes.

It is well accepted that confidence is a key driver in attaining and maintaining positions of power and status. It is also a prerequisite for the achievement of goals and success in many areas. In this paper, “confidence” is measured as one’s ability to accept challenges, strive to achieve goals, and also take concrete

Gender-blindness minimizes the salience of gender, increases perceptions of women's fit within male-dominated environments, and therefore improves their confidence in the work environment.

actions at work. It is characterized by persistence, the pursuit of achievement, effectiveness, and career ambition, and is especially relevant to women in male-dominated fields, such as female scientists, technicians, engineers, mathematicians, entrepreneurs, and athletes. It is more specific than related concepts like "self-esteem," but broader than constructs like "self-efficacy." Notably, if a person's confidence is having a meaningful impact, there must be matching actions to move towards achievement of these goals and ambitions.

However, past studies have demonstrated a confidence gap between men and women—men often being over-confident and women sometimes being under-confident in their skills and performance. This confidence gap occurs in a variety of domains including, salary negotiations, self-

promotion, performance, etc. Since confidence drives the attainment of status, signals competence, and increases an individual's power in groups, reducing the confidence gap may be necessary to eliminate gender inequality. It is noteworthy that past studies have focused primarily on changing women's behaviour or changing the setting, or the nature of a situation to achieve this goal. However, gender-blindness allows women to change the way in which they view the relevance of gender itself, especially in male-dominated domains, where masculine behaviors are privileged.

Gender-blindness and Confidence

The authors of this paper, draw from social role theory and "lack of fit" arguments, to suggest that gender ideologies—strategies that prescribe how to approach gender differences—can affect

people's confidence at work. One such strategy is called "gender-blindness," that is, downplaying gender differences and focusing on similarities between men and women. Gender-blindness minimizes the salience of gender, increases perceptions of women's fit within male-dominated environments, and therefore improves their confidence in the work environment. According to social role theory, the historical division of labour between men and women put them in different social roles, where men were better suited for agency tasks (such as hunting), and women communal work (such as child caring). These roles created different stereotypes about men and women. As a result, men are associated with masculine traits such as self-confidence and competitiveness, whereas women are associated with typical qualities such as warmth and kindness. Even

▲ Paying too much attention to role congruence restricts women's opportunities and reduces their confidence to succeed, as the skills leading to success are often perceived to be more typical of men. ▲

though these roles are no longer necessary in the modern society, these views of men and women are still universal and persistent. Paying too much attention to role congruence restricts women's opportunities and reduces their confidence to succeed, as the skills leading to success are often perceived to be more typical of men. Downplaying gender differences, reduces these associations, and focusing on similarities between men and women, in contrast, can boost women's confidence in these traditionally "male" domains.

The authors conducted a total of five studies to demonstrate the effects of gender-blindness on women's confidence and job success.

Study1

What are the gender differences that women focus on?

To understand why "embracing" vs "downplaying" gender-differences would affect women's confidence, the authors examined the types of gender differences,

and similarities women were likely to generate naturally. 163 women participated in this study, being asked to describe men and women's differences or similarities in personality, physical characteristics, experience, interests, opportunities etc. The results show that women who listed out gender differences believed that those adjectives and traits undermined their confidence at work more so than those who listed out similarities.

Study2

What is the relationship between "gender-blindness" and "workplace confidence"?

Responses from 205 men and women on "gender-blindness" and "workplace confidence" scales reveal that for women (and not men), gender-blindness was related to more identification with agency (e.g., assertive, leadership ability) and workplace confidence, and was endorsed in, and affected women's confidence more strongly in environments with more men. Further, the relationship between gender-blindness and

confidence was mediated by identification with agentic traits. These results suggest that gender-blindness is especially relevant for women's but not men's workplace confidence, and highlights the importance of agency and agentic contexts in this relationship.

Study3a

How is gender-blindness different from gender awareness?

118 women participants were randomly assigned to read one of the three articles about the: (a) advantages of "gender-blindness", which encourages attention to the similarity between men and women ("gender-blind"); (b) benefits of highlighting gender differences "gender-aware"; or (c) implementation of a local recycling program that was used to measure baseline workplace confidence, as the control group. The results show that inducing a gender-blind perspective in a workplace or agentic context can increase women's confidence.

Study3b**For whom is “gender-blindness” effective?**

To show that "gender-blindness" was particularly effective for women in male-dominated environments and industries, the authors recruited 140 female participants and randomly assigned them to read one of two articles (a gender-blindness article or a gender-awareness article) and found similar results as Study 3a.

These two studies show that gender-blindness can be manipulated, creating the potential to intervene and increase women's workplace confidence. Second, they showed that gender-blindness increases (and gender awareness does not decrease) confidence from a baseline level, suggesting that the baseline ideology and confidence levels held by women are consistent with gender-awareness. Third, rather than highlighting negative “threatening” stereotypes, awareness seeks to highlight positive differences, which differentiates the gender-blindness and gender-awareness


from a stereotype threat effect. Hence, gender-blindness seems to be empowering women (rather than awareness being threatening to them). Finally, the studies also showed for whom a gender-blind message is especially adaptive, specifying a critical boundary condition for the effects: women in male-dominated environments.

Study4**The link between gender-blindness and action-taking amongst MBAs**

As part of the leadership program, 1135 first-year MBA students completed a questionnaire regarding their recognition of “gender-blindness”. The authors found that in a male-dominated MBA program (62% men), women higher on gender-blindness were more confident. The more gender-blind women were, the more likely they were to take action and race in a risky situation. Importantly, these effects did not occur for men, where men's gender-blindness was related to less confidence and unrelated to action-taking. Again, the results

revealed that confidence is a vital pre-cursor to action-taking for women, but not for men; suggesting that gender-blindness may indeed be a strategy to diminish the gender gap in confidence and action-taking.

Study5**Female managers, confidence and action**

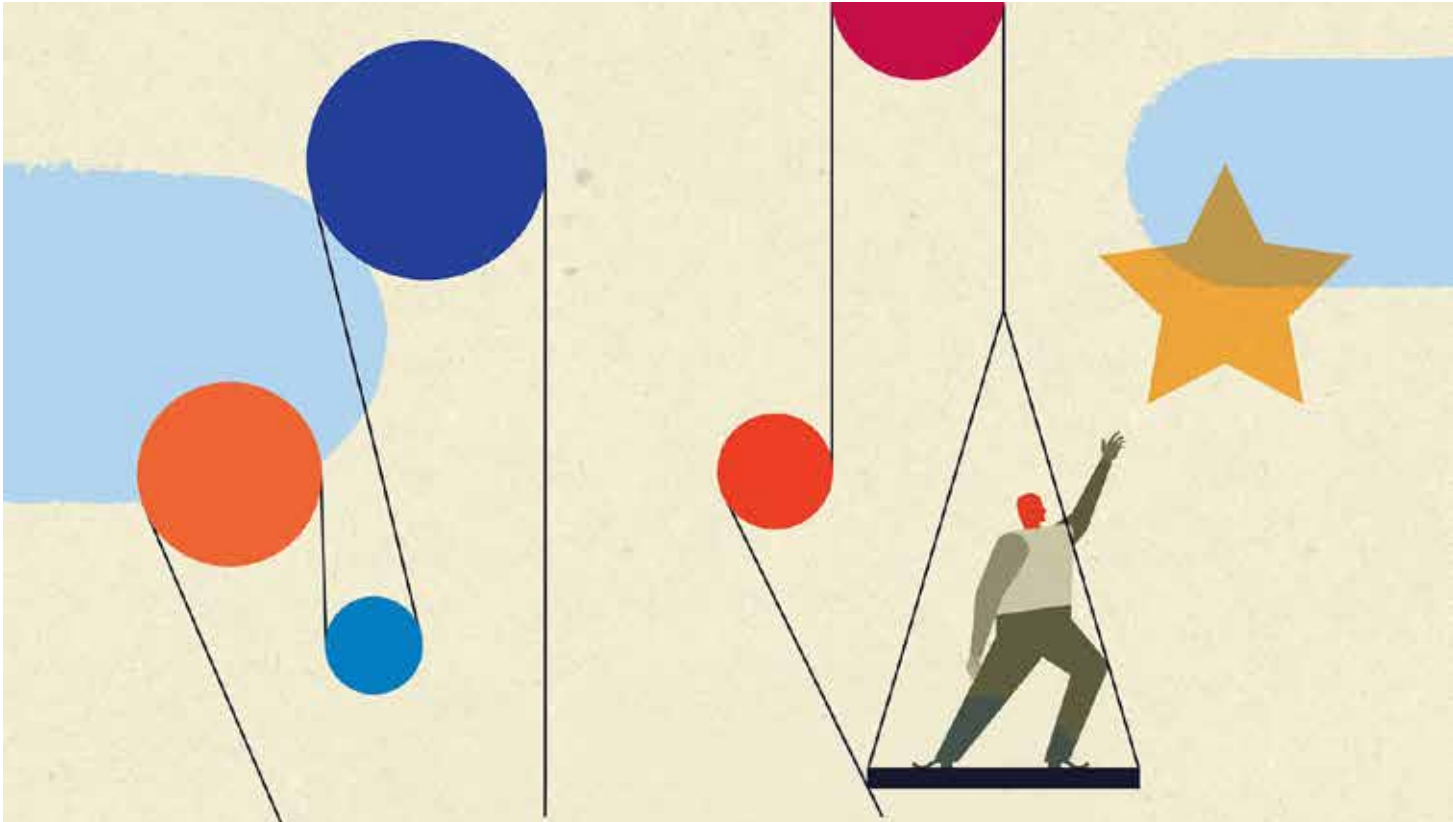
136 female managers participated in this study who were randomly assigned to the “gender-blindness” or “gender awareness” conditions. The results reveal that amongst a sample of female managers, gender-blindness led to increased identification with agentic traits, more confidence, and increased action-taking. In line with the expectation that gender-blindness' focus on downplaying agentic differences should lead women to identify more with agentic traits, the authors actually found that it is through identification with more agentic qualities that women feel more confident and therefore take more action. 

