RULES OF ENGAGEMENT, INFORMAL LEADERS, AND THE POLITICAL ECONOMY OF ORGANIZATIONAL DISSENT

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Abstract
This paper develops a political-economic framework for the study of organizational dissent. The framework emphasizes that in the absence of appropriate rewards and protection from reprisals, members may not express dissent in a way that is beneficial to the organization. Building on a critical evaluation of the organizational and political science literatures related to dissent, we analyze the costs and benefits of organizational dissent simultaneously. Drawing from experiences of General Electric, Intel, and Apple Computer, we demonstrate how rules of engagement can affect the organization’s ability to capture these benefits while mitigating the costs. We also analyze credibility and information problems that organizations face in the enforcement of these rules of engagement, and explore the roles of credible informal leaders in overcoming these problems, as well as in facilitating organizational change.
1. INTRODUCTION

Strategy scholars developing a knowledge-based theory of the firm have emphasized the importance of knowledge creation and exploitation in the creation of competitive advantage (Conner, 1991; Conner and Prahalad, 1995; Kogut and Zander, 1992, 1996; Grant, 1996; Teece, Pisano and Shuen, 1997). It has also been argued that internal debate and dissent is critical for the development of organizational knowledge (Senge, 1990; Nonaka, 1995). For example, by allowing or encouraging its members to express dissent, a firm can potentially gain a better understanding of its strategic environment and the merits of various strategic options. The importance of dissent within organizations (hereafter referred to as “organizational dissent”) has been emphasized in writings about General Electric and its current CEO, Jack Welch (Tichy and Charan, 1989; Tichy and Sherman, 1993; Welch, 1998; Slater, 1999a, 1999b), and by Andrew Grove, former CEO and now Chairman of Intel. For example, Grove (1996) writes that:

Your employees’ questions are usually shrewd, and in a free environment they can question you in a way that no one else can. If there is a strategic illogic in your thinking, they will sniff it out and poke at it (Grove, 1996: p. 155).

Encouraging dissent, however, can also provide members with opportunities to promote their own interests at the expense of the organization as a whole, by, for example, providing false or misleading information. Moreover, in the absence of appropriate incentives, organization members may not wish to expend the effort required to develop and articulate useful ideas and proposals. In addition, since expressing a dissenting view can trigger reprisals, especially if the view contradicts a position maintained by a superior, potential dissenters may prefer to keep silent. An important question for organizational scholars, then, is how organizations can choose policies and shape practices to encourage members to express dissent in ways conducive to organizational learning. While the literatures in organization theory and organizational behavior have discussed various aspects of dissent, they have not investigated how organizational policies and practices affect individuals’ political-economic cost-benefit calculus regarding whether and how to express it. We address this question in the context of profit-seeking firms by: (1) critically evaluating the organizational and political science literatures related to dissent; (2) simultaneously analyzing the costs and benefits that dissent can bring to organizations; (3) analyzing how organizational policies and practices affect individuals’ decisions regarding whether and how to express dissent, (4) identifying credibility and information problems that
organizations face in the enforcement of these policies and practices; and (5) exploring the roles of informal leaders in overcoming these problems, as well as in facilitating organizational change.

In section 2, we review the literatures related to dissent. In Section 3, we begin to develop our framework by discussing how three prominent firms – General Electric, Intel, and Apple Computer -- have managed or mismanaged their internal dissent processes. We draw several lessons from these experiences. First, we identify two aspects of organizational policies that are important in determining the costs and benefits to an organization from dissent. These are the extent to which: (1) there are explicit or implicit rules regulating the amount and types of evidence that must be used in presenting arguments and counter-arguments, and (2) these rules are applied equally to members of different organizational status. Second, we show that to provide members incentives to behave in accordance with the policies and practices that the organization employs to govern internal dissent, supporting evaluation, compensation and promotion policies must be devised. Furthermore, the organization must protect potential dissenters against retaliatory actions such as dismissal, or distortions of information by superiors, subordinates or peers that damage the dissenter’s career prospects.

While an organization may promise to reward appropriate dissenting behavior and protect its members from retaliation, organization members may be skeptical about the credibility of such promises. In Section 4 we identify the difficulties that an organization must overcome in order to create and sustain the credibility of these promises. The first difficulty stems from the fact that in a profit-seeking organization, formal checks on how an organizational leader enforces the organization’s policies and practices are imperfect, and the leader is effectively the ultimate enforcer. Enforcing organizational practices and policies regarding dissent requires that the leader determine whether particular acts of dissent constitute appropriate behavior, and reward or punish them accordingly. However, the fact that the organizational leader has such authority naturally raises the question of whether he will abuse it. This problem is exacerbated by the fact that when suppression of dissent takes place, organization members face an informational problem. Namely, they may not have sufficient information to judge whether the dissenter behaved in accordance with organizational policies. Hence, they may not be able to determine whether the leader is punishing dissenters who have violated these policies, or whether the leader
is abusing his authority by suppressing dissenter who have in fact behaved in accordance with
these policies.

If an organization wants to create and sustain certain desired practices and policies
regarding dissent, it must overcome these related credibility and information problems. In
Section 5 we argue that one way an organization can mitigate these problems is to allow informal
leaders to emerge as sources of countervailing power against possible abuse of authority by the
organizational leader. We identify conditions under which the existence of informal leaders can
mitigate these credibility and informational problems. We also explore implications of our
framework for organizational change; especially how an organization with a “bad history” of
managing dissent can achieve changes that enable it to reap learning benefits from dissent.
Section 6 concludes the paper.

2. LITERATURES RELATED TO ORGANIZATIONAL DISSENT

Organization Theory and Organizational Behavior

Organizational scholars have long recognized the importance of dissent in affecting
organizational performance. Burns and Stalker (1961) discussed how technology-based firms
rely heavily on the expertise of employees who possess critical technological knowledge.
Therefore, organizational leaders must constantly seek their input and criticism. Early
contributions to the literature on organizational conflict emphasized the damage such conflict can
cause (e.g., Pondy, 1967; Walton and Dutton, 1969). Kanter (1983) discussed how internal
conflict can hinder innovation, and how open debates can mitigate this problem. Eccles and
White (1981) and Eisenhardt and Bourgeois (1988) showed how conflict between executives can
generate information that would otherwise have remained unavailable to top management.
Eisenhardt, Kahwajy and Bourgeois (1997) discuss how conflict between executives can deepen
their understanding of the business issues they face, and sharpen their own viewpoints about
them. They also discuss policies and practices for stimulating valuable conflict, including
building demographically heterogeneous executive teams and creating frequent interactions
between executives.

