Interview with James G. March*

Stanford, January 16th 2001

Q: Last year you were awarded the title of Honorary member of the European Group for Organizational Studies (EGOS). How could you characterize your connections to European organizational scholars?

J.M.: As you know, my closest relations over the years have been with Scandinavian students of organizations. In the rest of Europe, I also have, I think, good relations, including close connections to a number of colleagues and friends, particularly in the western parts of Europe. My relations with colleagues in Central- and Eastern-Europe are less dense, but I have relations I value with you and your colleauges in Hungary, as well as less elaborated contacts in the Czech Republic, Poland, Bulgaria, Romania, Croatia, and Russia. These contacts are important to me. They provide the multi-national perspective that is essential. On a more concrete level, I think the post-Soviet history of the eastern parts of Europe have created natural experiments in organization studies. It is in most respects a hard time to live, but a great time for learning about organizations.

Q: How useful are Western management and organizational approaches in studying Central- and East- European organizations?

J.M.: Any decent organizational theory or management theory has to attend to historical, cultural and institutional differences in the institutions we study. Moreover, research traditions differ. There's a difference in the kind of research or the research orientation between the average European scholar of organizations and the average American scholar. These are also very substantial differences within Europe, English writers are really quite different from the French, for example. And a real community has to attend to all of these somehow. As far as applying things, it's sometimes true that research that is developed from your own culture turns out to be less useful than research that is developed from another culture about you. One classic case is De Tocqueville's analysis of American institutions in the nineteenth century. This advantage of outsiders stems partly from the fact that their observations are less redundant with what is already known and partly from the fact that they often proceed from a different basic framework, one that illuminates different aspects of the hypenomena of interest. So I would expect western approaches to be valuable for example in Hungary, and Hungarian approaches to be valuable in the US. I am an enthusiast for diversity. But perhaps you had something else in mind.

Q: The role of historical contingencies versus adaptation to emerging conditions?

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* published by Organization Studies, Vol. 21, no. 5 , p.1026.

J.M.: I think adaptation to emerging conditions occurs in the context of history and cannot be separated from it. Adaptation builds on history. So you cannot really have a theory of adaptation without embedding it in what's gone before. That's how it works.

Q: We talk about Western approaches very often in our conversations and of course in business as well. Sometimes it's also a question of globalization in organization theory, isn't it?

J.M.: I think we should always strive is to have a global theory, but we'll never succeed. The tension between idiosyncratic institutional, historical and cultural factors and our desire to have an overall, overarching theory is a good tension. I have been reading a book on Hungarian history. It's a fine book, and it's an extraordinary history. Modern Hungary is embedded in that history. That's very important. At the same time, our job is to struggle to find some things that extend across different histories. factors. So whenever people start having global theories we need to say 'well, you have to worry about institutions, history. And whenever people emphasize historical and institutional idiosyncracies, we need to say 'Let's make it more general.'

Q: How does knowledge creation and distribution work in modern organizations?

J.M.: I'm a little nervous about the word 'knowledge' because it's a popular word that has become fashionable without any precise understanding of what it is or how we can talk about it. If you speak about 'knowlede' softly, I suppose knowledge creation and knowledge distribution is pretty much my focus these days. But I don't often use the 'knowledge' term because I think it's been corrupted by the way people use it. It has become too popular.

Q: And how do you see the future of this 'knowledge theory'? Is it much more a fashion or does it have any lasting relevance?

J.M.: Well, a large part of it is fashion. Certainly. And there are all manner of books about 'knowledge' that don't say anything. But I think the pursuit of knowledge, and through knowledge of intelligence, represent enduring problems. The word itself is unimportant. When I talk about the problem of exploitation and exploration, I'm really talking about knowledge creation. And when I talk about diffusion of learning, then I'm talking about knowledge distribution. And I think that we will come to learn a little bit about those things. I would be hesitant to give any very precise consulting advise but I wouldn't at all be hesitant to talk to people who work in the field and say 'Here is something we know'. Consider a very specific example, what I consider the most important theorem from so-called 'bandit' problems. 'Bandit' problems involve a version of exploitation and exploration. Probably the most important theorem from that research is one that shows that the optimal rate of exploration depends on the time prospective, that is how far ahead you look. The further