Managerial Implications

The confidence gap between men and women in positions of power has been a long existing problem, causing gender disparities in a number of domains. This confidence gap drives many of the inequalities we face regarding pay, promotion and performance. From an organisational perspective, reducing the salience of gender in a competitive working environment seems to be a better ideology. In particular, the reduction of gender differences in the workplace, and subsequent elimination of confidence gaps, can lead women to take more actions and obtain better professional outcomes. From a corporate and institutional perspective, support for gender-blindness, and emphasizing similarities between men and women may be a way to narrow gender inequities in the workplace. Though, it is important to make systematic changes to the workplace environment and reduce the bias of everyone, it is also important for women to feel more confident and take more actions in these domains. From the perspective of women themselves, gender-blindness increases their workplace confidence. Since confidence mediates the relationship between “gender-blindness” and the propensity to take action, these results suggest that boosting confidence can lead to actions necessary for workplace success and improve women’s workplace outcomes. Yet “gender-blindness” does not fit all situations. First, the “gender-blindness” strategy is effective in

male-dominated environments and/or women in a position of power; and further emphasizing “gender-blindness” may ignore the gender differences — those differences that should be recognised. For example, female entrepreneurs, who face systemic inequality and bias at work, or women during pregnancy at the workplace who encounter different experiences. Second, recent studies have found that family-oriented women are less likely to agree with “gender-blindness”. Thus, though gender-blindness offers one option to improve women’s outcomes at work, it is not advisable to emphasize “gender-blindness” as the exclusive solution to combat inequality. At the company level, it is vital that leaders and organizations design policies and interventions boost women’s confidence at the workplace, inspire their female staff, and enhance their enthusiasm, grit and performance. Further, it is important to encourage women to be confident and pursue male-typed occupations, such as scientists, academics, engineers, entrepreneurs, athletes, programmers, and much more. At work, she should be viewed as a professional first, then as a woman. As we educate our children, we must let her be an independent person. In life, she is a human being first, and that being a girl/woman should not define or constrain her.

This rewrite is based on the full article, ‘What “blindness” to gender differences helps women see and do: Implications for confidence, agency, and action in male-dominated environments’ *Organizational Behavior and Human Decision Processes* 142 (2017) 28–44. Ashley E. Martin AMartin17@gsb.columbia.edu is a PhD candidate in management at Columbia Business School, USA. Katherine W. Phillips kp2447@gsb.columbia.edu is a professor of management at Columbia Business School, USA. Monica Ren monica.ren@mq.edu.au is an Assistant Professor in strategy and marketing at Macquarie University Australia.



**Suffering a Loss is Good Fortune:
Myth or Truth?**



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This study developed a celebrity anecdote-based scale to measure “Chikui” (suffering a loss) likelihood and found that: 1) People with higher scores on the Chikui Likelihood Scale (CLS) were more likely to report higher scores on subjective well-being (SWB) and the Socioeconomic Index (SEI) for the present; and 2) The current SEI could be positively predicted not only by current CLS scores but also by retrospective CLS scores recalled for the past, and the predictive effect was enhanced with increasing time intervals. Our findings offer insights into the relationship between short-sighted self-interest and long-term perspectives in real-world decision making.

We sometimes decide to take an offered option that results in apparent loss (e.g., we accepted an offer of “unpaid overtime”, or “being falsely accused and condemned”). Mainstream decision theory does not predict or explain this as a choice we want to make, whereas such a choice has long been described and highly regarded by the traditional Chinese dogma “吃虧是福” (suffering a loss is good fortune). Even today, the old dogma is still heard. For example, we can easily find several books on the market entitled *Suffering a Loss is Good Fortune*. There is a family drama TV series entitled *Suffering*

a Loss is Good Fortune, directed by He Qun, and an American comedy-drama film *Someday This Pain Will Be Useful to You*, directed by Roberto Faenza and based on Peter Cameron’s novel of the same title. Meanwhile, the principle of self-interest maximization is widely accepted. For instance, In Kuan-tzu: A Repository of Early Chinese Thought, Kuan-tzu said “no one can resist advantages or will embrace disadvantage voluntarily.” In *The Wealth of Nations*, published in 1776, Adam Smith famously argued that economic behavior was motivated by self-interest.

Is “Suffering a loss is good

fortune” a myth or truth?

In the classical decision theories, the decision problem is presented in offered dimensions but not in hidden dimensions. If there exists any extra dimension, that is not passively offered by the proposer but is actively and creatively produced by the decision maker to present the offered option per se, then making a loss choice (suffer a loss) can be easily understood and communicated. Take the “work overtime without pay” for example, the decision to work overtime without pay would result in loss in the given dimension of money, however, it would

lead to gains in newly generated dimensions — doing better quality job, capability improved, and greater opportunity for promotion.

In the present study, we developed an anecdote-based scale to measure “Chikui” likelihood. Considering that “good fortune” includes “subjective and objective good fortune”, while the timing of gaining fortune includes “now and later”, we conducted three studies to show the relationship between “suffering a loss” and “good fortune”.

Developing Chikui likelihood scale

In Study 1, we searched for “Chikui”-related anecdotes told by worldwide celebrities, and then used these anecdotes as critical incidents to develop an anecdote-based scale to measure “Chikui” likelihood (Chikui Likelihood Scale, CLS). Twelve scenarios were included in the final scale, which was divided to three subscales (Chikui for conscience, Chikui for wealth, Chikui for reputation). Below is one of the scenarios:

Zhang went to a store to purchase some goods. After Zhang paid for the goods and went home, a representative from the store called and told Zhang that one of the 100-yuan bills was a counterfeit note, but the person was unsure whether the bill came from Zhang. Nevertheless, Zhang returned to the

store and exchanged the money.

Imagine that you were Zhang in this situation. What is the likelihood that you would do the same thing? ()
0% _____ 100%

The relationship between “Chikui” likelihood and material or psychological benefit

Study 2 was performed to determine whether there was a linear correlation between “Chikui” likelihood (CL) and real benefit. We conjectured that the hidden goal of choosing Chikui (suffer a loss) in the present was to receive more material or psychological benefit in the futurean unpredictable life situation. Given that accumulating material benefit takes time, someone who chooses Chikui at a younger age is more likely to gain more in his/her older years. Thus, we hypothesized that age would moderate the association between Chikui likelihood and material benefit, which was measured using the Socioeconomic Index (SEI). The psychological benefit was measured by subjective well-being (SWB).

We surveyed 559 adults (age range: 20–74 years) who came from 20 different Chinese provinces and were engaged in over 50 different occupations. The results indicated that the CLS score was positively and significantly correlated with the

SEI and SWB. Moreover, the CLS score was more positively related to SEI as people aged. However, this effect was not observed between CLS scores and SWB. These results suggest material benefits brought by Chikui increased over time but its psychological benefits remained consistent.

The reverse-predictive effect of CLS scores on later material or psychological benefits

Study 2 showed that the current relationship between CLS scores and material benefits (but not mental benefits) is stronger for older people than for younger people. One possible explanation is that a person’s material gains must be accumulated over time, whereas psychological benefits may not. To test this possibility, inspired by the finding that preschool children’s delay of gratification can predict long-term coping and adjustment, in Study 3, we explored whether CLS scores could predict a person’s long-term material or psychological benefits. We measured people’s present material or psychological benefits and then asked them to assess their CLS score from years ago. If there was a significant correlation, we termed it a reverse-predictive effect of the CLS score.


We surveyed three groups of college graduates (1-year alumni,

10–13-year alumni and 20+-year alumni), and found that CLS scores recalled for the past were correlated with higher levels of SEI in the present. Moreover, we found that CLS scores recalled for the distant past (over 20 years) could significantly and positively predict

SEI, but this was not the case for the near past (1-year alumni and 10–13-year alumni). Apparently, the prediction of SEI from earlier past CLS scores presented a time lag and an accumulated effect. This finding is consistent with a remark by Zheng Banqiao: “Losers gain

more gradually (亏者盈之渐).”

However, this effect was not found in the relationship between Chikui likelihood and psychological benefit.

Overall, our findings provide strong support for the saying that “suffering a loss is good fortune”. 

Managerial Implications

Our findings offer insights into the relationship between short-sighted self-interest and long-term perspectives in real-world decision making. The traditional Chinese dogma “ 吃亏是福 ” (suffering a loss is good fortune) might play a “nudge” role in how objectives of a green economy and sustainable development can be achieved. In the context of transition to a green economy and sustainable development, if our vision is strictly limited to the space where a single option that will result in apparent loss was represented by a fixed set of dimensions (e.g., any dimension that represents exploiting natural resource wealth), it is unlikely that the objectives of a green economy and sustainable development will be achieved. In fact, at present, millions of Chinese are being faced with a single offered option that will result in apparent loss such as compress, suspend, or close a profitable family business or state-owned enterprise. For instance, in Shandong Province, there are about 6 million livestock and poultry farms that

would have been shut down or relocated if the livestock pollution requirements were not met before 2017. Across the country, the steel industry in China will cut crude steel capacity by 100 to 150 million tons over the next 5 years. To ensure success in the mission of shutting down the businesses that are still making money and that millions of people live on, the key issue is whether the decision-maker and policy-maker are aware of the extra (hidden green) dimension, which represents the single option that will result in apparent loss. The purpose of thinking green is to make it clear that choosing to “Chikui” (suffer a loss) on an offered dimension that represents exploiting natural resource wealth will gain something on an extra dimension that represents reducing environmental pollution and ecological impact. “Suffering a loss is good fortune” might enlighten policy makers or organization, at present, should gain less, gain nothing, or even lose something (Chikui) in return for green and sustainable development in the future.

The present paper was extracted from “suffering a loss is good fortune” is myth or reality? *Journal of Behavioral Decision Making*, 2017, published online. Cui-Xia Zhao (cuixiazhao@163.com), Assistant Professor, School of Psychology, Shandong Normal University; Si-Chu Shen (shensc@psych.ac.cn), Ph.D candidate, Institute of Psychology, Chinese Academy of Sciences; Li-Lin Rao (raoll@psych.ac.cn), Associate Professor, Institute of Psychology, Chinese Academy of Sciences; Rui Zheng (zhengrui@psych.ac.cn), Associate Professor, Institute of Psychology, Chinese Academy of Sciences; Huan Liu (liuh@psych.ac.cn), Lecturer, Center for Mental Health, Nanchang University; Shu Li (lishu@psych.ac.cn), Professor, Institute of Psychology, Chinese Academy of Sciences.
Rewritten by the original authors.