Leadership scholars have emphasized the role of organizational leaders in fostering a
performance-enhancing organizational culture that includes the encouragement of dissent
(Bennis and Nanus, 1985; Schein, 1985; O-Reilly, 1989; Bennis, 1993), as well as the
importance of the credibility of the leader in achieving cultural change (Bennis and Nanus, 1985; Kouzes and Pozner, 1993). Dissent is emphasized in this literature in part because it can alleviate pathologies such as “groupthink” (Janis, 1972). Research on “organizational citizenship behavior” is concerned with how organizations, by respecting norms of procedural justice and fairness, can stimulate pro-social behaviors such as sharing of ideas that can enhance organizational performance (e.g., Organ, 1988; 1990). Related research on whistle blowing (e.g., Miceli and Near, 1992), and “principled organizational dissent” (Graham, 1986) focuses on the conscientious objection of employees to violations of laws or social norms within an organization.

While the organization theory and organizational behavior literatures suggest that dissent can bring both benefits and costs to organizations, most contributions do not discuss these costs and benefits simultaneously. Moreover, there has not been much discussion of how an individual’s political-economic cost-benefit calculus affects her decision regarding whether and how to express dissent. The literature on whistle blowing is not primarily concerned about learning benefits of dissent for strategic decisions. The literatures on organizational conflict, employee participation in decision-making, and organizational citizenship discuss various organizational policies and practices that help elicit information and viewpoints that can enhance organizational performance. However, they also pay relatively little attention to the roles of economic incentives and threats of political retaliation in motivating or discouraging organization members from behaving according to the expectations articulated in the policies. These literatures also pay little attention to the problem of making policies credible to members. The leadership literature, on the other hand, does discuss credibility issues, but does not inquire into the mechanisms by which organizational leaders can be deterred from abusing their authority.

Abuse of authority by organizational leaders is a major concern of the literature on power and politics in organizations. This literature emphasizes the contradictions between the interests of different groups within the organization and the tactics employed by dominant groups to retain or extend their power (e.g., Zeitz, 1980; Pfeffer, 1981, 1992; Mintzberg, 1983; Gray and Ariss, 1

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1 A long tradition of research in organizational behavior has studied the effects of worker participation on productivity and job satisfaction. Dissent per se, however, has not been a focus of this literature (e.g., Locke and Schweiger, 1979; Miller and Monge, 1995; Spreitzer, 1996).
These tactics include preventing or suppressing dissent by opposing groups (e.g., Pfeffer, 1992). Our framework shares with this literature the general concern that leaders always have the incentive to abuse their authority in pursuit of self-interest, including opportunist suppression of dissent. However, because the leaders of profit-seeking organizations also have the incentive to promote their organizations’ financial well being, they have an additional incentive to secure learning benefits from dissent. Since members recognize these conflicting incentives, an organization will not succeed in capturing benefits from dissent unless its leaders find ways to credible commit not to abuse their authority. The issue has not been a primary focus in the power and politics literature.

Finally, while Senge (1990) and Nonaka (1995) have discussed the role of dissent in organizational knowledge creation, the organizational learning literature in general has not addressed dissent. For example, March (1991) and Levinthal and March (1993) are concerned with the trade-off between exploration of new knowledge and exploitation of existing knowledge. Research following Weick (1979), Daft and Weick (1984) and Weick (1995) is more concerned with “sense-making”: how organization members interpret organizational decisions and events.

**Organizational Economics**

Organizational dissent *per se* has also not received much direct attention in organizational economics. The principal-agent literature has considered settings in which an agent possesses information that a principal values but lacks. This research studies how the principal can design incentive schemes to induce the agent to reveal her private information to the principal (e.g., Baron and Myerson, 1982; Maskin and Riley, 1984; also see Hart and Holmstrom, 1987; Salanie, 1997). While earlier contributions focused on the revelation of *existing* private information, recent work has studied the problem of inducing agents to produce *new* information (e.g.,

2 For example, Lukes (1974) argued that “the most effective and insidious use of power is to prevent...conflicts from arising in the first place” (Lukes, 1974, p.23). Building on this insight, Mumby (1988) and Clegg (1989) argue that the dominant group within an organization systematically distorts communication so as to obscure the contradictions between its interests and those of other groups. This view of power has been explored by Gaventa’s (1980) empirical study of quiescence in Clear Fork Valley, including the role of power in the internal functioning of a major labor union in that region.

3 The influential surveys by Levitt and March (1988) and Huber (1991), for example, do not discuss dissent.
Prendergast, 1993; Aghion and Tirole, 1997; Dewatripont and Tirole, 1999). However, these recent contributions do not analyze the implications of making such new information subject to the scrutiny of others in open debate. They also do not consider the possibility that organizational members may express dissent against views held by their superiors in strategic debates, nor do they consider the political reprisals that dissent can trigger.

Milgrom and Roberts (1988, 1990) have argued that organization members often have the incentive to influence organizational decisions in their favor, even if the resulting decisions are to the detriment of the organization. One way members pursue such influence is by distorting decision-relevant information. This can be costly for the organization because it may lead members to divert resources away from productive activities toward unproductive influence activities. Moreover, if such influence attempts are successful, they may cause the organization to make inefficient decisions. In addition, the work of Milgrom and Roberts would suggest losers in a debate over the organization’s strategy may fail to cooperate with others in the implementation of the strategy they opposed, and may even attempt to sabotage policies to promote their own parochial interests (Cyert and March, 1963). Losers may use the dissent process to accomplish this by, for example, providing distorted information during interim evaluations of a new strategy in order to promote a change in strategic direction more in line with their parochial goals. This suggests that liberal tolerance of dissent can be costly for organizations because it may facilitate influence activity.

Milgrom and Roberts (1988, 1990) suggest that limiting communication between decision-makers and members potentially affected by their decisions can reduce the costs created by influence activity. While they recognize that this and other control mechanisms can deprive the organization of useful information, they do not spell out the foregone benefits to the organization when members are prevented from expressing viewpoints on particular decisions, especially dissenting ones. For example, consider a member who attempts to influence his superior’s decisions in his favor, at the expense of the organization. If the organization restricts

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4 Prendergast (1993), for example, considers a situation in which a principal hires an agent to produce information that is valuable for the organization. The principal evaluates the agent's performance by comparing the agent's estimate of a key parameter to his own estimate of that parameter. This gives the agent an incentive to bias his estimate toward the principal's, resulting in "yes men" behavior.

5 An organization member may pursue influence activity individually, or he may join a coalition to do so with his peers, subordinates or superiors.

6 As suggested by Robinson and Bennet (1995), non-cooperation can degenerate into violence against the organization’s property, or even its members.
communication, this member’s subordinates may be prevented from expressing dissent that exposes the costly influence attempt.