ahead you look, the more exploration you should do. Now sometimes that's obvious but it's extremely important. And the problem for most organizations is that they don't look very far ahead. As a result, they often underexplore. Because they have a short time frame. They also have short, well, I call it 'space horizon'. Part of the organization is learning. It learns on the basis of feedback about how that part is doing. Of course, what it's doing has consequences for other parts of the organization, but those consequences are less salient. These 'spatial' perspectives tend to be local, rather than global. As a result, tend to invest too little in exploration from the point of view of the whole system. I think I can explain that to a business person. They'll understand it. And they can then apply that to their specific situation. I could not apply it to their specific situation. I can say that here is a phenomenon and these are the implications.

Q: You mentioned consultancy. Knowledge management in practice is a high issue. Every consultant would like to introduce a new term. We are talking about consultants who "Talk funny and make money". But on the other hand they have real influence on business. How do you see the role of these consultants, and consulting firms in the knowledge world, and in general?

J.M.: The "Talk funny and make money" description is one that I wrote, but the main point of that article was that consultants have a very important role. It's not quite the role that we sometimes assign to them. Their role in solving the specific problems of businesses is relatively modest. Without knowing the context they can't do much. They spread ideas around as "desease carriers". But when they spread ideas, of course, the ideas change. For example, ideas like 'Total Quality Management' have been spread by consultants. But when we study TQM, it seems to be rather different in different organizations. Consultants spread the rhetoric and some procedures, but then the organization takes over. That's useful. But it's important to recognize that what is happening is the stimulation of some kind of change, not any specific, well-defined change. 'Total Quality Management' is quite different in different organizations and in different countries I'm sure. I assume it exists in Hungary, but if I went into a Hungarian firm, it would look different from what I might find in an American firm. If I go to different American firms, TQM looks different. The other useful thing that consultants do is to say things that are not really quite true, but look at the world in a way different from the way a manager looks at it. The perspective may not be precisely applicable, but it stimulates the manager to think differently. In this way, the consultant acts in much the way a theorist does to provoke a manager to think in a different way and to organize his own rich contextual knowledge (which the consultant does not have) in a new way.

Q: There is a way of argumentation that business consultants contribute to the standardization of procedures and the standardization of solutions by taking solutions from one company to another. Is that true?

J.M.: I think that's a reasonable statement if you qualify it somewhat. Remember, I said consultants are aids to diffusion. And diffusion is a homogenization process.But what we observed in organizations is that when you transfer something, it changes. It is transformed at the same time. So generally you don't get homogenization. You homogenize some of the terminology. You homogenize the symbols. But you usually don't get very great homogenization on other things. The words 'Total Quality Management' spread and everyone has 'Total Quality Management' by now.

But what different organizations have are quite different things. So the rhetoric spreads more easily than the content typically, although I can think of situations where it's the other way around. A situation where it's the other way around is, you can remember, from twenty years ago in Hungary. A lot of management techniques spread in Hungary but they had to be distinguished from capitalist techniques. They had to have Marxist-Leninist type of labels on them. So you got Gvishiani's book, a thoroughly informed western book on management, couched in Marxist-Leninist terminology. In that case, the labels didn't diffuse but the ideas did.

Q: Maybe you know that Lenin was the first to support the translation of Taylor's books.

J.M.: Marxism was quite consistent with those parts of management theory that emphasized rational planning. Operations researchers in the Soviet Union had no difficulty at all talking to operations researchers in the U.S.

Q: It may be interesting for you why the activity of the consultants is important for us. In Hungary, as well as in other Central-European countries, there was a real lack of market oriented knowledge. And the consultants from McKenzie to KPMG played a very important role in bringing in these ideas. That is the reason why everywhere in Eastern European countries it was a really important question.

J.M.: It has to be true. You don't have to go that far from here. If you look at start-up companies here, they were typically started by people who haven't the remotest idea what a market is.They know nothing about how to run a company. They go to consultants who tell them 'You have to have this, you have to have this, you have to have this.' They go to one consultant to get their human resource department set up, and they go to another consultant for their accounting system, and so on. Of course, what happens is that the consultants give them some packages and gradually they learn how to work around those or through those. But without that help they'd be lost. They couldn't communicate to anyone. When I'm a board member of a company, I have to have someone give me a list of things I'm allowed to do, that I'm not allowed to do, and that I have to do. There are manuals where I can find these. That kind of knowledge is extemely important. Take a Hungarian, or American or French firm trying to

operate in China. The first thing they do is to try to find somebody who can tell them the 'rules' of operating in China.