The background of the page is a solid blue color with a repeating geometric pattern of small, light blue triangles. The triangles are arranged in a grid-like fashion, creating a textured, crystalline appearance. The text is positioned in the upper right quadrant of the page.

Executive Perspectives



Translator

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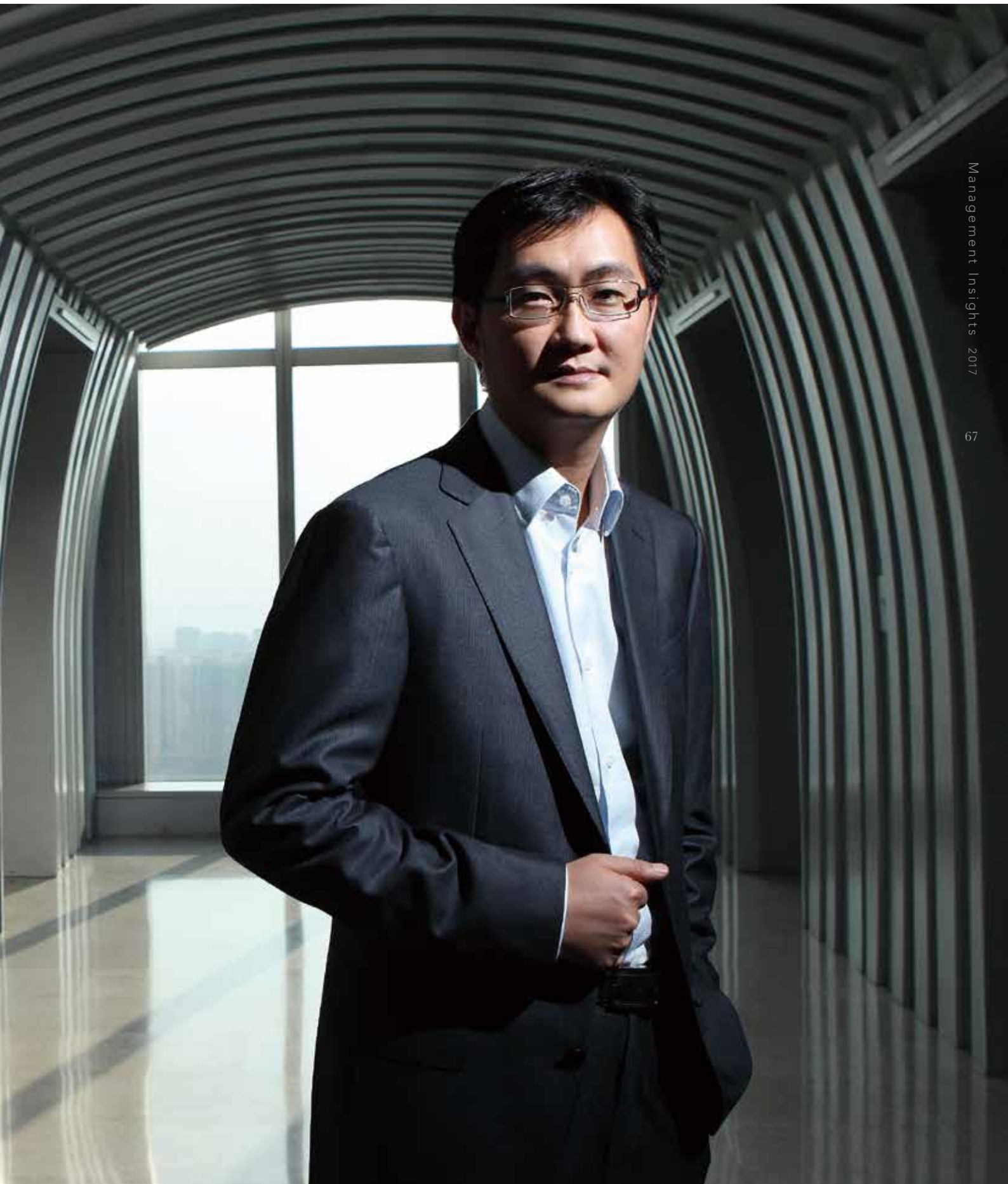
Innovating through Cooperation and Competition

An Interview with Huateng (Pony) Ma, Chairman and CEO of Tencent

November 11th of 2016 marked the eighteen-year anniversary of Tencent, an Internet giant in China. At the company celebration, Pony Ma, Chairman and CEO of Tencent, teased himself of his growing grey hair and claimed that Tencent has entered the stage of “Adult Anxieties”. Obviously, he has been too modest.

For the past eighteen years, based on providing communication software for connecting users, Tencent’s business has expanded from communication to social network service, digital media, digital entertainment and disbursement service, reaching its unprecedented prosperity. Tencent now is the 5th most valuable company

in the world. The company has done well in terms of both shareholder return and market value growth, boosting its value to RMB 3,000 billion. During Ma’s presidency, the total return he brought to shareholders has reached 1980%.





Xiao-Ping Chen

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Huateng (Pony) Ma

Chairman and CEO of Tencent

In the 2016th Financial Times annual list of the “Boldness in Business Awards”, Tencent won the Technology Innovation Award, and was also a finalist for the “Most Attractive Emerging Market Business Award”. Tencent is the only global company that won two awards. Meanwhile, on Fortune’s published list of “2016 Global Top 50 Greatest Leaders”, Pony Ma was ranked 12th and was the only Chinese business leader on the list.

Ma is a very modest person and rarely accepts interviews or makes public speech. Just as mentioned in the biography of Tencent, Ma is a typical technical nerd who does not like socializing. Then, why Tencent has become so successful? How did it maintain its top position in a time of drastic change? What is the essence of team work? And what is the vision of this company? With these questions, Xiao-Ping Chen, a professor at Foster School of Business, University of Washington and Editor-in-Chief for Management Insights, had a long conversation with Pony Ma, the Chairman of Tencent.

Growing the Company from a Big Tree to a Forest

Chen: As the founder of Tencent, what do you think of the reasons behind the success of your company?

Ma: In the past nineteen years, Tencent has witnessed the rapid development of Chinese economy and the Internet industry. Tencent has been running fast during these years. Today, we are still on the runway and rush all the way forward. I feel that we have been lucky because we could make contributions during the rapid development.

I believe many factors contributed to the success of Tencent. Our company was very small nineteen years ago. I still remember at that time, in order to build our first 2C (to customer) product QQ, we had to take small business orders from enterprises to make the ends meet. However, we were very clear from day one, that our focus should be on meeting customer needs and giving them the best experiences. At that time, we

racked our brains to come up with ideas to improve customer experience. Anytime we received complaints or feedback from customers, online or off line, we would take immediate action to modify the product, without any orders from management. I personally really like the idea of “customer experience first”. Although Tencent has long passed the start-up stage, we still have a strong belief in improving customer experience. I think this is an important reason why Tencent could get this far.

Another reason for our success might be related to our open strategy. In the past, we were like an octopus and ran a mixture of different businesses. But since a few years ago, we have gradually returned to our core business, the so-called “Two and a Half” core businesses: the first one is social media platform, the second one is digital content, and the half one is the financial business we are building. All other businesses outside the “Two and a Half” have been outsourced to external partners of various industries. As you can see, half of Tencent’s life is on our

partner’s hand. I somewhat like this idea because it means that we trust our partners, and we support one another, rather than we are the commander or controller. Through such partnership, we can help our partners to grow be an independent company and platform. This open strategy of decentralization can turn “a tree” into “a forest”, and I believe that this is another critical factor explaining the success of Tencent.

Chen: Do you think Tencent’s success is also related to your own leadership style or personal characteristics? Would you share with me the experiences that fundamentally shaped and influenced your leadership style?

Ma: I was a computer science major and after college, I found a job as a software engineer writing computer programs. So I was a typical programmer. At that time, I was interested in making nice produce, but never thought about starting a company or leading people. Even my parents had never

imagined that a nerd like me could run a business someday. Looking back, I still feel that if I had run the business by myself, we would never get this far. So I think what I did right at that time was that I found the right partners who could compensate my weakness.

Among the founding members of Tencent, four were my high school or college classmates. We knew each other so well and we had complementary skills. For example, I am really good at making products. I know what I wanted to achieve, how to make it and usually more knowledgeable in this respect. Zhidong Zhang, the former chief technology officer (CTO) of Tencent, is a tech savvy. Yidan Chen, the former chief administrative officer, originally worked for the government. Although he is not a skilled technical person, he is great at building project teams and has rich knowledge and experiences in business administration, law and government related issues. Since no one person can deal with everything, we work together as a close team in all decision making. As a result, a democratic leadership style naturally emerged in Tencent. People — are used to discussing with one another and making decisions together. There is no “one person alone has the say” kind of situation.

On the other hand, when facing crisis or emergency situations, a little autocratic and

forceful style might be needed. For instance, if after many rounds of communication people still have very different opinions, the leader needs to be decisive and settle on a decision and get it implemented. But in majority of the situation, a democratic style works better. I feel that it is the democratic style that has prevented Tencent from the risk of “one-man army”. And it also attracted a lot of talented people to join us, and empowered them to have the founder mentality. Tencent today has outstanding top and middle level management teams, and I think it is related to our democratic company culture.

How Did WeChat Become the Dominant Social Media Platform in China?

Chen: Now let's talk about WeChat. I heard that it has over 800 million registered users, and is an indispensable tool for people in all ranks to communicate, to do shopping, to order food, to ride a bike or take a taxi. I myself am a loyal user of WeChat, because it is the best way to reach my relatives and friends in China. In fact, this is the only social media I use. I totally love it. It is convenient, efficient, and free. This is an amazing product! When I saw my parents using WeChat to communicate with their old friends all around the world, I felt that WeChat also helped people deal with





loneliness effectively. I can't help wondering how WeChat was developed and evolved over time.