Finally, Hirschman (1970) emphasized the role of “voice” in preventing declines in organizational performance. Freeman and Medoff (1984) argued that labor unions facilitate the exercise of voice by workers. Williamson (1985), however, argues that the economic benefits of unions as a voice mechanism depend on the degree to which the workers in question make investments that are specific to an employment relationship. This is because unions can reduce the ability of the employer to expropriate the surplus created by these investments. Williamson’s (1985) argument, however, does not address the potential learning benefits of dissent. Indeed, as Williamson (1999) points out, the general issue of organizational learning has not been addressed in transaction cost economics.

**Political Science**

The political science literature has long studied the role of dissent in helping create a well-functioning society. Elster (1998) points out that John Stuart Mill was perhaps the first political philosopher to clearly delineate the various benefits that dissent can bring to a society. In *On Liberty*, Mill emphasized three kinds of benefits from dissent. First, dissent enables questionable or illogical views to be identified, false hypotheses to be exposed, and actions predicated upon such views or hypotheses to be prevented. Second, even when a view is in some sense “correct,” some people, including its proponents, may not fully understand its logical basis. Open, vigorous debate, by putting people in the “mental position of those who think differently” (Mill, 1986 [1859]: p. 44) helps them gain a deeper appreciation of the underlying assumptions and logical implications of accepted viewpoints. Those who fail to do this, he says, “do not, in any proper sense of the word, know the doctrine which they themselves profess” (p. 44). Finally, even if an idea is correct and its logical basis well understood, if it remains unchallenged, it quickly becomes a stale dogma, and loses its ability to inspire action. Relatedly, Fearon (1998) emphasizes that discussion can help overcome bounded rationality (Simon, 1957). Because the human imagination is limited, dissent can help generate new ideas and options.

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7 Recently, economists Timur Kuran (1987, 1995) and Glenn Loury (1994) have developed models to explore the implications of the fact that people may be reluctant to publicly express their dissenting views on socially sensitive issues. For example, Kuran (1987) points out that if certain ideas and options become “unthinkable,” they may
These observations suggest that the benefits of organizational dissent go beyond the revelation of information that is already possessed by organization members. Dissent is also important for learning because it enables people to better understand the various dimensions and implications of organizational decisions, as well as to discover new options that would have otherwise remained undiscovered. Moreover, this enhanced understanding can inspire people to act on views they may have already held, or on views adopted after debate.

Some recent research in political science, however, has been concerned with the possibility that self-interested behavior by political actors can render deliberation and debate uninformative, in situations in which they are deciding on a given course of action. Drawing on the literature on “cheap talk” in economics, Austen-Smith (1990, also see Austen-Smith, 1992 and Austin-Smith and Riker, 1987) shows that when political actors have sufficiently conflicting interests, and this is known to them, the receiver of a political message will infer that the message is merely an attempt to distort information to the sender’s advantage, and will therefore ignore it. This implies that debate prior to a vote adds no information to the decision-making process that would not have arisen during a procedure in which proposals and amendments are offered, but no debate occurs. Mackie (1998), however, has argued that this argument does not take into account considerations that can make deliberation informative even in the presence of conflicting interests. For example, in actual political decision-making processes, receivers can rely upon multiple senders of messages to check against the veracity of individual senders. Also, in most cases, claims by a sender can eventually be verified after, or sometimes even before, a decision is implemented. The possibility of such feedback, along with the fact that a political actor will suffer damage to her reputation if caught in a lie, creates incentives for her to provide accurate information. These arguments thus suggest that although the utterance of a message may be costless, it may have costly implications for the sender.

disappear from human consciousness. This can deprive society from the opportunity to consider these ideas and options.

8 This literature considers settings in which a sender can send a costless signal in an attempt to affect the decision of a receiver (e.g., Crawford and Sobel, 1982; Farrell and Gibbons, 1989; Farrell, 1993; Farrell and Rabin, 1996). This is in contrast to the influential costly signaling model of Spence (1973), in which workers signal their ability to employers by choosing the level of their investment in education.

9 Milgrom and Roberts (1986) and Lipman and Seppi (1995) analyze communication games with multiple senders. Sobel (1985) models reputation building in repeated communication games. Lupia and McCubbins (1998) and Mui (1999) investigate the importance of verifiability and penalties for lying in political communication. These contributions show that the presence of multiple senders, the possibility of verification, and repercussions for lying, can make communication informative.
Our analysis shares with the literature on deliberative democracy a concern with the importance of verification and reputation in enhancing the credibility of political communication. The fact that an organization’s executives frequently interact with each other suggests the potential importance of these kinds of mechanisms. However, since the focus of this literature is on deliberation rather than dissent, it does not consider the issue of political retaliation against dissenters. It also does not focus on the problem that leaders may defect from commitments to rules and related institutions that are designed to ensure informative deliberation.

Finally, there is a large literature in political science and political economy which analyzes how an individual’s political-economic calculus affects his/her decisions regarding whether to participate in dissenting activities (e.g., Olson, 1965; Tullock, 1971; Hardin, 1982; Muller and Opp, 1986; Chong, 1991). In *The Rebel’s Dilemma*, Lichbach (1995) evaluates this literature extensively, and concludes that its focus has remained on the initial problem of individual participation. As such, it contains little analysis of the functioning of institutions that govern collective dissent. For example, there is insufficient investigation of how dissident leaders can devise organizational arrangements to enforce agreements between dissidents, including monitoring their activities, rewarding appropriate behavior and punishing defections. Since our objective is to study how institutional structures can affect the organization’s ability to govern dissent processes effectively, this literature provides insufficient guidance in achieving this objective.

The remainder of the paper proceeds as follows. We first discuss how an organization’s practices and policies determine the extent to which dissent will bring costs and benefits, and identify the credibility and information problems that must be overcome in order to govern dissent effectively. We then discuss the role of informal leaders in the dissent process, and explain the mechanisms through which their existence can help mitigate these credibility and information problems.
3. RULES OF ENGAGEMENT

Management of Dissent at General Electric and Intel

The financial success of General Electric (GE) during the 1980’s and 1990’s has sparked considerable popular and academic interest in its organizational policies and practices. Indeed, much of the writing about GE’s recent experience attributes the firm’s success in this period to these policies and practices, as implemented and overseen by GE’s CEO, Jack Welch. One of Welch’s main objectives in “revolutionizing GE” was to foster a “boundaryless” environment in which superiors and subordinates can conduct candid exchanges on an equal basis (Tichy and Sherman, 1993; Slater, 1999a). According to Welch, this requires “exposing people—without the protection of title or position—to ideas from everywhere. Judging ideas on their merits.” (Tichy and Sherman, 1993, p. 299). Moreover, GE offers extensive training programs to familiarize its employees, especially new recruits, with the philosophy of boundaryless behavior. Such training programs also emphasize the need to enhance employees’ skills in conducting open, and even heated, discussions (Tichy and Sherman, 1993). The Work-Out program initiated by Welch in 1988 was important in helping create this kind of environment. In a typical Work-Out session, small teams of employees meet to develop analyses and recommendations concerning changes in corporate practices and policies (Tichy and Charan, 1989; Stewart, 1991; Quinn, 1994; Slater, 1999a). Teams are especially encouraged to scrutinize practices in other units or divisions in the spirit of “constructive conflict” (Tichy and Sherman, 1993). Teams are expected to present thoroughly documented and justified proposals to the relevant divisional or business-unit general manager, in the presence of that manager’s immediate superior. The general manager must listen to the proposals, and then, for each proposal, make an on-the-spot decision about whether to accept it, reject it, or immediately commission a team to gather more information by an immediately-agreed-upon date (Stewart, 1991; Tichy and Sherman, 1993).