Q: You mentioned that understanding how to achieve organizational effectiveness is a tough question. I ask it because every manager would like to have a successful organization, business excellence etc. And sometimes the consultants manage to create a much more effective organization. So my question is why do you think that organizational effectiveness is a tough topic. I have seen about five hundred items in the Socrates library program related to it.

J.M.: I don't object to the word 'effectiveness' or to the idea that there are some things that make organizations more effective. My objection is much more narrow and addressed primarily to scholars. I think it usually is a mistake for scholars to try to study performance as a dependent variable. Determining the factors that produce differences in organizational performance requires data we usually do not have and experimental controls that we almost never have. There are too many variables and too few data points. The variables are not under experimental control but are themselves endogenous. Since apparently successful practices are imitated, their visible effects are eliminated. If you look at the history of research trying to say something about ultimate organizational performance (profit in the case of business firms), that research has been almost entirely disappointing. Partly this is because there is a good deal of knowledge that has already been put into the system. If we could persuade someone to organize in a clearly stupid way, it would show up in the data. But nobody organizes in a clearly stupid way so it doesn't show up. Suppose for example that you wanted to understand the effect of participation and decision making by teachers on the retention of teachers and on turnover. That is essentially impossible to study in the field. There may be an effect but you never see it, and whatever you see is produced by so many factors that you cannot untangle them. Despite this, there is a lot of pressure on consultants and professors to answer questions like that. Consultants want to be able to say: If you organize in this way, you will have higher profits. In standard scholarly terms, they cannot have a valid basis for making such statements, but the market compels them to try.

Q: But the company manager pays for the consequences. They pay a lot of money. And they ask ' What have you done for me?'

J.M.: I think you should not work for those managers. But consultants, like so many of us, have to make a living.

Q: What is your present research interest and what is your opinion about the current management and organization theory?

J.M.: My present research interests are not much different from the research interests of my whole life. I've been mostly interested in how organizations adapt to their changing enviroments, either by calculated rationality or by

learning or by selection, whatever. So that's where I am now. I think if I had to say what things at the moment most interest me, they are, first of all, the various aspects of the balance between exploitation and exploration - the way in which organizations develop what they already know and discover what they might come to know. How they balance those two activities against all kinds of pressures. And secondly, I am interested in trying to develop a somewhat richer theory of the diffusion of knowledge.

Q: How do you see the future trends of organizations?

J.M.: The one thing that you can forecast about the future is that your forecast will be wrong. Most people in forcasting are doing either one of two things. Either they are taking things that have already happened and say they will happen some more, or they are take their wish list, what they hope will happen, and announce that it will happen. I don't think either of those are very good prediction devices. Most of the interesting things that have happened in the past in organizations, the big things that have happened, none of us predicted. So why would it be different in the future?

Q: How do you see the role of information technology? Sometimes there are people who talk about chaos that will happen and other people believe in order. Order versus chaos. It's a really interesting question. It is a very interesting question for us in Central and Eastern Europe because here the gap is smaller compared to West-European countries and to America. Maybe it is not the latest technology but three to five years old technology. So in Hungary it's an interesting question for us what is our expectation: chaos or rather order? We know that Orwell wrote about that very well and sometimes people are afraid of the future – the socialist order comes back or something else?

J.M.: I think we can have vague kind of speculations about that. I would think that one of the first steps one ought to take, but we don't take, in understanding what the impact of information technology will be is to try to understand what it has been and why it has been what it is. Everyone agrees that it has an enormous impact. But I don't think we have a very clear notion of how that impact has happened or what exactly that impact is. One of the arguments for example is whether on balance all the money spent on information technology has produced a return equivalent to what it has cost. There are serious people trying to study it who say that the gains from information technology are very substantially less than the total costs of it. They are not referring to social cost, they are talking about money, about financial cost. And this enormous amount of investment has really not had anything like a return equal to the cost. Now suppose that's true. Then our job is to explain why it spreads, why is it that so many people use it. And will that help us understand what will happen in the future? I think the kind of question you were asking, the Orwellian question, is a very important one though I don't have any idea about how to go about talking about it. When I was younger and more daring I said. Modern