Ma: An important social background at the time we developed WeChat was the transition from PC Internet to mobile Internet. For Tencent, the big problem waiting to be solved was how to make that transition. We were discussing this, and thought that everyone wanted to snag the ticket for mobile times to avoid missing this boat ride. It was astonishing to see how fast the users were migrating to the smartphone platform. I remember at that time Nokia still had 70% or 80% of market share before it fell down. It was suddenly substituted by Android and Apple then. Only those Internet companies who had a swift response at that moment could survive. Otherwise, death would come to you. In retrospect, it was a real desperate moment.

More importantly, Sina Weibo had been developed in those days, and had started to transform from social media to social network. A few schools even applied Weibo in connecting classes. It was a very challenging situation. Our first response was to imitate and also make Weibo-like product. But we realized that it was hard to defeat the competitors by making the same product unless you have breakthrough to offer something different. We figured that we must develop a product that could meet user communication need on the smartphone.

We formed three independent product teams within the company to develop this product called "WeChat". They kept secrets about their progress and were not allowed to communicate with one another. One team was in the wireless department, and another team was led by Xiaolong Zhang. Zhang's team was previously in charge

of QQ mailbox. The company executives used Blackberry to access their mobile email before. So this team was responsible for developing a mobile mailbox with the purpose of enabling every employee to use mobile mailbox conveniently. Because of this experience, this team was able to develop the new product quickly. So the WeChat we use today began with the prototype of fast-and-short mail.

After it came out, WeChat made many incremental improvements and added a series of innovative functions, such as “voice” “people nearby” “shake” etc. Meanwhile, we worked on making the interface and operation as simple and easy to use as possible so as to give good experiences to users. After displaying the great ability of endogenous growth, we further imported our user relationship chain into WeChat to accelerate its user growth. You probably know that WeChat once had fierce competitions with other companies, like Mi Talk, Easychat and Contact. It eventually was able to keep its feet rooted in IM (instant messaging) area and got the precious “ticket”.

In the following years, WeChat has kept innovating itself. For example, it created the WeChat public platform on which individuals can develop their own platform and publish their own articles or post their own photos, videos, music etc. Now, it has already

grown an independent ecological system that makes each individual have their own brand and fans, and be able to build own user group and communicating with their own users at large. The recently developed “mini apps” of WeChat would further help service providers to achieve better connection with their users. Meanwhile, our Mobile payment business also helped to achieve closed-loop ecosystem of WeChat. These innovations are remarkable because no other companies have been there before.

The Secret of Innovation: Brothers Climbing a Mountain Together

Chen: Fascinating stories! It seems that Tencent really encourages team competition. Do you consider it a core value of Tencent culture?

Ma: Yes, we learned this from our own practices that healthy competition between teams are necessary for company to be innovative. Sometimes only when you are beaten would you become stronger, and you learn how to avoid missing great strategic opportunities. Because if you don't seize that opportunity, someone else in the field would. The fact that WeChat stood out from internal competition made it strong to win competition from other external firms.

Of course, to facilitate such competition, the company needs to have tolerance of failure and redundancy. Tolerating failure, permitting a moderate level of waste, and encouraging internal competition and trial-and-error are three general ingredients for innovation, which often implies a lot of uncertainties. However, we are also alert that we should not innovate for the sake of innovation. Let me share a story with you. Once we built an R&D center and asked the members to do nothing but innovation. At the end, we found that all they did were repetitive works that couldn't be counted as real innovation at all. We realized that innovation won't happen just by creating a special department. Why wouldn't other departments innovate? In fact, most innovative ideas come from bottom-up, or pop up when you are not thinking about it. Just as WeChat, it did not come from the mature wireless service department but from the R&D center in Guangzhou that focused on mailbox. We made a mobile game called "King of Glory", which became very popular among our users. But this game was developed by a team in Chengdu who had not received much attention before that. If the company has a centralized top-down system, it would easily lead to passivity and inactivity, which would be dangerous for an Internet company.

Chen: I completely agree. It is impressive

Tencent not only emphasizes cooperation, competition, and sharing within the company, but also with external partners. You once wrote an open letter to your partners and said that one tree was not enough to build a forest. Only by endowing the gene of "open and sharing" could an ecosystem be built. Moreover, you considered that the open spirit of Tencent came from its social genes, implying that the social network culture is naturally shaped by the Internet culture that encourages openness and sharing among friends. So, my question is, how does Tencent balance the relationship between cooperation and competition among teams?

Ma: There is a metaphor that I really like, which is "brothers climbing mountains altogether". This metaphor signifies that everyone is making an effort to be the first to reach the top. This is like the internal competition we have in our company. For example, at the stage of trial and error, we encourage everyone to have a try, just as the bottom-up mechanism I mentioned earlier. The results of trial and error depends on the objective standards that are related to user experience and market response. In Tencent, we often use both the bottom-up and top-down approaches. For mature businesses, we take a relatively robust management approach, whereas



for burgeoning businesses with lots of uncertainties, we often encourage trials by using bottom-up mechanism. Once the burgeoning businesses become mature, we'll treat it differently. For example, once WeChat has developed well, Tencent would fully support it with all strengths of the company, including the central relationship chain of QQ, all kinds of marketing resources and the linkages with other products and businesses in our company.

Shenzhen, the city where Tencent was born in, is inherently a booming city and melting pot. People here come from

everywhere. They are linked together not by geographical or blood relationships but because of their shared values of doing things openly and cooperatively. It is somewhat like the United States. Similarly, QQ and WeChat link people together no matter where you come from. Everyone could make friends here. We would like to encourage people to work like this, not constrained by trivial competitions. As long as you are willing to endure hardship and keep positive attitudes of being open and cooperative, there is always possibility for you and your team to shine and make contributions to the company and society.

On Becoming a Respectable Internet Company

Chen: What would you think of the core values of Tencent? How do these core values form, develop, and evolve?

Ma: The first core value would be “strong customer orientation”. It emerged in early years of the company and has been maintained over the years. For example, when we were in the Internet environment that is less than ideal, “keeping QQ continuously connected”, “making it faster in transferring documents” were all innovations that we implemented to resolve the “user

pain points”. These innovations might not look that brilliant, but they literally addressed users’ common needs of that time. When we develop new technologies, we need to be careful about doing it for the purpose of “showing off”, that is, making stuff for the sake of proving how outstanding we are in technology, but is actually useless for users. Our pragmatic attitude in responding to user demand gradually developed Tencent’s ability to innovate to really improve the users’ experience.

Another core value of Tencent is “enhancing the quality of human life through Internet services”, which is actually our mission statement. “How to solve social problems through the use of Internet” is a continuous concern for us. WeChat and QQ have become the most powerful social media platforms in China, so we can apply them to make people’s life easier, which we did in the past two years. Besides, we made an attempt to provide service via mobile QQ to find missing children, to help blind people to read books using a WeChat App, or to help distribute “missing people” information through “404 Webpage”. Many of these ideas came from our employees.

We feel proud of doing these right things to stimulate people to help solve social problems by applying Tencent’s own tools. Here’s another recent example. We just launched a map of automated external

defibrillator (AED) instruments by utilizing a location-based service (LBS), so that emergency medics can acquire the latest AED instrument as fast as possible to save people with life-threatening disease. We developed this function using Wechat and mobile QQ and tried out in Shanghai first, and will extend this service to many other cities later on. We have been working hard to make Tencent a well-respected Internet company in the world.

Chen: Very well. In the 2016 Hurun Report, you were ranked No. 3 richest person, but was ranked at the top of Hurun Philanthropy list with RMB13.9 billion donation, which makes you one of the most prominent philanthropists in China. Additionally, I learned that Tencent devotes at least 1 percent of its profits into public welfare projects each year. Could you please share with us about your views on philanthropy?

Ma: Tencent was first established in 1998. By the time that the registered user of Tencent exceeded 100 million in 2002, we were still a survival-oriented entrepreneurial firm. However, we started to think about doing something to give back to users and to the society. Then we entered a period of rapid and sound development, which brought more clarification regarding how to contribute more to the society by using

the fortune and platform we created. So ten years ago, we initiated the first Internet Commonweal Foundation of China, attempting to facilitate our domestic platform for public welfare. Also, I participated in some other philanthropic projects in addition to our own, such as AI YOU Foundation.

However, the force of a person or a company is finite. Only through the participation of everyone can the power of solving social problems be formed. In the past two years, we have been trying to connect philanthropic projects with more users and companies via our Internet public welfare platform.

2016 was the second year since Tencent has launched the “99 Charity Day” campaign. Compared to the previous year, the amount of donation and donor all had a significant increase. From September 7th to 9th in 2016, the amount of donation reached 304 million, grew by 138.6 per cent compared to last year, the number of donors reached 6,690,000, increased by 234.5 per cent from last year. During this period, 3,642 projects and 120 non-profit organizations received donation. So we could say that our constant open platform and developing product capacity are connecting thousands of public projects and organizations to hundreds of millions of users and partners. We hope to build a new Internet ecosystem of charity where “everyone can participate

in donating to a good cause and make contributions”.

It is particularly worth mentioning that combining the traditional charitable fund raising with Internet innovation can deliver many surprises. For example, we implemented the monthly donation program in the public welfare project, which was based on our experience of the monthly subscription in making Internet products. Participants can make donation once a month and don't have to donate all the money at one time. Moreover, they can ask their friends to donate with them via mobile invitation. They can get the information about the progress of their donation, which solves the problem of lacking feedback and transparency in the current public welfare projects.

By taking part in these practices, I also learned a lot myself. In fact, charity is a professional and complex field where there are many things you wouldn't expect only by the time you dig into it. Besides, many aspects of the philanthropy are related to the society, the government, the company and the individuals. There are also many other fields, like human resources and policies that we need to learn more to this well. More professionals are needed in this field.

Chen: I really appreciate what Tencent did for the users and the society. To me, Tencent

is in the business of “connecting the future”. The things you did and created will directly impact people’s life quality in the future. So, how do you view the future of Tencent?

Ma: Tencent has so far been focusing on “making connections”. In the future, we intend to continue the expansion of our “Two and a Half” core business. Meanwhile, we are going to pay more attention to the technological development that might exert great influences in the next 20 or 30 years.