A second example of Welch’s attempt to create a boundaryless organization is provided by the Corporate Executive Council (CEC), a group consisting of the leaders of GE’s major business areas and other top staff that meets quarterly to discuss major strategic issues. In CEC meetings, participants are expected to share ideas and information in an open manner -- including information about failed programs. Members review each others’ quarterly financial
reports, and are encouraged to candidly discuss others’ operations (Tichy and Sherman, 1993; pp. 196-7). Welch says that in CEC discussions,

> We strive for the antithesis of blind obedience. We want people to have the self-confidence to express opposing views, get all the facts on the table, and respect differing opinions. It is our preferred mode of learning; it’s how we form balanced judgement (Tichy and Sherman, 1993: p. 192).

Welch suggests that this process fosters a common understanding of the business environments faced by the various businesses, and generates insights that are crucial in improving strategic decision-making (Tichy and Charan, 1989; Tichy and Sherman, 1993). Importantly, the “public” nature of forums such as GE’s Work-Out and the CEC limits the ability of participants to make self-serving statements, because each participant knows that her remarks are subject to the scrutiny and even objection by others in the audience. As Tichy and Sherman (1993) point out in regard to the CEC, “When you’re stuck in a room where everyone knows everything…you have to face reality…if you’re avoiding a major strategic challenge, you won’t be able to hide it” (p. 197-8).

Like GE, Intel has developed a set of practices for promoting what Andrew Grove, former CEO and now Chairman, calls “constructive confrontation” (Grove, 1984; Spiegelman, 1994; Grove 1996; Corcoran, 1996; Burgelman and Grove, 1996). Grove has written extensively about how managers are encouraged to challenge each other’s proposals, but to present challenges that are based on facts and cogent analysis, rather than incomplete data or poorly developed ideas. The goal is to submit all important decisions to the crucible of criticism, but to do it in a way that is impersonal and puts the organization’s interests first. One reason Grove (1996) emphasizes the importance of constructive confrontation stems from Intel’s experience in deciding to abandon the memory business -- which had been Intel’s core business since its founding-- and focus on microprocessors during 1985-86. During this period, Intel faced increasing competition in the memory chip business from more efficient Japanese producers (Schendler, 1998; Collis and Pisano, 1999). Grove (1996) explains that an intense internal debate ensued about how to respond to the threat. The prevailing view was that Intel should remain in the memory chip business because it was critical for testing and refining manufacturing technologies that could be used for a range of products. Others added that it was important for Intel to offer a full product line, including memories, in order to take most advantage of sales
contacts. The dissenting view was that Intel could not match the efficiency of Japanese producers of memory chips, and that the business should therefore be abandoned. Proponents of this view further argued that Intel should focus its product line on microprocessors, because they represented a much more promising business opportunity. Ultimately, the decision was made to exit the memory chip business and to focus on microprocessors. Grove (1996) explains that this decision emerged as a result of active dissent by middle managers against the prevailing view. This experience was instrumental in inspiring Grove to find ways to better foster open-minded discussions of key strategic decisions, and led to Intel’s emphasis on “constructive confrontation” (Spiegelman, 1994; Corcoran, 1996; Grove, 1984, 1996).

The GE and Intel examples demonstrate that organizations aspiring to capture learning benefits from dissent must create a set of explicit or implicit “rules of engagement” for governing the dissent process. We define rules of engagement as policies and/or practices that define how members are expected to present and respond to arguments and counter-arguments in a dissent process. Rules of engagement include, for example, policies governing the kinds of evidence and scrutiny that should be used in developing arguments, access to information by dissenters and their opponents, as well as rules regarding how these policies apply to various members of the organization. Both General Electric and Intel have well-articulated rules of engagement that encourage intensive scrutiny of viewpoints expressed in internal strategic debates. Moreover, their rules of engagement are logic-based, in that they require members to present and respond to arguments and counter-arguments using documented facts and logical reasoning. Moreover, the rules are balanced in that they require that all members are expected to adhere to these standards, regardless of organizational status.

Management of Dissent at Apple Computer

Since its inception, Apple Computer has fostered an atmosphere in which open debates about company strategies are viewed as customary events (Kawasaki, 1990; Malone, 1999; Linzmayer, 1999). However, there appears to have been a lack of well-articulated policies for governing these debates. That is, Apple Computer did not appear to have well-articulated rules of engagement as we define them. This arguably led to some major strategic mistakes.
During the 1980’s, Apple suffered a precipitous drop in market share and market value as the IBM PC became the *de facto* standard in the personal computer industry. Apple had several chances to pursue strategies aimed at competing with IBM to establish the standard, but did not pursue any of them. According to Carlton (1997), several presentations were made to top management in 1984 concerning the need to move more aggressively toward making Apple into an industry standard. One option for accomplishing this was to adapt the Apple operating system so that it could run on the IBM platform. Dan Eilers, a young Apple manager, formally presented this option to top management in a 1985 meeting. Eilers made a well-documented case, but Jean-Louis Gassée, the Chief of Engineering, fervently opposed his position. Carlton (1997) writes that, “As Eilers displayed slide after slide on an overhead projector to support his argument, Gassée’s was upset…and…began yelling and screaming that licensing could not be done” (1997: 49). Carlton (1997) quotes John Sculley, then the CEO, as saying that after this meeting, “Every time he [Eilers] would come in with an outside idea, not only would the idea be shot down, but he would be lucky to get out alive” (1997: 50).

Shortly thereafter, a less radical option to license only the graphical user interface (the “look-and-feel”) of the system was proposed. Carlton (1997) reports that Sculley rejected this option because “Gassée was yelling and screaming again” (1997: 52). A third option, to allow an Apple subsidiary to produce a clone of the Macintosh called Drama, was developed by Eilers and Chuck Berger, another Apple executive, and proposed in a two and one-half hour presentation to top management. One top executive, Michael Spindler, doubted the value of the strategy, but when Eilers and Berger produced data to refute his position, Spindler simply “would not believe it” (1997: 165).