electronics and information technology in general will force us to have less privacy and as a result of less privacy, we would have to change our moral code. Because our moral code is built fundamentally on the ability to conceal many of the things we do. A whole set of rules, the rules that could not be satisfied, so we satisfy them publicly but not privately. I argued that if you increase the domain of what is public, then the rules would have to change. I suppose there are a few signs that that speculation has proven to be true, but I don't think the confirmation is very conspicuous. What I think is impressive in many ways about the whole debate over privacy is the extent to which people are clever in sustaining privacy. So, although it looks like you get much less privacy, I'm not sure it's quite like that.

Q: It is a bad feeling that we can not make a forecast for two or three years, when we are talking about information technology. But for other parts of business or another part of management we can create a much better forecast. However it is much less possible to create a forecast for tree to five years.

J.M.: We are getting to be a little bit more sophisticated about what the market is, the people, about little gadgets, but it's hard for me to comment because I live in this very funny culture around here where newspapers have headlines on the front page about some new product that might seemingly revolutionize something although probably you'll never hear about it again. The visions about the future become news and they never become reality. We can't even decide whether information technology will lead to more centralization or more decentralization. Part of the problem stems from the inadequacy of concepts like centralization and decentralization, but part of the problem is that we simply don't understand the processes of social change.

Q: What about the changing role of management education?

J.M.: I think that any time you're in the world in which things are changing management education has to go to the fundamentals. You cannot train a manager now for the details of management. He will learn that when he gets there, and it will change several times during his career. So my management education looks like a highly intellectual training in fundamentals.

Q: You said basic fundamentals. What fundamentals do you mean?

J.M.: The basics of economics, social life, psychology, the basics of computers, mathematics, and languages. And what drops out of that? Probably the more applied domains that are linked to specific practices.

Q: But it does not always depend on us, teachers, because sometimes students would like to learn about the American practices.

J.M.: Yes. But they adapt and you just have to resist them. They don't know. They are right in the sense that somehow they have to sell their services to somebody and that somebody will say 'Well, you don't know anything about

accounting' So they should know something about accounting. So give them a textbook to read before they go to talk to somebody. But I wouldn't waste much educational time. But it is easy for me to pontificate. No one has asked me to design business education.

Q: It is not so easy to define what is basic either because it will also change. I remember that twenty years ago we tought the classics of organization from Taylor to James March for a semester. And now it's a question for us, for example, to teach the post-modern or not. Is it basic or not.

J.M.: I think that's an interesting intellectual formulation of the problem, so I would teach some of that. Not because it's current, but because ideas of social construction and technology are important. If you want you can teach it using Plato. I don't think you have to use so called 'modern terminology' which tends to be a little tortured. The essence of my strategy is that what you would teach people is reading, writing and arithmetic.

Q: That doesn't change.

J.M.: That doesn't change. And you teach some attitudes. I would say now the biggest problem with contemporary business education is that we don't teach an attitude that says you have to learn continuously. Education does not stop when you walk out the door. Education is a permanent thing. So what we should be doing is preparing people for permanent life of education. The notion that you continue to read, you continue to try to solve problems.

Q: To what extent are you involved in teaching? Do you teach PhDs or graduate students, do you lecture?

J.M.: My life is mostly teaching. I no longer give large lecture courses, but I spend most of my time trying to communicate a few ideas. The particular format or content may be important but they are really ideas about life. I had lunch today with a film maker. And we have been talking about the possibility of producing a film that would essentially focus on what I talk about on my leadership course. What I told this film maker was I was not interested in a film that was oriented particularly to business. I wanted to talk about the ideas and I hope the ideas underlying leadership, the ideas underlying life.

Q: Is it a kind of challenge for your ideas, or is it fun?

J.M.: If you are thinking about using a new medium, you should stand back and ask 'What can this new medium do that I couldn't do before'. And my answer may be 'nothing' and then I will say 'No, sorry, I won't do it.'

Q: We hope we shall see that film. Thank you very much for the interview.

Miklós Dobák and Károly Balaton