I used to compare “Internet+” to a kind of information energy. Just like electric energy, it can bring profound changes in all kinds of industries. Today most companies are not limited to Internet anymore but started to move their background and database to the cloud, which brought about the rapid growth of the cloud business. This kind of transformation has enabled many

companies to achieve technical connectivity between each tier. It provides a foundation for various industries in the future to deal with large data sets via using artificial intelligence in the cloud platform.

I think the transformation of the Internet industry has just begun. There is still a long way to go through. During this progress, Tencent will not only develop our own technologies and capacities for the transformation by providing infrastructure construction such as cloud computing, but also will advance tools to provide solutions for the “last mile” connection problem.

Chen: Would you please summarize the entrepreneurial and managerial experiences that you would like to share with people the most?

Ma: If you want to start a business, it is

1971

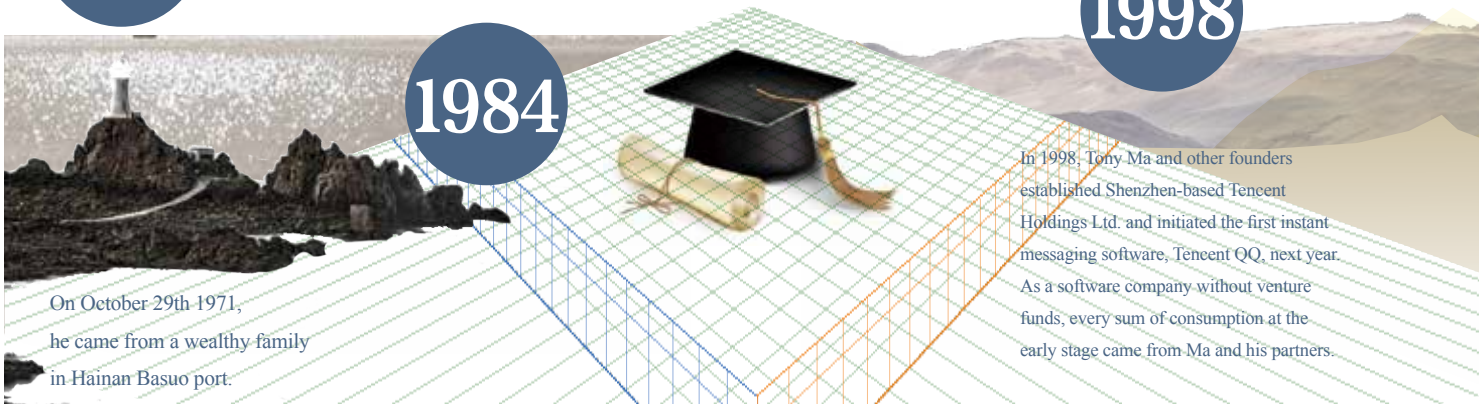
On October 29th 1971, he came from a wealthy family in Hainan Basuo port.

1984

In 1984, he moved from Hainan to Shenzhen with his family. Then he attended Shenzhen University, majoring in computer science. In 1993, he graduated from Shenzhen University and joined the China Motion Telecom Limited Company. Starting from working on “Wireless Paging Centric Software” development as an engineer, then he became a director of development.

1998


In 1998, Tony Ma and other founders established Shenzhen-based Tencent Holdings Ltd. and initiated the first instant messaging software, Tencent QQ, next year. As a software company without venture funds, every sum of consumption at the early stage came from Ma and his partners.



best NOT to do it alone. Make sure that you can play out your strength, but at the same time remember to cooperate with partners so as to let them make up for your own weaknesses. During this process, respect the voice from others and look for complementation and consensus. It is even more important to do so after the company has been well established. Keeping an open mind and looking for business partners to develop cooperatively. One tree is not enough to grow into a forest. Only by focusing on advancing your strengths and leveraging your partners' strengths can the company develop an ecosystem to gain a greater space for future growth.

Second, starting the innovation with fixing the pain points of users. Innovating for its own sake easily makes work distorted. Sometimes it's more efficient to use a strategy of small wins and put your efforts

on working out just one problem at a time.

Third, keeping an eye on the boundary-crossing areas. It is usually hard to enter a mature industry and challenge the existing firms. It is called "red sea" area in which the market is heavily guarded by a large number of strong competitors. However, there is a space located at the junction of two "red sea" areas which could be a "blue sea". For instance, I chose to make QQ, a product that crosses the boundary of Internet and traditional communication field. Few people fancy this idea at that time. But it turns out to be a huge "blue sea". In my view, the innovation and transformation of numerous traditional industries in the future would be accomplished by crossing boundaries. Most industries are changing. It would be a good way to start up a business if we can seize the opportunity to initiate the change. 



2004

On June 16th 2004, Tencent was listed in Hong Kong Stock Exchange. At that time, Tencent has become one of the biggest service providers of Internet application and value-added mobile application in China. After being public, Ma's personal wealth surged to 1.7 billion Hong Kong dollars.

1700000000

2007

By the time of September 21st in 2007, Tencent became the first company with the market value of more than ten billion dollars in China's internet history. The same year, Tony Ma set up the first Internet charitable foundation in China, called "Tencent Charitable Foundation".

2016

In 2016, Tencent welcomed its own Adult Ceremony and hit fresh record on its market value reaching to more than 2 trillion Hong Kong dollars at the right time of 18 years, making it to the top 10 market value among worldwide companies. Tencent's products, WeChat and QQ, owned 806 million and 899 million active users per month respectively, making it to the most widespread application for domestic users.





Xiao-Ping Chen
Professor of University of
Washington, USA

Qiangdong (Richard) Liu
Chairman and CEO of JD.com

My Desired Success Is Others' Respect

An Interview with Qiangdong (Richard) Liu of JD.com



Translator

Yuqing Sun

PHD Candidate, Renmin University

After two years of “fading out,” Richard Liu has come back stronger and with much more frequent activities. For over a year, he has focused on building the JD Mall, restructuring JD Finance, upgrading JD Logistics, and maintaining a strong online business. He is also acutely aware of the limitations of e-commerce, and has taken action by investing in Yonghui Supermarket, establishing an alliance with Walmart, and seeking to build a brand new model of a retail business.

JD.com has gone through difficult times, and is now becoming tougher and wiser. It has learned that in a time of fierce competition, the company needs to have a clear vision about what to pursue and what to abandon.

Sticking to the Right Values

Chen: In less than 20 years, JD.com has expanded from a purely E-commerce enterprise to a diversified business that includes JD Mall and JD Finance, etc. In your opinion, what are the main reasons for such rapid development?

Liu: The most important reason is our emphasis on people and their development. We have a management framework that is an inverted triangle shape, and its supporting point is talent. All the success we have achieved can be attributed to our teamwork. I always spend much time

finding the most talented people and those with the most potential. We are not keen to hire people who are already well known in the market, because their market price is high and it is difficult to judge their loyalty. We really emphasize a person's potentials, among which their values are of utmost importance. Their values must be in alignment with our company values. Of course, as a start-up company, its values are the founder's values. Many of my colleagues have worked in various companies and are accustomed to doing business through gray channels or taking shortcuts, but it is completely forbidden in our company.



Chen: Would you share with me what your values are?

Liu: Our values are to do the right thing and take the right path. We refuse to sell any fake goods, or evade taxes, or accept bribes. These are our three core values. These values require us to follow the laws, rules, regulations and all basic ethical standards. We must not damage the interests of our business partners, consumers or the society, while at the same time achieving great business success. In today's China, the legal system is improving and the legal environment and citizen consciousness are gradually developing.

The idea of sunshine wealth and sunshine business has emerged. In term of seniority, I think I can be regarded as a third-generation entrepreneur in China. I believe that the third-generation entrepreneurs must take the right path to achieve success.

Chen: You have stressed that you must take the right path to achieve success. Does that mean that there are successful businesses in China that did not take the right path? Can you give examples?

Liu: Not really. My belief was formed on the day I started my business in Zhongguancun in 1990s. At that time, there



were about 50,000 active electronic product vendors and hundreds of thousands of small companies in Zhongguancun. The competition was very fierce and many companies sold fakes and smuggled products to gain profits. I remember that the popular training courses during that time were the so-called Ten Means of Sales, which were actually ten cheating methods. The names for these ten cheating methods were very fancy, for example, “steal the beams and pillars and replace them with rotten timbers.” No store in Zhongguancun had marked prices, and you had to negotiate price for everything you buy. Also if you bought something, the first thing the storekeeper asked you was whether or not you needed an invoice. If

you did not need it, then they gave you a lower price. I thought that was so wrong. I then told myself that I would insist on doing two things. First was to mark price clearly. I refused to sell fake products and there was no need to bargain. Second was to provide an invoice no matter whether the customer asked for it or not. Invoicing in China means paying tax. You do not have to pay tax if you do not provide an invoice. For me, I pay 100% tax, invoice 100%, and sell 100% authentic products. I insisted on selling authentic products even though it meant low profits. However, the interesting thing was that our business actually grew very fast because of our good reputation of selling authentic goods. At the end of the third year, we had 12 shops, a 200% growth rate. So

as you can see, even before the online era, we insisted on valuing integrity, refusing to sell fake goods, or evading taxes, or taking bribes.

Chen: How could you be so clear-headed when others were all very confused at that time? Was it related to your personal experiences of growing up?

Liu: Yes, it has something to do with my life experience when I was a kid. In general I have a pessimistic view of life. Human beings can only live for a few decades and I feel that is too short. You have no idea what your son will be, what your grandson will be, and what the world will be after 100 or 200 years. The future has nothing to do with you. As life is short, the only thing I can do is to add value to my life, so I will not feel any regret at the end of my life. I want to live a quality life and give my family a great sense of security, including on a material sense.

The motivation for me to start my own business after college was to earn money to cure my grandma. She had been sick for several years and needed to take medicine three times a day. The medicine was expensive and my family could only sell grains to buy medicine for her and we had sold almost everything. So I was in a hurry to make money and get her proper treatment.

Chen: Your grandma brought you up, right?