While strategic debates have been common at Apple Computer, the company has not had a set of well-articulated rules of engagement to govern them. The above examples suggest that while the implicit rules of engagement to some extent recognize that logic-based arguments are important in dissent processes, Apple’s implicit rules of engagement are unbalanced. The prevailing view at that time was that Apple should pursue a high price/high differentiation/low market share strategy. Executives like Eilers and Berger made well documented, dissenting proposals that emphasized licensing as a means to establish Apple as an industry standard. However, senior executives such as Gassée and Spindler were able to dismiss these proposals without providing comparable evidence and reasoning. A more balanced process would have
required these executives to provide well-supported justification for their positions, and to be subjected to the scrutiny of the other side.

This example suggests that unbalanced rules of engagement preclude some important mechanisms through which organizations can derive learning benefits from dissent. By relieving the “burden of proof” that a superior must discharge in responding to the dissenting views of his subordinates, unbalanced rules of engagement increase the probability that an incorrect view held by the superior will go unexposed. They can also reduce the incentives to express dissent against a superior in the first place. In addition to limiting the information and learning benefits an organization can derive from dissent, unbalanced rules of engagement can also limit a potential dissenter’s ability to report on influence activities by peers and superiors.

The Importance of Supporting Systems

Suppose an organization has articulated a logic-based and balanced set of rules of engagement for governing dissent, which for simplicity we hereafter refer to as “balanced rules of engagement”.[10] In order to motivate members to observe these rules, the organization must also develop supporting systems. One such supporting system at GE is its managerial evaluation and compensation system, known as “Session C”. The following description is drawn from Tichy and Charan (1989), Tichy and Sherman (1993), and Slater (1999a). Throughout the Session C process, evaluators rate managers on a number of criteria. For example, these include the realism with which they see their environment, their candor and openness in dealing with others, and the extent to which they strive for simple, clear solutions (Tichy and Sherman, 1993). The “candor” criterion includes the expectation that managers offer clear, well supported reasons for positions they take. The evaluation process also emphasizes the importance of a manager’s willingness to allow his peers, and especially subordinates, to express dissenting views. Managers who consistently evade well-grounded recommendations or criticisms of others, and fail to respond to them in an adequate way, suffer in the ratings, and therefore in promotion opportunities. The evaluation process also emphasizes the importance of allowing others, especially subordinates, to express dissenting views.

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[10] We use this shorthand because it would seem that rules of engagement that lack a logical basis are undesirable for any organization. It is also worth pointing out that some organizations do not even allow for dissent, so the issue of characterizing the various dimensions of its rules of engagement does not arise. Proctor and Gamble (e.g., Swasy,
The subjective nature of these criteria has led GE to establish an elaborate process that relies on multiple evaluators to arrive at the evaluation for each manager. Top-level management oversees Session C evaluations for roughly 3,500 managers in the company. Human resources professionals conduct interviews with each manager, his bosses, subordinates, and colleagues, and sometimes customers and suppliers. Two of these professionals then spend a full week preparing a 10-15 page report, the so-called “Accomplishment Analysis”, which discusses anything deemed relevant to a manager’s performance. A six-person Executive Management Staff gathers additional information on managers’ performances. Welch himself spends one month each year reviewing the evaluations of the top several hundred managers, and discussing them with the appropriate business leader. Since each of the thirteen business leaders is rated on his/her ability to develop subordinates, they spend considerable time preparing for their meetings with Welch.

The Session C process provides an example of an evaluation, compensation and promotion system that judges performance based not only on outcomes of decisions, but also on the extent to which managers’ behavior is consistent with the organization’s rules of engagement. Implementing this kind of system can be very costly, however, as suggested by the time and resources that GE devotes to Session C. The extensiveness of the evaluation process stems from the difficulties in evaluating the behavior being sought, as well as the concern that members may distort evaluations to punish their enemies. This latter consideration is especially pertinent in an organization that strives to encourage dissent. Because of the costs of such systems, they will be worth investing in only if the prospective information and learning benefits from dissent are sufficiently large. This will be the case, for example, for a firm that faces a highly uncertain and complex strategic environment. On the other hand, organizations that operate in simpler and less uncertain environments will garner fewer benefits, and will be less likely to maintain such evaluation systems.

4. CREDIBILITY AND INFORMATION PROBLEMS IN THE ENFORCEMENT OF RULES OF ENGAGEMENT

We have argued that enforcing balanced rules of engagement requires that an organization reward its members for expressing dissent in accordance with these rules, as well as
protect them from retaliation. Grove (1996) has emphasized the importance of this kind of protection:

Fear that might keep you from voicing your real thoughts is poison. Almost nothing could be more detrimental to the well-being of the company. If you are a senior manager...under no circumstances should you ever “shoot the messenger,” nor should you allow any manager who works for you to do so...I can’t stress this issue strongly enough. It takes years of consistent conduct to eliminate fear of punishment as an inhibitor of strategic discussion. It takes only one incident to introduce it. News of this incident will spread through the organization like wildfire and shut everyone up (p. 119).

While an organization may promise to reward appropriate dissenting behavior and protect such dissent from reprisals, members may be skeptical about the credibility of such promises. Making “credible commitments” to protect potential dissenters who obey the rules of engagement is difficult, but it is critical because if members do not believe that the organization will enforce the rules of engagement in good faith, they may be unwilling to express dissent. The concept of credible commitment, and the difficulties in achieving it, was originally discussed by Schelling (1960). Schelling (1960) explained that when a party A engages in strategic interactions with a party B, A will often need to promise that he will not take actions that harm B, in order to induce B to take actions that are valued by him. The problem is that B may not consider this promise to be credible. Party A can make his commitment credible by eliminating his own ability to take such harmful actions – i.e. to “tie his own hands”. The importance of credible commitment has recently been emphasized in the study of economic and political institutions (for example, Williamson, 1983; Weingast and Marshall, 1988; Miller, 1989; North and Weingast, 1989; North, 1990; Greif, Milgrom and Weingast, 1994; Spiller, 1996). For example, North and Weingast (1989) argued that the institutional changes brought about by England’s Glorious Revolution curtailed the Crown’s ability to confiscate private property, thus leading to the development of a private capital market, which stimulated investment and economic growth.