Liu: Yes, I was brought up by my grandmother. Our family had its ancestral root in Hunan. My ancestors conducted business and were involved in transportation. They moved to Suqian, Jiangsu later. Before 1949, our family owned many boats and ran a business on the canal on Yangtze River. We had our own fleet. We were very rich. After 1949, the state took control of the operation of our company. My father's status changed from being the owner to being a migrant worker in the company, working in the engineering team.

In the 1980s, when rural areas of China began to reform, the state allowed farmers to be involved in the individual economy. My father immediately resigned from the engineering team. He borrowed 2,000 yuan, bought a boat, and together with my mom, started their own business in transportation, like our ancestors. They had no time to take care of me, so I grew up with my grandma, and rarely met with my parents. I was deeply devoted to my grandma.

The reason I regard taking the right path as one of JD.com's core values is that if you have made money illegitimately, you will not be proud of yourself. However, if you achieve success by doing the right thing, you will have a sense of achievement

coming from your heart and no one else can judge you. Everyone has a conscience. You know whether you are doing the right things or not. I don't want to have regrets in my heart.

Chen: Do you have any regrets in your life?

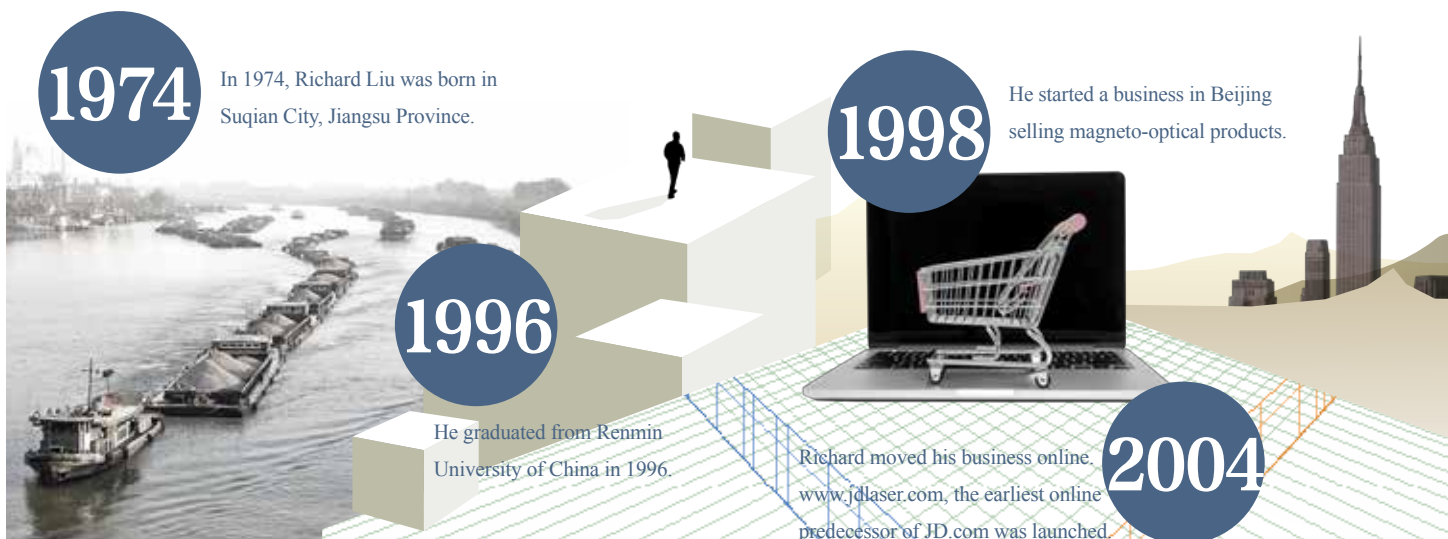
Liu: Yes, I do. My biggest regret is that grandma passed away too early. She died in 1999, when I just earned a little bit of money and our life just began to improve.

Remove Rust and Keep Gold

Chen: You mentioned earlier that when recruiting and developing people, you pay great attention to the extent to which their personal values are in alignment with company values. How do you make that judgment?

Liu: Our company has an ABC management rule. For example, I am at Level A and I am in charge of people at levels B and C. Here Level B is CXO level, including CFO, CMO, CHO, and so on. Level C is VP level. Under the ABC management rule, the hiring, promotion, salary increase, and reward of people at Level C are co-determined by people at levels A and B. This is a very prudent process.

Chen: That's great. I have interviewed presidents of other Chinese companies, including Jack Ma of Alibaba. He said that one of Alibaba's core values is integrity. Integrity can be manifested in different ways, but it is the basic foundation of many Internet companies. Compared to Alibaba, how does the integrity of JD.com manifest itself?



Liu: For some companies, integrity is just a label. However, we have internalized it. For example, we continually strive to know what our employees are really thinking about. We eliminate those who have values inconsistent with our company's, even if he or she has made the company a lot of money. If an employee does not have enough integrity, he or she may play tricks on our partners and make a lot of money in a short time.

Chen: How do you identify such unethical employees?

Liu: We conduct a 360-degree feedback to our employees every year. For top managers, assessments are conducted every half year. We categorize our employees as gold, steel, iron, scrap iron, and rust, based on their competence,

performance, and value orientation. A person with good value and high performance is regarded as gold. A person with reasonable competence, performance and value is steel. A person with good value but poor competence is iron. A person with both poor value and competence is scrap iron. A person with high competence but poor value is rust and should be eliminated. Those with both poor value and competence should have been screened out during the recruitment process. However, the person with high competence but poor value is sometimes difficult to discover. They may well be employed due to their strong performance, good past performance, strong ability to express themselves, and a very deceptive talking ability. They can only be eliminated by subsequent observation. Every year the elimination rate at the executive level is nearly 3.5%.

JD.com moved ahead on the implementation of the "precision poverty alleviation program" in which the sales of the products from the impoverished areas reached nearly RMB 10 billion.

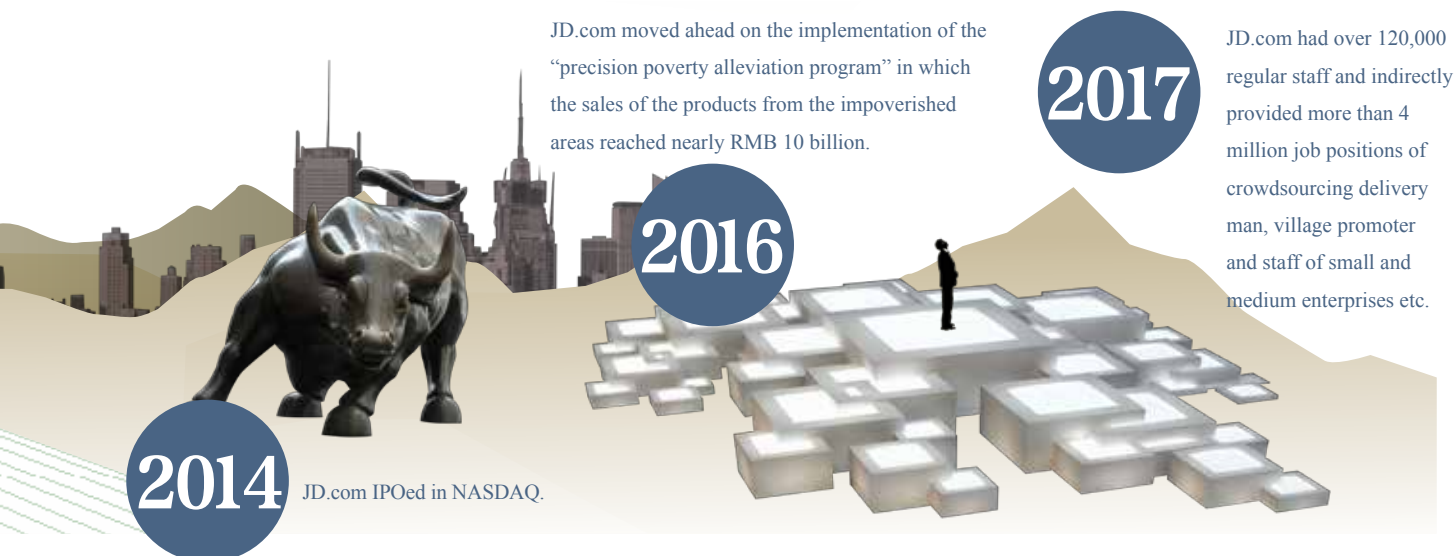
2017

JD.com had over 120,000 regular staff and indirectly provided more than 4 million job positions of crowdsourcing delivery man, village promoter and staff of small and medium enterprises etc.

2016

2014

JD.com IPOed in NASDAQ.



We had a top executive with high performance and good value. He had extensive experience in consumer goods and the annual growth rate of his department reached nearly 340%, much higher than that of other groups. One time he went on a business trip to visit a global CEO of a brand suitcase company in Europe, and they gave him a suitcase as a sample and he accepted it. He never used that suitcase again, as the brand was very expensive. He left it in his house after the trip. Our company has an anti-corruption rule, which states that you must report any gifts accepted from partners to the internal control compliance department. If you do not, we regard it as bribery and you will be dismissed immediately. Even accepting a pen or a notebook from a supplier can be regarded as bribery. As you know, Chinese people do business based on relationships. The top executives often receive many gifts from our partners at the Mid-Autumn Festival or the Spring Festival, and they all must be turned in to the administration department.

However, this top executive didn't hand in the suitcase after a week and we later discovered this from our interview with the supplier. So what should we do? Fire him or not? Of course, we had to fire him according to the company regulations, and we did not accept any excuses.

JD.com has more than 130,000 employees. Corruption is easy for low-level managers. We also have more than 100,000 collaborative partners. In China, you need gifts and money to do business, but we have very strict rules and there is no room for corruption.

If someone is found guilty of corruption amounting to 50,000 yuan, we will send the person to prison. The person will be fired immediately even when the level of corruption is below 50,000 yuan. This year, we collaborated with 32 companies to set up an anti-corruption coalition, which includes the majority of Internet companies in China. If you are fired for corruption from one company, you are very unlikely to find a job in another Internet company. More and more new companies are applying to join this coalition.

Chen: Wow, this coalition must be very powerful, because all of the records can be seen by all coalition members.

Liu: Yes, we do this out of justice. We found that some employees defrauded less than 50,000 yuan on purpose, as they would not be sent to jail but just lose their job. They might then still find jobs in other Internet companies, and even get paid more. Previously we tracked every employee who was expelled because of corruption. We



checked their social security records and called their new employers, and suggested they did not hire the person because they had moral issues.

Let me tell you a story. We fired a management trainee four years ago who was in charge of sales for some of our big clients. In JD.com, we have a complete internal authorization process. An O level (CXO level) employee has the right of unlimited signing of payment. For example, he can sign a one-billion-yuan deal with Lenovo if he wants. Non-operating expenditure for O level is one billion yuan and for VP level is ten million yuan. If the VP wants to drink or eat with employees or organize a team outing for a few days, he has the authority to sign for this as long as it is no more than ten million. The level of

autonomy is really great.

Under this system, each employee has a high level of authority. This management trainee colluded with several companies in Shandong and turned them into big clients. Big clients have the right to buy many things at a time. For example they can buy things valued at five million at one time. Usually, the client must give us the money immediately and we do not allow credit. However, this trainee flirted with a woman in charge of finance and she became his lover. He then persuaded her to lend him the money and promised to get it back. Therefore he got about ten million yuan in credit for goods. He did it all by himself and nobody knew.

We sued the company after we realized what happened, but he had already



transferred the money and the company went bankrupt. Even if we won the lawsuit, we wouldn't be able to get the money back. It was a typical example of internal and external collusion and we fired him. Two days after his dismissal, he drove a new BMW 5 to the office and showed it off to his ex-colleagues. He said with great arrogance, "See, I can buy a BMW 5, when can you guys buy one?"

We then decided to send him to prison. We followed him for a long time and one day we discovered that he was using drugs and finally caught him. Although we couldn't punish him for his corruption in the company, we would follow him and report

him if he did other illegal things, such as prostituting, etc. We would make sure that he pays the price. From then on, we set a rule, that is, our company was willing to pay ten times the money to bring a corrupt employee to justice. If someone defrauds seven million, we will follow him, even if we need to spend seventy million. We will pursue him as long as he is involved in anything illegal, even if he is 60 years old.

Chen: How long have you followed him?

Liu: Four full years! If we do not punish him, other employees will learn from him. A BMW is a big attraction. That management

trainee was very young, less than 30 years old. He got a BMW by internal and external collusion and showed off to his colleagues with great arrogance. The adverse effects caused by such a person were extremely severe.

Chen: I totally agree with you. Values and business rationality should come first. Continuing this topic, I wonder if there are conflicts between new and old employees. How do you deal with that?

Liu: Yes, this kind of conflict is an eternal issue. An old employee who has been working for the company for 10 years will definitely feel uncomfortable if a new hired employee earns more than him. Overseas returnees tend to look down upon employees who only have a college degree, or have never been abroad, or speak poor English, or have poor presentation skills. They have great confidence in themselves because they graduated from famous American universities, have excellent presentation skills, and have worked for IBM and McKinsey. These two types of employees will never see eye to eye. In this situation, I will tell them that they are all important. No one group can be replaced by the other. You need to learn to respect each other.

In fact, the conflicts between old and

new employees became very serious in 2014 and 2015. We employed a large number of executives in those two years, because the company had just been publicly listed. To be in compliance with standard management practices, we had to employ a large number of professional managers. Listed firms need complete systems, and if you make a little mistake, even if not intentional, others can sue you. JD.com has never been sued since it IPOed in the United States but it was really very difficult to manage. When we introduced a large number of professional managers into the company, old employees had strong reactions. To use a metaphor, it was like an invasion of a large number of alien species in a short period of time. The original system will react, just like when someone gets a cold or fever.

Chen: Old employees had strong reaction.

Liu: Yes. But I stressed that the whole company should be like an ecosystem. Why is nature worth our admiration? It is beautiful because of the various species of plants and animals that contribute to its beauty. Employees old or new, local or abroad, with managerial or technical skills, are all needed to run a healthy company.

The Biggest Challenge for JD.com Is to Define the Boundary of Its Corporate Values

Chen: What are the most serious challenges that have been encountered in the rapid development of JD.com? For example, IPO in the United States, collaborating with Walmart and Tencent, spinning off businesses, innovating, or cooperating with the SAIC to help the poor?

Liu: Honestly, I never thought these things you mentioned were that difficult; even IPO in the U.S. was not a big deal. However, the most difficult thing was a decision we had to make in 2001. At that time, our shop business in Zhongguancun was going well and we began to start our business as agents. It was a time of great resource shortage, which meant that if you became the agent in mainland of China, others would have to buy things from you. Therefore, the license we had as an agent meant that we could make money easily. I started my own business in 1998 and became an agent in 1999. In 2001, I monopolized 60% to 70% of the photo-magnetic product market in China, including CD writers and recorders.

However, after careful consideration, we felt that being agents did not create real value. It was just arbitrage. Having realized

this, we made the first big painful decision in 2001. We gave up the agent license and decided to become retailers. At that time, many people dreamed of becoming an agent. I thought that if we continued, we could possibly make money for another 10 years, but it was not a permanent business. We believed that the future would be different. It would be the company that owns the most loyal customers that will have a stable source of profit and create real value. Although at the time we gained all our profit from distribution, we decided to sell our agent license and became a retailer. Other vendors in Zhongguancun couldn't understand why we were doing that and thought we were mad, but we insisted on doing this.

We experienced great pain in the first two years after giving up the agent license. Our employees could not understand what was happening either. In the past, we had big profits, no risk, and others relied on us. Why did we choose to be a retailer that need to bargain with others and sell one by one to customers? In short, that transformation was very challenging internally. However, two years later in 2003 we had 12 counters and our profits exceeded those earned in 2001. Employees had renewed hope, because when we were agents we could only obtain a very small market share, at most about 60% to 70%. Things were different for



retailers. The market size was unlimited. Our second transformation was in the year of 2003 when SARS epidemic hit China. At that time, people did not want to buy things outdoors, so we became an electronic supplier. Not so difficult.

The second biggest challenge occurred in 2008. We had difficulty in financing when we needed money. We had no idea about capital management or cash flow. In retrospect, I was really only a sales manager, not a CEO. After experiencing difficulties in 2008, I began to reflect, learn, and become interested in management theories. To become a real CEO, I learned how to manage people, money, and materials. It was therefore also a change to my own career.

Chen: In the company's development philosophy, you particularly emphasize people orientation and continuous innovation. Why do you regard these two as the basic philosophies of management? How do these management philosophies manifest in the management practices of JD.com?

Liu: To be successful, the team and the people are always the most important factors. Many companies only say they are people-oriented, but are actually not in practice. They just say the right thing but do something very different.

However, there are companies do as what they say. In JD.com, we pay the full amount of social security insurance and housing fund for all employees. For

As a third-generation Chinese entrepreneur, I think we must achieve success by doing the right thing. Whether or not JD.com can win the respect of the society in the future, and whether or not I can win the respect of my employees, matter a great deal to me. This in my heart is the success I want.

example, a delivery man in Beijing can earn 12,000 yuan before tax and we pay social security insurance and the housing fund for the full 12,000 yuan, while most companies pay social security insurance and the housing fund for their employees based on the minimum wage. The minimum wage stipulated in Beijing is 2,200 yuan/month, which is less than 1/5 of 12,000. In JD.com, no employees are outsourced, so the company is 100% responsible for them. Last year we paid 2.7 billion yuan on social insurance and the housing fund for our employees. This year we will pay more than that. For most companies, the money spent on social insurance can be saved as profits. We have paid that money for six consecutive years, and we have also bought business insurance for the frontline staff. In addition, we offered hospital checkups once a year for the most grassroots staff, and this year we also offered an occupational disease health check. Delivery men should get their knees checked, and office workers should get their necks checked. For all the women employees of JD.com, we have added an additional 30 days of full paid maternity

leave on top of the national statutory maternity leave. We have also added seven days of full paid leave to male employees if they have a baby. We hope that when a wife gives birth to a child, the husband will be able to spend more time with them. The average age of our employees is 26.3 years old, quite young. There are more than one thousand people on maternity leave every day, equivalent to a medium-sized company.

Chen: I am deeply impressed by your heartfelt care of your employees.

Liu: You probably have seen other things we've done for our employees on WeChat. We offer dorms to our staff; the food in the canteen is very good, and so on. There is another thing that I would like to mention. Six years ago I read from newspaper that a left-behind child in the countryside committed suicide because his parents didn't go home for the Spring Festival. I felt very sad. Considering that many people in JD.com work overtime during Spring Festival, I decided to set up a policy for our

employees. Those required to work overtime on Spring Festival must bring their children to Beijing and Shanghai to spend the holiday with them. The company gives each child 3,000 yuan to cover their travel expenses, even if the family is in Hebei and only needs to spend 300 yuan to come to Beijing. The money is sent out with the employee's wage card. We have 70% of our staff from outside the city or from rural areas, and so there are a large number of left-behind children in rural areas or in local cities. The children can only see their parents once or twice a year. During the Spring Festival, children must stay with their parents. We spend tens of millions yuan a year on this, but I think it's a really worthwhile thing to do.

Chen: You treat your employees so well that they must be able to feel your care.

Liu: Yes. Our employees are honest, grateful people. If you are good to them, they are willing to work hard. We treat our employees as family members. We care for their families and children. We have tens of thousands of employees at Suqian headquarters and 10,000 in Beijing. The number is still increasing. We will also introduce first-class Chinese schools, international schools, and kindergartens to our staff. We have also done many other things for employees. They see them in their

eyes and keep them in their minds. They work overtime and work hard, willingly and happily. We had 38 employees in 2004 in the original e-commerce company. Today, 34 of the 38 still work for the company.

In addition, we emphasize education. I went to business school, got my EMBA and thought it was worthwhile. So I decided to send all my executives to get business education. The company will pay their tuition fees. No training agreements are required, which means if the executives leave the company, they do not need to give the money back. We don't use tuition fees to tie up their future, but as a reward for their past contributions to the company.

Chen: How do you form your values?