One means by which the organizational leader can enhance the credibility of his commitment to reward and protect dissenters according to the rules of engagement is to stake their personal reputations on this commitment. One well-recognized way in which the leader can
do this is through what Bennis and Nanus (1985) call “the deployment of self”. For example, through his active participation in Work-Out sessions, CEC meetings, Session C evaluations, as well as through repeated internal communications and writings (Welch, 1998), Welch closely identified himself with GE’s attempt to create an environment in which superiors and subordinates can conduct candid exchanges on an equal basis. Similarly, Andrew Grove staked his reputation on “constructive confrontation” by fervently practicing it himself, both in private meetings with employees and in larger management meetings where his behavior was on public view. He has also taught others how to practice constructive confrontation in a series of high-profile in-company courses, and publicly associated himself with it through his popular writings (e.g., Grove, 1983; 1984).

Just as it is important for organizations to reward and protect dissenters who respect the rules of engagement, it is often necessary for the organizational leader to punish those members who violate these rules. Failure to suppress dissenters who do not base their arguments on reason or supporting data, or who refuse to evaluate and respond to opposing views in a reasonable manner, also constitutes a defection from the leader’s promises to enforce the rules of engagement. Thus, the leader must reserve the right to suppress dissent that violates the rules of engagement. However, the fact that the leader possesses this right naturally raises concerns on the part of members as to whether he will exercise this right opportunistically. Thus, even if a dissenter behaved according to the rules of engagement, the leader may be tempted to label he/she as a violator of these rules, and suppress her dissent. This temptation would be especially strong if the dissent in question casts the leader in an unfavorable light.

This problem of potential defection by the organizational leader is exacerbated by the fact that he/she is the de facto ultimate enforcer of the organization’s rules of engagement. As Grossman and Hart (1986) and Hart and Moore (1990) have pointed out in their analysis of

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11 Kreps (1990) and Miller (1992) have analyzed similar issues. Kreps (1990) emphasizes the importance of corporate culture in enhancing the efficiency of economic transactions when trading partners have the potential to opportunistically extract surplus from each other when unforeseen contingencies occur. He argues that one way an organization can mitigate this expropriation problem is to establish a reputation for behaving according to well-understood principles when such contingencies arise. He further observes that a key challenge faced by organizations is how to ensure that their leaders will in fact behave according to such principles. More generally, Miller (1992) points out that understanding the role of leadership as sustaining credible commitments to policies enhances our understanding of the mechanisms through which broader trust-building and communication activities have their effects on organizational behavior.
incomplete contracts, although parties involved in an economic transaction may be to able to observe key variables in a transaction, these variables may not be observable by a third party, such as a judge. This problem of unverifiability prevents the parties from writing a contract contingent on these variables that is enforceable by the third party. This problem also arises in the context of organizational dissent, because it is difficult for third parties outside of the organization to determine whether the rules of engagement have been violated in a particular act of dissent. Hence, organizations cannot rely on such third parties to enforce their rules of engagement, therefore making the organizational leader the ultimate enforcer.

The problem that the ultimate enforcer of an organization’s rules of engagement may himself violate these rules is a manifestation of the classic question in political economy: “Who monitors the monitor?” For example, Weingast (1995) points out, in the context of the role of the state in affecting economic development, that:

The fundamental political dilemma of an economic system is this: A government strong enough to protect property rights and enforce contracts is also strong enough to confiscate the wealth of its citizens. Thriving markets require not only the appropriate system of property rights and a law of contracts, but a secure political foundation that limits the ability of the state to confiscate wealth (p. 1).

Scholars of political economy have thus emphasized that the ability (or inability) of a society to establish mechanisms that enable citizens to restrain their leaders from behaving opportunistically is crucial in determining its welfare. Some authors, however, have discussed an additional difficulty in establishing these mechanisms; namely, citizens may not even have enough information to determine whether a particular act of the leader is opportunistic. For example, in their analyses of ethnic conflict and witch-hunts respectively, Bates, de Figueiredo and Weingast (1998) and Mui (1999) study situations in which political leaders made claims that citizens were not able to determine whether these acts were opportunistic.

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12 Grove, however, does admit that he has on occasion failed to live up to the standards of constructive confrontation. For example, in an article published in Fortune, he described such an occasion, and urged readers to learn from it (Grove, 1984).

13 For example, as Williamson (1975, 1985) and Klein, Crawford and Alchian (1978) have argued, a key problem faced by parties in many transactions is how to encourage relationship-specific investments. In the unlikely case where the levels of such investments are verifiable by a third party, say a court, this problem could be solved by writing a contract that is enforceable by the third party and specifies these levels.

14 Boards of Directors are of course charged with monitoring major decisions by the CEO, but they are generally removed from more detailed management process decisions, such whether a particular act of dissent has violated the organization’s rules of engagement.

15 Bardhan and Roemer (1992) discuss this issue in the course of formulating an incentive-compatible model of market socialism. Spiller (1996) addresses the issue in the context of designing political systems to encourage sunk investments in public utilities.
about the threats posed by rival ethnic groups or alleged conspiracies. Citizens, however, lack sufficient information to determine whether the extent of these threats justifies the leader’s claims.

A similar information problem exists in the context of organizational dissent. Suppose an organizational leader suppresses a dissenter. Not only will outside parties be unable to determine whether or not this suppression represented a legitimate enforcement of the organization’s rules of engagement, but organization members who did not directly observe the acts of dissent and suppression will face this problem as well. This magnifies the problem that an organization faces when trying to establish a credible commitment to its rules of engagement. In the next section, we explore one mechanism an organization can employ to mitigate these related information and credibility problems; namely, allowing informal leaders to emerge within the organization.

5. INFORMAL LEADERS

Organization theory has long recognized the importance of informal organization in explaining organizational outcomes. Sociologists such as Whyte (1948), Homans (1950), Gouldner (1954), and Dalton (1959) described the formation of organizational cliques and their effects on workers’ output. Analogously, political philosophers and political scientists have emphasized the role of informal political organizations in determining how well societies function. Tocqueville (1990 [1840]), for example, emphasized the role of “civic associations” — citizen groups independent of the state — as critical supports for American democracy. The recent literature on “civic traditions” has generated renewed interest in such associations (e.g., Putnam, 1993; 2000; Fukuyama, 1995).

Both the organizational theory and political science literatures recognize benefits and costs from informal organization. Gouldner (1954), for example, emphasized the ways in which factory production was smoothed by the existence of informal organization, while Whyte (1948) described how informal organization can lead to destructive conflict. Dalton (1959) showed how informal organizational coalitions are sometimes formed to overcome inefficiencies in official procedures, but are at other times formed to exert influence in competition for scarce resources, or to cover up practices that violate useful organizational rules. Tocqueville (1990 [1840]) argued that civic associations serve as social forums in which ideas and proposals are developed,

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16 For recent elaboration of this theme, see Weingast (1996) and Greif (1998).
refined, and support for them gauged. He also argued, however, that once formed, some civic associations may attempt to seize political power, jeopardizing “public tranquillity” and undermining democratic processes.

According to Scott (1981), the formal social structure within an organization is “one in which social positions and the relationships among them have been explicitly specified and are defined independently of the personal characteristics of the participants occupying the positions” (p. 17). Informal social structure, by contrast, is defined as one in which it is impossible to distinguish between characteristics of the participants and the positions (Scott, 1981). In this spirit, *we define informal leaders as individuals who enjoy a following among other organization members, including their peers or others who are not their direct subordinates, because of their expertise, adherence to strong convictions, or other personal characteristics not necessarily related to their position in the organization’s hierarchy.*

Mui (1997, also see Mui, 1999) argues that in societies that have a strong tradition of civic discourse, certain citizens who have a reputation for having a strong concern for civil liberties will emerge as credible social leaders. The existence of such credible leaders mitigates informational problems in witch-hunts. Similarly, in organizations that have a history of encouraging dissent and debates according to a set of well-articulated rules of engagement, some members will emerge as credible informal leaders. *We define credible informal leaders as informal leaders who have reputations for upholding the organization’s rules of engagement.*

There is evidence that managers do develop these kinds of reputations. In his study of conflict management among executives, Morrill (1995) describes a firm in which top and mid-level executives were extremely concerned with their reputations, and those of others, regarding the manner in which they engaged in organizational conflict. In describing these reputations, executives used colorful phrases from the Old West and medieval chivalry, referring to executives who confront others honorably as “white hats” or “white knights,” and the dishonorable executives as “black hats” or “black knights.” These reputations were developed in executive meetings, referred to as “duels” or “shoot-outs.” Morrill (1995) describes dishonorable behavior in the following terms:

Less honorable executives most clearly indicate their lower status by not responding at all or responding in inappropriate ways to grievances by colleagues. They allow colleagues to verbally ‘rape’ them, simply tolerate their opponents by ‘flying low,’ participate in covert action to inconvenience opposition departments… or avoid inflamed conflicts by
The role of credible informal leaders in organizational dissent

An important role for credible informal leaders is to relieve the information problem inherent in organizational dissent described earlier, which is that members may not have sufficient information to determine whether or not a given suppression of dissent represented a legitimate enforcement of the organization’s rules of engagement. This information problem creates two difficulties in the enforcement of such rules. First, the information problem exacerbates the problem that while members recognize that the leader must reserve the right to suppress dissent that violates the rules of engagement, they may be concerned that the leader may exercise this right opportunistically. The information problem magnifies this concern because members may worry that even if a dissenter has actually behaved according to the rules of engagement, the leader may be able to lie by claiming that violations have in fact taken place, and thereby induce them to support the suppression. Second, if a dissenter has violated the rules of engagement, the leader may be reluctant to suppress him, fearing that the suppression will be misinterpreted as opportunistic.

The existence of credible informal leaders mitigates these difficulties in the following ways. First, when such informal leaders speak out against a particular suppression of dissent, their reputations for upholding the organization’s rules of engagement cause members to take them seriously. This reduces the organizational leader's ability to manipulate the informational problem in order to opportunistically suppress dissent that is consistent with the rules of engagement, but that the organizational leader finds threatening to his personal interests. Second, if a dissenter has violated the rules of engagement, and if a number of credible informal leaders endorse the organization leader’s suppression of dissent, then the organizational leader will be able to suppress this dissent with less concern that the suppression will be misinterpreted as opportunistic.

The fact that credible informal leaders can help mitigate information problems in the management of organizational dissent suggests that organizations will capture greater benefits from dissent if they cultivate mechanisms to facilitate the emergence of such leaders. Such mechanisms might include publicizing instances in which members incurred significant costs to uphold the organization’s rules of engagement. The importance of credible informal leaders in
relieving the information problem also implies that organizations should value such leaders for this role, above and beyond their value in terms of sheer competence in the job. Retaining such leaders is especially important when dissent is critical for the performance, or even survival, of the organization, such as at what Grove (1996) called “strategic inflection points” or other times of organizational crisis. This implies that organizations that are more proactive in retaining credible informal leaders, especially in times of crisis, will benefit more from internal dissent.

While credible informal leaders can play an important role in the dissent process, organizations need to be concerned that such leaders may *themselves* behave opportunistically in some critical dissent processes. For example, suppose the organizational leader decides to suppress dissent that was expressed in accordance with the rules of engagement. What prevents an informal leader from being co-opted by the organizational leader, and opportunistically endorsing the suppression? That is, what prevents a credible informal leader from essentially “selling” his reputational capital to the organizational leader? Without some disincentive for these informal leaders to “sell-out”, the system by which they help to monitor the organizational leader is not self-enforcing.

This concern provides an additional reason for the importance of creating an environment that facilitates the emergence of credible informal leaders. Such an environment will allow *multiple* credible informal leaders to *emerge* within the organization. When multiple credible informal leaders exist, any individual leader contemplating “selling out” will realize that if he does so, non-defecting credible informal leaders could sanction him. At the very least, the existence of multiple credible informal leaders increases the number of organizational members that the organizational leader may need to “bribe” in order to successfully defect from his commitment to protect and foster dissent that follows the rules of engagement. This makes it more costly for the organizational leader to defect, and hence he will be less likely to do so.

These arguments highlight the idea that the possibility of sanction by other credible informal leaders can deter a credible informal leader from behaving opportunistically. Unfortunately, this enforcement mechanism can break down, especially during organizational crises. For example, suppose an organization is experiencing strong competitive pressure, and is engaging in a debate about changing its basic strategic direction. In such a situation, some credible informal leaders, or the organizational leader himself, may anticipate leaving the organization soon, or may believe that it will not survive. Under either of these circumstances,
some of them may decide that because there is not much to gain from behaving according to the rules of engagement -- including enforcing such rules -- they may begin to behave opportunistically in the dissent process. Those credible informal leaders whose outside opportunities are the greatest will be especially tempted to behave in this way, because they are likely to be among the first to leave. This can lead to the unraveling of the enforcement mechanism that deters credible informal leaders from exploiting their reputation opportunistically. Furthermore, by the time the organization’s survival reaches the brink, at which point most remaining members are likely to have strong incentives to cease their parochial behavior for the sake of organizational survival, its most valuable credible informal leaders may no longer be part of the organization. That is, ironically, when a well-functioning dissent process is most critical for the well-being, or even survival, of the organization, the process is also most likely to fail.