Liu: I hope that I can achieve success by taking the right path, without regret. I hope I can get the respect of others and the society. To be honest, it is difficult for Chinese entrepreneurs to gain respect in the international market, even when you're rich, have a big market share, and your companies are very profitable. In the last two years, we have talked to many big brands in foreign countries. When we talk about e-commerce, they always mention the problem of counterfeit goods. I could feel that they were contemptuous of it. So as a third-generation Chinese entrepreneur,

I think we must achieve success by doing the right thing. Whether or not JD.com can win the respect of the society in the future, and whether or not I can win the respect of my employees, matter a great deal to me. This in my heart is the success I want.

What have I done in the past 20 or 30 years? How do you treat your employees, partners, customers, and society are signs of a successful entrepreneur. Thirty years later, when I look back at the so-called success, the way I achieved that success is very important to me. I would feel great relief if I have never done anything unethical. Even if I'm not the richest entrepreneur, I will still be very proud of myself. That kind of pride is beyond language can describe.

Hear My Inner Voice through Desert Walking

Chen: I've heard that you've been walking in the desert for more than 10 days each year for many years. You said that was because you could only see sand and blue sky in the desert, and it was a very pure environment with no color, no interference, no noise, no flies, and no mosquitoes. You like to think in that pure environment. Why do you like the desert? What were you experiencing in that pure, lonely environment?

Liu: One of the disadvantages of the development of modern technology is the frequent interruptions. In the past, when means of communication were underdeveloped, you had time to think, but it is too difficult today. Human thinking needs continuity, especially when it comes to strategy. But in the city, especially in Beijing, it's impossible to have three days without interference. However, when I go to the desert, where I can't get any signal, not even from my own assistants, I am isolated. I feel a little anxious the first day, but the next day I begin to calm down and on the third day, I feel very calm. Lying on the sand and looking at the sky at night, I can take four or five hours to think about one thing and to think about it thoroughly.

Chen: Can you give an example of something you thought through in the desert?

Liu: Yes, most of the forming of our corporate strategies took place when I was in the desert. For example, our core values, the "ABC principle", the "8150 principle", the "internal back up principle", and the "24 hours principle". Almost all of the company's eight rules were created at that time. I have a lot of problems in my daily work, and I feel very tired and have no time to understand the problems. Employees in the company



complain about inefficiency or the all-day meetings. But how do we cope with the problems? This requires me to think. The employees reflect on the problems only from their own perspectives, but I can see the whole picture, so I need to have a few days to think deeply. I can summarize them and draw a table every time after spending time thinking.

But in recent years, because of the family and children, I have not gone to the desert. I try to find time to think while vacationing with my family.

Chen: Great, still waters run deep. The more you leave the reality of the problem, and the more you look at it from a distance, the more you can see its true nature.

The Future of JD.com: The Online and Offline Technology Outlook

Chen: As a leader of the Internet industry, what is your outlook on the challenges and opportunities of JD.com's future development? What influences do you think JD.com will have on the development of the whole Internet ecosystem?

Liu: The biggest challenge in the future is the rapid advancement of technology. We see cloud computing as if it's just getting started, but it's no longer new. Cloud technology has become a very basic thing and is no longer a technology of the future.



The development of big data, artificial intelligence, and robots is so rapid. We have no idea what kind of new technologies we will have three years from now and how they will influence our existing business model and the existing operating system. We have said that global technological progress over the next decade will be greater than that of the past 100 years, faster than the technological progress accumulated over the past 100 years, and will have a profound effect on society. JD.com has many delivery men and about one hundred thousand blue-collar workers. One day maybe the production of robots will replace all of the delivery men, packagers, tally clerks, and people in customer service centers overnight. If we build this system, it's going to cost a lot less than it does now, because

it's all robots, and the cost of electricity is very low. If so, we could lose all our business models in a year.

Of course, we are developing too, but the effect of technological advances on our business models may kill the company in a very short time. The next technological revolution, which in the past has taken a decade to hit society, could happen in a year now. So we have a very strong sense of urgency.

Chen: In a sense, JD.com is similar to Amazon. Amazon is a company based in Seattle that I know well and admire. Amazon recently bought Whole Foods. It first sold books online, and later it pushed brick-and-mortar bookshops out of business, but last year it opened its own brick-and-mortar

bookstore and bought Whole Foods. What do you think about this business model?

Liu: JD.com had an early strategic plan in this area. We first brought about the idea of the combination of online and offline business. Among the big e-commerce companies, we are the first to invest, for example in Yonghui Supermarket. A year later, Alibaba invested in Sanjiang Shopping Club and Amazon recently bought Whole Foods. So we were the first of the three big e-commerce companies to invest in real enterprise. We were collaborating with Walmart, and we were the first to go online. The “Millions of Convenience Stores Program”, JD.com Home, JD.com Service Center, and the appliance store have started to operate now.

Chen: Let's talk about the millions of convenience stores program.

Liu: Internally, we originally called it the mom-and-pop store project. We found that there were millions of mom-and-pop stores in rural China. Sometimes it's a small supermarket on the ground floor in a neighborhood, like a 7-eleven. The residents do not need to go out of the community to get a beer or a drink. Based on our many years of experience in retailing, we find that there are three business models in the world

that can't be replaced by e-commerce.

The first is the convenience store. E-commerce will never kill the convenience store because of its convenience. E-commerce can never be faster and it's too expensive to have a cost advantage. For example, when you are cooking and find that the vinegar bottle was empty, you can go quickly downstairs and buy it in the convenience store. The online company can't be faster than that. We cannot send the vinegar to your door because it is too expensive. The second is the business model of Costco. Costco and Sam's Club do \$100 billion in business with only 1,500 Stock Keeping Units (SKU). You have no way to compare each SKU's negotiation power (bargaining power). Even Walmart can't compete with it. Walmart can't achieve a Costco price. Costco is super cheap with high quality.

Chen: Yes. Costco is also a company based in Seattle. I'm very familiar with it and also a loyal customer. Costco has now begun vertical integration. For example, a chicken from the chicken farm didn't meet their requirements, so they're going to run the farm and raise their own chickens. They're going to control the whole industry chain, and that's interesting. So what is the third non-replaceable business model?

Liu: The third one is the fresh produce supermarket. That is why we invested in Yonghui Supermarket and partnered with Walmart. We can never replace fresh supermarkets. Because the demand is small, the loss of goods is particularly large. The wastage of traditional supermarkets can be up to 13%. If I use my warehouse match person to send the goods, my wastage reaches 20%, and the profit is all gone. So we need collaboration in this area.

We opened mom-and-pop stores and connected the vendors and the suppliers. After two or three years of research, we found that mom-and-pop stores could sell P&G or Unilever products. But they never had any contact with P&G or Unilever. From the perspective of P&G or Unilever, after selling a batch of toothpaste, they never knew whether the toothpaste was sold to customers or still in the inventory. From the owner's point of view, the source of the incoming goods was not clear, so it was impossible to identify fake products. In addition, we have price discrimination in China. The richer the area, the cheaper the price is. The poorer the area, the more expensive the price is because of the small demand and high transportation cost. In the stores in rural areas, the same Colgate or P&G toothbrush is more expensive than in Beijing.

JD.com's role is to build a direct

communication bridge between the brand company and the mom-and-pop stores. We already have a logistics platform, so we need to build an information platform, and then a financial platform. After that, we can tell P&G, through our database system, how many toothbrushes in the convenience stores are not sold, how to arrange the stock, production, the channel inventory, and its logistics supply chain. Even the fake goods can be tracked in every village. For the local mom-and-pop stores, we will fully integrate their information systems, P&G's systems and JD.com's systems with full transparency. We gradually get rid of all the wholesalers.

Chen: How many mom-and-pop stores have been opened in China?

Liu: By the end of this year there should be more than 10,000 in all parts of the country, including Beijing. In Beijing's vast suburbs or villages many convenience stores of big brands, for example 7-eleven, cannot enter because of the high cost. The mom-and-pop stores are mainly operated by local farmers, villagers, or other local residents, and can feed the whole families. The problem now is that some stores may have a JD.com sign, but they are not authorized. It is difficult for us to prosecute them one by one.

Chen: Once a project is successful, people will find loopholes and take advantage of them, this seems to be an inevitable reality in China. I hope you guys can come up with some ways to prevent it from happening. Finally, I'm wondering if you can summarize your business and management philosophies and experiences that you most want to share with future managers and entrepreneurs.

Liu: What I want to share that most is that I am a third-generation entrepreneur and now there are many entrepreneurial firms started by people born after 1980s or 1990s. I hope that the new generation of entrepreneurs will have more reasons, qualifications, confidence, and faith to run a successful business through taking the right path. Do not believe that entrepreneurs must evade tax, cheat customers, sell fake goods, or go through official business collusion or through the power monopoly to make money. If the countless entrepreneurial young people of China think this way, China's entrepreneurial spirit will never be realized. I hope that young people believe that the right path can lead to success. The time has come.

Chen: Thank you for sharing with us! 📧

The Eight Principles of Human Resource Management in JD.com

1. Ability values system
2. "ABC principle". JD.com has a two-level management system, and the ABC system avoids the excessive concentration of one's power.
3. "8150 principle". For each manager, no less than 8 employees shall be required to report him. 50 means that for the grass-roots employees of the same type of work, we require the managers to supervise no less than 50 employees. The core of "8150 principle" is to ensure the flattening of the organization.
4. "One brings two principle". For the coming of a new colleague, he or she can't bring in more than two colleagues from the original unit.
5. "Back up principle". The company stipulates that each director, deputy director or managers above that level must cultivate a successor if they have been in the same position for two years.
6. "24 hour principle". Any manager receives a phone call, email, text message, WeChat or other requests should reply within 24 hours.
7. "No 'No' principle". You can't say "NO" under two circumstances. The first is that you cannot say "no" if there is no truth or data to prove that other's needs are incorrect. The second is that you cannot say "no" to requests that are conducive to user experience enhancement.
8. "Seven Up and Eight Down principle". We will leave promotion opportunities to your internal colleagues rather than recruiting from outside if we have 70% certainty. At the same time, it is mandatory that 80% of managers must be promoted internally.

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