**The Role of Informal Leaders in Organizational Change**

It is well recognized that a fundamental problem faced by organizations is adaptation and change. For example, an organization may need to contemplate a major change in strategic orientation in response to changes in its environment. In addition, organizations may occasionally find it necessary to consider more fundamental changes, such as changes in the rules that govern important interactions between members. Organizational scholars have explored how cognitive and social psychological considerations can cause members to resist these kinds of changes (e.g., Katz and Kahn, 1966; Argyris and Schon, 1978; Bartunek, 1984; Schein, 1985; Labianca, Gray and Bass, 2000). Others have emphasized political barriers to change (Kanter, 1983; Pfeffer, 1992; Buchanan and Badham, 1999). While both literatures recognize the importance of dissent and informal leaders in organizational change, there has been little systematic study of how the presence or absence of rules of engagement, and the characteristics of informal leaders, jointly affect the organization’s ability to implement change. Our framework provides several insights about this issue.

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17 Labianca, Gray and Bass (2000) discuss how the rigidity of members’ “decision-making schemas” makes it difficult for organizations to encourage them to participate in discussions about the directions of organizational change. Kanter (1983) emphasized the role of “corporate entrepreneurs” in stimulating innovation in large organizations.
As many scholars have emphasized, a change in strategic orientation may have significant negative impacts on particular segments of the organization, and representatives of those segments may therefore be tempted to undertake influence activity, including distorting information, to forestall this change (e.g., Pfeffer 1981, 1992). Our analysis suggests, however, that when the organization maintains well-articulated rules of engagement, self-serving statements aimed at blocking change that are not based on accurate facts and reasoning can be challenged and discredited, making blocking tactics more difficult to carry out. Moreover, the possibility of fact- and logic-based challenges to self-serving statements may reduce members’ incentives to engage in influence activity in the first place. In addition, the presence of balanced rules of engagement may enable the organizational leader and other members to gain a clearer understanding of the nature and magnitude of the negative impacts created by the change in question. This can help the organization to better offset these impacts through the design of, for example, appropriate compensation or retraining programs.

The absence of balanced rules of engagement, on the other hand, can hinder organizational change. For example, organizations without such rules may possess informal leaders who gained their following by having successfully pursued the parochial interests of certain segments. These parochial informal leaders may be able to prevail on the basis of claims that escape the scrutiny of other members, thus preventing the organization from carrying out a thorough debate about the change at hand. For example, Jean-Louis Gassee’s loyal following among Apple engineers allowed him to avoid responding to the mounting evidence and arguments that questioned the viability of the high price/low market share/beautiful computer strategy he advocated.

These observations suggest that rules of engagement can help determine the nature of informal leaders because they can discipline the process by which they emerge. An organization that has a long history of upholding balanced rules of engagement is likely to have informal leaders who have the reputation for upholding them. Such an organization will be better able to capture the desired information and learning benefits from dissent, while at the same time reducing the hazards caused by opportunistic behavior in the dissent process. This will in turn help the organization to sustain balanced rules of engagement, even when it is engaged in heated strategic debates.
A second, more fundamental type of organizational change involves changes in the rules governing the important interactions between members. For example, consider an organization that is attempting to establish balanced rules of engagement, when such rules have historically been absent. One difficulty such an organization may face is that it may be populated with prominent parochial informal leaders. Because balanced rules of engagement constrain their ability to continue to pursue parochial interests, these leaders may engage in individual or collective efforts to resist the establishment of such rules. Moreover, although the organizational leader may proclaim that he/she is committed to establishing and enforcing a new set of rules of engagement, members may be skeptical about the credibility of such a proclamation.

One approach to dealing with these problems is for the organization to cultivate mechanisms that help speed up the emergence of credible informal leaders. For example, the organization can strategically re-assign or promote emergent credible informal leaders to units of the organization most in need of them. When necessary, the organization can hire new members with external reputations for upholding rules of engagement similar to those that the organization is attempting to establish. The organization can then create opportunities for these new members to interact with existing members in settings in which contentious strategic debates are expected. This will help existing members to test whether these new members are in fact willing to uphold the rules of engagement, and can help some of the new members to establish internal reputations as credible informal leaders. Through the mechanisms discussed earlier, the existence of these new credible informal leaders can help overcome information and credibility problems in the enforcement of rules of engagement. More importantly, their existence can encourage others to challenge those informal leaders who violate the rules of engagement. These new credible informal leaders may help overcome the resistance to change presented by parochial informal leaders, and may even contribute to their demise.

6. CONCLUSION

This paper develops a political-economic framework for the study of organizational dissent. The framework emphasizes that in the absence of appropriate rewards and protection from retaliation, members may not express dissent in a way that is beneficial to the organization. Building on a critical evaluation of the organizational and political science literatures related to dissent, we analyze the costs and benefits of organizational dissent simultaneously. Drawing
from experiences of General Electric, Intel, and Apple Computer, we demonstrate how rules of engagement can affect the organization’s ability to capture these benefits while mitigating the costs. We also analyze credibility and information problems that organizations face in the enforcement of these rules of engagement, and explore the roles of credible informal leaders in overcoming these problems, as well as in facilitating organizational change.

Our analysis suggests several avenues for future research. For example, it is frequently observed that mergers and acquisitions often suffer from “culture clash”. One aspect of culture clash may be incompatibility between the merging firms’ approaches to the management of dissent. Consider a situation in which a firm with balanced rules of engagement acquires a firm that lacks rules of engagement, and wishes to ensure that its rules will be upheld in the merged entity. Our analysis implies that a firm’s ability to establish and sustain balanced rules of engagement depends on the **strength** of its credible informal leaders. This ability will be compromised if the acquired firm possesses a large number of prominent parochial informal leaders who strain the capacity of the credible informal leaders to sustain the rules of engagement. This problem is magnified in situations in which parochial leaders in the acquired firm also possess highly valuable strategic knowledge. Future research should investigate whether and how incompatibilities in firms’ approaches to the management of dissent, and in the nature and strength of informal leaders, can lead to the failure of mergers and acquisitions.

Our analysis has focused on economic and political considerations in organizational dissent. A natural direction for future research is to investigate how these considerations interact with social and psychological factors in determining dissent behavior. For example, Kogut and Zander (1996) argue that organizational identification plays a key role in organizational knowledge development. However, in the absence of additional mechanisms that **discipline** this social process, identification could actually be detrimental to organizational knowledge creation. For example, if members identify more with their sub-unit than with the organization as a whole, they may be motivated to provide misleading information in strategic debates regarding the directions of knowledge development, in order to promote their sub-unit’s parochial interest. Our analysis suggests that credible commitments to uphold balanced rules of engagement may be required to deter this kind of opportunistic behavior. On the other hand, the presence or absence of balanced rules of engagement may affect members’ sense of organizational identity. A better understanding of these issues is necessary for a more complete theory of organizational dissent.
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